

autonomous control at the start of the Sino-Japanese hostilities, but have come to be steadily placed under semi-governmental control in regard to distribution and prices. The Government enacted the Shipping Control Ordinance in February 1940, and decided upon the essentials of the national shipping control policy in September, thus steadily completing the State control over shipping.

The second Konoe Cabinet barely managed to ride out the storm of aggravated national and international situation through the three months of the 76th session of the Imperial Diet. But the demand for further strengthening of the administrative power of the Government after the outbreak of Russo-German war compelled Prince Konoe to effect a thorough reorganization of the cabinet and the second Konoe Cabinet tendered resignation to the Throne on July 16. His Majesty the Emperor ordered Prince Konoe to be the Prime Minister for the third time on the following day and the third Konoe Cabinet was organized, on the 18th.

The 76th Session of the Imperial Diet The 76th session of the Imperial Diet was convened at Tokyo on December 24, 1940, and its actual business was commenced on January 21 of the following year to be continued until March 1, the number of sitting days only 40, the shortest in the history of ordinary sessions. Besides giving approval to 16 budgetary bills without any amendment, the Diet passed 87 governmental bills, including such important

bills, for strengthening wartime measures, as the Revised Penal Code, the Act for Revising the National General Mobilization Law, the Revised Public Peace Preservation Law and the new National Defense Security Law. The singular characteristic of the 76th session was that no party oration or interpellation was heard because of the dissolution of all political parties during latter half of 1940 as mentioned above. But all the members of both Houses were united in supporting the Government in its efforts to accomplish important policies for bringing about the China Affair to a satisfactory conclusion and to properly deal with difficult problems arising out of the grave international situation of the country, and the House of Representatives adopted a decision for encouraging the Government for enforcing control measures on national economy, while the House of Peers adopted another decision supporting the Government in the efforts of surmounting all difficulties confronting the advance of the nation toward a greater future. The formal closing ceremony was held on March 26 as usual, but the session finished its main business on March 1, to give the Government time free for taking quick actions at any emergency.

The 4 year term of office of the members of the House of Representatives became due with April 1941, most of the present members being elected at the 20th general election of April 30, 1937. But it was postponed one year, the 21st general election to be conducted at the end of April 1942.

POLITICAL AFFAIRS DURING 1941-42

The United States enforced freezing restrictions against Japanese assets held in that country as from July 26, 1941, as a direct retaliation to Japan's joint-defense agreement with French Indo-China and the resultant despatch of Japanese forces to Indo-China. Britain followed the United States in enforcing similar measures against Japanese assets, and also notified the Japanese Government on July 26 the abrogation of three commercial and trade treaties with Japan. The Japanese Government immediately decided to take retaliatory measures and the Foreigners Transactions Control Regulations were promulgated on July 28 in order to control all assets and transactions of Americans and

British subjects in this country (See pp. 320-322, the Japan Year Book, 1941-42). The diplomatic relations between Japan and the United States became worse and worse, and the negotiations between the two countries which had been commenced at Washington in the spring of 1941 finally culminated in the rupture of their friendly relations during past 87 years or since 1854 when the Amity Treaty between them was first concluded, tracing such a course as mentioned in the chapter on "Foreign Relations."

Japan's political affairs during 1941-42 may be said to have centered round the diplomatic issue, the consequent outbreak of the Greater East Asia War on December 8 and the development of the

War in the South Sea regions.

Change of Cabinet The third Konoe Cabinet resigned on October 16, on account of a division of opinion among its members, and the Tojo Cabinet came into power on October 18 with General Hideki Tojo as Premier, and those members whose names and careers are given in the "Present Cabinet" in the chapter on "Government."

The 77th Session of the Diet The 77th Session of the Imperial Diet was convened in Tokyo on November 15. In his address, on the 17th, before the Diet, Premier Tojo said in reference to the international crises around Japan as follows:

"... Japan entered into an agreement with the Vichy Government for the joint defense of French Indo-China and in accordance with this agreement our reinforcements were despatched to South Indo-China in the latter part of July. But Great Britain, the United States and the Netherlands East-Indies viewed these legitimate measures of self-defense with suspicion and misgivings. They froze our assets in their countries and by resorting to virtually complete embargoes enforced an economic blockade and at the same time rapidly augmented their military measures against our country. It hardly requires an explanation that economic blockade resorted to us between non-belligerent countries constitutes a measure little less hostile in character than armed warfare. . . .

"The Japanese Government, in the peace-loving spirit which has inspired the nation since the foundation of the Empire, are even now devoting their utmost efforts to a diplomatic settlement in order to safeguard the existence and prestige of the Empire and to establish a new order in East Asia. The Japanese Government expect that (1) the third Powers will refrain from obstructing a successful conclusion of the China Affair which Japan has in view; (2) The countries surrounding our Empire will not only refrain from presenting a direct military menace to our Empire, but nullify such measures of hostile character as economic blockade and restore normal economic relations with Japan; and (3) Utmost efforts will be exerted to prevent the extension of the European War and the spread of the disturbances into East Asia."

A bill for increasing the State revenue,

mainly in indirect taxes, by 630 million yen in an average fiscal year was passed by the Diet, partly with the purpose of absorbing the surplus purchasing power and curbing the consumption of material for purposes of extravagance. A bill for the establishment of an Industrial Equipment Corporation was approved by the Diet. The proposed corporation is to build the equipment of important industries which are required to be set up by the State, and to utilize idle equipment in time of war. The Session was closed on November 21, after passing 4 budgetary bills, 5 bills for amending existing laws and 2 new laws, including the tax increase regulations and the law concerning the establishment of the Industrial Equipment Corporation, besides giving sanction to one Imperial Ordinance and a provisional postal regulation.

The Imperial Diet, at the 77th session, was organized with the following political groups:

The House of Peers	
Imperial Princes	16
Kayo-kai	45
Kenkyu-kai	165
Kosei-kai	68
Dowa-kai	32
Koyu Club	31
Dosei-kai	25
Non-Party Club	23
Individuals	10
Total	415
House of Representatives	
Yokusan Gion Domei	334
Doko-kai	37
Ko-A Gion Domei	26
Gion Club	11
Dojin Club	8
Individuals	17
Total	432

The Greater East Asia War and the 78th Session of the Diet With the purpose of rallying the whole nation for the successful execution of the Greater East Asia War which began on December 8, the 78th Session of the Imperial Diet was convened in Tokyo on December 15.

The brilliant victories in the Pacific up to that date as recorded in the article "The Greater East Asia War," Chapter VII, National Defense (Section II), have more than answered the national confidence in the Imperial Army and Navy and the expectation of the Throne and the subjects, who felt to have come out

of the darkness on December 8 when they listened to the first radio announcement early in the morning that the Imperial Army and Navy had entered the conditions of war against American and British forces in the Southwestern Pacific. That announcement only was enough to bring the nation to a great joy and to a firm decision that they would surely win victory over enemy countries, even before obtaining any report of the outcome. Japan had fought several international wars. But there was no occasion comparable with this one in that the whole nation have been united in one heart with full confidence in their defense forces and conviction in the national power, although the adversaries are much more powerful than former enemies.

On the same day the august Imperial Rescript declaring war against the United States and the British Empire was granted and the Government announcements followed calling forth the time-honored loyalty and patriotism of all subjects to the Throne and the country. The full text of the Imperial Rescript is given in Chapter VI, but it says in part:

... It has been truly unavoidable and far from our wishes that Our Empire has now been brought to cross swords with America and Britain. . . . Moreover these two Powers, including other countries to follow suit, increased military preparations on all sides of Our Empire to challenge us. They have obstructed by every means our peaceful commerce and finally resorted to a direct severance of economic relations, menacing gravely the existence of Our Empire. . . . The situation being such as it is, Our Empire for its existence and self-defense has no other recourse but to appeal to arms and to crush every obstacle in its path. . . . We rely upon the loyalty and courage of Our subjects in Our confident expectation. . . ."

The 78th Session sat only two days as an extraordinary session for giving approval to the war measures of the Government, and passed a budget and 8 acts relating to war, expressing hearty thanks to His Majesty's brave soldiers and sailors and national decision for carrying the war to the final victory.

The 79th Session of the Diet The 79th Session of the Imperial Diet was convened in Tokyo on December 24. It attained an epochmaking achievement in

passing many important budgetary bills, including the extraordinary military budget of 18,000 million yen and the ordinary 1942-43 budgets of 8,837 million yen, and 84 bills, and adopting a resolution on attaining the full purpose of the Greater East Asia War through all difficulties. It finished its work practically by February 14, and was formally closed on March 26, 1942, in great satisfaction over its own achievement and the victories of the Imperial forces in Malaya, Java, Burma and Luzon fronts.

The political, economic and military affairs in Japan since the outbreak of the war and Japan's intentions were well described in ministerial speeches made before the Diet on January 21, February 16 and March 12 which are hereunder quoted.

Prime Minister General Hidéki Tojo said in part as follows:

"It is indeed a matter for congratulation that, since the beginning of the War of Greater East Asia, the Imperial forces have achieved brilliant victories wherever they went, carrying everything before them, and have already destroyed, in a short space of time, most of the enemy's strategic points in Greater East Asia. Pressure upon the Chungking régime, too, has been increasingly strengthened, while our defense in the North is secure and adamant. The power and prestige of our Empire is thus being enhanced both at home and abroad. This is solely attributable to the august virtue of His Majesty and for this we cannot but be profoundly impressed. To the loyal and brave officers and men of the Imperial Army and Navy, who are winning these signal victories over a wide area by fighting with courage and vigour, overcoming all adverse elements, I wish to express my profound appreciation of and pay tribute to their fortitude and accomplishments. I wish also to tender my sincere respect to the spirits of those who have died in defense of the country, and extend my deep sympathy to their families as well as to the wounded officers and men. . . ."

The United States and the British Empire are, however, the countries which boast of their wealth and power as the greatest in the world, having for many years consolidated the foundation for their domination of the world. Even though they have suffered overwhelming defeats in the opening of the war, it is not difficult to imagine that they will

stubbornly resist us and try to turn the tide of the war. We must, therefore, be prepared for difficulties of various sorts which may arise in the future and that the present war will become a protracted one. Accordingly, this war remains indeed to be fought hereafter. In order to fulfill the purpose of the war, the whole nation must persevere in whatever difficulties and tribulations that may confront them with a firm conviction of ultimate victory and thus serve the country. It is this very spirit of industry, of thrift, of reverence for valour, and of sacrifice for the State that is absolutely indispensable not only for overcoming the present crisis but also for assuring the future progress and prosperity of our Empire.

Japan is now vigorously proceeding with the great task of establishing the sphere of common prosperity of Greater East Asia, while prosecuting military operations on a most extensive and grand scale with the total strength of the nation. The basic policy of establishing the Greater East Asian Co-prosperity Sphere has its origin in the great ideal which guided the foundation of our Empire, its aim being to enable each country and people in that part of the world to have its proper place and demonstrate its inherent character and to secure thereby an order of co-existence and co-prosperity based on moral principles with Japan as its nucleus. Its establishment is to extend over a vast area and is to be realized through our cooperation with different peoples. The regions which will newly participate in this work of construction are those which, though abounding in various resources, have had the progress of their civilization greatly impeded due to the ruthless exploitation of the United States and Great Britain for the past hundred years.

By including these regions, our Empire intends to establish a lasting peace in Greater East Asia with a new conception which will mark a new epoch in the annals of mankind and to proceed to construct a new world order in conjunction with our Allies and friendly Powers in Europe. This is truly an unprecedentedly grand undertaking, and its success is a condition prerequisite to leading our successes in armed combat to ultimate victory.

It is the intention of the Government that, in this construction, the areas essential for the defense of Greater East

Asia shall be controlled and dealt with by Japan herself; with regard to other regions, appropriate measures will be taken as the war situation develops, in accordance with the traditions, cultures and other circumstances of their respective peoples.

The Imperial Army and Navy forces have already occupied Hongkong, secured the greater part of the Philippines, brought nearly all of the Malay Peninsula under their control and recently occupied strategic points of the Netherlands East Indies. Of these regions, Hongkong and the Malay Peninsula have for many years been the British possessions serving as bases for disturbing the peace of East Asia. Therefore, Japan not only will eradicate thoroughly the sources of such evil but will even convert these places into bulwarks for the defense of Greater East Asia. As regards the Philippines, if the peoples of those islands will hereafter understand the real intentions of Japan and offer to cooperate with us as one of the partners for the establishment of the Greater East Asian Co-prosperity Sphere, Japan will gladly enable them to enjoy the honor of independence. As for Burma, what Japan contemplates is not different from that relating to the Philippines.

With respect to the Netherlands East Indies and Australia, if they continue as at present their attitude of resisting Japan, we will show no mercy in crushing them. But, if their peoples come to understand Japan's intentions and express willingness to cooperate with us, we will not hesitate to extend them our assistance, with full understanding, for the benefit of their welfare and progress.

It is really regrettable that the Chungking régime is still continuing its meaningless resistance against us. Japan will thoroughly destroy that régime. I am firmly convinced, however, that it is high time that all of the four hundred millions of the Chinese people saw the great change in the world situation in its true light and joined in the glorious task of constructing the sphere of common prosperity in Greater East Asia by discarding once for all their time-old dependence upon the United States and Great Britain.

It is to be sincerely felicitated that the peoples of Manchoukuo, China under the Nanking Government, and Thailand, in unity with us, are putting forth ceaseless efforts for the construction of the Great-

er East Asian Co-prosperity Sphere and that French Indo-China also is cooperating with us to the same end.

We are profoundly gratified that our Allies, especially Germany and Italy, are steadily winning victories in common with our Empire for the establishment of a new world order. We intend to strengthen further our solidarity with these allied Powers in military, diplomatic, economic and various other phases and go forth toward the attainment of the common purpose.

The constructive undertaking contemplated by our Empire will, in the early stages of war, be commenced under military administration, beginning with those which are essential for the prosecution of the war. Meanwhile preparations will be made for future construction on a large scale, and as the defense and maintenance of peace and order are firmly secured, the scope of civilian participation will be extended. In view of the fact that our plan of Greater East Asian construction is one that will determine the fortunes of the Empire for generations to come, it is necessary to perfect preparations to the fullest possible extent. The Government intend, therefore, to leave nothing to be desired in the formulation and execution of the plan, by mobilizing all the best minds and talents in Government and civilian circles and by securing their wholehearted cooperation.

Considering such circumstances as I have stated, what is urgent for our country today is to devote our total strength to the purpose of further exploiting successes in armed combat, so as to bring the enemies to their knees, and, at the same time, to accelerate the strengthening of our power to prosecute the war, thereby ensuring our position for winning ultimate victory. It is the firm belief of the Government that various measures should also be concentrated on this purpose.

Consequently, the Government are desirous of establishing programs in all branches of administration necessary for the war and of executing them speedily. For the purpose of maintaining and augmenting wartime productive capacity, the Government intend to concentrate, on priority basis, materials, labor, electric power, funds, etc. on superior and urgent enterprises, thereby effecting the maximum utilization of the existing equipment and, at the same time, to pay special attention to the expansion

of production of important national defense industries. They also intended to leave no room for improvement in perfecting the wartime food policy in order to ensure the people's livelihood. In view of the fact that the most important problem at present is not an insufficiency of resources but rather the question of perfecting communication and transportation facilities, the Government desire to improve the means of communication and transportation by exerting special efforts to the construction of vessels.

Since the opening of the war, the scope of activities of our people has notably expanded with their responsibilities having steadily grown in importance. The improvement of the qualities of the people and an increase of population have accordingly become essential, not only for the prosecution of the war but also for the completion of various constructive enterprises. To this end, the Government intend to put forth utmost efforts for the renovation and reinvigoration of education in general and for the fundamental readjustment of the institutions and systems for people's health and medical treatment."

Finance Minister Okinori Kaya revealed the economic conditions of the country in 1941 and the future plan of the Government in his speech as follows:

"During the last year the conditions of our financial circles continued to progress in peace without showing any sign of disturbances in spite of the outbreak of the War of Greater East Asia. Thus, although the Government funds have continued to be distributed to reach an enormous amount during the last few years, the back flow of these funds has on the whole been realized advantageously and the note issue at the end of last year stood at ¥6,231,000,000, which, though representing an increase of ¥1,301,000,000 as compared with ¥4,930,000,000 at the end of the year before last, has favorably decreased after the turn of the new year. In the interim, the bank deposits increased by ¥6,611,000,000 during the last twelve months, the postal savings mounting by ¥1,650,000,000 during the same period. The capital market also made favorable progress with the new issues of corporation bonds amounting to a huge total of ¥2,649,000,000.

The flotation of public bonds reached

the figure of ¥8,782,000,000 last year, but during the same period as much as ¥7,366,000,000, or 83.9 per cent of the whole amount, was absorbed.

As for the public bonds floated since the outbreak of the China Affair, these have totalled ¥26,361,000,000, of which ¥21,827,000,000, or 82.8 per cent of the total, has been digested. This is quite a commendable result. However, their flotation is expected to continue to climb during and after the 17th fiscal year of Showa (1942-1943), and it will have become increasingly imperative for us to endeavor for the satisfactory digestion of public bonds.

In the operation of wartime finance, the importance of taxation is too obvious to need any comment, and the people on the home front have demonstrated their patriotism by paying their tax dues in a most satisfactory manner. Hence, in spite of their added tax burden due to the tax increases enforced recently, the payment of taxes has shown extremely satisfactory results to our genuine gratification. Meanwhile the Government, after careful deliberation on the requirements of finances and their bearing on the daily life of the people as well as on national economy as a whole, have formulated a project of tax increases affecting the whole system of taxation, and we have already put into practice with your consent a series of increases in the rates of the brewery tax and other levies, most of which are indirect taxes. Further, we have decided to increase the rates of a number of taxes, most of which are direct levies, and have introduced into the present Diet a bill calling for necessary revisions in the Taxation Law, with the object of providing for the expected increases in the Extraordinary Military Expenditures.

As for foreign trade, our economic relations with the United States, the British Empire, and the Netherlands East Indies were completely severed due to the freezing of Japanese assets by these countries in July of last year, followed by the start of the War of Greater East Asia. On the other hand, however, our trade with Manchoukuo and China is making a steady progress. We feel strongly encouraged, from the viewpoint of the projected Co-prosperity Sphere of Greater East Asia, to see that our trade with French Indo-China and Thailand is registering considerable increases both in imports and exports. Thus, as the result of our economic

activities abroad having come to be concentrated on the areas within the Co-prosperity Sphere of Greater East Asia, it has devolved upon us to make efforts for the planned interflow of materials within the co-prosperity sphere as quickly as possible. In this connection we also recognize the urgent need at effecting a radical revision of our past policy in the field of international banking relations and enforce such a policy as will meet the new situation on the basis of a new plan.

The previous foreign exchange policy, which we aimed at preserving the balance of international payments between our country and third Powers and also at stabilizing and maintaining the exchange rates based on the dollar and the sterling, has already lost the weight it used to carry when our economic relations with foreign countries depended to a considerable extent on the United States and Great Britain for operation. And now, having severed our relations with American and British economy, we ought to lay a primary emphasis on such financial measures as will facilitate the interflow of materials within the Co-prosperity Sphere and speedily expedite the development of natural resources, in order to meet the urgent need to augment national defense economy for the Co-prosperity Sphere as a whole. From a viewpoint such as this, the Government abolished the old foreign exchange rates which were based on the dollar and the sterling at the end of last year, and officially fixed independent exchange rates with the yen as their standard. Moreover, in the future, we intend to liquidate all American and British financial influences from the southern regions and make the currencies in these regions gradually adopt the yen as the basis in fixing their values, specifically for the purpose of introducing a procedure to effect settlement of accounts between these regions at Tokyo in the yen and thereby contribute to the establishment of the financial sphere of Greater East Asia with Japan as its center.

Hitherto Japan has been engaged in expanding productive capacity in the general interest of the Japan-Manchoukuo-China bloc as a whole, and now it goes without saying that it is imperative for us to develop most effectively and utilize the rich natural resources in which the southern regions abound so as to facilitate the execution of the

present war and at the same time hasten the establishment of a system of self-sufficiency within the Co-prosperity Sphere of Greater East Asia. In other words, we are confronted with the urgent necessity of frustrating the military strength of the enemies on the one hand and accelerate the development of natural resources on the other. In view of these necessities, the Government have decided to organize what is to be known as the Nampo Kaihatsu Kinko, or the Chest for Development of Southern Regions, to pave the way for satisfactory execution of the currency and credit policy for those regions, and have introduced into the present Diet a bill calculated to meet this need.

The recent revision of the foreign exchange rates with the yen as the standard, as well as the preparation on the part of the Bank of Japan to extend its financial activities abroad is indicative of the forward step which is going to be taken in the field of banking within the Co-prosperity Sphere of Greater East Asia centering around Japan. In the southern regions, our military notes are now being warmly received by the inhabitants wherever they are introduced and their circulation is proving extremely satisfactory, and coupled with the proposed establishment of the Nampo Kaihatsu Kinko and the various measures to be taken in Tokyo and also on the spot, the situation just mentioned will enable us to take necessary step to meet the requirements of the currency and banking problems in the southern regions.

In order to put into full motion the total strength of a nation in time of war, it is imperative to operate funds under proper control to its best possible advantage, while endeavoring to accumulate as much funds as possible at the same time. For this purpose, the various existing financial organs will have to be structurally readjusted. First of all, it is absolutely necessary to make the Bank of Japan, which is our central bank of issue, cooperate most closely with the Government as the nucleus of our currency and banking system, and thus take charge of the regulation of currency, the readjustment of the money market, and the maintenance and development of the credit system along the lines of the national policy and otherwise fulfil its duties as the central financial organ of the Co-prosperity Sphere of Greater East Asia. Accordingly, the

Government have now made it known that the organization of the Bank of Japan is to be radically reformed, the system of conversation for the Bank of Japan notes abolished and a system of controlled currency completely independent of gold adopted to keep pace with the march of time. This reform, however, merely means the confirmation of a fait accompli, and will not affect the importance of gold in any way.

Further, in order to perfect the control on credit and the operation of capital, it has been considered appropriate to readjust the organic structure of financial institutions on a legal basis and induce them to exercise self-discipline, insuring their positive cooperation with the Government in banking control. Accordingly, the Government are now making necessary preparations with a view to inaugurating an organization aimed at controlling financial undertakings under the provisions of the National General Mobilization Law.

It is the primary objective of wartime economy to provide for a smooth supply of funds to the munitions industry, those industries in which productive capacity is to be expanded, and other urgent industries. Therefore, all kinds of financial establishment in our country ought to render concerted efforts to this end. The functions of the banks which have hitherto been chiefly concerned with commercial banking are now being so changed as to take care of wartime industrial banking, with the result that all the financial organs are gradually assuming the character of wartime financial institutions.

However, some of the strategic wartime industries apparently are in the nature of things not in a position to receive sufficient supply of funds, were they to depend entirely on the ordinary processes employed by the existing financial organs. In view of the tendency of such industries growing further in scope in the future, the need has been seen of establishing a special financial machinery in order to assure them the supply of necessary funds. It is for this reason that we have introduced into the present Diet a legislative measure concerning the Chest for Wartime Banking. It may be said that the reorganization of the Bank of Japan, the establishment of an organization for the control of banking and the inauguration of the Chest as already mentioned, may, coupled with the creation of the Chest for Develop-

ment of the Southern Regions and with the cooperation of the existing financial organs, go a long way in perfecting the banking system in charge of our wartime economy.

It is also quite imperative to make the prices of securities appropriate and stable with a view to making smooth the circulation of funds for expanding productive capacity and other industrial purposes and protecting the people's savings. From this viewpoint, the Government have taken various measures to stabilize the prices of securities and corporation stocks, checking unreasonable rise or fall in prices to avoid all untoward fluctuations ascribable to excessive speculations. As regards the insurance companies, the Government intend to direct them in such a way as to enable them to cultivate new fields and amplify their functions, in view of the fact that they have hitherto contributed greatly to the maintenance and stabilization of the people's daily life and also to the accumulation of necessary funds.

Our country has been carrying on a large-scale war in Greater East Asia for the past four and a half years, and during the interval the economic resources essential for our national defense have continued to grow considerably year after year, and if the rich natural resources in which the southern regions abound are developed and utilized satisfactorily, the future of our economic circles may be said to be exceedingly hopeful. However, in order to develop these natural resources and further to strengthen our national defense economy on the basis of such development, enormous materials, labor, technical knowledge and transport capacity will be needed, and the funds necessary for the projected expansion of productive capacity and for meeting the mounting war expenditures will reach staggering figures. In the meanwhile, it will become increasingly obligatory to withdraw necessary portions of the funds which are flooding the general public as the huge war expenditure continues to be paid out, such withdrawals of funds being calculated to safeguard a satisfactory operation of national economy. The success of absorption and accumulation of funds for this purpose will depend in large measure upon the augmentation and consolidation of the people's savings. Therefore, it is absolutely necessary for all members of the nation

to assist in increasing the sinews of war and other necessary funds of our country through the payment of their respective shares of the tax burden, and at the same time to redouble their efforts in performing their daily duties, practise thrift in their life as consumers and convert whatever they might be able to spare into their savings. Only by virtue of such savings on the part of the people will the collection of war funds, amplification of productive capacity and supply of necessary funds become possible. Furthermore, a favorable growth of the people's savings will at the same time serve as an indication of the satisfactory operation of the wartime financial and economic policy and of the comprehensive results it may achieve.

We are prepared for the resistance to be persistently continued over a long period on the part of the United States and the British Empire, whose Governments will in all likelihood concentrate the enormous resources of their nations to that end in spite of their miserable failure at the outset of the war, and being firmly determined to carry on the war to the bitter end until we win a complete victory and thereby establish the Co-prosperity Sphere of Greater East Asia. We are convinced of our ability to work out various financial and economic measures formulated on a comprehensive and grand scale and attain our objective through infallible efforts and inexhaustible endurance born of our fiery love for our fatherland of 100 million souls, a nation unparalleled in the whole world."

Premier Tojo's speech of February 16 contained congratulation for the fall of Singapore and wishes for India and warnings to Australia and New Zealand as follows:

"As has been already announced by the Imperial Headquarters, the Imperial forces have occupied Singapore yesterday, February 15.

At the outset of the war, following the issuance of the gracious Imperial Rescript, our forces immediately crushed the main body of the American-British fleet; and in eighteen days they brought Hongkong to submission; in twenty-six days they occupied Manila, and in seventy days they brought about the fall of Singapore. Thus the important bases of the United States and Britain for their encroachment on East Asia for many years past have all fallen into the hands of the Imperial forces.

Such strategic points as Borneo, Celebes, and New Britain have also all been occupied by our forces, and moreover, the main body of the Dutch East Indies fleet has been annihilated. The Imperial Army and Navy are now carrying out operations in a vast area, the largeness of whose scale is unparalleled in the history of mankind. . . . Singapore and other strategic points, which have hitherto been the bases of the United States and Britain for the invasion and domination of East Asia, are resurrecting with boundless hope and glory as bases for the construction of a new order and defense for the peoples of Greater East Asia. Hongkong, the Philippines, and the Malay Peninsula are already starting on the road for such new construction with steady strides.

On this epochal occasion I wish to reiterate once more the real intentions of Japan to the peoples and countries concerned.

The Imperial forces are steadily carrying out offensive operations in the region of Burma also with her strategic points falling one after another into their hands. But the true intention of Japan in marching into Burma is to crush British military bases as well as to cut off the route for American and British aid to the Chiang Kai-shek régime. It is farthest from the thought of Japan to regard the Burmese people as her enemy. Therefore, if the Burmese people take full cognizance of the actual situation of Britain, who has exposed her utter inability, and offer to co-operate with Japan by shaking off the shackles of the British rule of many years past, Japan will gladly extend them its positive co-operation for the establishment of Burma for the Burmese, the long-cherished aspiration of the Burmese people.

It is a golden opportunity for India having, as she does, several thousand years of history and splendid cultural tradition, to rid herself of the ruthless despotism of Britain and participate in the construction of the Greater East Asia co-prosperity sphere. Japan expects that India will restore her proper status as India for the Indians and she will not stint herself in extending assistance to the patriotic efforts of the Indians. Should India fail to awaken to her mission forgetting her history and tradition, and continue as before to be beguiled by the cajolery and manipulation of Britain and act at her beck and call, I

cannot but fear that an opportunity for the renaissance of the Indian people would be forever lost.

As regards the Dutch forces which continue to resist us by cooperating with the United States and Britain, Japan will thoroughly crush them. However, if the Indonesian people understand our real intention and cooperate with us for the greater East Asian construction, we will respect their desire and tradition and emancipate them from the despotic rule of the refugee Dutch Government, which is merely a puppet of the United States and Britain, and make their present region a land of contentment for the Indonesian people.

Australia and New Zealand also should avoid a useless war with their reliance upon the United States and Britain who are not worth any dependence. Whether the peoples of these regions will or will not enjoy happiness and welfare depend entirely upon whether or not their Governments understand the real intentions of Japan and take a fair and just attitude. How Britain has used and treated the officers and men of the Australian and New Zealand forces in Europe, in Hongkong and again in the Malay Peninsula must be fully known to the peoples of Australia and New Zealand themselves."

Premier Tojo again enunciated Japan's intention and wishes toward British India and Indian people in his speech of March 12 in the following words:

"As to the Indian people, Japan entertains, of course, not the slightest thought of antagonizing them. I desire, however, to reiterate clearly that the determination of Japan to crush thoroughly the American and British influence will undergo no change whatever. Burma for the Burmese is already on its way to realization. It is my firm belief that now is the time to establish India for the Indians, which has for many years been the aspiration of the 400 million Indian people. Great Britain has for long deceived and continued her arbitrary rule over India. What the reality of the British promise made to India in the last Great War was must be still fresh, I believe, in the memory of the Indian people. Now Great Britain is trying again to deceive India with all sorts of cajolery. If the leaders of India, misled by such British cajoleries, betray Indian people and thus fling away this Heaven-sent opportunity, I believe, there

will be no chance for saving India forever and there will be no greater misfortune befalling the 400 million Indian people. Will India rise as India for the Indians to have the honor of cooperating for the establishment of the Greater East Asian Co-prosperity Sphere, or will she permanently stoop under the shackles of the Anglo-American Powers to leave her name as a slave to posterity? She is now face to face with the time when she should liquidate her past, see the new situation correctly and make her final decision."

Enforcement of Important Laws
During March and April many important laws which passed the 79th Session of the Diet or others were promulgated and enforced to firmly reorganize the nation in the emergency. For instance the Important Material Management Corporation Law was enforced as from March 5, the new Bank of Japan Law from March 20, the Temporary Sea Transportation Administration Ordinance from March 25 to realize the State management of all ships of more than 100 gross tons in the case of steamers and more than 150 gross tons in the case of motor or sailing ships, the Perpetual Lease Resumption Ordinance on April 1 to put an end to the disgraceful system of granting extraterritorial rights to foreign nationals (the abolition of the system had been proclaimed in 1937, but time was required for obtaining the complete consent of the governments concerned), and laws and ordinances concerning the increase of income tax and other taxes as from April 1.

The 21st General Election. General election which had been due 1941 and postponed one year was carried out on April 30, 1942. The Government, in spite of its pre-occupation in gigantic military operations, resolutely carried out the general election for the House of Representatives. On February 18, the seventy-second day after the start of the Pacific war, the Tojo Cabinet decided to hold it on April 30. Simultaneously, it adopted a four-point plan in order to conduct a campaign for holding the election in the line of the Imperial Rule Assistance Association program. The plan laid down that the general election should reinforce the national determination to win a convincing victory, that an unadulterated interest in politics should be aroused so as to organize a fresh, powerful Diet on the basis of

national service, that a nation-wide enthusiasm should be developed to return to the Diet only those candidates who are fit to render such service to the nation, and that, in view of the gravity of the situation confronting the nation, all election contests should be held in a fair and clean manner.

In his meeting with the representatives of various walks of life on February 25, Premier General Hideki Tojo stressed the necessity of holding a general election with a view to waging the war to a successful termination. The substance of his speech was as follows:

The Government has decided to hold a general election for the House of Representatives in the midst of the war of Greater East Asia, firstly because the election will provide the nation with an opportunity to tighten its determination with iron solidarity to conduct the war to a glorious end by concentrating its efforts for that purpose, and secondly because the situation which has made a phenomenal development since the commencement of the China Affair, especially since the outbreak of the war of Greater East Asia calls for fresh blood to be injected into the Diet.

On that occasion, the Premier solicited their services in enabling vigorous, able men to be returned to the Diet by the forthcoming election. For that purpose, he entrusted the representatives of various circles with the task of working out a formula, with the result that the thirty-three representatives met in a conference the same day and decided that a council for establishing a national service political organization be forthwith organized and that General Nobuyuki Abe be nominated its president. Soon after its inauguration, the newly-organized National Service Political Council (Yokusan Seijitaisel Kyogikai) met several times. On March 18, it registered with the Home Office as a political association. At the same time, it set up branches in all prefectures, and its nation-wide machinery was completed on March 20, when its membership throughout the country reached 800. On March 22, the branch managers of the Political Council met in a conference, General Abe presiding, and it was decided that the council would recommend candidates for the House of Representatives for building a new political structure. In his address to the meeting, General Abe said:

"The so-called new political structure cannot be built on an extraordinary

idea. Parliamentary government is possible only through the election system. For the establishment of a new political structure, it is essential that the nation's political interest should be concentratedly directed toward the right path through the general election. So far as formality is concerned, the general elections in the past had been quite free. All men who wanted to run for election were able to do so by notifying the Home Office to that effect. On the other hand, this free contest system led to the upsurge of various evils. Some candidates stood for election as mere publicity stunts, while some others desired to promote their selfish ends. This unhealthy tendency hindered the establishment of a political structure on the basis of Assistance to the Imperial Rule.

If a rational formula is worked out in connection with the candidacy for the Diet, it is easy to see that the nation's political interest will be heightened and concentrated in the right direction, because the voters will be able to go to the polling stations, full of confidence in the candidates whom they will support. The newly-organized National Service Political Council proposes to evolve this formula by recommending candidates for the Diet from among men, who are genuinely capable of meeting the State's requirements."

The National Service Political Council recommended a total of 466 candidates for all the seats of the House of Representatives. As against this, the number of "free" or independent candidates reached 613, and thus the aggregate number of candidates came up to 1,079, when the list of registration was closed.

The general election which came off on April 30 without any hitch had been preceded by an enlightenment campaign and a political movement centering on the recommendation system. The election proved a signal success for both the Government and the people. Out of 466 candidates, recommended by the National Service Political Council, 381 or more than 80 per cent., were returned to the Diet, while out of 613 "free" candidates only 85 were elected. Of the newly-elected members of the House of Representatives, 199 are sitting for the first time, of whom 170 were recommended by the National Service Political Council, the remaining 29 being "free" candidates. Reflecting national interest in the election, the percentage of absentee voters was but 17 per cent or 2,464,632 out of a total electorate roll of 14,506,294.

Cases of election irregularities were also remarkably few.

As stated by Premier Tojo, new blood has been injected into the Diet by the election with the return of a large number of able men, who might have felt shy of running for the election under the past "free" contest system. Among those who have been elected for the first time are Hiroya Ino, Minister of Agriculture and Forestry, Nobusuke Kishi, Minister of Commerce and Industry, Kazuye Miura, former Vice-Minister of Agriculture and Forestry, Gon-ichi Kodaira, former Vice-Minister of Agriculture and Forestry, Toshio Shiratori, former Ambassador to Rome, Nobutaka Shioden, Yoshindo Takagi and Eijiro Tajima, all lieutenant-generals on the retired list, Masato Arakawa, retired major-general, Nerima Uyematsu, retired rear-admiral, Katsuji Mazaki, retired rear-admiral, and distinguished scholars and men active in cultural fields, such as Masamichi Royama and Shinjiro Honryo.

Birth of A New Political Association

The National Service Political Council which fulfilled its mission in successfully carrying the 21st general election of April 30, dissolved on May 5, and a new political association "the National Service Political Association" (Yokusan Seiji Kai) was organized on May 20.

On May 7 Premier Tojo invited 70 representative men of various circles to his official residence. He expressed his opinion in regard to the necessity of a strong political organization for the successful execution of the Greater East Asia War and asked them to find out the best means and tender service for its realization. A preparatory committee was formed by 20 of them, which decided to propose the formation of a political association under the name of "Yokusan Seiji Kai" (National Service Political Association) and adopted the draft principles, program, rules and declaration of the new party on May 14. The formal meeting for the organization of the proposed Yokusan Seiji Kai was held in the hall of the Dai To-A Building, Marunouchi, Tokyo on May 20. Over 900 people who represented different groups and circles all over Japan were present. The general meeting installed General Nobuyuki Abe as the President of the new political association and proclaimed the founding of Yokusan Seiji Kai, making decisions on its principles, program and other matters.

The 80th Session of the Diet The 80th Session of the Imperial Diet was convened in Tokyo on May 25 and closed on the 29th. After the general election and along with the progress of the movement for organizing Yokusan Seiji Kai, all petty political parties dissolved on their own accord and the entire members of the House of Representatives entered the new party, although it is by no means organized in principle to have one and only party in the country. Consequently the procedures of the 80th Session were most simple in the history of the Imperial Diet, 444 members sitting in the House of Representatives. They chose Tadahiko Okada as the Speaker. The Diet approved a supplementary budget for shipbuilding in 1942-43, passed two revised laws, and adopted decisions to express hearty appreciation of the nation to the Imperial Army and Navy for what they had achieved in the Greater East Asia War. On May 27 the Diet listened to the Premier's address which is quoted here in its important parts.

"In a brief time, less than a half year, since the outbreak of the War of Greater East Asia, the Japanese forces have crushed enemy forces wherever they went, with the important areas in Greater East Asia having been occupied by our forces, and the naval forces of the United States and Britain have been virtually exterminated in the Pacific and Indian oceans. In the meantime, the Imperial Rescript has been granted as often as eight times in gracious appreciation of these victories. It is really unprecedented that we have been successively bestowed with this supreme honor and our national prestige has been greatly enhanced throughout the world. Furthermore, along with the continuous victories which are unparalleled in the world, new constructive undertakings are in progress in all areas on a grand scale and the object of the War of Greater East Asia is thus being steadily accomplished.

In conjunction with military operations in the South Sea region, the activities of the Japanese forces in China are steadily diminishing the power of the Chungking forces. In the north, the security of our defense is as solid as the rock. This indeed is due to the August Virtue of His Imperial Majesty under which the Japanese forces are carrying out splendid tactics and energetic operations. I together with our entire nation

wish to express our profound thanks and our sincere gratitude to all the officers and men, and, at the same time, to tender our profound homage to the spirits of many brave and loyal officers and men who have laid down their lives for the country.

It is a matter for our mutual congratulation that the peoples of Greater East Asia who have hitherto suffered under the shackles of the United States and Britain have now been embraced in the great spirit of "Hakko Ichiu" have reverted to their original and proper state and have made a step forward, sharing with us the task of establishing a new world order.

In perfect co-ordination with these signal accomplishments of our expeditionary forces, the various establishments for our home defense have been increasingly replenished and strengthened. At the same time the patriotic spirit of the one hundred million of our people has been enhanced day by day, their indomitable will and determination to fight through the War of Greater East Asia to a successful conclusion being concretely manifested in their simple and virile everyday life.

However, the present favorable situation both at home and abroad means but a prelude to an ultimate victory in the prosecution of the war. The fact that the decision of victory or defeat of our war against the United States and Britain lies in the outcome of total war to be waged hereafter requires no explanation. I firmly believe that, since the opening of the war when the Imperial Rescript declaring the war was granted, it has been and will remain the inflexible determination of our entire nation never to sheathe the sword of righteousness unless and until the influence of the Anglo-American Powers, with their dream of dominating the world, has been completely uprooted.

With the recent general election as a turning point, the surging tide of patriotic enthusiasm of the people developed into an all-engulfing trend directed toward the complete prosecution of the war as well as the firm establishment of a political structure for assisting the Imperial Rule. This trend pervaded all corners of the country. These spontaneous political desires and aspirations of the entire nation have ultimately found their concrete expression in the organization of the Yokusan Seiji-kai. Thus an organization embodying a new and

vigorous political influence has been consummated fulfilling many years aspirations of the whole nation.

In response to such enthusiasm of the people, the Government decided that all kinds of people's movements be brought as far as possible under the guidance of the Taisei Yokusan-kai, in order that they may attain healthy development through earnest and spontaneous efforts of the people themselves and that the Taisei Yokusan-kai may, in conformity with its increased missions, renovate its functions and reinvigorate its spirit and thus go forward as a central organ of all national movements for the assistance of the Imperial Rule and fulfilment of duties of the people to the Throne.

In consideration of this, the Government are endeavoring to simplify and intensify the affairs of various administrative organs so that surplus personnel may be diverted toward the replenishment of those who are actively engaged in various fields all over the region of Greater East Asia.

Now, I wish to take this occasion to speak briefly about the economic strength of our Empire. Japan's economy has hitherto strongly tended to depend upon the United States and Britain as the result of which we have constantly been restrained and menaced by those Powers. Early realizing this situation, the Government decided after the outbreak of the China Affair to devote their utmost efforts to remedy the defective points in our country's economy and to secure a self-sufficing position with regard to important defense materials. They have, therefore, endeavored to carry on the hostilities in China on the one hand, and to replenish essential defense materials by formulating a four-year plan on the other. As the result of these efforts our economic strength had grown to such an extent by the time immediately preceding the present war that the country was able not only to counteract the Anglo-American pressure, but to enter ultimately into the War of Greater East Asia. Such a development is certainly the result of the toll and moil of every one of our nation, for whose assiduous efforts I wish to take this opportunity to express the deep appreciation of the Government.

By virtue of the magnificent victories of the Imperial forces since the opening of War of Greater East Asia, all the important resources for national defense in the regions of the south, such as oil,

rubber, tin and others, have come into our hands, and the independent and self-sufficing position of our national economy has been further strengthened due, also, to our previous efforts. In other words, with the combined resources of Japan, Manchoukuo and China and those of the South Seas, the basis of self-supplying productive economy of our Empire has been perfectly consolidated and our wartime economy further strengthened so that we can completely replenish the supplies depleted by consumption accompanying the progress of the armed combat. At the same time, our plan of expanding fighting strength has been placed on an immutable foundation. The future of our Empire's economy is thus full of promise. Moreover, the situation has so developed as to cut off the supplies of essential national defense resources to the enemy countries and the blow being dealt to them thereby must be very heavy.

In conformity with the new situation described above the Government, with a view to augmenting speedily our power of prosecuting the war by giving full play to the comprehensive economic strength of all areas of Greater East Asia, have made definite plans for material mobilization as well as productive expansion for the current year and, with these plans as the nucleus, they have formulated various schemes concerning transportation, labor, exchange of goods and capital, etc., adopting meanwhile all necessary measures for the realization of these plans.

In view of the absolute importance to the prosecution of the total war of assuring the stability of our people's livelihood, especially food supplies, the Government expect to leave no stone unturned in utilizing the resources of the whole of Greater East Asia, taking into consideration at the same time the economic requirements of the various peoples inhabiting this region. Beginning with this year, therefore, they have established a new mobilization plan of goods concerning the necessities of life, for the realization of which they are receiving the whole-hearted cooperation of the fighting services. Due to the essential character of wartime economy the plan in part may entail for the time being some inconveniences and deficiencies which are really unavoidable. But I am very glad to be able to declare that, when it is considered from a broader

point of view, there is no cause whatever for any apprehension regarding the people's livelihood in the future however long the war may last.

Now, I wish to say a few words concerning our foreign relations. It is greatly encouraging that Japan, Manchoukuo, China and Thailand, sharing the same view of the purpose of the present war, are growing steadily more cordial in their mutual relations. On the tenth anniversary of the founding of Manchoukuo, a short time ago, the Special Ambassador of Gratitude, His Excellency Chang Ching-hui, paid a visit to our country in obedience to the profound desires of the Emperor of Manchoukuo and having presented an Imperial Message to the Throne, conveyed to our Government and people the expression of sincere gratitude of Manchoukuo toward our country. His Imperial Majesty was so gracious as to send His Imperial Highness Prince Nobuhito Takamatsu to Manchoukuo to felicitate the tenth anniversary of that country's founding. Furthermore, the President of the National Government of the Republic of China, Mr. Wang Ching-wei, in his capacity as the Chief Executive of that country, visited Manchoukuo contributing powerfully toward a closer friendship between Manchoukuo and China, and, in the meantime, he made a personal observation on the spot of the reality of the phenomenal progress which Manchoukuo has attained in ten years following its establishment. It has been decided that Mr. Chu Min-i will visit our shores as the Special Ambassador to Japan representing his Government. Meanwhile Thailand's Special Envoy for the Felicitation of the Japanese-Thai Alliance Treaty, Lieutenant-General Phahol Pholphayuha Sena came to our country and presented to His Imperial Majesty a message from his Sovereign, after which he fully exchanged cordial amenities with various official and civilian circles of our country. The foregoing events are an eloquent expression of the ardent spirit of comradeship among Japan, Manchoukuo, China and Thailand, all of whom want to strengthen further their mutual cooperation and assistance in the political, financial, economic and military fields and to serve as propelling force for the establishment of the Greater East Asia Co-prosperity Sphere. Together with all of our people the Government wish to congratulate heartily on the situation of Greater East

Asia whose peoples are so firmly united.

I wish to avail myself of this opportunity of expressing the profound respect of the Japanese Government to our Allies, Germany and Italy, and other friendly Powers which are achieving great victories in unity continuing their indefatigable efforts and surmounting many difficulties in order to attain our common object of the war. Japan intends to continue her victorious campaigns and, in conjunction with the magnificent fight of Germany and Italy against the United States and Britain, she expects to augment the comprehensive victories of these countries by putting forth her utmost efforts. In particular, she intends to carry on as a matter of course a close cooperation in the strategical sphere with her allies and thereby establish a new world order. The fact that the United States and Britain, irritated by their successive defeats and their gloomy future, are loudly clamoring that the present war is a racial war is nothing but a malicious intrigue to which they have always resorted in the past to deceive other peoples. It is a well-known fact throughout the world that the powerful unity of our Axis Powers, cooperating on the basis of justice, will never be shaken in the least by such mischievous scheme of the Anglo-American Powers.

The traditional crafty policy of the United States and Britain of securing their own expansion and comfortable life at the sacrifice of other peoples has now been universally exposed. It is greatly encouraging that in Burma, which has been cleansed by the gallant advance of the Imperial forces, the entire Burmese people, under the peaceful guidance of our forces, are accelerating the trend toward glorious independence. With all the advance bases of the British Empire for the defense of India having come into the possession of the Japanese forces, the golden opportunity is at hand for the Indian people to rise and attain their independence for which they have long aspired.

The fact that the British-Indian negotiations, with the British Lord Privy Seal, Sir Stafford Cripps, acting as the central figure, ended at last in rupture without accomplishing anything whatsoever, demonstrates that India has already become spiritually independent from Britain. Thus, the spiritual basis of British possession of India may be said to have disappeared already, and the

first historic step toward Indian independence has just been made.

There still remains in India a framework of British possession with various military establishments, and the military forces are being steadily increased. As long as there remain Anglo-American military forces in India Japan is determined inflexibly to crush them thoroughly. To our regret it is, indeed, unavoidable that in the progress of such campaign some misfortune may befall innocent Indians. What I expect at this juncture, however, is that the Indian people will rise with an intrepid spirit, expel the Anglo-American forces as well as their influence completely from India and thereby realize the independence of their Fatherland.

With the subjection of the enemy forces in Burma, the Chungking régime has finally become isolated: it is now plodding its way down to its inevitable fall. Due to the efforts of the Imperial forces in China, there has been an increasing number of Chungking officers and men who surrender and pledge allegiance to the National Government at Nanking, while the fighting spirit of the Chungking armies is fast waning day by day. Such is the pitiable fate of those who, knowing that they are in the wrong, refuse to make amends: Japan intends to deal the final crushing blow to the resistance of the Chungking régime.

Now that the southwestern Pacific has completely been brought under our control through the concerted operations of the invincible Japanese Army and Navy, Australia has become the so-called orphan of the Pacific. As the result of the Battle of the Coral Sea which recently took place in the vicinity of Australia, the naval forces in defense of that country have disappeared with nothing standing now to defend her before the onslaught of the Japanese forces. I wish, therefore, to remind the leaders of Australia at this juncture of my sincere desire that they will ponder what I had previously stated in this House, perceiving the international situation and considering Australia's geographical environ-

ments, and then courageously and speedily decide upon her most important step.

At this moment India is in commotion, Chungking on the verge of collapse, and Australia isolated!

Turning to Hongkong, Shōnan Island (Singapore), the Philippines and other areas, we find them in the process of becoming bases for the sphere of new construction as peace and order are being restored, and they are making great strides toward rehabilitation. Our control over the Pacific and Indian oceans is being extended day after day.

In contrast to this, Britain has lost her important overseas possessions together with the means of acquiring resources, while her internal system and structures have not yet been completed: she is now face to face with a very precarious situation. Suffering defeat after defeat, the United States, hiding the fatal losses from the public, is frantically resorting to false propaganda in order to allay the criticism arising within her borders to prevent estrangement of neutral countries. I cannot but pity the peoples of the United States and Britain who are fighting under such leaders as those who have given a position of trust to a commander who fled, deserting the helpless officers and men, or who are trying to cover up their defeat by loudly exaggerating the guerilla warfare on the sea, which are both futile and insignificant.

With a firm faith in the ultimate victory, Japan is now boldly pushing on her operations on a scale unparalleled in world history in its extent and precision. The Government expect, in perfect unison with the whole people, to replenish further the total strength of the nation to be ever more vigilant in victory, further enhance the traditional spirit of sacrifice and service to the State, and thereby attain speedily the object of the war and set the mind of His Imperial Majesty at rest."

(All data relating to the Greater East Asia War are compiled in Chapter VII, National Defense, Section II)

CHAPTER VI

FOREIGN RELATIONS

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FOREIGN RELATIONS

(As regards Japan's foreign relations up to June 1940, see the Japan Year Books, 1937, 1940-41 and 1941-42)

FOREIGN RELATIONS DURING JUNE 1940-AUGUST 1941

Introduction Parallel with the development of the European War situation during June and July 1940, diplomatic reorientation was strongly urged in various circles concerned. As a result, the second Konoé Cabinet upholding the "New Structure" was organized to succeed the Yonal Cabinet on July 22. The second Konoé Cabinet announced four essentials of the basic national policy on August 1. The fundamental policy and the essentials of defense and diplomacy as put forth by the Government in the first and second provisions of the announcement read as follows:

(1) **Fundamental Policy:** The national policy of Japan shall be based upon the principle of "Hakko-ichiu" or the majestic concept of the eight corners of the world under one roof (implying universal brotherhood) conceived at the time of the founding of the Empire, and shall start with the construction of a new order in greater East Asia upon the foundation of a strong coordination among Japan, Manchoukuo and China with Japan as the pivot. For this purpose, Japan shall organize her national structure in a manner to cope with the new developments for the realization of this national policy through the unification of the forces of the Empire.

(2) **National Defense and Diplomacy:** In view of the new developments both at home and abroad, an adequate supply of armaments and war necessities shall be ensured to complete the defense structure of the Empire. Diplomacy for the present shall be directed toward the construction of a new order in the greater East Asia with the conclusion of the China Affair as its major objective. Constructive and elastic measures are to be adopted on the basis of a far-sighted view of the world transitions in order to promote the

prosperity of the nation.

Thus the diplomatic reorientation of Japan was completed in the summer of 1940. This was closely followed by the advance of Japanese forces into French Indo-China on September 23 and the conclusion of an alliance based upon economic and military cooperation among Japan, Germany and Italy on September 27. On November 30, the Sino-Japanese Basic Treaty was signed between Japan and the National Government of China at Nanking, and the Japan-Manchoukuo-China Joint Declaration was announced at the same time. Thus, the foundation for the settlement of the China Affair was laid and the ground for the construction of the greater East Asia co-prosperity sphere with the joint efforts of Japan, Manchoukuo and China was prepared.

Meanwhile, a border dispute between Thailand and French Indo-China became aggravated since the summer of 1940. In order to maintain peace and order within the greater East Asia co-prosperity sphere, the Japanese Government embarked upon a mediation between the two countries. As a result, the Thai-French Indo-China Peace Conference was opened in Tokyo from February 7, 1941, and a peace agreement was concluded on March 11. This was certainly an epochal diplomatic event in the greater East Asia co-prosperity sphere. Thus, through the conclusion of the Italo-German-Japanese Tripartite Alliance and the Sino-Japanese Basic Treaty, Foreign Minister Yosuke Matsuoka laid the cornerstone for Japan's European policy and her policy for settling the China Affair.

Parallel with those developments, a drastic renovation of the personnel of the Foreign Office was carried out by Foreign Minister Matsuoka by a large-scale reshuffles involving more than thirty ambassadors and ministers. By

this unprecedented shake-up, Lieutenant-General Hiroshi Oshima, former Ambassador to Germany, was returned to his Berlin post and Lieutenant-General Yoshitsugu Tatekawa was appointed Ambassador to Moscow while Admiral Kichisaburo Nomura, former Foreign Minister, was named Ambassador to the United States and Mr. Zempel Horikiri was appointed Ambassador to Rome. On March 12, 1941, Foreign Minister Yosuke Matsuoka left Tokyo on his historic trip to Germany and Italy. On his way to Europe, Matsuoka touched at Moscow and met Josef Stalin and other leaders of the Soviet Union. Arriving in Berlin on March 26 and staying there until March 30, Matsuoka had conversations with Reichsfuhrer Adolf Hitler and other leaders of Germany. On March 31, he visited Rome and had talks with Premier Mussolini and other Fascist leaders. Leaving Rome on April 3 and making a stop-over at Berlin on the following day, Foreign Minister Matsuoka again visited Moscow on April 7. His conversations with Secretary-General Stalin and Foreign Commissar Molotov culminated in the signing of the Japan-Soviet Neutrality Pact on April 13. On the same day, Matsuoka left Moscow, returning to Tokyo on April 22. Since this trip abroad by Matsuoka was the first one to be undertaken by a Japanese Foreign Minister in office since 1905 when Marquis Jutaro Komura, then Foreign Minister, proceeded to Portsmouth for the Russo-Japanese Peace Conference, and especially as the visit was made in the midst of the European War, the European trip of Foreign Minister Matsuoka attracted a keen attention of the world. The conclusion of the Soviet-Japanese Neutrality Pact, announced at a time when Soviet-German relations were reported to be tense, also created a great sensation throughout the world. Meanwhile, a war between Germany and the Soviet Union broke out on June 22. As a result, Japan's diplomatic relations became extremely delicate and complicated. On July 16, the second Konoe Cabinet resigned on the ground of "replenishing and strengthening the domestic structure," and the third Konoe Cabinet was organized on July 18 with Admiral Teijiro Toyoda, Minister of Commerce and Industry in the second Konoe Cabinet appointed Minister for Foreign Affairs succeeding

Yosuke Matsuoka. On July 29, the Franco-Japanese Agreement Regarding the Joint-Defense of French Indo-China was concluded and the additional dispatch of Japanese forces to French Indo-China was carried out. Britain, the United States and Holland immediately froze Japan's assets in opposition to the Franco-Japanese Agreement. To cope with the situation, Japan also resorted to a retaliatory measure by promulgating a Finance Ministry ordinance regarding the restrictions of transactions with foreigners on the basis of the Exchange Control Law and froze the assets of Britain, the United States and Holland in Japan.

In the course of these international developments, President Roosevelt of the United States and Premier Churchill of Britain met in conference on the Atlantic for three days from August 10 to 12. Thus, the United States' move steadily came to assume a grave importance. On August 28, Premier Konoe sent a message to President Roosevelt, and opened the way for the start of diplomatic negotiations for the adjustment of the aggravated Japan-United States relations.

Developments Surrounding China Affair

The most noteworthy development concerning the China Affair in 1940-41 was the birth of the new National Government of China at Nanking with Wang Ching-wei as the leader. With the object of establishing diplomatic relations with the new National Government on the basis of the settlement of the China Affair and thereby stabilizing the foundation of the East Asia new order, the Japanese Government dispatched to Nanking, General Nobuyuki Abe, former Premier, as special envoy to Nanking on April 1 to hold conversations with Wang Ching-wei, Head of the Nanking Government.

Conclusion of Basic Treaty The negotiations between President Wang and General Abe lasted for about eight months, and on November 30 the Sino-Japanese Basic Treaty and the Japan-Manchoukuo-China Joint-Declaration were concluded among General Abe, President Wang and Tsang Shih-i, Representative of the Manchoukuo Government. By virtue of this Basic Treaty, Japan formally recognized the National Government of China headed by Wang Ching-wei and through the Japan-Manchoukuo-China Joint-Declara-

tion, China and Manchoukuo mutually exchanged formal recognition. Thus, a strong mutual cooperation was pledged among the three signatory countries.

The Sino-Japanese Basic Treaty consisted of nine articles, to which were annexed a protocol containing five articles and a supplementary protocol containing five items. The Japan-Manchoukuo-China Joint-Declaration consisted of three items. The texts of these documents are given in the Chapter on China. With the laying of the foundation of mutual political coordination among Japan, Manchoukuo and China, concrete plans were laid for the advancement of common interests. As a measure for stabilizing the economic bloc composed of Japan, Manchoukuo and China as a single unit which was approved by the Hiranuma Cabinet on August 1, 1939, the "Ten Year Japan-Manchoukuo Economic Construction Plan" was announced on November 5, 1940. Thus, the fundamental and concrete policy toward the completion of the reorganization of Japan's national economy, the strengthening of Japan-Manchoukuo-China economic bloc and expansion of the East Asia co-prosperity sphere was definitely fixed.

Wang Ching-wei, President of the National Government of China at Nanking, visited Japan, on a 14 day trip beginning June 14, 1941. On June 24, a joint statement of Premier Konoe and President Wang was made public, and on June 28 the extension of a ¥300,000,000 credit by Japan to the Nanking Government was announced, both these events being the first concrete results of the Sino-Japanese cooperation following the conclusion of the Sino-Japanese Basic Pact.

The Tientsin Issue, which attracted worldwide attention, pending settlement since July 1939, was brought to a solution after nearly a year when Foreign Minister Naohiro Arita reached an understanding with Sir Robert Craigie, British Ambassador to Japan, on June 19, 1940, and also with M. Charles Arsene-Henry, French Ambassador at Tokyo, on June 20. On June 19, 1940, Masayuki Tani, Foreign Vice-Minister, made strong representations to the Vichy Government through Ambassador Arsene-Henry regarding the ban on the transportation of Chungking-bound goods through French Indo-China. As a result, an agreement was reached to send a special commission, composed

of the representatives of the fighting services and the Foreign Office of Japan, to French Indo-China in order to watch the enforcement of the ban. Later, after the inauguration of the second Konoe Cabinet, negotiations were conducted between Foreign Minister Matsuoka and Ambassador Arsene-Henry regarding the promotion of friendly relations between Japan and France. The Matsuoka-Arsene-Henry talks resulted in an understanding between the Japanese and Vichy Governments on September 22, and the Japanese forces were stationed along the northern border of French Indo-China immediately. Almost at the same time, the Japanese Government also made strong representations to the British Government concerning the ban on the transportation of materials to Chungking through Burma and Hongkong. In response, the British Government, on July 17, declared that as in the past, no munitions materials would be transported through Hongkong and the ban on the transport of arms and munitions through Burma would be extended for three months starting July 18. However, upon the conclusion of the Italo-German-Japanese Tripartite Alliance on September 27, 1940, the British Government, in retaliation, notified to the Japanese Government on October 18 through Ambassador Craigie that the Burma route would be reopened as from October 18.

Japan's Diplomacy in South Seas Region

The advance of the Japanese forces to French Indo-China in September 1940, served to close an important supply route to Chungking and thereby contributed greatly to the settlement of the China Affair. It was also an epoch-making event in connection with the stabilization of Japan's policy toward the South Seas region, and a great stride forward toward the construction of the greater East Asia co-prosperity sphere. Close on the heels of the advance of the Japanese forces to French Indo-China, the mediation of the Thai-French Indo-China border dispute was consummated, resulting in the increasing promotion of friendly relations between Japan and French Indo-China. Simultaneously, negotiations were conducted between Japan and French Indo-China regarding a new economic agreement in order to strengthen economic relations between the two countries.

Beginning with October 21, a conference was opened for the purpose at Hanoi with Hajime Matsumiya, Japan's special envoy, participating. This was followed by a similar conference held in Tokyo from December 30 and the negotiations were conducted between Ambassador Matsumiya and Governor-General Robin of French Indo-China. The negotiations culminated in the conclusion of a new commercial treaty between the two countries on May 8.

Due to the Anglo-American maneuvers as well as disturbing operations by the de Gaulle elements later, however, peace of French Indo-China came to be threatened. In view of this situation, the Japanese Government negotiated with the Vichy Government and on July 29 an agreement regarding the joint-defense of French Indo-China was signed between Sotomatsu Kato, Japanese Ambassador to Vichy and M. Darlan, Vice-Premier of the Vichy Government. Simultaneously, an agreement concerning the details of the joint-defense was concluded between Major-General Sumita and Governor-General Jean De Coux at Saigon. As a result, additional Japanese forces were dispatched to Saigon and other parts of South Indo-China.

Japan's relations with Thailand became increasingly close and friendly as a result of a treaty concerning the continuance of friendly relations and the respect of mutual territorial integrity which was signed between Foreign Minister Arita and M. Phya Sri Sena, Thailand Minister to Japan, on June 12, 1940, and ratified in Bangkok on October 23, effective immediately.

In view of the aggravation of the Thai-French Indo-China border dispute since November 1940, the Japanese Government, through Ambassador Arsène-Henry, informally expressed to the Vichy Government its willingness to mediate in the dispute. On January 20, 1941, Foreign Minister Matsuoka formally proposed mediation to the Thai and French Governments and asked for the immediate suspension of hostilities. As a result, military action between Thailand and French Indo-China was suspended at 10 o'clock on the morning of January 28, and a truce agreement was signed between the two countries in the presence of Major-General Sumita, representing the Japanese Government, on board a Japanese warship at Saigon on January 29. On February 7, a peace

conference was opened in Tokyo under the chairmanship of Foreign Minister Matsuoka, attended by the Thailand delegation headed by Prince Varnvaldyakara Varavarn and the French delegation led by Ambassador Arsène-Henry. Despite the secret maneuvers of Britain, the United States and other countries in an attempt to frustrate the conference, the negotiations progressed, although with many ups and downs, and resulted in the signing of a peace treaty on March 11. With the ratification of the treaty between the two countries on July 5, the Japanese Government named a special commission headed by Makoto Yano, former Minister to Spain, and dispatched it to the Thai-French Indo-China border for the purpose of enforcing the border demarcation on the basis of the provisions of the peace treaty.

Japan's relations with the Netherlands East Indies were becoming steadily aggravated as the Netherlands Indies goaded by Anglo-American support, maintained an outspoken anti-Japanese attitude concerning Japan's South Sea policy. On June 5, 1940, a navy plane of the Dutch East Indies fired at a fishing boat belonging to a Japanese fishing company in Batavia in the neighborhood of Gaspar Island. Regarding this case, the Japanese Government made strong representations to General J. C. Pabst, Dutch Minister to Japan. In response, the Dutch Government expressed regret through the Dutch Minister, and stated that those responsible for the case had been severely punished and guaranteed the non-repetition of such cases in the future on June 22. Meanwhile, the Japanese Government had been conducting negotiations with the Netherlands Indies Government with the object of improving relations with that country, and decided to dispatch Ichizo Kobayashi, Minister of Commerce and Industry, as special envoy to Batavia. Kobayashi had a series of conferences with van Mook, Director-General of Economics of the Netherlands Indies Government from September 12, but failed to reach any agreement. In succession to Kobayashi who left Batavia on October 22, Kenkichi Yoshizawa, former Foreign Minister, was sent to Batavia to resume the negotiations from January 2, 1941. After carrying negotiations for six months, Yoshizawa left Batavia for Japan on June 27 without success. Upon the organization of the

third Konoe Cabinet, Japan decided to temporarily suspend the negotiations. On December 24, 1940, a currency agreement was concluded between the Yokohama Specie Bank and the Java Bank for the purpose of smoothing exchange transactions between Japan and the Netherlands Indies. However, the currency agreement was invalidated when Holland froze Japanese assets on July 28 in retaliation of the conclusion of the Franco-Japanese Agreement concerning the Joint Defense of French Indo-China. The suspension of the Japan-Netherlands Indies Oil Agreement was also reported, and relations between the two countries became extremely worsened.

By the additional dispatch of the Japanese forces to French Indo-China on the basis of the joint-defense agreement, Japan's leadership in the South Seas region increased greatly. On the other hand, the Anglo-American maneuvers toward Thailand became extremely intensified, and the position of Thailand became tremendously delicate. However, friendly relations between Thailand and Japan became stronger, and Thailand formally recognized Manchoukuo on August 5, thus indicating her intention to cooperate with Japan for the stabilization of the East Asia co-prosperity sphere. The Japanese Government on August 16 announced the elevation of the Japanese Legation in Thailand to the status of Embassy in order to further strengthen Japan-Thailand relations. Teiji Tsubokami was named Japan's first Ambassador to Thailand and left by plane for Bangkok early in September. The Japanese Government also decided to send a special envoy to French Indo-China for the purpose of cementing the relations with that country and appointed Kenkichi Yoshizawa as special envoy.

Relations with Axis Powers

The necessity of strengthening the Italo-German-Japanese Axis was closely examined by the Hiranuma Cabinet immediately before the outbreak of the European War. The sudden conclusion of the German-Soviet Non-Aggression Pact, however, caused the collapse of the Hiranuma Cabinet, and this problem was temporarily deadlocked. Upon the organization of the second Konoe Cabinet aiming at diplomatic reorientation and stabilization of the new structure, Heinrich Georg Stahmer, with instruc-

tions from Foreign Minister von Ribbentrop, visited Japan as special envoy on September 7, and with Ambassador Ott called on Foreign Minister Matsuoka.

Tripartite Alliance Negotiations regarding the tripartite alliance, thus started, made a speedy progress, and the alliance treaty was signed at Berlin by Ambassador Saburo Kurusu representing Japan, Foreign Minister von Ribbentrop representing Germany and Foreign Minister Count Ciano representing Italy. Together with the announcement of the Tripartite Alliance, an Imperial rescript was specially issued and a Cabinet statement was published.

Summary of the Three-Power Pact between Japan, Germany and Italy, signed on September 27, 1940, at Berlin is as follows:

The Governments of Japan, Germany and Italy, considering it as the condition precedent to any lasting peace that all nations of the world be given each its own proper place, have decided to stand by and cooperate with one another in regard to their efforts in Greater East Asia and the regions of Europe, respectively, wherein it is their prime purpose to establish and maintain a new order of things calculated to promote the mutual prosperity and welfare of the peoples concerned. Furthermore, it is the desire of the three Governments to extend cooperation to such nations in other spheres of the world as may be inclined to put forth endeavors along lines similar to their own, in order that their ultimate aspirations for world peace may thus be realized. Accordingly, the Governments of Japan, Germany and Italy have agreed as follows:

Article 1

Japan recognizes and respects the leadership of Germany and Italy in the establishment of a new order in Europe.

Article 2

Germany and Italy recognize and respect the leadership of Japan in the establishment of a new order in Greater East Asia.

Article 3

Japan, Germany and Italy agree to cooperate in their efforts on the aforesaid lines. They further

undertake to assist one another with all political, economic and military means when one of the three Contracting Parties is attacked by a Power at present not involved in the European War or in the Sino-Japanese Conflict.

Article 4

With a view to implementing the present Pact, Joint Technical Commissions, the members of which are to be appointed by the respective Governments of Japan, Germany and Italy, shall meet without delay.

Article 5

Japan, Germany and Italy affirm that the aforesaid terms do not in any way affect the political status which exists at present as between each of the three Contracting Parties and the Soviet Union.

Article 6

The present Pact shall come into effect immediately upon signature and shall remain in force for ten years from the date of its coming into force.

At a proper time before the expiration of the said term the High Contracting Parties shall, at the request of any one of them, enter into negotiations for its renewal.

As a result of the negotiations regarding the establishment of a mixed commission in Japan, Germany and Italy, in accordance with the provisions of Article 4 of the tripartite alliance, it was decided to create a general commission, a military commission and an economic commission in Tokyo, Berlin and Rome, and an announcement was made accordingly on December 20. The first session of the mixed commissions was opened in Berlin on April 10, 1941, in Rome on April 28 and in Tokyo on May 9. Hungary joined the tripartite alliance on November 20, followed by Rumania on November 23 and by Slovakia on November 24. On March 1, 1941, Bulgaria took part in the alliance and Yugoslavia followed suit on March 25. However, an anti-Axis coup d'état broke out in Yugoslavia by secret operations of the Anglo-American camp, and the Italo-German forces advanced to Yugoslavia. Croatia, which emerged as an independent kingdom by the collapse of Yugoslavia, joined the

alliance on June 15, and the influence of the Axis alliance became wider and stronger. Those participants in the tripartite alliance, including Germany, Italy, Slovakia, Rumania, Croatia and Spain, formally recognized the National Government at Nanking headed by Wang Ching-wei on July 1, 1941, while Denmark followed suit on August 13. Also, formal recognition was extended to Manchoukuo by Finland on July 1, Croatia on August 2 and Denmark on August 13. Thus, those Powers revealed their willingness to support and cooperate with Japan in the construction of a new order in East Asia. An economic mission led by Helmuth Wohlthat came to Japan from Germany on April 26, 1941. This enabled the opening in Tokyo of the Japan-Manchoukuo-Germany economic conference from April 30 to examine the adjustment of trade among Japan, Manchoukuo and Germany and the promotion of economic cooperation among those countries.

Relations with Britain and the United States

Relations between Japan and the United States had been worsening ever since the outbreak of the China Affair. In retaliation of the advance of Japanese forces into French Indo-China on September 23, 1940 and the conclusion of the Italo-German-Japanese Tripartite Alliance which closely followed, the United States immediately stiffened her attitude toward Japan by announcing the ban on the exports of scrap iron to Japan and the extension of a \$25,000,000 credit to the Chiang Kai-shek régime. With President Roosevelt re-elected for the third term by an overwhelming majority in the presidential election conducted on November 3, the United States further intensified her anti-Axis policy, adopting the lease-lend act in May 1941, with the object of aiding the Chiang régime in addition to strengthen the support to Britain. Close on the heels of her declaration of joint defense with Canada, the United States cooperated with Australia and New Zealand in similar joint-defense activities, and invited the Netherlands Indies into a common defense line-up promising her all necessary aid. Thus, it came to be clear that the United States was apparently propelling a policy of opposing Japan through the organization of the so-called ABCD encirclement camp. The

United States also enforced freezing restrictions against Japanese assets as from July 26 as a direct retaliation to Japan's joint-defense agreement with French Indo-China and the resultant dispatch of Japanese forces to Indo-China. Meanwhile, the United States embarked upon aid to the Soviet Union in concert with Britain upon the outbreak of the Soviet-German War. This gave rise to various complicated problems between Japan and the United States such as the transportation of gasoline to Vladivostok.

In view of the increasing tension in American-Japanese relations, Premier Kano sent a message through Ambassador Nomura to President Roosevelt expressing the convictions of the Japanese Government regarding the Pacific situation, which is the source of so much misunderstanding between the two countries. This gave start to a fresh series of negotiations for adjusting American-Japanese diplomatic relations.

Japan's relations with Britain were subjected to as drastic complications as her relations with the United States. Soon after the organization of the second Konoé Cabinet following the enforcement of the ban on the transport of supplies to Chiang, British Ambassador Craigie on July 27, 1940 visited Foreign Minister Matsuoka and made inquiries regarding Japan's rapprochement with the Rome-Berlin Axis. With this as the start, Matsuoka-Craigie conversations were conducted on July 27, and an announcement was issued that similar conversations would be continued. While the general developments thus indicated the possibility of renewed efforts for readjustment of Anglo-Japanese diplomatic relations, an espionage case involving the arrest of one Cox, Reuters reporter in Tokyo and other British residents in Japan, took place in Japan, and Britain, in retaliation, arrested Makihara, chief of the London Branch of the Mitsubishi Shoji, and a few other Japanese, and Anglo-Japanese relations again came to assume a strained aspect.

Due to the Italo-German-Japanese Tripartite Alliance coming close on the heels of the advance of the Japanese forces to French Indo-China, Britain, in concert with the United States, stiffened her attitude toward Japan, and attempted to intimidate Japan by reopening the Burma route to Chungking on October 18, adopting measures for

Anglo-Chiang joint-defense of Burma and reinforcing the British forces in Malaya. Upon the announcement of the Franco-Japanese agreement concerning the joint-defense of French Indo-China and the consequent dispatch of the additional Japanese forces to the southern part of French Indo-China, Britain followed the United States in enforcing freezing restrictions against Japanese assets, and also notified the Japanese Government, through Ambassador Craigie, on July 26, the abrogation of three existing treaties with Japan, namely, the Anglo-Japanese Treaty of Commerce and Navigation of April 3, 1911, the Treaty concerning the Trade Relations between Japan and British India of July 12, 1934, and the Treaty regarding the Trade Relations between Japan and Burma. New Zealand also followed the example of Britain and notified the abrogation of the application of the most-favored-nation treatment provided by a provisional arrangement concerning trade, customs and navigation between Japan and that country reached on July 24, 1928. With Australia, Japan was conducting negotiations for adjusting diplomatic relations by dispatching Tatsuo Kawai, former spokesman of the Foreign Office, as first Minister and receiving Sir John Latham, former Premier of Australia, as Minister from the Commonwealth Government by virtue of an understanding regarding the exchange of ministers reached in August 1940. However, the Australian attitude toward Japan became also aggravated following the enforcement of freezing restrictions by Britain against Japanese assets. Thus, little progress was noted in the adjustment of diplomatic relations between Japan and Australia.

Soviet-Japanese Relations

In connection with the fishery problem, the most important issue between Japan and the Soviet Union in recent years, Japan reached an understanding with Soviet Government on December 31, 1939, to conclude a treaty proper during 1940. From December 13, 1940, negotiations regarding the fishery treaty problem were started between Ambassador Tatekawa and Foreign Commissar Molotov at Moscow. With the Tatekawa-Molotov conversations, held on seven occasions, failing to reach an understanding, the talks were continued into

1941, being resumed on January 17. The situation suddenly improved, and the treaty was signed at Kremlin on January 20. In this connection, an understanding was reached to establish a mixed commission to study a long-term basic treaty with Japan naming Minister Nishi as head of the Japanese members and the Soviet Government appointing Deputy Foreign Commissar Lozovsky as head of the Soviet members. On the occasion of Foreign Minister Matsuoka's visit to Moscow on his way from Germany and Italy, the adjustment of Soviet-Japanese diplomatic relations, being studied since the arrival of Ambassador Tatekawa in Moscow in 1940, speedily took a concrete form during the conversations between Matsuoka with Secretary-General Stalin and Foreign Commissar Molotov.

Neutrality Treaty The result was the signing of the Soviet-Japanese Neutrality Treaty on April 13. As an annex to the treaty, the Soviet and Japanese Governments issued a joint statement mutually respecting territorial integrity and sovereignty of Manchoukuo and Outer Mongolia by the two Contracting Powers.

A gist of the Neutrality Pact is as follows:

The Japanese Empire and the Union of Soviet Socialist Republics prompted by their desire of strengthening the peaceful and friendly relations subsisting between the two countries have decided to conclude a Pact of Neutrality and have mutually agreed as follows:

Article 1. The two High Contracting Parties agree to maintain peaceful and friendly relations between them and to respect each other's territorial integrity and inviolability.

Article 2. In case either one of the High Contracting Parties becomes an object of military action by one or more third Powers, the other Party shall observe neutrality throughout the entire period of such a conflict.

Article 3. The present Pact shall be enforced from the day of the completion of its ratifications by both High Contracting Parties, and it shall be valid for the period of five years. In case either one of the High Contracting Parties does

not give notice of its abrogation a year before the expiration of the said period, the Pact shall be regarded as having automatically been prolonged for the next five years.

Article 4. The present Pact shall be ratified as soon as possible. An exchange of ratifications shall take place in Tokyo as soon as possible.

Simultaneously with the signature of the Pact the Governments of Japan and the Soviet Union issued a Joint Declaration to the following effect:

The Government of the Japanese Empire and the Government of the Union of Soviet Socialist Republics, in order to assure the peaceful and friendly relations subsisting between them on the basis of the spirit of the Neutrality Pact concluded between the two countries, respect, on the part of the Japanese Empire the territorial integrity and inviolability of the People's Republic of Mongolia, and on the part of the Union of Soviet Socialist Republics the territorial integrity and inviolability of the Empire of Manchoukuo.

The sudden announcement of the Soviet-Japanese Neutrality Pact, while creating an acute reaction throughout the world, proved to be a heavy blow to the Chiang Kai-shek régime which depended greatly on Soviet aid through the medium of a non-aggression agreement. The neutrality pact, with ratifications exchanged on May 20, became effective immediately.

With the culmination of the reported aggravation of Soviet-German relations, a war broke out between Germany and Soviet Russia on June 22. In Japan, the second Konoe Cabinet resigned en bloc on July 16, and was followed by the organization of the third Konoe Cabinet with Admiral Toyoda as Foreign Minister in place of Yosuke Matsuoka. With an alliance concluded with Germany and Italy and a neutrality pact with the Soviet Union, Japan's position became extremely delicate, requiring an extremely careful and prudent attitude toward the German-Soviet War.

However, due to the transport of gasoline by the United States to the Soviet Union via the Northern Pacific and Vladivostok for strengthening aid to Moscow, the Japanese Government reportedly lodged a protest with the Soviet Government in August.

Trade negotiations conducted by Ambassador Tatekawa with Trade Commissar Mikoyan since February 17 resulted in the conclusion of an agreement and an announcement was made on June 11 to the effect that a Soviet-Japanese Trade Agreement and an Agreement concerning Trade Payments were concluded. The trade agreement between the two countries had been a pending issue for sixteen years since the reopening of diplomatic relations between Japan and the Soviet Union. The Soviet-Japanese Trade Agreement was to be effective for five years while the payment agreement was to be in effect for one year. Under the provisions of those two agreements, Japan and the Soviet Union decided to trade with each other to an annual total of ¥30,000,000. Concrete arrangements regarding the exports were made between Japanese traders and the Soviet Trade Office while concrete details of payment settlements were decided upon between the Soviet Trade Office and the Yokohama Specie Bank. The Manchoukuo-Mongolia demarcation operations provided under the Nomonhan Truce Agreement of September 1939, which had been suspended since September 1940, were resumed when the third parley of Manchoukuo and Mongolian representatives took place at Chita from May 28, and spot activities were reopened from June 27. All details including the erection of border marks were completed in August, and the border records were drafted at the Manchoukuo-Mongolia-Soviet Conference at Harbin from September 22, thus giving the final touches to the border agreement which had been pending for three years since the Nomonhan incident.

Relations with Central and South American Countries

Because of the depression of Japan's trade with North America, Europe, Africa as well as the British dominions such as Australia, Canada, British India, etc. due to the aggravation of relations with the United States, Britain, Holland, etc. and the European War, Japan's economic relations with Central and South American countries have become increasingly important. In view of this situation, great efforts were made to advance trade relations with those countries, and keen attention was paid to the developments in

those countries.

With Peru The Peruvian Government, by a presidential decree dated May 18, banned the entry of foreign immigrants because of the national census which was to be conducted in June, and announced the strict enforcement of an ordinance requiring employment of 80 per cent Peruvian nationals and imposing strict immigration restrictions. In this connection, the Japanese Government made strong representations to the Peruvian Government to see that those Peruvian measures should not suppress and restrict Japanese immigration.

With Uruguay The Treaty of Commerce and Navigation, signed between Japan and Uruguay on May 10, 1934, for which the exchange of ratifications had been delayed due to domestic reasons in Uruguay, was finally ratified between Iwataro Uchiyama, Japanese Minister to Uruguay, and Foreign Minister Alberto Guani at Montevideo on May 4, 1940. The treaty, providing for the most-favored-nation treatment mutually, consisted of nine articles and is effective for a period of two years.

With Brazil On September 23, a cultural agreement was concluded with Brazil, an epoch-making event in diplomatic relations between Japan and that country. The contents of the agreement were similar to those of the German-Japanese and Italo-Japanese cultural agreements concluded in 1940.

The elevation of the status of legation in Brazil to that of embassy was announced on December 1 in view of the closer diplomatic and economic relations with that country, and Shū Tomii left Japan for Brazil as the first Ambassador in April 1941.

With Argentine The Argentine-Japanese Trade Agreement, concluded in March 1940, limited the amount of annual trade to ¥30,000,000. In view of the increased activity of trade between the two countries, the revision of the agreement is reported to be under consideration by the two Governments.

Meanwhile, as a result of the Pan-American operations of the United States in an attempt to have South and Central American countries to join a common front for bringing economic pressure on Japan, the attitude of those South and Central American countries has become steadily anti-Japanese.

specially since the enforcement of freezing restrictions by the Washington Government.

On May 13, 1940, an anti-Japanese disturbance broke out at Lima, capital of Peru. On May 15, Foreign Minister Ariza lodged a strong protest with the Peruvian Government through Mr. Polas, Peruvian Chargé d'Affaires. In response, the Peruvian Government immediately expressed regret, promised safety to Japanese residents, and consented to name a special commission to make a survey of damage in order to pay reparations.

With Ecuador On July 5, 1941, a sudden clash between the army forces of Peru and Ecuador, which had a long-standing dispute, took place in a border region, the situation becoming grave as the two countries sent reinforcements. In connection with this dispute, the Ecuador side made an anti-Japanese propaganda that Peru was aided by the Axis Powers and that there were 3,000 Japanese among the Peruvian forces. With this simple pretext, the Ecuador Government attempted to deport Japanese engineers employed by commercial houses throughout Ecuador on suspicion of espionage and illegally interned the Kiyokawa Maru, a Japanese steamer, then anchored at Guayaquil. The Japanese Government on May 7 made a rigorous protest about this case to the Ecuador Government. In response, the Ecuador Government on May 12 expressed regret and guaranteed safety of passage to Japanese ships navigating in Ecuadorian waters in future.

With Mexico An anti-Japanese trend was also reported from Mexico under the weight of the United States' pressure, and there was noted a strong tendency toward aggravation of Japanese-Mexican relations. In view of this situation, the Mexican Legation in Japan, in accordance with instructions from the Mexican Foreign Office, issued a statement to the effect that foreign residents in Mexico, so long as they were engaged in their legitimate work were entitled to all the proper privileges and guarantees and that the Mexican Government had no intention of freezing foreign assets and also that there existed nothing like an anti-Japanese sentiment within Mexico. The statement follows:

"In view of the circulation of various rumors and reports regarding the rela-

tions between Japan and Mexico, the Mexican Legation, in accordance with the opinion expressed by Foreign Minister Exel Badier, wishes to confirm that the foreigners residing in Mexico are entitled to various guarantees so long as they lead a legitimate life. The Mexican Government has never attempted to freeze the assets of foreigners, and there has been no instance of Japanese residents in Mexico having been persecuted by the Mexican authorities or political parties. The Legation also assures that there does not exist in Mexico any anti-Japanese sentiment. The Mexican Government believes that the foregoing statement will clarify the status quo of the Japanese residents in Mexico and the attitude of the Mexican Government."

Relations with Other Countries

In 1926, Japan proposed the revision of the Fur-Seal Treaty, which had been concluded among Japan, the United States, Britain and the Soviet Union in 1911, as the enforcement period of 15 years had elapsed. However, Japan's proposal failed to meet with a favorable response due to the opposition from the United States. With the passage of another 14 years, fur-seals in the North Pacific increased greatly, causing heavy direct and indirect damage to fishing operations and others. Considering that the further enforcement of a treaty guaranteeing the increase of fur-seals unnecessary, the Japanese Government, on October 23, 1940, notified the signatory countries concerned the abrogation of the treaty at one year notice in accordance with the provisions of Article 16 of the treaty and proposed to study a new agreement for the protection of fur-seals on more rational basis. With no reply forthcoming from the Governments of Britain, the United States and the Soviet Union within the period of notice, the treaty became invalidated as on October 22, 1940.

On October 28, 1940 a war broke out between Italy and Greece. Consequently, the Greek Government ordered all Greek ships in foreign waters to take refuge at ports of neutral countries. Under the circumstances, the continuance of the cruise of Greek ships bound for Japan with materials destined to Japan from the Balkan countries became a problem. The Japanese Government asked the Greek Government to permit the voyage of Greek ships

to Japan, in return for which Japan promised to provide all available conveniences to the visiting Greek vessels guaranteeing safe departure from Japan. This was a very noteworthy measure taken by Japan which stood in a very delicate position on account of the Italo-German-Japanese Tripartite Alliance and the Italo-Greek War.

On February 18, 1941, Koh Ishti, Chief of the Third Division of the Cabinet Information Board, in a press conference with foreign correspondents made a sensational remark that "the rumors that Japan desires war are entirely unfounded; on the contrary, Japan is rather willing to take the rôle of a mediator for the establishment of world peace." This statement created a great sensation in different countries as indicating Japan's intention to mediate in the European War. In this connection, Foreign Minister Yosuke Matsuoka on February 20, in another press conference, denied the rumors of Japan's mediation by declaring "there is no fact that Japan has ever offered mediation for world peace to any country of the world." This was also a noteworthy remark as explaining Japan's position toward the European War.

On March 20, 1940, the Japanese Consulate was newly opened at Noumea,

Capital of New Caledonia. This step was taken with the object of maintaining close liaison with that island. The de Gaulle faction in that island, by aid of Australia, carried out a coup d'état in opposition to the Vichy Government and it became impossible for Japan to maintain diplomatic contact with that country through the medium of the Vichy Government; hence the creation of a Consulate at Noumea.

On November 13, 1940, the Bureau of South Seas was created within the Foreign Office in view of the development of Japan's southern regions policy under the stimulus of various events such as the conclusion of the Treaty of Amity and Friendship with Thailand, the advance of Japanese forces to French Indo-China and the conclusion of the Japan-French Indo-China Economic Agreement. Otoji Saito, Consul-General at Batavia, was appointed the first chief of the new bureau. The Bureau consists of two sections, the 1st Section taking charge of matters concerning the Indies, the Philippines, Australia, New Zealand, and the British Islands in the Pacific, while the 2nd Section is in charge of matters concerning Thailand, French Indo-China, Burma, Malay, North Borneo and French Islands in Oceania.

FOREIGN RELATIONS DURING 1941

Diplomatic Situation Up to the Outbreak of the Greater East Asia War

From April to December, up to the very day of the outbreak of the Greater East Asia War, Japan was faced with the most trying situation in her entire diplomatic history, the pivotal issue being the diplomatic negotiation between Japan and the United States of America.

The first conversation between the two countries took place at the time of the Second Konoe Cabinet, which, however, confronted with the present changing situation of the world, recognized the need of the speedy reorganization of the domestic structure in order to complete the national policy, and resigned en bloc on July 16 making way for its renovation. On the 17th of the same month Prince Konoe was thrice commanded to form the new cabinet, and on the following day the third Konoe Cabinet was formed. The appointment of Admiral Toyoda, the former Minister of Com-

merce and Industry as Foreign Minister drew attention from various quarters.

On July 17, the agreement between Japan and France in connection with the joint defense of French-Indo-China was made public, but the Governments of the United States of America, Great Britain and Netherlands took retaliatory actions against Japan by freezing Japanese assets in their respective countries and strengthening rigorous economic pressure to bear on Japan, thus apparently causing the sudden tension in the relation between Nippon and America.

On the 25th, (26th Japan time), the Government of the United States of America, under Presidential decree, ordered the freezing of Japan's assets in America, simultaneously freezing up the Chinese assets. In concert with this, the British Government on the 26th announced the freezing of Japanese assets throughout the British Empire and abrogated the Anglo-Japanese Treaty of Com-

merce and Navigation. Canada, India, the Union of South Africa, Australia and New Zealand also followed the footsteps of the Home Government, freezing Japanese assets in their respective areas, and cancelled the most favored nation clause with Japan. The Government of Netherlands, on the 28th, announced the suspension of Japan-Netherlands Financial agreement and the freezing of Japanese assets in the whole of the Dutch East Indies.

The Japanese Government, on July 28, promulgated and enforced the regulation controlling transactions with foreigners as a counter-measure against the United States' freezing of Japanese assets in America. At the same time the United States of America and the Philippines were designated as countries to which the regulation was applied, and some thirty business concerns were also designated by order of Finance Minister as American corporations. The Government, as a retaliatory measure, added Great Britain, Canada, Hongkong, Netherlands and Dutch East Indies to the list of countries to which the above mentioned regulation was applied.

The negotiation between Japan and America had been carried on from April, 1941. Premier Prince Konoe with a view to allaying any misgivings in relation to the Japan-French-Indo-China Joint defense pact sent a message to President Roosevelt on August 28.

The Government of the United States of America, however, not only showed no sincerity toward Japan's conciliatory attitude but also formed the so-called A.B.C.D. encirclement front and added the military menace to the economic pressure brought to bear on Japan, pushing the relations between the two countries to the worst crisis.

On October 16, the third Konoe Ministry resigned en bloc due to a disagreement in views regarding the future course of national policy. The Imperial Command was given to Lieut.-General Hideki Tojo, the War Minister in the preceding Cabinet, to form the New Cabinet which was completed on October 17. Shigenori Togo, ex-Ambassador to Soviet Russia, was appointed Foreign Minister.

Premier Tojo on October 18 issued a Cabinet declaration that the unchanging national policy of the Japanese Empire was to bring the China Emergency to a successful termination and to establish the Greater East Asia Co-prosperity

Sphere.

Although the Tojo Cabinet seemed to differ little from the third Konoe Cabinet in its practical policy in relation to foreign affairs, Premier Tojo on November 17 in his administrative speech to the extraordinary Diet Session opened on November 15, made it clear that the Government were even then devoting their utmost efforts to a diplomatic settlement. With this object in view the Premier enunciated the following three fundamental principles of Japan's foreign policy: (1) Third Powers will refrain from obstructing the successful conclusion of the China Affair which Japan has in view; (2) The countries surrounding the Empire will not only refrain from presenting a direct military menace to the Empire, but nullify such measures of a hostile character as the economic blockade and restore normal economic relations with Japan; (3) Utmost efforts will be exerted to prevent the extension of the European war and the spread of disturbances into East Asia. On the same occasion Foreign Minister Togo asserted that there was naturally "a limit to our conciliatory attitude."

With the increasing tension in the relations between Japan and America, the United States of America, Great Britain and Netherlands took a more rigorous attitude toward Japan. Japanese nationals who were residing in the United States, Britain, their dominions and colonies and Latin America began to evacuate for home, with the result a more serious situation developed in the relations between the two countries. On November 15 when Japan announced its intention to send Special Envoy Saburo Kurusu to assist Ambassador Admiral Kichisaburo Nomura world attention was focussed on this move as heralding the final stage of the negotiation between the two countries. However the persistent in sincerity and overbearing attitude on the part of the United States of America provoked the rupture of the negotiation and thus broke out the Greater East Asia War.

The Development of the Japan-America Negotiations

With a view to bringing about a fundamental re-adjustment in Japan-American relations, the Second Konoe Cabinet early in April began conversations with the Government of the United States of America sending Ambassador Admiral Kichisaburo Nomura to Wash-

ington. The Government of the United States of America about the middle of April informally announced the following issues of discussion.

(1) National and international policies of the two countries.

(2) Attitude of the two countries toward politics and war. Regarding the Japan-Germany-Italy Tripartite Alliance Treaty, Japan to give guarantee not to menace American Security in the event of the United States of America taking part in the European War for the sake of self defense.

(3) American attitude toward China Affair (to mediate between Japan and China under the fundamental conditions approved by America).

(4) Trade relations between Japan and China.

(5) Economic activity in the Pacific Area.

(6) Neutrality of the Philippines.

On the above points the Imperial Government gave its opinion in May, as follows:

(1) Our Military duties in Tripartite Alliance will be put into action as soon as the Treaty is decided.

(2) Concerning China Affair America to recognize Konoe's three principles, the Treaty concerning the Basic Relations between China and Japan, relying on our neighborly cordial policy, giving advice to Chungking Régime to make peace with Japan. If Chungking Régime does not listen to the United States' advice the latter must cease to aid Chungking Régime.

Japan thus proceeded with her conversations, presenting her views in regard to American proposals, to which in the end of June America offered further amendments in addition to those offered in April.

But in July, after the Third Konoe Cabinet was formed and as soon as Japan-French Treaty of Joint Defense concerning French Indo-China was concluded, the United States took up a drastic policy and froze Japanese assets putting more economic pressure to bear on Japan. In August, Premier Konoe, with a renewed determination to bring about a peaceful solution sent a personal message to President Roosevelt explaining Japan's peaceful intentions and also stressing the urgency of holding a conference among representatives of the two countries to avert a possible catastrophe. Though the United States of America

agreed to this plan upon principle, she did not concede to holding a conference between the representatives of the two countries until a mutual understanding had been reached between the two countries concerning those pending questions relating to the Tripartite Alliance, the stationing of Japanese troops in China, and international commercial freedom.

Thereupon Japan on September 6 further clarified her position, and again on September 25 resumed conversations offering a compromise plan. The United States of America, however, demanded Japan to make clear her opinion on the question of application of the following four basic principles:

(1) Preservation of territorial integrity and universal sovereignty of all countries.

(2) Non-interference with one another's internal policy.

(3) Non-discrimination in commerce and trade.

(4) Present state of affairs in the Pacific to remain unchanged except by peaceful means.

At the same time America demanded Japan's view on the above mentioned four subjects, and the negotiations having come to a standstill, the Konoe Cabinet resigned without completing the conversations.

When the new Cabinet was formed by Lieut.-General Hideki Tojo it was decided to continue the negotiations to bring about an adjustment in Japanese-American relations. As regards the important subjects in the past negotiations, the Government presented the following three proposals to be considered.

(1) As to the Three-Power Parley Japan demands America to clarify her idea of self-defense, and to assure that she will not expand her definition of that term at will in future.

(2) As to the non-discrimination principles in trade and commerce, Japan has no objection to their application to the Pacific area including China if they are to be applied to all the countries.

(3) As to the troops stationed in China, some of them sent to China on account of the China Affair will stay there for a certain necessary period even after peace between Japan and China has been brought about. The rest of the forces will begin to withdraw as soon as peace has been established and withdraw entirely when public peace is secured. Japanese troops in French Indo-China will also be withdrawn as soon as the

China Affair has been settled successfully or the peace in East Asia will have been established indicating her hope that America would use her influence to make England as well as other countries to approve the connecting articles after the completion of the negotiations, and on November 6, made an announcement to send Special Envoy Saburo Kurusu to Washington to assist Ambassador Admiral Kichisaburo Nomura.

On November 15 Special Envoy Kurusu arrived in Washington and immediately Japan-U.S.A. conversations were begun among Japanese Ambassador Admiral Kichisaburo Nomura, Special Envoy Saburo Kurusu on Japanese side and President Roosevelt, and Secretary of State Cordell Hull on the American side in a final effort to bring about a solution of the problem.

At the very beginning of the parley President Roosevelt explained American willingness to act as a mediator concerning the China Affair while Secretary Hull insisted on removing the fundamental difficulties, for as long as Japan cooperates with Germany, he maintained, it would be difficult to continue the negotiations. Attempts were, however, made to overcome the difficulties concerning the above mentioned three subjects.

Japan thereupon made a new set of proposals as follows:

(1) Governments of Japan and the United States of America must have understanding that both countries do not make any new military advance in the South and East Asia (save French Indo-China and Southern Pacific area.)

(2) Governments of Japan and the United States of America are to cooperate with each other so that they may acquire the necessary materials in Netherlands East Indies.

(3) Japan and the U.S.A. to restore mutually their commercial relations to the state prior to the freezing of assets, the latter agreeing to supply necessary oil to Japan.

(4) Government of Japan promises to withdraw the Japanese troops which are dispatched to French Indo-China, if the relations between Japan and America are peacefully settled or if real peace is established in the Pacific area. Japanese Government expressed her readiness to withdraw the Imperial Army from the Southern French Indo-China to the north if both come to an understanding.

To these proposals Secretary of State Cordell Hull replied by emphasizing that the United States of America could not give up its aid to Chungking Régime unless Japan made clear her position in relation to Tripartite Alliance Treaty and assured her adaptation of peaceful policy. The Government of the United States held a parley with the representatives of Britain, Australia, China, and Netherlands and on November 22 Secretary of State Cordell Hull stressed that only the withdrawal of Japanese Army from the Southern French Indo-China could not alleviate the tension of the situation in the Southern Pacific area and the President withdrew his offer of mediating between Japan and China on the ground that the time did not come yet for the United States of America to undertake such a step.

On November 26, Secretary of State Hull rejected Japan's plan of the 26th on the plea that after careful investigation of the plan and upon deliberations with interested countries it was found difficult for the United States of America to accept it, and offered new proposals as included in (3), the attached documents relating to the Greater East Asia War.

In reply Japan pointed out the unreasonableness of certain of these proposals, but Cordell Hull however failed to show any signs of concession and on November 27, President Roosevelt stated that no effort will solve the difficulties after all. On December 2 Sumner Welles by presidential order made an inquiry into the real situation regarding the rumor about reinforcement of Japanese Army in French Indo-China. As no sincerity was shown on the part of America to continue negotiations, Japan decided to close the negotiation and on December 7, (8, Japan time) issued the memorandum (2, the attached Documents relating to the Greater East Asia War) toward America and the negotiations were broken off.

On December 8, simultaneously with the rupture of the negotiations, the Imperial Rescript declaring war against the United States of America and the British Empire was issued together with the declaration announcing the outbreak of the Greater East Asia War.

Diplomatic Affairs After the Outbreak of the Greater East Asia War

Simultaneously with the declaration of war on the United States of America and

Great Britain on December 8, the Imperial Government compelled by the strategic necessity of launching offensive in the southern areas asked Thailand to permit the Imperial Army to pass through its territory and to give necessary facilities for their passage, and as Thai willingly accepted the proposals, on the night of December 8, the Imperial Army proceeded into the country, while the Japanese Government concluded the military alliance with French Indo-China in accordance with the Nippon-French Joint Defense Protocol.

To Germany and Italy, Japan's allies, Japan proposed the conclusion of a new agreement among the three powers concerning their cooperation to effectively prosecute their joint war against America and Britain not to conclude a separate peace, thus laying the foundations for a new world order giving supreme expression to their practical collaboration. On December 11, the treaty was signed by Japanese Ambassador Hiroshi Oshima, German Foreign Minister Joachim Ribbentrop and Italian Ambassador Alfieri in Berlin and at the same time Germany and Italy declared war on the United States and the British Empire.

On December 21, Japan-Thai Offensive and Defensive Pact was formally signed between Japanese Ambassador Teiji Tsubokami and Thai Premier Pibul Songgram at Bangkok.

Further, on January 4, an Exchange Pact was concluded between the two countries and on April 21, they reached the Yen-Baht Parity Agreement adding closer connection not only politically but also economically between Japan and Thailand.

German-Italy-Nippon Tripartite Alliance and Anti-Comintern Pact

The Imperial Government decided to recognize formally the newly formed state of Croatia in the Balkans, and on June 7, issued a notification to the Croatian Government through Foreign Minister Yosuke Matsuoka. Accordingly the Japanese Legation was set up in Agram, the capital of Croatia.

As the Croatian Government decided to participate in the Tripartite Alliance the Protocol was signed on June 15, at Venice, among the four representatives, namely Japanese Ambassador Horikiri to Italy, Foreign Minister Ribbentrop of Germany, Foreign Minister Ciano of Italy and Croatian plenipotentiary,

President and Foreign Minister Haverich. With Croatia's entry, the number of countries participating in the Tripartite pact became 6.

Japan-German Anti-Comintern Pact which was signed on November 25, 1936, and in which Italy participated in the following year extending the Pact to a three-Power Alliance, was to expire by November 1941, at the end of a five-year period, the Signatory Powers consulted among themselves and decided to extend its validity for another five-year period. A new Protocol concerning the extension of validity of the Agreement was signed on November 25, 1941, in Berlin between Japanese Ambassador Hiroshi Oshima to Germany and the plenipotentiaries of the other Axis Powers with the additional participation of National Government of China, Rumania, Bulgaria, Finland, Slovakia, Croatia and Denmark. As regards the agreement Foreign Office authorities issued the following verbal statement and the whole text of the Protocol was also made public.

President Wang Ching-Wel Visits Japan

President Wang Ching-Wel of the National Government of China visited Japan on June 17, 1941, to express his appreciation for the support extended by Japan since the New Government was established and to deepen the amity between the two nations. President Wang was received in audience by H.I.M. the Emperor and Empress of Japan and also was given an enthusiastic reception by the Government and people of Japan which marked an epoch-making event in the relations between Japan and China.

In place of Kumataro Honda Japanese Ambassador to China who together with the resignation on block of the Third Koaoe Cabinet had sent in his resignation, ex-Ambassador to England, Shigemitsu, was appointed on December 19, soon after the outbreak of the Greater East Asia War. Ambassador Shigemitsu proceeded to Nanking in January.

Recognition of Manchoukuo and Nanking Governments On July 1 of the 16th year of Showa (1941) the five Axis States Germany, Italy, Rumania, Slovakia and Croatia extended their recognition to the National Government at Nanking which had been recognized formally by Japan in accordance with the Japan-China Basic Treaty of November 30, 1940. On the same day Bulgaria and

Hungary also formally announced their recognition of Nanking Government, followed by Denmark on August 18.

The Thai Government with a view to contribute its share toward the establishment of the Greater East Asia Co-prosperity Sphere extended its formal recognition to Manchoukuo, on July 1, thus inaugurating friendly relations between the two countries. Thus, including Thailand the number of countries which have extended recognition to Manchoukuo came to 12.

Special Envoys from Manchoukuo and Thailand

Manchoukuo, in appreciation of the support extended to it by Japan for the development of that country and with the object of enhancing the friendly relations between Japan and Manchoukuo, despatched Premier Chang Ching-hui as a special Envoy of gratitude to Japan on the occasion of the 10th anniversary of the founding of the Manchoukuo Empire.

The Manchoukuo mission headed by Premier Chang Ching-hui arrived in Tokyo on March 16. Received in audience by H.I.M. the Emperor of Japan Premier Chang presented the goodwill message from H.M. the Emperor of Manchoukuo and conveyed the gratitude of his country to the Imperial family, the Government and people of Japan. H.I.H. Prince Takamatsu, was despatched in turn by H.I.M. the Emperor of Japan to felicitate the 10th anniversary of Manchoukuo's founding. Arriving in Hsinking on May 28, the Imperial envoy formally visited H.M. the Emperor of Manchoukuo and conveyed the good wishes of H.I.M. the Emperor of Japan and exchanged greetings with the government and people of Manchoukuo.

To felicitate the Pact of alliance between Japan and Thailand signed at Bangkok on December 21, soon after the outbreak of the Greater East Asia War and to strengthen the ties of friendship between Japan and Thailand, the government of Thai sent a mission of felicitation headed by the Special Envoy Lieut.-General Phya Phaholphyayha Sena to Japan. The mission arrived in Tokyo on April 25. Received in audience the Special Envoy presented credentials to H.I.M. the Emperor of Japan. The mission was given warm welcome by the government and people of Japan.

Special Envoy to Vatican

On March 20, the Government an-

nounced the conclusion of a new agreement between Japan and Vatican and simultaneously with it announced the appointment of Japanese Counsellor Ken Harada to France as the first Japanese Minister to the Holy Sea.

Relation with U.S.S.R.

Japan-Soviet commercial negotiations which had been initiated in November of the 14th year of Showa (1939) between the People's Commissar for Trade Komliyan and Japanese Minister Matsu-shima to Sweden who stopped at Moscow on his way to his new appointment, were discontinued in January of the 16th year of Showa (1941) on the account of border disputes between Japan and the Soviets and for various other reasons.

As the relations in general were improved after the conclusion of the Provisional Treaty of Fishery on January 21, 1941, the negotiations concerning the commercial Treaty were reopened on February 17, between Japanese Ambassador Tatekawa and Foreign Commissioner Vyacheslav M. Molotov. A Pact of Non-Aggression was concluded when Japanese Foreign Minister Yosuke Matsuoka visited Moscow again on his way back from Germany and Italy. On this new basis, a Commercial Treaty was concluded on June 11.

The Commercial Treaty covers three issues namely Commercial adjustment between Japan and the Soviets, Trade and payment, the treaty taking effect at once. The main features of the Treaty are as follows:

Within one year of the treaty Japan is to export silk, cocoon, machines and implements, liquid camphor, miscellaneous goods and others amounting to 30,000,000 yen in all, while she is to import petroleum, manganese, platinum, manure and miscellaneous articles amounting to 60,000,000 yen, payment to be made in yen. Detailed items of this treaty were discussed between the representatives of the Yokohama Specie Bank and Trade representatives of Soviet Russia. The term of validity of these two treaties is one year, but in the absence of a notification for its abolition before the expiry of a year, the term of validity is automatically extended by one year.

Although a commercial treaty was provided for in the end of protocol of the Basic Treaty between the two countries signed in the 14th year of Taisho, when Japan-Soviet diplomatic relations were inaugurated, 16 years had passed before

the conclusion of the present treaty.

Considerable attention was directed toward the successful conclusion of these treaties, following close on the heels of the Japan-Soviet Neutrality Pact.

As a consequence of the outbreak of the German-Soviet War the so-called Mid-Atlantic Parley was held between the United States and England to decide the ways and means of aiding Soviet Russia, and as a result the United States decided to supply Soviet Russia with high-octane aircraft gasoline by the Canadian and Soviet tankers via Vladivostok. The arrival of several tankers at the port of Vladivostok on August 16, caused uneasiness in Japan, and the Japanese Government promptly made a protest to the Government of U.S.A. and U.S.S.R. stressing that this action was a matter of keen concern for Japan. Furthermore, in regard to the mines laid by the Soviets along the coasts from Kamchatka to the Japan Sea, Japan pointed out to the danger which the Japanese boats were exposed to on account of them. On August 1, a Chosenese sail boat passing through the Japan Sea was exploded and sunk by the Soviet mines and another vessel was hit on the 10th, and on October 5 Keli maru, a Japanese steamer belonging to the Nipponkai Shipping Co. was hit by a mine, whereupon the Japanese Government filed a protest with the Soviet Government calling for a clear explanation from them.

With the outbreak of the Greater East Asia War world attention was focussed on the development of Japan-Soviet relations. The Soviet Government repeatedly expressed its intention of upholding the Japan-Soviet Treaty of Neutrality, and the knotty fishery issue on which was thought to depend the whole future of Japan-Soviet relations was satisfactorily settled with the signing of a Modus Vivendi on March 23, 1942.

On March 28 it was announced that Ambassador Lieut.-General Yoshitsugu Tatekawa would be replaced by ex-Foreign Minister Naotake Sato as Ambassador to Soviet Russia, and the latter arrived in Kuibishev early in April to take his post.

Relations with Southern Regions

Ratifications of Japan-France Treaty of residence and navigation concerning F.I.C. and Japan-French Pact concerning the system of customs, trade and its

settlement signed on May 6 of the 16th Year of Showa (1941) were exchanged on July 5 following the exchange of ratifications of the Thai-French Peace agreement and Japan-France-Thai Protocol concerning security and political understanding.

As the accord of views was reached between Japan and France concerning the joint defense of F.I.C. which had been under negotiations at Tokyo and Vichy, Japanese Government on July 26 issued a statement clarifying to the world the real spirit of Joint Defense Treaty.

After the completion of the necessary procedure, Joint Defense Treaty came in force on July 29 simultaneously with its signature, while a detailed supplement to the treaty was drawn out by Vice-Admiral Jean Decoux, Governor-General of F.I.C. and Major-General Raishiro Sumita, Commander of Japan Special Service Corps in F.I.C. after an all day conference on July 23, on the actual spot. The official communique announcing the agreement was issued at Bangkok on July 27.

The Text of Protocol between Japan and France concerning F.I.C. signed at Vichy by Japanese Ambassador to France Sotomatsu Kafo and Admiral Jean-Francois Darlan, French Vice-Minister, is given on pp. 204-25.

In accordance with the Treaty of Japan-French Joint Defense, Japan reinforced the Imperial army in the Southern areas, the reinforcements reaching Saigon on July 31, adding more close relations and strengthening the economic ties between Japan and F.I.C.

With the object of further strengthening the friendly relations between Thai and Japan, the Japanese Government held conversations with the Thai Government in the past as a result of which the two governments decided mutually to raise their respective Legations to the status of Embassy. This was announced on August 16 by the Board of Information and was put in force on August 18. The Government decided to appoint as its first Ambassador to Thai Mr. Teiji Tsubokami, ex-Vice-Minister of Overseas Affairs, while Thailand elevated her Minister to Japan to the status of Ambassador.

As no satisfactory settlement could be arrived at concerning the economic negotiations between Japan and the Netherlands which had been intermittently held since November 1939, suc-

cessively by Commerce Minister Kobayashi and special envoy Ken Yoshizawa, owing to the insincerity on the part of Dutch East the Imperial Government decided to discontinue negotiations and to call back the Special Envoy Yoshizawa, and issued an announcement to this effect on July 18. The Mission headed by Special Envoy Kenkichi Yoshizawa left Batavia for Japan on July 27.

Concerning Peace Agreement between Thai and France signed in Tokyo through the good offices of Japan and the Protocol between Japan and Thai, and that between Japan and France in relation to security and political understanding, ratifications were exchanged at the Foreign Minister's residence in Tokyo on July 5. Simultaneously, notifications were issued to the Governments of Thai and France to the effect that the Protocol concerning the organization and appointment of the committee for the demarcation of the Thai-F.I.C. border decided in the supplementary plan to the Peace Agreement and the protocol concerning the fulfillment of regulations in the unarmed area obtained the Imperial sanction.

Thus with the completion of the exchange of ratifications, the Imperial Government on the basis of the Peace agreement announced the following names of five delegates and five assistant delegates representing Japan in the Joint Border Demarcation Committee.

Imperial Delegates: Ex-Envoy Extraordinary and Minister Plenipotentiary Makoto Yano, Secretary of Foreign Office Tsuyoshi Inoue, Colonel Takanobu Managi, Lieut.-Colonel Kazuo Iwahashi, Colonel Hito Ikeda.

Assistant-Delegates: Consul Koreyuki Takashima, Lieut.-Colonel Kaoru Takeuchi, Major Kimikazu Iino, Commander Takanobu Sasaki, Engineer, Commander Taro Ishida.

The Japanese members of the Joint Border Demarcation Committee arrived in Saigon and commenced their work from August.

Japanese Relations with Latin America

The long-standing border disputes between Ecuador and Peru flared up in open hostilities in July 1941. In this connection Ecuador made false propaganda to the effect that Peru was supported by Axis Powers and 3,000 Japanese were in the ranks of the Peruvian Army. Because of such anti-Japanese

reports published by the Ecuadorean Newspaper the public sentiment toward the Japanese suddenly turned for the worse, bringing pressure to bear on Japanese in various quarters. The Government of Ecuador took such measures as expelling the Japanese engineer employed by an Ecuadorean Company on suspicion of his being a spy or to conduct illegal inspection of the Kiyokawamaru, a Japanese steamer.

Unable to pass over such a development the Japanese Government filed a protest with the Government of Ecuador urging it to take due consideration and strict control not to repeat the incident again. Concerning this, the Foreign Office authorities on August 4 issued a statement to clarify the real situation of the affairs to the world.

Replying to the Japanese protest the government of Ecuador on August 12 through Japanese Minister Yanai to Colombia officially expressed its apology promising that upon investigation of the matter it will take proper steps as regards the illegal actions brought against Japan.

While the conclusion of Japan-French Joint Defense Treaty lead the Japanese-American relations to become worse, some countries in south and central America followed the steps of the United States of America in taking anti-Japanese policy: On October 24, Colombia enforced a new set of regulations governing the coming in and going out of foreign people which naturally restricted the Japanese entry into the country. Mexico was also planning to take similar steps to restrict the entry of Japanese nationals into their country. The Government of Panama which was taking more harsh attitude toward Japan since the coup d'état backed by the United States of America, finally perpetrated such outrageous acts as the cancellation of business licenses to all Japanese in Panama from October 29. The Imperial Government therefore submitted a rigorous protest to the Panama Government through the Panamanian Minister in Tokyo on November 1, and 7, and at the same time through Japanese Minister Akiyama to Panama urged due consideration over the matter, and again on November 19, filed a strong protest with the Panama Government as it had not shown any sign of reconsideration over the Japanese protest.

The treaty concerning the cultural cooperation between Japan and Brazil

signed at Rio de Janeiro on September 23, 1940, became effective on November 5, 1941, when the ratifications were exchanged at the same place. With regards to this the Foreign Office authorities on November 7, issued a statement explaining the development of the treaty, and published the contents.

Soon after the outbreak of the Greater East Asia War, the United States under the pretext of a joint defense of Western Hemisphere, made a frantic effort to drive the Latin American States to join in an Anti-Axis line-up against Japan, Germany and Italy. Despite the United States manoeuvres the so-called A.B.C. countries, Argentina, Brazil, Chile and Peru upheld a policy of neutrality. Thereupon Foreign Minister Shigenori Togo sent a message on December 19, to the Governments of those four states extending profound respect for their heroic attitude and also clarifying the real objective of the Greater East Asia War.

Documents

JAPAN'S POLICY SETTLED vis-à-vis THE OUTBREAK OF HOSTILITIES BETWEEN GERMANY AND THE SOVIET UNION

(1) The Government's Announcement, July 2, 1941

An important national policy to meet the current trend of events was decided at an Imperial Conference held today.

(2) Statement by Kenji Tomita, Chief Secretary of the Cabinet, July 2, 1941

Today's Imperial Conference was held at the Imperial Palace from 10 a.m. It was attended by the Premier, Foreign, Home, Finance, War, and Navy Ministers, President of the Privy Council, Chief and Vice-Chief of Army General Staff, and Chief and Vice-Chief of Navy General Staff. The meeting ended at noon.

(3) Remarks of the Foreign Minister, July 2, 1941

As announced by the Government today, an important policy has been decided upon at the Imperial Conference. It goes without saying that the situation arising from German-Soviet war cannot be met with such a simple idea as to think it only an outbreak of war between Germany and the Soviet Union.

We therefore, intend to watch closely the development of the situation with the greatest care and preparations, in which we can place our confidence, as

well as with firm determination. We must, at the same time, pay constant attention not only to developments surrounding the war but to the situation all over the world as well as the trend of individual Powers and the state of affairs among them.

I feel that a really grave state of emergency is developing before our eyes throughout the world, particularly in East Asia, with direct concern to our country. The more serious the situation, the more calm and composed must our nation be, and with unity of all classes, they must, in response to the August Will of His Majesty, endeavor not to make even the slightest mistake in the direction of the path of our country.

EXCHANGE OF RATIFICATIONS OF THE TREATIES REGARDING THE THAI-FRENCH INDO-CHINA BORDER DISPUTE AND ECONOMIC AGREEMENT BETWEEN JAPAN AND FRENCH INDO-CHINA; ANNOUNCEMENT BY THE BOARD OF INFORMATION, JULY 5, 1941

Regarding the Treaty of Peace between France and Thailand and the Protocol concerning guarantee and political understanding between Japan and France, and between Japan and Thailand, which were signed at Tokyo on May 9 of this year, the countries concerned have since been, respectively, taking procedures for their ratification which have now been completed. Accordingly, exchanges of ratifications of these documents were held today at the official residence of the Foreign Minister between France and Thailand, between Japan and France, and between Japan and Thailand.

Of the annexed documents of the Treaty of Peace, the Protocol concerning the organization and working of the Commission for the Delimitation of Boundary, as well as the protocol concerning the enforcement of the provisions with reference to unfortified zones, which Japan also signed, required an approval by the Japanese Government. As the Imperial Sanction was given thereto yesterday, July 4, the Japanese Government notified the French and Thai Governments under today's date.

An exchange of ratifications of the Treaty of Establishment and Navigation between Japan and France concerning French Indo-China and the Japanese-French Agreement with reference to customs tariff, trade and method of pay-

cessively by Commerce Minister Kobayashi and special envoy Ken Yoshizawa, owing to the insincerity on the part of Dutch East the Imperial Government decided to discontinue negotiations and to call back the Special Envoy Yoshizawa, and issued an announcement to this effect on July 18. The Mission headed by Special Envoy Kenkichi Yoshizawa left Batavia for Japan on July 27.

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(2) Statement by Kenji Tomita, Chief Secretary of the Cabinet, July 2, 1941

Today's Imperial Conference was held at the Imperial Palace from 10 a.m. It was attended by the Premier, Foreign, Home, Finance, War, and Navy Ministers, President of the Privy Council, Chief and Vice-Chief of Army General Staff, and Chief and Vice-Chief of Navy General Staff. The meeting ended at noon.

(3) Remarks of the Foreign Minister, July 2, 1941

As announced by the Government today, an important policy has been decided upon at the Imperial Conference. It goes without saying that the situation arising from German-Soviet war cannot be met with such a simple idea as to think it only an outbreak of war between Germany and the Soviet Union.

We, therefore, intend to watch closely the development of the situation with the greatest care and preparations, in which we can place our confidence, as

well as with firm determination. We must, at the same time, pay constant attention not only to developments surrounding the war but to the situation all over the world as well as the trend of individual Powers and the state of affairs among them.

I feel that a really grave state of emergency is developing before our eyes throughout the world, particularly in East Asia, with direct concern to our country. The more serious the situation, the more calm and composed must our nation be, and with unity of all classes, they must, in response to the August Will of His Majesty, endeavor not to make even the slightest mistake in the direction of the path of our country.

EXCHANGE OF RATIFICATIONS OF THE TREATIES REGARDING THE THAI-FRENCH INDO-CHINA BORDER DISPUTE AND ECONOMIC AGREEMENT BETWEEN JAPAN AND FRENCH INDO-CHINA: ANNOUNCEMENT BY THE BOARD OF INFORMATION, JULY 5, 1941

Regarding the Treaty of Peace between France and Thailand and the Protocol concerning guarantee and political understanding between Japan and France, and between Japan and Thailand, which were signed at Tokyo on May 9 of this year, the countries concerned have since been, respectively, taking procedures for their ratification which have now been completed. Accordingly, exchanges of ratifications of these documents were held today at the official residence of the Foreign Minister between France and Thailand, between Japan and France, and between Japan and Thailand.

Of the annexed documents of the Treaty of Peace, the Protocol concerning the organization and working of the Commission for the Delimitation of Boundary, as well as the protocol concerning the enforcement of the provisions with reference to unfortified zones, which Japan also signed, required an approval by the Japanese Government. As the Imperial Sanction was given thereto yesterday, July 4, the Japanese Government notified the French and Thai Governments under today's date.

An exchange of ratifications of the Treaty of Establishment and Navigation between Japan and France concerning French Indo-China and the Japanese-French Agreement with reference to customs tariff, trade and method of pay-

ment between Japan and French Indo-China, which were signed at Tokyo on May 6, also took place at the same meeting following the above exchange of ratifications. As the above mentioned documents provide that they be effective from the date of the exchange of their ratifications, they are in effect from today, July 5.

The provisions of the protocol concerning the organization and working of the Commission for the Delimitation of Boundary are to the following effect:

- (1) Five commissioners and five assistant commissioners each are to be appointed by Japan, France and Thailand. The commissioners may take with them a number of experts and clerks whom they consider necessary.
- (2) The chairmanship of the commission is to be entrusted to one of the Japanese commissioners.
- (3) The commission is to define boundaries on land and on rivers on the spot and map out such boundaries. It is also to erect boundary marks on required spots.
- (4) Expenses to carry on the work of the commission to be borne equally by the French and Thai Governments, and these two Governments will afford all necessary facilities to the commission to carry out its duties.

JOINT DEFENSE AGREEMENT BETWEEN JAPAN AND FRENCH INDO-CHINA

- (1) Statement of Government; Issued by the Board of Information, July 26, 1941

The relations between Japan and French Indo-China have of late become rapidly closer as the result of the agreement reached in August of last year between the Foreign Minister, Yosuké Matsuoka, and the French Ambassador, Arsène-Henry, and other agreements made on various occasions subsequently. A complete agreement of views has now been reached through friendly conversations between the Governments of Japan and France regarding their joint defense with respect to French Indo-China.

Japan intends to observe strictly her obligations arising from the various existing arrangements between Japan and France, especially the solemn promise of respecting the territorial integrity and sovereignty of French Indo-China, and at the same time to endeavor

for the promotion of the amicable relations subsisting between Japan and France, thereby realizing common prosperity of the two countries.

- (2) Statement of the Foreign Office, July 26, 1941

Indo-China and Japan have from olden times been closely bound in cultural, historical and economic relations. Prior to the closing of Japan to foreign intercourse by the Tokugawa Shogunate, there were two Japanese towns each in Annam and Cambodia and very prosperous trade was carried on with Japan. However, these relations were interrupted when the Shogunate prohibited Japanese from going abroad. In recent times, Indo-China has reestablished the old relations with Japan in a new sense as a source of materials for the industries of Japan. The renewed relations have of late steadily become closer and more cordial with Indo-China constituting an important link in the sphere of common prosperity of greater East Asia which Japan is endeavoring to establish.

Fully appreciating such close relationship of Indo-China to Japan and its importance, France definitely recognized preeminent position of Japan in French Indo-China through the exchange of documents between the then Foreign Minister, Yosuké Matsuoka, and her Ambassador in Japan, Arsène-Henry, in August of last year. Then, in May of this year, she concluded with Japan the economic agreement and signed the protocol concerning political understanding, striving thereby to solidify the good neighborly and amicable relations and to promote the close political and economic relations between Japan and French Indo-China. France has thus consistently continued her friendly co-operation with Japan.

However, the internal and external conditions of French Indo-China have recently been greatly affected by the changes of situations in Europe and East Asia with increasing signs of even the security of French Indo-China being threatened if such developments were left alone. If by any chance the situation so developed that French Indo-China is thrown into a chaotic condition, it cannot, in self-defense, be overlooked by Japan, not to mention France herself. It has been keenly felt, therefore, by both Japan and France that they were bound by very close relationship as well as common interest with regard to the position of French Indo-China.

From such point of view, the Japanese Government, since a short time ago, carried on negotiations through the Japanese Ambassador in France, Sotomatsu Kato, with the Government at Vichy. These negotiations progressed smoothly in an extremely friendly atmosphere and, on July 21, a complete agreement of views was reached between the Governments of Japan and France concerning their joint defense of French Indo-China. Japan and France have thus been ushered into more intimate relations with each other with French Indo-China serving as their connecting link. Needless to say, it will powerfully contribute toward the stabilization, co-existence and co-prosperity of greater East Asia.

It scarcely need reiteration that the Japanese Government intends strictly to observe various existing agreements between Japan and France concerning French Indo-China and to respect the territorial integrity and sovereignty of French Indo-China, and Japan will put forth increasing efforts for the promotion of the Japanese-French friendly relations, thereby realizing common prosperity of the two countries.

- (3) The Protocol Signed, July 29, 1941 (Unofficial translation)

The Imperial Japanese Government and the Government of France,

Taking into consideration the present international situation,

And recognizing as the result, that there exist reasons for Japan to consider that, in case the security of French Indo-China should be threatened, general tranquility in East Asia and her own security would be exposed to danger,

And renewing at this opportunity the promise made by Japan, on the one hand, to respect the rights and interests of France in East Asia, especially the territorial integrity of French Indo-China and the French sovereignty over the whole of the Union of French Indo-China; and the promise made by France, on the other hand, not to conclude with any third Power or Powers any agreement or understanding regarding Indo-China envisaging political, economic or military cooperation which is directly or indirectly aimed against Japan.

Have agreed upon the following provisions:

- (1) The two Governments mutually promise military cooperation for joint defense of French Indo-China.

- (2) Measures to be taken for such co-

operation shall be the object of special arrangements.

(3) The above stipulations shall be valid only so long as the situation which has motivated their adoption exists.

Documents Relating to the Greater East Asia War

- (1) The Imperial Rescript, Released December 8, 1941

We, by grace of Heaven, Emperor of Japan, seated on the Throne of a line unbroken for ages eternal, enjoin upon ye, Our loyal and brave subjects:

We hereby declare war on the United States of America and the British Empire. The men and officers of Our army and navy shall do their utmost in prosecuting the war. Our public servants of various departments shall perform faithfully and diligently their appointed tasks, and all other subjects of Ours shall pursue their respective duties; the entire nation with a united will shall mobilize their total strength so that nothing will miscarry in the attainment of our war aims.

To insure the stability of East Asia and to contribute to world peace is the far-sighted policy which was formulated by our Great Illustrious Imperial Grand-sire and Our Great Imperial Sire succeeding Him, and which We lay constantly to heart. To cultivate friendship among nations and to enjoy prosperity in common with all nations has always been the guiding principle of Our Empire's foreign policy. It has been truly unavoidable and far from Our wishes that Our Empire has now been brought to cross swords with America and Britain. More than four years have passed since China, failing to comprehend the true intentions of Our Empire, and recklessly courting trouble, disturbed the peace of East Asia and compelled Our Empire to take up arms. Although there has been re-established the National Government of China, with which Japan has effected neighborly intercourse and co-operation, the régime which has survived at Chungking, relying upon American and British protection, still continues its fratricidal opposition. Eager for the realization of their inordinate ambition to dominate the Orient, both America and Britain, giving support to the Chungking régime, have aggravated the disturbances in East Asia. Moreover, these two Powers, inducing other countries to follow suit, increased military preparations on all sides of Our Empire

to challenge us. They have obstructed by every means our peaceful commerce, and finally resorted to a direct severance of economic relations, menacing gravely the existence of Our Empire. Patiently have We waited and long have We endured, in the hope that Our Government might retrieve the situation in peace. But our adversaries, showing not the least spirit of conciliation, have unduly delayed a settlement; and in the meantime, they have intensified the economic and political pressure to compel thereby Our Empire to submission. This trend of affairs would, if left unchecked, not only nullify Our Empire's efforts of many years for the sake of the stabilization of East Asia, but also endanger the very existence of Our nation. The situation being such as it is, Our Empire for its existence and self-defense has no other recourse but to appeal to arms and to crush every obstacle in its path.

The hallowed spirits of Our Imperial Ancestors guarding Us from above, We rely upon the loyalty and courage of Our subjects in Our confident expectation that the task bequeathed by Our forefathers will be carried forward, and that the sources of evil will be speedily eradicated and an enduring peace immutably established in East Asia, preserving thereby the glory of Our Empire.

(2) Japanese Note to the United States,
Made Public December 8, 1941
(Unofficial Translation)

The Government of Japan, prompted by a genuine desire to come to an amicable understanding with the Government of the United States in order that the two countries by their joint efforts may secure the peace of the Pacific area and thereby contribute toward the realization of world peace, has continued negotiations with the utmost sincerity since April last with the Government of the United States regarding the adjustment and advancement of Japanese-American relations and the stabilization of the Pacific area.

The Japanese Government has the honor to state frankly its views concerning the claims the American Government has persistently maintained as well as the measures the United States and Great Britain have taken toward Japan during these eight months.

It is the immutable policy of the Japanese Government to insure the stability of East Asia and to promote world peace, and thereby to enable all nations

to find each its proper place in the world.

Ever since the China Affair broke out owing to the failure on the part of China to comprehend Japan's true intentions, the Japanese Government has striven for the restoration of peace and it has consistently exerted its best efforts to prevent the extension of warlike disturbances. It was also to that end that in September last year Japan concluded the Tripartite Pact with Germany and Italy.

However, both the United States and Great Britain have resorted to every possible measure to assist the Chungking régime so as to obstruct the establishment of a general peace between Japan and China, interfering with Japan's constructive endeavors toward the stabilization of East Asia. Exerting pressure on the Netherlands East Indies, or menacing French Indo-China, they have attempted to frustrate Japan's aspiration to realize the ideal of common prosperity in cooperation with these regions.

Furthermore, when Japan in accordance with its Protocol with France took measures of joint defense of French Indo-China, both American and British Governments, wilfully misinterpreted it as a threat to their own possessions and inducing the Netherlands Government to follow suit, they enforced the asset-freezing order, thus severing economic relations with Japan. While manifesting, thus, an obviously hostile attitude, these countries have strengthened their military preparations perfecting an encirclement of Japan, and have brought about a situation which endangers the very existence of the Empire.

Nevertheless, to facilitate a speedy settlement, the Premier of Japan proposed, in August last, to meet the President of the United States for a discussion of important problems between the two countries covering the entire Pacific area. However, the American Government, while accepting in principle the Japanese proposal, insisted that the meeting should take place after an agreement of view had been reached on fundamental and essential questions.

Subsequently, on September 25 the Japanese Government submitted a proposal based on the formula proposed by the American Government, taking fully into consideration past American claims and also incorporating Japanese views. Repeated discussions proved of no avail in producing readily an agreement of

view. The present Cabinet, therefore, submitted a revised proposal, moderating still further the Japanese claims regarding the principal points of difficulty in the negotiation and endeavored strenuously to reach a settlement. But the American Government, adhering steadfastly to its original assertions, failed to display in the slightest degree a spirit of conciliation. The negotiation made no progress. Thereupon, the Japanese Government, with a view to doing its utmost for averting a crisis in Japanese-American relations, submitted on November 20, still another proposal in order to arrive at an equitable solution of the more essential and urgent questions, which, simplifying its previous proposal, stipulated the following points:

(1) The Government of Japan and the United States undertake not to dispatch armed forces into any of the regions, excepting French Indo-China, in South Eastern Asia and the Southern Pacific area.

(2) Both Governments shall cooperate with a view to securing the acquisition in the Netherlands East Indies of those goods and commodities of which the two countries are in need.

(3) Both Governments mutually undertake to restore commercial relations to those prevailing prior to the freezing of assets.

The Government of the United States shall supply Japan the required quantity of oil.

(4) The Government of the United States undertakes not to resort to measures and actions prejudicial to the endeavors for the restoration of general peace between Japan and China.

(5) The Japanese Government undertakes to withdraw troops now stationed in French Indo-China upon either the restoration of peace between Japan and China or the establishment of an equitable peace in the Pacific area; and it is prepared to remove the Japanese troops in the southern part of French Indo-China to the northern part upon the conclusion of the present agreement.

As regards China, the Japanese Government, while expressing its readiness to accept the offer of the President of the United States to act as "introducer" of peace between Japan and China as was previously suggested, asked for an undertaking on the part of the United States to do nothing prejudicial to the restoration of Sino-Japanese peace when the two parties have commenced direct

negotiations.

The American Government not only rejected the above-mentioned new proposal, but made known its intention to continue its aid to Chiang Kai-shek; and in spite of its suggestion mentioned above, withdrew the offer of the President to act as the so-called "introducer" of peace between Japan and China, pleading that time was not yet ripe for it. Finally on November 26, in an attitude to impose upon the Japanese Government those principles it has persistently maintained, the American Government made a proposal totally ignoring Japanese claims, which is a source of profound regret to the Japanese Government.

From the beginning of the present negotiation the Japanese Government has always maintained an attitude of fairness and moderation, and did its best to reach a settlement, for which it made all possible concessions often in spite of great difficulties. As for the China question which constituted an important subject of the negotiation, the Japanese Government showed a most conciliatory attitude. As for the principle of non-discrimination in international commerce, advocated by the American Government, the Japanese Government expressed its desire to see the said principle applied throughout the world, and declared that along with the actual practice of this principle in the world, the Japanese Government would endeavor to apply the same in the Pacific area, including China, and made it clear that Japan had no intention of excluding from China economic activities of third Powers pursued on an equitable basis. Furthermore, as regards the question of withdrawing troops from French Indo-China, the Japanese Government even volunteered, as mentioned above, to carry out an immediate evacuation of troops from Southern French Indo-China as a measure of easing the situation. It is presumed that the spirit of conciliation exhibited to the utmost degree by the Japanese Government in all these matters is fully appreciated by the American Government.

On the other hand, the American Government, always holding fast to theories in disregard of realities, and refusing to yield an inch on its impractical principles, caused undue delays in the negotiation. It is difficult to understand this attitude of the American Government and the Japanese Government desires to

call the attention of the American Government especially to the following points:

(1) The American Government advocates in the name of world peace those principles favorable to it and urges upon the Japanese Government the acceptance thereof. The peace of the world may be brought about only by discovering a mutually acceptable formula through recognition of the reality of the situation and mutual appreciation of one another's position. An attitude such as ignores realities and imposes one's selfish views upon others will scarcely serve the purpose of facilitating the consummation of negotiations.

Of the various principles put forward by the American Government as a basis of the Japanese-American agreement, there are some which the Japanese Government is ready to accept in principle, but in view of the world's actual conditions, it seems only a utopian ideal, on the part of the American Government, to attempt to force their immediate adoption.

Again, the proposal to conclude a multilateral non-aggression pact between Japan, the United States, Great Britain, China, the Soviet Union, the Netherlands, and Thailand, which is patterned after the old concept of collective security, is far removed from the realities of East Asia.

(2) The American proposal contains a stipulation which states: "Both Governments will agree that no agreement, which either has concluded with any third Powers, shall be interpreted by it in such a way as to conflict with the fundamental purpose of this agreement, the establishment and observation of peace throughout the Pacific area." It is presumed that the above provision has been proposed with a view to restrain Japan from fulfilling its obligations under the Tripartite Pact when the United States participates in the war in Europe, and, as such, it cannot be accepted by the Japanese Government.

The American Government, obsessed with its own view and opinions, may be said to be scheming for the extension of the War. While it seeks, on the one hand, to secure its rear by stabilizing the Pacific area, it is engaged, on the other hand, in aiding Great Britain and preparing to attack, in the name of self-defense, Germany and Italy—two Powers that are striving to establish a new order in Europe. Such a policy is totally at

variance with the many principles upon which the American Government proposes to found the stability of the Pacific area through peaceful means.

(3) Whereas the American Government under the principles it rigidly upholds, objects to settling international issues through military pressure, it is exercising in conjunction with Great Britain and other nations pressure by economic power. Recourse to such pressure as a means of dealing with international relations should be condemned as it is at times more inhumane than military pressure.

(4) It is impossible not to reach the conclusion that the American Government desires to maintain and strengthen, in collusion with Great Britain and other Powers, its dominant position it has hitherto occupied not only in China but in other areas of East Asia. It is a fact of history that the countries of East Asia for the past hundred years or more have been compelled to observe the status quo under the Anglo-American policy of imperialistic exploitation and to sacrifice themselves to the prosperity of the two nations. The Japanese Government cannot tolerate the perpetuation of such a situation since it directly runs counter to Japan's fundamental policy to enable all nations to enjoy each its proper place in the world.

The stipulation proposed by the American Government relative to French Indo-China is a good exemplification of the above-mentioned American policy. That the six countries—Japan, the United States, Great Britain, the Netherlands, China and Thailand—excepting France, should undertake among themselves to respect the territorial integrity and sovereignty of French Indo-China and equality of treatment in trade and commerce would be tantamount to placing that territory under the joint guarantee of the Governments of those six countries. Apart from the fact that such a proposal totally ignores the position of France, it is unacceptable to the Japanese Government in that such an arrangement cannot but be considered as an extension to French Indo-China of a system similar to the Nine Power Treaty structure which is the chief factor responsible for the present predicament of East Asia.

(5) All the items demanded of Japan by the American Government regarding China such as wholesale evacuation of troops or unconditional application of

the principle of nondiscrimination in international commerce ignore the actual conditions of China, and are calculated to destroy Japan's position as the stabilizing factor of East Asia. The attitude of the American Government in demanding Japan not to support militarily, politically or economically any régime other than the régime at Chungking, disregarding thereby the existence of the Nanking Government, shatters the very basis of the present negotiation. This demand of the American Government falling, as it does, in line with its above-mentioned refusal to cease from aiding the Chungking régime, demonstrates clearly the intention of the American Government to obstruct the restoration of normal relations between Japan and China and the return of peace to East Asia.

In brief, the American proposal contains certain acceptable items such as those concerning commerce, including the conclusion of a trade agreement, mutual removal of the freezing restrictions, and stabilization of the yen and dollar exchange, or the abolition of extraterritorial rights in China. On the other hand, however, the proposal in question ignores Japan's sacrifices in the four years of the China Affair, menaces the Empire's existence itself and disparages its honor and prestige. Therefore, viewed in its entirety, the Japanese Government regrets that it cannot accept the proposal as a basis of negotiation.

The Japanese Government, in its desire for an early conclusion of the negotiation, proposed that simultaneously with the conclusion of the Japanese-American negotiation, agreements be signed with Great Britain and other interested countries. The proposal was accepted by the American Government. However, since the American Government has made the proposal of November 26 as a result of frequent consultations with Great Britain, Australia, the Netherlands and Chungking, and presumably by catering to the wishes of the Chungking régime on the questions of China, it must be concluded that all these countries are at one with the United States in ignoring Japan's position.

Obviously it is the intention of the American Government to conspire with Great Britain and other countries to obstruct Japan's efforts toward the establishment of peace through the creation of a new order in East Asia, and espe-

cially to preserve Anglo-American rights and interests by keeping Japan and China at war. This intention has been revealed clearly during the course of the present negotiation. Thus, the earnest hope of the Japanese Government to adjust Japanese-American relations and to preserve and promote the peace of the Pacific through cooperation with the American Government has finally been lost.

The Japanese Government regrets to have to notify hereby the American Government that, in view of the attitude of the American Government, it cannot but consider that it is impossible to reach an agreement through further negotiations.

(3) Summary of Negotiations, Made Public December 8, 1941
(Unofficial Translation)

Negotiations between the Governments of Japan and the United States of America were begun at Washington in spring of this year (1941). In the middle of April, the American Government submitted an informal draft proposal. It contained stipulations on the following items:

(1) The concepts of the United States and of Japan respecting international relations and the character of nations.

(2) The attitudes of both Governments toward the European war.

(3) Action toward a peaceful settlement between China and Japan.

(4) Commerce between both nations.

(5) Economic activity of both nations in the Pacific area.

(6) The policies of both nations affecting political stabilization in the Pacific area.

(7) Neutralization of the Philippine Islands.

The proposal was intended to serve as a basis for peace in the entire Pacific area. But the proposal contained a number of points unacceptable to the Japanese Government. For instance, with reference to the Tripartite Pact between Japan, Germany and Italy, the American Government asked the Japanese Government to give an undertaking not to menace the security of the United States when the latter should participate in the European war on the plea of self-defense. Again, as regards the China Affair, the American Government would undertake to use its good offices for the initiation of peace negotiations between the Japanese Government and the Chungking régime on such terms as

were acceptable to the United States.

Accordingly, the Japanese Government sent a counter-proposal in the middle of May, modifying the American proposal. Concerning the Tripartite Pact it was explicitly stated that Japan's obligation to render military assistance would arise as stipulated under the said treaty, while with regard to the China Affair, it was provided that the American Government, accepting the premises of the three Konoe Principles, the Sino-Japanese Basic Treaty and the Joint Declaration of Japan, Manchoukuo and China, and relying upon Japan's policy of neighborly friendship, would urge upon the Chungking régime to enter into negotiations with the Japanese Government for the restoration of peace, and it was further stipulated that in case Chungking refused to accept the American advice, the United States was to cease from aiding the Chungking régime. Negotiations were continued further when in the latter part of June a new counter-proposal was submitted by the American Government, which, as compared with its proposal of April, set forth American claim in a more concrete manner. Discussions were continued to be held, revolving round this June proposal.

In July, soon after the formation of the third Konoyé Cabinet the Japanese Government took measures of joint defense of French Indo-China in accordance with the Protocol concluded between Japan and France, whereupon the American Government applied economic pressure by freezing Japanese assets. But the Japanese Government still hoped for a peaceful settlement, and in August Premier Prince Konoe sent a personal message to President Roosevelt, setting forth fully the peaceful intentions of Japan, and proposing a meeting without delay between the responsible heads of the two Governments with a view to averting the crisis in the relations of the two countries. While accepting in principle the Konoe proposal, the American Government stoutly maintained its stand that it could not see its way to putting it into practice unless an agreement of view had been first reached on the pending issues, especially on the questions of the Tripartite Pact, the stationing of Japanese troops in China, and the non-discriminatory treatment in international commerce, and moreover, it held fast to its June proposal, refusing to make any concession. Accordingly,

the Japanese Government submitted on September 6 a proposal, followed by yet another proposal submitted on September 25 which took into account the American proposal of June and incorporated Japanese claims. Negotiations were continued until October 2, when the American Government requested clarification of Japan's intentions regarding the application of the four principles long advocated by the United States as fundamental principles of international relations—namely:

(1) Respect for the territorial integrity and the sovereignty of each and all nations.

(2) Support of the principle of non-interference in the internal affairs of other countries.

(3) Support of the principle of equality, including equality of commercial opportunity.

(4) Non-disturbance of the status quo in the Pacific except as the status quo may be altered by peaceful means.

At the same time, it demanded upon the Japanese Government to clarify further its views concerning the three questions mentioned above. As a result, the negotiations struck an impasse. In the meantime the Konoe Cabinet resigned in the middle of October.

Such divergence of view as mentioned above between the two Governments was produced largely because the American Government obstinately adhered to utopian principles based on selfish views for dealing with international relations, and insisted upon the application thereof in China and elsewhere, regardless of the real conditions of East Asia. It was evident that so long as the American Government persisted in this attitude, there was little chance of bringing negotiations to a successful conclusion.

The present Cabinet in its solicitude for the peace of the Pacific decided to continue the negotiation. With a view to effecting a settlement on an equitable basis, the Japanese Government formulated the following proposal concerning the three principal issues in the negotiations—namely (1) the right of self-defense in connection with the Tripartite Pact, (2) non-discriminatory treatment in international commerce, and (3) evacuation of troops from China and French Indo-China.

(1) The American Government undertakes not to enlarge unduly the meaning of "self-defense."

(2) The Japanese Government recog-

nizes the principle of non-discrimination in international commercial relations to be applied to all the Pacific area, including China, on the understanding that the said principle is to be applied uniformly to the rest of the world.

(3) Following the restoration of peace between Japan and China, the Japanese troops despatched to China in connection with the China Affair will be stationed for the necessary duration in specified areas, and the rest of the troops will be withdrawn upon the conclusion of peace and in accordance with the agreement between Japan and China. The troops in French Indo-China will be withdrawn immediately either upon the settlement of the China Affair or the establishment of peace in East Asia on an equitable basis.

Negotiations were conducted on the basis of the above proposal. Meanwhile the Japanese Government requested the American Government to use its good offices, upon the conclusion of the Japanese-American negotiation, for the conclusion of a similar understanding with Great Britain and other countries concerning relevant subjects. Moreover, in order to do the utmost in the negotiation, it dispatched Ambassador Kurusu post-haste to Washington to assist Admiral Nomura.

On the other hand, the American Government repeatedly urged that there would be no need for Japan to maintain the Tripartite Pact after the consummation of a Japanese-American agreement, and expressed its hope that the said treaty would cease to exist or become a dead letter. As regards the principle of non-discrimination in international commerce, the American Government insisting on its unconditional application to China, proposed the economic development of China jointly by the Powers. To this proposal, the Japanese Government replied to the effect that with regard to the commercial non-discrimination principle, Japan hoped for its application throughout the world and that it would recognize its application to China in accordance with the realization of this principle throughout the world, and also that the American proposal for the joint international development of China was unacceptable to Japan as it would open the way for the joint international control of China. On these grounds, the Japanese Government requested the American Government to withdraw the proposal in question.

On November 17 and thereafter Admiral Nomura, together with Ambassador Kurusu, repeatedly met the American President and the Secretary of State and strongly urged upon the latter two the necessity of bringing about speedily an amicable conclusion of the negotiation. Discussions were extended over a few meetings at which the President stated that he was prepared to act as an "introducer" of peace between Japan and Chungking, and the Secretary of State emphasized that Japanese-American negotiations would prove difficult as long as Japan cooperated with Germany, and it was necessary to remove this fundamental difficulty. Despite these discussions, it became clear that the difficulty lay as before in the questions of the Tripartite Pact, of the international commercial non-discriminatory treatment and of China. In order to avert the rupture of diplomatic relations between the two countries, the Japanese Government, presented on November 20, the following new proposal calculated to achieve an equitable solution of the more essential and urgent questions.

(1) Both the Governments of Japan and the United States undertake not to make any armed advancement into any of the regions, excepting French Indo-China, in South Eastern Asia and the Southern Pacific area.

(2) The Governments of Japan and the United States shall cooperate with a view to securing the acquisition of those goods and commodities which the two countries need in the Netherlands East Indies.

(3) The Governments of Japan and the United States mutually undertake to restore their commercial relations to those prevailing prior to the freezing of the assets.

The Government of the United States shall supply Japan a required quantity of oil.

(4) The Government of the United States undertakes not to indulge in measures and actions prejudicial to the endeavors for the restoration of general peace between Japan and China.

(5) The Japanese Government undertakes to withdraw troops now stationed in French Indo-China upon either the restoration of peace between Japan and China or the establishment of an equitable peace in the Pacific area.

The Government of Japan declares that it is prepared to remove the Japanese troops now stationed in the south-

ern part of French Indo-China to the northern part of the said territory upon the conclusion of the present agreement.

Regarding the above proposal, the Secretary of State contended that it was impossible for the American Government to accept the item 4 of our proposal and cease aiding the Chiang Kai-shek régime unless Japan clarified its relations with the Tripartite Pact and gave assurances regarding its adoption of a peaceful policy, and that the President's offer to act as "introducer" of Sino-Japanese peace was predicated upon Japan's adoption of a peaceful policy. Thereupon, the Japanese Government instructed the two Ambassadors to request reconsideration by the American Government, pointing out to the Secretary of State that, in case direct negotiations were opened between Japan and Chungking through "introduction" by the President, the continuation of aid to the Chiang Kai-shek régime by the United States, the peace introducer, would constitute an interference with the realization of peace, and that the American contention was therefore inconsistent.

Meanwhile, the American Government consulted the representatives of Britain, Australia, the Netherlands and Chungking, and on November 22 the Secretary of State told our two Ambassadors that withdrawal of troops from southern French Indo-China alone would not be enough to ease the tense situation in the Southern Pacific and that he considered the time was not yet ripe for the so-called "introduction" of peace between Japan and Chungking by the President.

Subsequently, the American Government continued consultations with the representatives of the Powers aforementioned and on November 26 the Secretary of State presented to our Ambassadors, as a basis for future negotiations, a proposal to the following effect stating that, although the American Government had carefully studied the Japanese proposal of the 20th and consulted with the countries concerned, they could not unfortunately bring themselves to agree to our proposal.

(a) In the new proposal, the American Government reiterated, with reference to political relations, the above-mentioned four principles as the fundamental principles to be practically applied to mutual relations between Japan and the United States. However, it changed the item 4 to "the principle of reliance upon international cooperation

and conciliation for the prevention and pacific settlement of controversies and for improvement of international conditions by peaceful methods and processes." As regards economic relations, the American Government elaborated the third political principle concerning the equality of opportunity and equal treatment in commerce.

(b) As measures to be adopted by the Governments of Japan and the United States it proposed as follows:

(1) The Government of the United States and the Government of Japan will endeavor to conclude a multilateral non-aggression pact among the British Empire, China, Japan, the Netherlands, the Soviet Union, Thailand and the United States.

(2) Both Governments will endeavor to conclude among the American, British, Chinese, Japanese, the Netherlands and Thai Governments an agreement whereunder each of the Governments would pledge itself to respect the territorial integrity of French Indo-China and, in the event that there should develop a threat to the territorial integrity of Indo-China, to enter into immediate consultation with a view to taking such measures as may be deemed necessary and advisable to meet the threat in question.

Such agreement would provide also that each of the Government party to the agreement would not seek or accept preferential treatment in its trade or economic relations with Indo-China and would use its influence to obtain for each of the signatories equality of treatment in trade and commerce with French Indo-China.

(3) The Government of Japan will withdraw all military, naval, air and police forces from China and from Indo-China.

(4) The Government of the United States and the Government of Japan will not support—militarily, politically, economically—any Government or régime in China other than the National Government of the Republic of China with capital temporarily at Chungking.

(5) Both Governments will give up all extraterritorial rights in China, including rights and interests in and with regard to international settlements and concessions, and rights under the Boxer Protocol of 1901.

Both Governments will endeavor to obtain the agreement of the British and other Governments to give up extraterritorial rights in China, including rights

in international settlements and in concessions and under the Boxer Protocol of 1901.

(6) The Government of the United States and the Government of Japan will enter into negotiations for the conclusion between the United States and Japan of a trade agreement, based upon reciprocal most favored-nation treatment and reduction of trade barriers by both countries, including an undertaking by the United States to bind raw silk on the free list.

(7) The Government of the United States and the Government of Japan will, respectively, remove the freezing restrictions on Japanese funds in the United States and on American funds in Japan.

(8) Both Governments will agree upon a plan for the stabilization of the dollar-yen rate, with the allocation of funds adequate for this purpose, half to be supplied by Japan and half by the United States.

(9) Both Governments will agree that no agreement which either has concluded with any third powers shall be interpreted by it in such a way as to conflict with the fundamental purpose of this agreement, the establishment and preservation of peace throughout the Pacific area.

(10) Both Governments will use their influence to cause other Governments to adhere to and to give practical application to the basic political and economic principles set forth in this agreement.

Regarding the above proposal, our Ambassadors refuted the American claims pointing out their unreasonableness. But the Secretary of State failed to show any sign of concession, and on November 27 the President told our two Ambassadors that, although he still hoped for an amicable conclusion of the Japanese-American negotiations, he considered that it would be futile to try to surmount the crisis by a modus vivendi so long as the fundamental policies of the two countries were not in accord.

The Japanese Government, therefore, requested reconsideration of the American Government, because, despite the fact that our proposal of November 20 was made after fully considering the claims of both sides on the most equitable basis, the American Government, maintaining that it could not agree to this proposal, made a new proposal which entirely ignored the realities in East Asia and in particular completely its attitude with respect to the China

question—a fact which led the Japanese Government to doubt the sincerity of the American Government. On December 2, however, the American Under-Secretary of State Welles, stating that he was acting under Presidential order, made an inquiry to our Government regarding our true intentions, saying that, according to their information, movements and reinforcement of Japanese troops were recently taking place in the region of French Indo-China. To this inquiry the Japanese Government replied that, in view of the recent marked activities of the Chungking forces in the neighborhood of the frontier between French Indo-China and China, Japan had made partial reinforcement of its troops in northern French Indo-China as a precautionary measure and that this naturally had resulted in a movement of the troops in the southern area. Meanwhile the American Government rapidly reinforced the encircling front against Japan and led public opinion to its own advantage and thus prepared the ground with a view to meeting the situation arising from the rupture of the negotiations.

The Japanese Government made clear its attitude regarding the above-mentioned American proposal in its Memorandum to the American Government under date of December 7.

AGREEMENT BETWEEN JAPAN, GERMANY AND ITALY FOR JOINT PROSECUTION OF WAR

(1) The Agreement Announcement of the Board of Information, December 11, 1941

In the inflexible determination not to lay down arms until the common war against the United States and the British Empire is successfully concluded, the Imperial Japanese Government, the German Government and the Italian Government have agreed upon the following stipulations.

Article 1. Japan, Germany and Italy shall prosecute the war forced upon them by the United States of America and the British Empire with all forceful means at their command until it ends in their victory.

Article 2. Japan, Germany and Italy pledge that, without complete understanding between themselves, they will not conclude armistice or peace with either the United States of America or the British Empire.

Article 3. Japan, Germany and Italy shall, even after the termination of the

war in their victory, cooperate most closely for the purpose of realizing a righteous new order within the meaning of the Tripartite Pact which they concluded on September 27, 1940.

Article 4. The present Agreement shall come into effect on the date of its signature and shall remain in force as long as the Tripartite Pact of September 27, 1940, is in force. The High Contracting Parties shall, at an appropriate time before the expiration of the said period of validity, reach an understanding concerning the manner of subsequent cooperation provided in Article 3 of the present Agreement.

(2) Statement of Foreign Minister Togo, December 11, 1941

It is a matter for sincere congratulation that an agreement has been promptly signed among Japan, Germany and Italy in Berlin today, December 11, closely following Japan's declaration of war on the United States of America and the British Empire, solemnly pledging their cooperation in prosecuting their joint war with the United States of America and the British Empire to a complete conclusion, in abstaining from concluding a separate peace and in constructing the new order of the world.

Germany and Italy, who are closely bound with Japan by the Three-Power Pact, have today declared war upon the United States of America and joined the conflict on Japan's side. Further, by virtue of the present agreement, they have manifested their intentions to prosecute the joint war to a glorious victory. This, together with marvellous achievements attained by the Imperial armed forces, is unfolding a bright future before the Japanese Empire, which is resolutely proceeding with construction of the new order of the world. We are overwhelmed with emotion realizing that all this has been entirely due to the august virtue of H.I.M. the Emperor.

At this juncture, when the world stands at a great turning-point, unprecedented in history, it is a source of great pleasure that Japan, with her confidence strengthened in winning a glorious victory and with her determination renewed, is marching toward construction of an equitable, new order as well as of a moral world in close cooperation with her allies, Germany, Italy and others.

MILITARY PACT BETWEEN JAPAN AND FRENCH INDO-CHINA, AN-

NOUNCEMENT BY THE ARMY AND NAVY DEPARTMENTS OF THE IMPERIAL HEADQUARTERS, DECEMBER 12, 1941

A military agreement was concluded between Japan and French Indo-China. It was signed at 8:30 p.m. December 8, 1941, between the Highest Commanders of the Japanese Army and Navy Forces in French Indo-China and the Government of French Indo-China. This agreement was based on the Japanese-French Indo-Chinese Common Defense Agreement concluded in July.

FACT OF ALLIANCE BETWEEN JAPAN AND THAILAND

(1) The Pact. Announced by the Board of Information, December 21, 1941

Since the agreement of basic views concerning the conclusion of an alliance pact between Japan and Thailand was reached between our Ambassador, Teiji Tsubokami, and the Thai Prime Minister, Luang Pibul Songgram, on the 11th of this month (December 1941), discussions were held regarding the drafting of the pact, which resulted in a satisfactory conclusion. Following the completion of necessary procedure, therefore, the Pact of Alliance between Japan and Thailand was signed between Ambassador Tsubokami and Prime Minister and concurrently Foreign Minister Pibul Songgram in Bangkok at 10 a.m. (noon, Japan Time) December 21, 1941.

The Imperial Government of Japan and the Royal Government of Thailand, firmly convinced that the establishment of a new order in East Asia the only way of realizing prosperity of that region and the indispensable condition for the restoration and promotion of world peace, and animated by a firm and inflexible determination to eliminate all baneful influences which are obstacles to such purpose, have agreed as follows:

Article 1. An alliance is established between Japan and Thailand on the basis of mutual respect for their independence and sovereignty.

Article 2. In case either Japan or Thailand find herself in an armed conflict vis-à-vis one or more third Powers, Thailand or Japan shall immediately range herself on the side of the other country as her ally and shall aid the latter with all political, economic and military means.

Article 3. The details relative to the execution of Article 2 shall be determined, by common accord, between the com-

petent authorities of Japan and Thailand.

Article 4. Japan and Thailand, in case of war prosecuted in common, engage not to conclude an armistice or a peace without their complete mutual accord.

Article 5. The present Pact shall come into effect simultaneously with its signature and shall remain valid for the duration of ten years. The Contracting Parties shall consult between them regarding the renewal of the present Pact at a suitable time before the expiration of the said duration.

(2) Foreign Minister Togo's Statement, December 21, 1941

Japan and Thailand have for many years been bound to each other in bonds of traditional friendship as nations of the Oriental race. To strengthen further these bonds of close friendship, the Treaty of Amity and Friendship was concluded between the two countries in June of last year. Then at the beginning of this year, the border dispute between Thailand and French Indo-China was peacefully settled through the mediation by Japan, as the result of which Thailand succeeded in recovering her lost territories which had been her long-standing aspiration. At the same time the Protocol concerning political understanding between Japan and Thailand was concluded, resulting in further increase in the warmth of their mutual cordiality.

On the other hand, Thailand has for many years been made an object of political intrigue and economic exploitation by Great Britain, in whose fetters she groaned. The present Thai Prime Minister, Luang Pibul Songgram, has long advocated autonomy in dealing with state affairs of Thailand. In order to realize the purpose through cooperation with Japan, a friendly Power in East Asia, he has exerted his efforts to promote and solidify the amicable relations between Japan and Thailand.

CHRONOLOGICAL INDEX OF PRINCIPAL EVENTS

For the convenience of reference a chronological index of principal events in the country's foreign relations is appended:

OPENING OF THE COUNTRY

- 1853—Arrival of American fleet.
- 1854—First Japanese-American Treaty.
- 1856—Arrival of first American civil

When Japan commenced war against the United States and the British Empire on December 8, our Government, with a view to repelling British invasion of Thailand, instructed Ambassador Tsubokami to negotiate with Prime Minister Pibul Songgram to obtain Thailand's assent to the passage of Japanese forces through the latter's territory. The Prime Minister, perceiving the general trend of affairs, agreed to Japan's proposal and an understanding with regard thereto was reached on the same day. Since then, in order to adjust the Japanese-Thai relations to the new situation as well as to accelerate the promotion of the close friendship between the two countries, Ambassador Tsubokami proceeded with the negotiations with Prime Minister Pibul Songgram. Through the courageous decision of the Prime Minister, an agreement of views concerning the conclusion of an offensive alliance between Japan and Thailand was reached on December 11. Subsequently, a draft treaty was decided upon, and following the completion of internal procedures, the Pact of Alliance between Japan and Thailand was signed between Ambassador Tsubokami and Prime Minister and concurrently Foreign Minister Pibul Songgram at 10 a.m. (noon, Japan Time) on the 21st of this month in a grand chapel of the Royal Palace in Bangkok.

The Alliance Pact, which is epoch-making in the history of Greater East Asia, has thus come into being. Thailand has, at a time when the war against the United States and the British Empire, which will determine the destiny of East Asia for centuries to come is being prosecuted, expressed clearly and concretely her determination to prosecute the present war in cooperation with Japan until victory is won. This is indeed a matter for profound felicitation for the sake of the establishment of a new world order as well as the rise of East Asia.

- envoy, Townsend Harris.
- 1857—Harris concluded convention with the Shogunate.
- 1858—Japanese-American Commercial Treaty signed.

OCCUPATION OF TSUSHIMA BY RUSSIA

- 1861—A Russian fleet seized the island

- of Tsushima but abandoned it shortly afterwards through the intervention of Great Britain.
- BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI.**
1863—A British fleet bombarded Kagoshima city.
1864—A combined fleet of Great Britain, the United States, France and the Netherlands bombarded Shimonoséki.
- IMPERIAL SANCTION OF TREATIES**
1865—Treaties with Britain, France, the Netherlands, Russia and the United States were sanctioned by the Emperor.
- TREATY REVISION**
1871—Prince Iwakura's mission left for the United States and Europe.
1882—Count Inoué's negotiations with Britain.
1888—Count Okuma's negotiations.
" Viscount Aoki's negotiations.
1894—Revised Anglo-Japanese Treaty signed.
1897—Similar treaties concluded with other Powers.
- THE PERUVIAN SLAVE SHIP INCIDENT**
1872—Japanese Government seized Peruvian slaver "María Luz" in Yokohama.
- EXPEDITION TO TAIWAN**
1872—Japan sent a punitive expedition to the island.
- EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS**
1875—Japan ceded Saghalien to Russia in exchange for the Kurile Islands.
- BONIN ISLAND PROBLEM**
1875—The United States recognized Japan's territorial sovereignty over the Bonin Islands.
- CONVENTION OF TIENTSIN**
1885—Count Ito and Li Hung-chang signed the convention defining Sino-Japanese relations in Korea.
- NON-ALIENATION OF FUKIEN PROVINCE**
1889—Japan guaranteed the non-alienation of Fukien province from China.
- SINO-JAPANESE WAR**
1894—Japan declared war.
1895—Treaty of Shimonoséki concluded.
- ANGLO-JAPANESE ALLIANCE**
1902—Alliance signed in London.
- RUSSO-JAPANESE WAR**
1904—Japan declared war.
1905—Treaty of Portsmouth signed.
- JAPANESE-AMERICAN ARBITRATION TREATY**
1905—Treaty signed in Washington, D. C. on Feb. 11.
- PROTECTORATE OF KOREA**
1905—Protectorate convention concluded.
- PEKING TREATY**
1905—Sino-Japanese convention embodying relevant terms of Portsmouth Treaty signed.
- EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA**
1906—Movement started in California for exclusion of Japanese children from public schools.
- FRANCO-JAPANESE AND RUSSO-JAPANESE AGREEMENTS**
1907—Franco-Japanese Convention concluded.
1907—Russo-Japanese Agreement concluded.
- NEW JAPAN-KOREAN AGREEMENT**
1907—New Agreement concluded allowing Japan complete supervision of Korean domestic administration.
- IMMIGRATION PROBLEM IN CANADA**
1907—Japan exchanged on Dec. 3 a memorandum with Canada in connection with the immigration problem.
- U.S.-JAPAN ARBITRATION TREATY**
1908—Treaty concluded on Sep. 12.
- JAPAN-AMERICAN ACCORD**
1908—Official notes exchanged regarding the preservation of peace in the Far East.
- ANTUNG-MUKDEN RAILWAY ISSUE**
1909—Agreement signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.
- PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY**
1910—Japan refused on Jan. 21 to accept the proposal of Secretary of State Knox of the United States regarding neutralization of the South Manchuria Railway.
- RUSSO-JAPANESE AGREEMENT**
1910—New agreement concluded on July 4 between Japan and Russia regarding the maintenance

- of the status quo in Manchuria.
- FINAL TREATY REVISION**
1910—Japan notified Great Britain and 10 European countries on July 17 that existing treaties would be revised a year later. On August 4, similar notices served to France and Austria-Hungary.
- ANNEXATION OF KOREA**
1910—Treaty of Annexation concluded.
- INTERNATIONAL COPYRIGHT TREATY**
1910—Japan signed the International Copyright Treaty in Berlin on September 8.
- FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT**
1911—An agreement concluded on May 8, regarding patents and copyright in China.
- NEW ANGLO-JAPANESE TREATY**
1911—Treaty concluded on the basis of the arbitration treaties between Great Britain and the United States.
- PUBLICATION OF THE REVISED TREATIES**
1911—The United States published revised treaty with Japan on April 5. Great Britain, Spain and Sweden did likewise on April 6, May 15 and July 13 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada published revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3 and August 26 respectively.
- RUSSO-JAPANESE EXTRADITION CONVENTION**
1911—Convention concluded on September 13.
- ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA**
1913—Passage of the so-called Webb Bill.
- NANKING INCIDENT**
1913—Negotiations regarding the Kunchow, Hankow and Nanking incidents concluded on October 7, the Chinese accepting all the Japanese demands.
- MANCHURIA RAILWAY TREATY**
1913—Treaty concluded between Japan and China regarding the railway building concessions.
- RECOGNITION OF THE CHINESE REPUBLIC**
1913—Japan recognized the Republic of China on October 6 simultaneously with the election of Yuan Shih-kai as president.
- ABOLITION OF FOREIGN SETTLEMENTS IN CHOSŌN**
1914—The protocol abrogating the foreign settlements in Chosen, signed on April 20 the preceding year, published.
- THE GREAT WAR**
1914—Japan declares war on Germany and Austria.
- SINO-JAPANESE PARLEYS**
1915—The Chinese Government requested Japan January 8 to delimit the war zone in Shantung and withdraw her troops from that zone. Accordingly, Minister Hoki in Peking held a conference with Yuan Shih-kai on January 18 to discuss Japan's counter proposals. Japan served an ultimatum on May 6, and the Chinese Government accepted all the Japanese proposals.
- SPANISH-JAPANESE TREATY**
1915—Ratifications of a commercial treaty exchanged on July 10.
- ANTI-INDEPENDENT PEACE AGREEMENT**
1915—Japan participated on Oct. 19 in the agreement of the Allied powers signed in London prohibiting the signatories from concluding a separate peace with Germany.
- WARNING TO CHINA**
1915—Anticipating disturbances in connection with the apparent designs of Yuan Shih-kai to revive the Imperial Government in China, Japan issued a warning to China on October 28.
- RUSSO-JAPANESE AGREEMENT**
1916—The third Russo-Japanese agreement for protection of Japanese and Russian interests in the Far East signed on July 3.
- ISHI-LANSING AGREEMENT**
1917—Japan and the United States exchanged notes declaring that territorial propinquity created special relation between countries. This exchange of opinion, published on November 7, is generally known as the Ishi-

- Lansing Agreement.
- SINO-JAPANESE MILITARY ENTENTE**
1918—Entente concluded on May 16, and its text published by the Japanese Foreign Office on May 30.
- SIBERIAN EXPEDITION**
1918—Japanese participation announced.
- DECLARATION OF THE RENDITION OF SHANTUNG**
1919—Count Uchida, the Foreign Minister, announced the restoration of complete Chinese sovereignty on May 17.
- SIGNING OF THE PEACE TREATIES**
1919—Prince Kimmochi Salongji signed the Versailles treaties at 3 o'clock in the afternoon of June 28.
- DEMAND FOR THE EVACUATION OF SIBERIA**
1920—The Soviet Government of Irkutsk sent an ultimatum to Japan on March 11.
- NIKOLAEVSK AFFAIR**
1920—Attack on Japanese consulate launched.
- DECLARATION OF SIBERIAN POLICY**
1920—Japanese Government issued statement re withdrawal of troops.
- ANTI-JAPANESE IMMIGRATION**
1920—Revision of regulations by the Immigration Bureau of the United States.
- RENEWAL OF THE ANGLO-JAPANESE ALLIANCE**
1920—The Japanese and British Governments notified the Secretariat of the League of Nations on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.
- REOPENING OF THE GERMAN EMBASSY IN TOKYO**
1920—Dr. Solf arrived in Japan as the first German ambassador after the Great War.
- WASHINGTON CONFERENCE**
1921—Conference opened with Japan participating.
- THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE**
1927—Conference opened with Japan participating.
- THE LONDON NAVAL DISARMAMENT CONFERENCE**
1930—Conference opened with Japan participating.
- THE MANCHURIAN INCIDENT**
1931—Incident occurred at Mukden.
- THE JAPAN-MANCHOUKUO PROTOCOL**
1932—Protocol signed whereby Japan extends de jure recognition to the new State.
- THE WORLD ECONOMIC CONFERENCE**
1933—Conference opened with Japan participating.
- THE JAPAN-INDIA TRADE CONFERENCE**
1933—Conference held at Simla and New Delhi, India.
1934—New treaty signed at London, on July 12.
- MANCHOUKUO ESTABLISHED**
1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor on March 1.
- THE JAPAN-BRITAIN TRADE CONFERENCE**
1934—Conference adjourned on March 14 in failure.
- THE JAPAN-DUTCH CONFERENCE**
1934—Conference opened at Batavia on June 8 which adjourned on December 21 indefinitely.
- TRANSFERENCE OF NORTH MANCHURIA RAILWAY**
1935—Transference of North Manchuria Railway by the U.S.S.R. to Manchoukuo formally signed at Tokyo on March 23.
- JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS**
1935—Became completely effective on March 26.
- THE VISIT OF THE EMPEROR OF MANCHOUKUO**
1935—The Emperor of Manchoukuo visited Japan and made a formal call upon the Emperor of Japan on April 6.
- SETTLEMENT OF NORTH-CHINA INCIDENT**
1935—All demands of the Japanese garrison at Tientsin on various problems relating to North China accepted by the Nanking Government.
- WITHDRAWAL FROM THE WASHINGTON NAVAL TREATY**
1935—Japanese Government notified the U.S. Government of her intention to terminate the Wash-

- ington Naval Treaty, December 29.
- JAPAN-GERMAN AGREEMENT**
1936—The Agreement guarding against the Communist International was entered into, between Japan and Germany on November 25, 1936.
- SINO-JAPANESE CONFLICT**
1937—Beginning of Sino-Japanese hostilities on July 7.
Beginning of the hostilities at Shanghai on August 13.
Occupation of Shanghai by Japanese forces on November 13.
Fall of Nanking on December 13.
1938—Defeat of the Chinese armies at Suchow on May 19.
- THE LEAGUE OF NATIONS ON THE CONFLICT**
1937—The League of Nations declared Japanese violation of the Nine Power Treaty on October 6, and Japan refuted it promptly.
A conference was convened at Brussels on the Sino-Japanese Conflict, and Japan was invited to the conference. But Japan rejected the invitation on October 27.
- THE TRIPARTITE AGREEMENT**
1937—Italy entered the German-Japanese Agreement against the Comintern and the Tripartite Protocol was made public on Nov. 6.
- THE CHANGKUFENG INCIDENT**
1938—Soviet forces occupied Changkufeng of Manchoukuo on July 12. Hostilities between Japanese and Soviet forces ceased by the agreement concluded on August 10.
- CAPTURE OF CANTON AND HANKOW**
1938—Canton was occupied by Japanese forces on October 21, and Wuhan cities on October 27.
- DEVELOPMENT OF ANTI-COMINTERN AGREEMENT**
1939—Entrance of Manchoukuo and Hungary into the Agreement on February 24.
Spain's formal participation took place on March 27.
- BLOCKADE OF TIENTSIN FOREIGN CONCESSION**
1939—English and French Concessions blockaded by Japanese Army on June 14 and the blockade lifted on June 20, 1940.
- THE SECOND EUROPEAN WAR**
1939—The British Government declared war against Germany on September 3.
- THE NOMONHAN INCIDENT**
1939—Japanese and Soviet forces commenced hostilities at Nomonhan on the Haluha on May 11, which ended on September 15 by the conclusion of a truce agreement.
- ABROGATION OF THE COMMERCIAL TREATY BETWEEN JAPAN AND THE U.S.A.**
1940—The Commerce and Navigation Treaty between Japan and the United States of America was abrogated on January 26.
- ESTABLISHMENT OF CENTRAL GOVERNMENT IN NANKING**
1940—The new Central Government of China was established in Nanking on March 30.
- TRIPLE ALLIANCE AMONG JAPAN, GERMANY AND ITALY**
1940—The Treaty for mutual assistance among Japan, Germany and Italy, with all political, economic and military means for coming 10 years, was concluded in Berlin on September 27.
- CONCLUSION OF TREATY BETWEEN JAPAN AND CHINA**
1940—The Treaty concerning the Basic Relations between Japan and China was concluded in Nanking on November 30.
- NEUTRALITY PACT BETWEEN JAPAN AND THE U.S.S.R.**
1941—The Neutrality Pact between Japan and the Soviet Russia was signed in Moscow on April 13.
- WAR BETWEEN RUSSIA AND AXIS POWERS**
1941—Germany and Italy declared war against the U.S.S.R. on June 22.
- AMERICAN FREEZING OF JAPANESE ASSETS**
1941—The U.S. Government issued order to freeze the Japanese

- Lansing Agreement.
- SINO-JAPANESE MILITARY ENTENTE**
1918—Entente concluded on May 16, and its text published by the Japanese Foreign Office on May 30.
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1939—Japanese and Soviet forces commenced hostilities at Nomonhan on the Haluha on May 11, which ended on September 15 by the conclusion of a truce agreement.
- ABROGATION OF THE COMMERCIAL TREATY BETWEEN JAPAN AND THE U.S.A.**
1940—The Commerce and Navigation Treaty between Japan and the United States of America was abrogated on January 26.
- ESTABLISHMENT OF CENTRAL GOVERNMENT IN NANKING**
1940—The new Central Government of China was established in Nanking on March 30.
- TRIPLE ALLIANCE AMONG JAPAN, GERMANY AND ITALY**
1940—The Treaty for mutual assistance among Japan, Germany and Italy, with all political, economic and military means for coming 10 years, was concluded in Berlin on September 27.
- CONCLUSION OF TREATY BETWEEN JAPAN AND CHINA**
1940—The Treaty concerning the Basic Relations between Japan and China was concluded in Nanking on November 30.
- NEUTRALITY PACT BETWEEN JAPAN AND THE U.S.S.R.**
1941—The Neutrality Pact between Japan and the Soviet Russia was signed in Moscow on April 13.
- WAR BETWEEN RUSSIA AND AXIS POWERS**
1941—Germany and Italy declared war against the U.S.S.R. on June 22.
- AMERICAN FREEZING OF JAPANESE ASSETS**
1941—The U.S. Government issued order to freeze the Japanese

- Lansing Agreement.
- SINO-JAPANESE MILITARY ENTENTE**
1918—Entente concluded on May 16, and its text published by the Japanese Foreign Office on May 30.
- SIBERIAN EXPEDITION**
1918—Japanese participation announced.
- DECLARATION OF THE RENDITION OF SHANTUNG**
1919—Count Uchida, the Foreign Minister, announced the restoration of complete Chinese sovereignty on May 17.
- SIGNING OF THE PEACE TREATIES**
1919—Prince Kimmochi Salonji signed the Versailles treaties at 3 o'clock in the afternoon of June 28.
- DEMAND FOR THE EVACUATION OF SIBERIA**
1920—The Soviet Government of Irkutsk sent an ultimatum to Japan on March 11.
- NIKOLAEVSK AFFAIR**
1920—Attack on Japanese consulate launched.
- DECLARATION OF SIBERIAN POLICY**
1920—Japanese Government issued statement re withdrawal of troops.
- ANTI-JAPANESE IMMIGRATION**
1920—Revision of regulations by the Immigration Bureau of the United States.
- RENEWAL OF THE ANGLO-JAPANESE ALLIANCE**
1920—The Japanese and British Governments notified the Secretariat of the League of Nations on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.
- REOPENING OF THE GERMAN EMBASSY IN TOKYO**
1920—Dr. Solf arrived in Japan as the first German ambassador after the Great War.
- WASHINGTON CONFERENCE**
1921—Conference opened with Japan participating.
- THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE**
1927—Conference opened with Japan participating.
- THE LONDON NAVAL DISARMAMENT CONFERENCE**
1930—Conference opened with Japan participating.
- THE MANCHURIAN INCIDENT**
1931—Incident occurred at Mukden.
- THE JAPAN-MANCHOUKUO PROTOCOL**
1932—Protocol signed whereby Japan extends de jure recognition to the new State.
- THE WORLD ECONOMIC CONFERENCE**
1933—Conference opened with Japan participating.
- THE JAPAN-INDIA TRADE CONFERENCE**
1933—Conference held at Simla and New Delhi, India.
1934—New treaty signed at London, on July 12.
- MANCHOUKUO ESTABLISHED**
1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor on March 1.
- THE JAPAN-BRITAIN TRADE CONFERENCE**
1934—Conference adjourned on March 14 in failure.
- THE JAPAN-DUTCH CONFERENCE**
1934—Conference opened at Batavia on June 8 which adjourned on December 21 indefinitely.
- TRANSFERENCE OF NORTH MANCHURIA RAILWAY**
1935—Transference of North Manchuria Railway by the U.S.S.R. to Manchoukuo formally signed at Tokyo on March 23.
- JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS**
1935—Became completely effective on March 26.
- THE VISIT OF THE EMPEROR OF MANCHOUKUO**
1935—The Emperor of Manchoukuo visited Japan and made a formal call upon the Emperor of Japan on April 6.
- SETTLEMENT OF NORTH-CHINA INCIDENT**
1935—All demands of the Japanese garrison at Tientsin on various problems relating to North China accepted by the Nanking Government.
- WITHDRAWAL FROM THE WASHINGTON NAVAL TREATY**
1935—Japanese Government notified the U.S. Government of her intention to terminate the Wash-

ington Naval Treaty, December 29.

JAPAN-GERMAN AGREEMENT

1936—The Agreement guarding against the Communist International was entered into, between Japan and Germany on November 25, 1936.

SINO-JAPANESE CONFLICT

1937—Beginning of Sino-Japanese hostilities on July 7.
Beginning of the hostilities at Shanghai on August 13.
Occupation of Shanghai by Japanese forces on November 13.
Fall of Nanking on December 13.

1938—Defeat of the Chinese armies at Suchow on May 19.

THE LEAGUE OF NATIONS ON THE CONFLICT

1937—The League of Nations declared Japanese violation of the Nine Power Treaty on October 6, and Japan refuted it promptly.
A conference was convened at Brussels on the Sino-Japanese Conflict, and Japan was invited to the conference. But Japan rejected the invitation on October 27.

THE TRIPARTITE AGREEMENT

1937—Italy entered the German-Japanese Agreement against the Comintern and the Tripartite Protocol was made public on Nov. 6.

THE CHANGKUFENG INCIDENT

1938—Soviet forces occupied Changkufeng of Manchoukuo on July 12. Hostilities between Japanese and Soviet forces ceased by the agreement concluded on August 10.

CAPTURE OF CANTON AND HANKOW

1938—Canton was occupied by Japanese forces on October 21, and Wuhan cities on October 27.

DEVELOPMENT OF ANTI-COMINTERN AGREEMENT

1939—Entrance of Manchoukuo and Hungary into the Agreement on February 24.
Spain's formal participation took place on March 27.

BLOCKADE OF TIENTSIN FOREIGN CONCESSION

1939—English and French Concessions blockaded by Japanese Army on June 14 and the blockade lifted on June 20, 1940.

THE SECOND EUROPEAN WAR

1939—The British Government declared war against Germany on September 3.

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AMERICAN FREEZING OF JAPANESE ASSETS

1941—The U.S. Government issued order to freeze the Japanese

assets held in that country on July 25 and enforced it on the following day.

DEFENSE PROTOCOL BETWEEN JAPAN AND FRANCE

1941—The Joint Defense Protocol between Japan and France concerning the protection of French Indo-China was signed on July 26, and Japanese forces landed on Saigon, same day.

BEGINNING OF THE GREATER EAST ASIA WAR

1941—Japan declared war against the United States of America and Great Britain on December 8, the Imperial Military and Naval forces attacking Pearl Harbor, Hawaii, Hong Kong, the Philippines, Guam Island, and Malay

simultaneously at the dawn of the same day.

AGREEMENT BETWEEN JAPAN, GERMANY AND ITALY

1941—The agreement between Japan, Germany and Italy for joint prosecution of war against the United States of America and the British Empire was signed in Berlin and Germany and Italy declared war against the United States of America, on December 11.

ALLIANCE BETWEEN JAPAN AND THAILAND

1941—The alliance pact between Japan and Thailand for the establishment of a new order in East Asia was signed in Bangkok on December 21.

**CHAPTER VII
NATIONAL DEFENSE
(Section 1)**

CHAPTER VII

NATIONAL DEFENSE¹

The Imperial Precepts to The Soldiers and Sailors, of Emperor Meiji

The forces of Our Empire are in all ages under the command of the Emperor. It is more than twenty-five centuries since the Emperor Jimmu, leading in person the soldiers of the Otomo and Mononobé clans, subjected the unruly tribes of the land and ascended the Imperial Throne to rule over the whole country. During this period the military system has undergone frequent changes in accordance with those in the state of society. In ancient times the rule was that the Emperor should take personal command of the forces; and although the military authority was sometimes delegated to the Empress or to the Prince Imperial, it was scarcely ever entrusted to a subject. In the middle ages, when the civil and military institutions were framed after the Chinese model, the Six Guards were founded, the Right and Left Horse Bureaux established, and other organizations, such as that of the Coast Guards, created. The military system was thus completed, but, habituated to a prolonged state of peace, the Imperial Court gradually lost its administrative vigor; in course of time soldiers and farmers became distinct classes, and the early conscription system was replaced by an organization of volunteers, which finally produced the military class. The military power passed over entirely to the leaders of this class; through disturbances in the Empire the political power also fell into their hands; and for about seven centuries the military families held sway. Although these results followed from changes in the state of society and were beyond human control, they were deeply to be deplored, since they were contrary to the fundamental character of Our Empire and to

the law of Our Imperial Ancestors. Later on, in the eras of Kokwa and Kaéi, the decline of the Tokugawa Shogunate and the new aspect of foreign relations even threatened to impair our national dignity, causing no small anxiety to Our August Grandfather, the Emperor Ninko, and Our August Father, the Emperor Koméi, a fact which We recall with awe and gratitude. When in youth We succeeded to the Imperial Throne, the Shogun returned into Our hands the administrative power, and all the feudal lords their fiefs; thus, in a few years, Our entire realm was unified and the ancient régime restored. Due as this was to the meritorious services of Our loyal officers and wise councillors, civil and military, and to the abiding influence of Our Ancestors' benevolence towards the people, yet it must also be attributed to Our subjects' true sense of loyalty and their conviction of the importance of "Great Righteousness." In consideration of these things, being desirous of reconstructing Our military system and of enhancing the glory of Our Empire, We have in the course of the last fifteen years established the present system of the Army and Navy. The supreme command of Our forces is in Our hands, and although We may entrust subordinate commands to Our subjects, yet the ultimate authority We Ourselves shall hold and never delegate to any subject. It is Our will that this principle be carefully handed down to posterity and that the Emperor always retain the supreme civil and military power, so that the disgrace of the middle and succeeding ages may never be repeated. Soldiers and Sailors, We are your supreme Commander-in-Chief. Our relations with you will be most intimate when We rely upon you as Our limbs and you look up to Us as your head. Whether We are able to

¹ Note: Since July 1937, the Imperial Army and Navy have been fundamentally reorganized, and, as a matter of course, no information concerning such changes are available. Consequently, only what was known before the present wartime reorganization can here be given.

The descriptions of "The Greater East Asia War" are given at the end of this book as the continuation of this chapter.

guard the Empire, and so prove Ourselves worthy of Heaven's blessings and repay the benevolence of Our Ancestors, depends upon the faithful discharge of your duties as soldiers and sailors. If the majesty and power of Our Empire be impaired, do you share with Us the sorrow; if the glory of Our arm shine resplendent, We will share with you the honor. If you all do your duty, and being one with Us in spirit do your utmost for the protection of the state, Our people will long enjoy the blessings of peace, and the might and dignity of our Empire will shine in the world. As We thus expect much of you, Soldiers and Sailors, We give you the following precepts:—

(1) The soldier and the sailor should consider loyalty their essential duty. Who that is born in this land can be wanting in the spirit of grateful service to it? No soldier or sailor, especially, can be considered efficient unless this spirit be strong within him. A soldier or a sailor in whom this spirit is not strong, however skilled in art or proficient in science, is a mere puppet; and a body of soldiers or sailors wanting in loyalty, however well ordered and disciplined it may be, is in an emergency no better than a rabble. Remember that, as the protection of the state and the maintenance of its power depend upon the strength of its arms, the growth or decline of this strength must affect the nation's destiny for good or for evil; therefore neither be led astray by current opinions nor meddle in politics, but with single heart fulfil your essential duty of loyalty, and bear in mind that duty is weightier than a mountain, while death is lighter than a feather. Never by falling in moral principle fall into disgrace and bring dishonor upon your name.

(2) The soldier and the sailor should be strict in observing propriety. Soldiers and sailors are organized in grades, from the Marshal and the Admiral of the Fleet down to the private soldier or ordinary seaman; and even within the same rank and grade there are differences in seniority of service according to which juniors should submit to their seniors. Inferiors should regard the orders of their superiors as issuing directly from Us. Always pay due respect not only to your superiors but also to your seniors, even though not serving under them. On the other

hand, superiors should never treat their inferiors with contempt or arrogance. Except when official duty requires them to be strict and severe, superiors should treat their inferiors with consideration, making kindness their chief aim, so that all grades may unite in their service to the Emperor. If you, Soldiers and Sailors, neglect to observe propriety, treating your superiors with disrespect and your inferiors with harshness, and thus cause harmonious cooperation to be lost, you will not only be a blight upon the forces but also be unpardonable offenders against the state.

(3) The soldier and the sailor should esteem valor. Ever since the ancient times valor has in our country been held in high esteem, and without it Our subjects would be unworthy of their name. How then may the soldier and the sailor, whose profession it is to confront the enemy in battle, forget even for one instant to be valiant? But there is true valor and false. To be incited by mere impetuosity to violent action cannot be called true valor. The soldier and the sailor should have sound discrimination of right and wrong, cultivate self-possession, and form their plans with deliberation. Never to despise an inferior enemy or fear a superior, but to do one's duty as soldier or sailor—this is true valor. Those who thus appreciate true valor should in their daily intercourse set gentleness first and aim to win the love and esteem of others. If you affect valor and act with violence, the world will in the end detest you and look upon you as wild beasts. Of this you should take heed.

(4) The soldier and the sailor should highly value faithfulness and righteousness. Faithfulness and righteousness are the ordinary duties of man, but the soldier and the sailor, in particular, cannot be without them and remain in the ranks even for a day. Faithfulness implies the keeping of one's word, and righteousness the fulfilment of one's duty. If then you wish to be faithful and righteous in any thing, you must carefully consider at the outset whether you can accomplish it or not. If you thoughtlessly agree to do something that is vague in its nature and bind yourself to unwise obligations, and then try to prove yourself faithful and righteous, you may find yourself in great straits from

which there is no escape. In such cases your regrets will be of no avail. Hence you must first make sure whether the thing is righteous and reasonable or not. If you are convinced that you cannot possibly keep your word and maintain righteousness, you had better abandon your engagement at once. Ever since the ancient times there have been repeated instances of great men and heroes who, overwhelmed by misfortune, have perished and left a tarnished name to posterity, simply because in their effort to be faithful in small matters they failed to discern right and wrong with reference to fundamental principles, or because, losing sight of the true path of public duty, they kept faith in private relations. You should, then, take serious warning by these examples.

(5) The soldier and the sailor should make simplicity their aim. If you do not make simplicity your aim, you will become effeminate and frivolous and acquire fondness for luxurious and extravagant ways; you will finally grow selfish and sordid and sink to the last degree of baseness, so that neither loyalty nor valor will avail to save you from the contempt of the world. It is not too much to say that you will thus fall into a life-long misfortune. If such an evil once makes its appearance among soldiers and sailors, it will certainly spread like an epidemic, and martial spirit and morale will instantly decline. Although, being greatly concerned on this point, We lately issued the Disciplinary Regulations and warned you against this evil, nevertheless, being harassed with anxiety lest it should break out, We hereby reiterate Our warning. Never do you, Soldiers and Sailors, make light of this injunction.

These five articles should not be disregarded even for a moment by soldiers and sailors. Now for putting them into practice, the all important is sincerity. These five articles are the soul of Our soldiers and sailors, and sincerity is the soul of these articles. If the heart be not sincere, words and deeds, however good, are all mere outward show and can avail nothing. If only the heart be sincere, anything can be accomplished. Moreover, these five articles are the Grand Way of Heaven and Earth and the universal law of humanity, easy to observe and to practise. If you, Soldiers and Sailors, in obedience to Our instruction, will observe and practise

these principles and fulfil your duty of grateful service to the country, it will be a source of joy, not to Ourselves alone, but to all people of Japan.

The 4th day of the 1st month of the 15th Year of Meiji.
(Imperial Sign Manual)

General

Special Position of Army and Navy
The Japanese Army and Navy are under the direct command of the Emperor and neither the Government nor the Diet has any right to interfere in the strategic actions or the number of men or ships to be maintained. In making any decision on military and naval strength or the organization thereof, the Emperor consults the Chiefs of the respective General Staffs, who are thereupon required to submit their plans direct to His Majesty. The plans are then handed to the Prime Minister, who in turn consults the Diet as to the necessary appropriations. Thus the Diet, while powerless to interfere with the actual naval and military projects, is entitled to determine the amount to be appropriated for their execution. If, however, the Service estimates are reduced in such a way as to render the original projects impossible of execution, this is deemed to be an infringement of the Imperial Prerogative under Article XII of the Constitution.

The Board of Field Marshals and Fleet Admirals This Board was created in 1898 as the Emperor's highest advisory body on military and naval affairs. Its members are at present as follows:
Field Marshal H.I.H. Prince Kan'in;
Field Marshal H.I.H. Prince Nashimoto;
Fleet Admiral H.I.H. Prince Fushimi.

The High Military Council This is a larger advisory body which was created in 1887. Its membership includes, in addition to that of the above-mentioned Board, the Ministers of War and Navy, the Chiefs of the Naval and Military General Staffs and other generals and admirals specially nominated by the Emperor. Its functions are to advise the Emperor on all matters appertaining to war, especially on the correlation of the various departments of military administration, in the broader sense of the word. The Council may meet in sections to deliberate and tender advice on issues concerning the Army or the Navy separately.

The Military Service System¹ The system of compulsory military service in Japan is by no means a new one. It was established for the first time during the Taika Reformation (646 A.D.), thereafter undergoing many changes. It was greatly improved by the Taihoréi promulgated by Mommu Tenno in the year 701 A.D. According to this law the whole country was divided into several military districts to facilitate the operation of the law and one-third of the youth in each district was compulsorily enlisted for military discipline. The number of trained men in Japan in those days is said to have reached more than 100,000. A long period of peace then ensued, with the result that the law gradually dropped out of practice, giving room to the emergence of a division of people into two classes; namely, warriors on the one hand and farmers on the other.

The present law relating to military conscription was promulgated in 1872. By this law the conscription system of the country was brought back to what it was in former times. This is considered among the greatest achievements of the Meiji Tenno.

The fundamental aspects of the Japanese military service system are based upon the unique nature of the Japanese policy and the peculiar psychology of the Japanese people, who are not

Medical Class	Description	Service to which Allocated
I, II A and B	Fit for active service.	Active service or replenishment reserve.
III	Fit for national service, but not for active service.	National service
IV	Unfit for any service.	Exempt from all service.
V	Nature of fitness undecided (may be included in Class I or Class II, A or B, in the following year.)	Allocation Postponed

They are then drafted to different branches of service according to the districts to which they belong and their ability and occupation.

Those who are fit for active service (Class I, Class II, A and B) are enrolled by lottery, at each conscription district, for active service or 1st or 2nd replenishment reserve. (Volunteer enrolments for active service are accepted.) Those having finished the period of active service are placed on

only willing, but deem it the highest honor, to serve in the army and the navy. All Japanese men, between 17 and 40 (except those who are disabled or those who have been imprisoned for six years or more) are required to serve.

The service is divided as follows:

(1) Jobi héi-éki (standing service). This is of two kinds: (a) Gen-éki (active service), 2 years for the army and 3 years for the navy; (b) Yobi-éki (1st reserve service), 5 years and 4 months for the army and 4 years for the navy.

(2) Hoju héi-éki (replenishment reserve service). This is divided into two categories:—(a) First Supplementary Untrained Reservists, 2 years and 4 months for the army and 1 year for the navy, (b) Second Supplementary Untrained Reservists, 12 years and 4 months for the Navy.

(3) Kokumin héi-éki (national service or Militia), extending in principle for the necessary period in either arm for the man to reach the age of 40.

Men are subjected to medical examination for conscription at the age of 20, and are classed as follows:

Class I; Class II, A, Class II, B; Class III; Class IV, and Class V. They are then allocated to the various categories of service according to their medical class as follows:

the 1st reserve list for terms as stated above. At the end of such terms they are removed to the 2nd reserve, and then finally to the national service. Those who have gone through the period of replenishment reserve service are also transferred to the national service.

Sole supporters of families, and criminals sentenced to over 6 years' imprisonment or penal servitude are also exempt from service. Those studying

1. Note: In 1939 and 1941 some important revisions were made in the system by the promulgation of laws amending the Military Law, an explanation of which is given elsewhere in this chapter.

at certain schools, Government or private, which are recognized to be of equivalent or superior status to that of middle schools are exempt from conscription examination until the completion of their studies or until they attain their 27th year. Those staying abroad enjoy postponement of service under similar conditions, the age limit being 37.

By virtue of a revision of the conscription law in 1927, the active service of conscripts who have finished the course of a Young Men's School is reduced by six months, while that of the graduates from normal schools by nineteen months. In other words, the former have to serve only eighteen months and the latter only five months, instead of full two years. A similar system of short term active service has also been adopted by the Navy.

The term of active service for graduates of middle schools and higher grade schools who have received full disciplinary training while at school and passed the final examination thereof is reduced to 12 months.

The conscription examination of such students is postponed till they reach the age of full 27 years.

After 3 months' active service they may be chosen as cadets and get special training for the remaining 9 months. They may be promoted, according to ability, to either corporals or second lieutenants in the first reserve service at or after the expiration of active service. From among the graduates of technical or scientific departments of universities cadets may be chosen to supply engineers and technical officers of artillery and air forces.

Conscripts and Leave of Absence Conscripts may return home to attend to family business for periods varying with the necessity of the case, but in

no case exceeding 14 days. This departure from the general rule was proposed in 1919 to meet the convenience of the families of conscripts and was carried into effect at once.

Courts-Martial The Court Martial Law provides that (1) all offences committed by officers and men shall be given public trial, (2) accused persons shall be given the benefit of counsel in their defense. Provision is also made for appeal.

The Army has eight courts-martial, namely, the High, the Divisional and six other temporary ones; the Navy has seven, the High, the Tokyo, the Admiralty and four other temporary ones. Courts-martial are always composed of judges (military or naval officers), law officials (civil) and clerks. The number of these varies in accordance with the nature of the court in question.

Gendarmerie The gendarmerie is under the control of the War Minister and mainly takes charge of military police, although it may assist civil or judicial police. Orders may, therefore, come from Ministers of Home Affairs and Justice. As military police its function is to see military laws and order kept, guarding of military secrets, policing of fortress districts and naval stations, enforcement of laws concerning conscription, active service, calling out of the reserve, enforcing levy and martial laws, general surveillance of military discipline, and keeping order in war districts; these things come under its administrative responsibility. The searching and detection of crimes among military men, the collection of evidences and the arrest of culprits come under its judicial responsibility. The number of gendarmes is: Japan proper 1,450, Chosen 490, Manchoukuo 190, and Taiwan 90.

The Army

Outline History The Army under the Imperial régime was organized for the first time in the fourth year of Meiji (1871), when the samurai of the Kago-shima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January 1873, the Government adopted a conscription system, by which mem-

bers of all social classes were held equally liable for military service. The divisions in Nagoya and Hiroshima, which were established that year, were the first fighting units in this country to contain members of the farmer, merchant and other non-samurai classes. The total strength of the Japanese Army at that time was seven divisions consisting of about 36,000 men on peace standing and 46,250 on a war footing.

The number of soldiers to be mobilized was steadily increased after the Saino Rebellion of 1877, but it was with this "cadre" of seven divisions that Japan defeated China in 1894-5. In the ten years following the Japan-China War, six more divisions were established with the result that Japan was able to put nearly one million men in the field during the Russo-Japanese War of 1904-5.

In 1922 Japan's Army strength reached twenty-one divisions consisting of 308,000 men on peace standing. The peaceful atmosphere in world affairs after the European War and the national financial condition made it necessary for Japan to reduce the army, and as the result of a readjustment effected between 1922 and 1924, a reduction of 1,800 officers, 56,000 men and 13,000 horses was made. This corresponds to a reduction of about five divisions on peace standing. In May 1925, four more divisions (the 13th, 15th, 17th and 18th) were abolished, and the present strength of the Japanese Army is 17 divisions and about 230,000 men on peace standing, inclusive of the Taiwan and Kwantung Armies.

Administrative Organization

Administration of the Army is conducted by the following three organs, the chiefs thereof working under direct orders from the Throne:

The Ministry of the Army The central organ for military administration. The Ministry contains eight departments, the names and functions of which are listed below:

(a) The Minister's secretariat takes charge of all secret affairs, papers and other records, and general office work.

(b) The Bureau of Personal Affairs is in charge of all affairs concerning the personnel of the army. It consists of two sections, the one dealing with appointments, promotion, etc., the other with decorations.

(c) The Bureau of Military Affairs is the real center of military administration, and is responsible for the establishment of the system and organization of the Army, for the proclamation and withdrawal of martial law, and for all the affairs concerning ceremonies to be observed by the soldiers, morals and discipline among the men, the drafting of men and horses to various units, the conscription system, etc., etc.

(d) The Replenishment Bureau is divided into two sections, one for

mobilization and the other for co-ordination, and is responsible for the establishment and improvement of the mobilization system, preparation and co-ordination of war supplies, improvement of military transportation, etc.

(e) The Arms and Ordnance Bureau consists of the section for rifles and guns and the section for various supplies. It is in charge of arms, ordnance, and various supplies of war.

(f) The Intendance Bureau has four sections, the Paymaster's, Audit, Clothing and Provisions, and Construction. This bureau is responsible for expenditure, the inspection of accounts, preparation of budgets, provisions, clothing, structures, etc.

(g) The Medical Bureau is responsible for all sanitary and medical arrangements among officers and men. It consists of the section of sanitary affairs and the section for medicine and surgery.

(h) The Judicial Bureau is responsible for the organization of courts-martial and all other affairs in connection with martial law.

The Ministry of the Army also supervises the following organizations situated in various parts of the country:

(a) The Military Aviation Bureau is the central organ for the study of military aviation, and is required to organize the education of pilots and mechanics, to supervise repairs, replenishment, and purchases of aeronautical supplies, etc.

(b) The Technical Investigation Bureau conducts researches on all technical developments likely to effect military efficiency. Inspection of ordnance and various war supplies is conducted by this bureau. Under its supervision is the Laboratory of Military Science which conducts research on methods of scientific warfare.

(c) The Military Technical Board. This is an organ for deliberation on all technical problems submitted by the Army Minister.

(d) The Military Arsenal is responsible for the establishment of designs and plans of arms and ordnance, as well as repairs and examination of various supplies of war inclusive of gunpowder. It has branches in Osaka, Nagoya, Oji, Kokura and Heijo.

(e) The Woolen Factory at Senju is engaged in the manufacture of woolen yarn and clothes for military supplies.

(f) The Remount Bureau has charge of horse replenishment, including breeding and purchase.

(g) The Military Arms Depot is responsible for the purchase, storage repairs, maintenance, supply, exchange, and scrapping of arms and ordnance. It also takes care of the guns installed in fortresses. The main office is in Tokyo and there are branches in Chiba, Osaka, Nagoya, Kokura, and Hiroshima.

(h) The Military Clothing Depot has its head office in Tokyo, and branches in Osaka and Hiroshima. It takes care of the manufacture, purchase, storage, and supply of all clothing supplies.

(i) The Military Hygienic Supplies Depot is responsible for the manufacture, purchase, storage, supply, and inspection of all hygienic supplies.

(j) The Military Depot of Provisions and Forage, with its head office in Tokyo and branches in Osaka and Ujina, is in charge of the preparation and supply of provisions and forage.

(k) The Fortifications Bureau is responsible for the construction, inspection, and maintenance of all defensive structures, besides being required to conduct researches on artillery and military engineering.

(l) The Military Transport Bureau is situated at Ujina and looks after all matters concerning the transportation of troops.

The General Staff It deliberates on national defense and strategy. It is also required to train and supervise all staff officers. The Staff College and the Land Survey Bureau are under the control of the Chief of the General Staff.

The Land Survey Bureau is responsible for the replenishment of military maps, production of maps for public use and the training of experts for the Bureau services.

The Department of Military Training It is in charge of all military schools and the training and education of officers and men, as well as the co-ordination and development of military education; aeronautical education of military aviation, however, is entrusted to the Aviation Bureau, and the training of staff officers comes under the General Staff.

The Department consists of the headquarters and sections for cavalry, artillery, engineers and commissariat.

Field Organization

The Division A division generally

consists of 2 infantry brigades, 1 cavalry regiment, 1 engineer battalion, and 1 commissariat battalion. To some larger divisions, a tank corps, or a mountain artillery regiment, or a heavy field artillery regiment, is attached. While a few others include a full cavalry brigade, a regiment of transport or an anti-aircraft regiment. Eight ammunition columns (4 infantry and 4 artillery), 6 field hospitals, and 1 remount depot accompany each division on service. The number is about 10,000 on peace standing. Divisional commanders hold the rank of Lieutenant-General, brigade commanders that of Major-General.

The Regiment An infantry regiment consists of 3 battalions and a machine-gun corps, and an infantry battalion of 3 companies of 150 men each, and a machine-gun section. A company is subdivided into three sections.

A cavalry regiment, of which Japan has 25 at present, consists of 2 or 3 squadrons. Eight of these regiments are organized into four independent cavalry brigades, while the remaining seventeen are attached one to each of the divisions.

Japan has 30 artillery regiments and 10 battalions, namely 15 regiments of field artillery, 1 battalion of horse artillery, 4 regiments and 1 battalion of mountain artillery, and 8 regiments of heavy field artillery. A field artillery regiment is divided into 3 battalions, and a battalion into 3 companies. On peace strength a field artillery regiment consists of only 6 batteries each equipped with four guns. In addition there are 3 regiments and 8 battalions of heavy artillery, which are responsible for the defense of fortified zones.

In peace time 1 regiment and 1 battery of anti-aircraft artillery are maintained.

Air Force Japan's air force is divided into units attached to the Army and Navy respectively. The Army air force consists at present of 11 reconnoitering squadrons, 11 fighting squadrons, 4 bombing companies, and 2 balloon companies, consisting of approximately 1,000 planes.

The Peace Strength

A full statistical classification of the peace strength of the Army, with the total number of soldiers nearly 250,000, in 1936, is given below. In addition to the units listed, a force of gendar-

merie 2,220 strong and a medical corps, about 1,500 strong are maintained.

Units	No. of Complete Regiments	No. of Additional Battalions
Infantry	70	6
Cavalry	25	—
Field Artillery	14	—
Mountain Artillery	5	1
Mounted Artillery	—	1
Heavy Field Artillery	8	—
Heavy Artillery	3	8
Engineers	—	17
Railway Corps	2	—
Telegraph Corps	2	—
Air Force	9	—
		(corps)
Balloon Corps	1	1
Commissariat	15	—
Tank Corps	2	—
		(corps)
Anti-Aircraft Artillery	1	1

This force is divided into 17 divisions and 34 brigades.

Fortresses

The Army has 17 fortresses at places of strategic importance in different parts of Japan proper and its dependencies. At each of these fortresses, a heavy artillery regiment or battalion is stationed, and in some cases an air force detachment.

Name	Place
Artillery and Engineers' School	Tokyo
Infantry School	Chiba prefecture
Cavalry School	" "
Field Artillery School	" "
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba ..
Signallers' School	Tokyo ..
Mechanical Transport School	" "
Narashino Military School	Chiba prefecture
Toyama School	Tokyo city
Military Academy	" "
Military Preparatory School	" "
5 Non-Commissioner Officers' Schools	Tokyo, Sendai, Toyohashi, Kumamoto

Toyama School teaches fencing, gymnastics and military music to both officers and men.

(2) The Staff College (Tokyo City) under the direct control of the General Staff.

(3) Those under the control of various bureaus of the Ministry of the Army, of which a full list is given below:

Promotion and Age Limit

Army officers in service are promoted to higher ranks by selection in accordance with the following rules in time of peace, the time limit being reduced by one-half in war time:

One year from Sub-Lieutenant to Lieutenant, 2 years from Lieutenant to Captain, 4 years to Major, 2 years to Lieutenant-Colonel, 2 years to Colonel, 2 years to Major-General, 3 years to Lieutenant-General. Promotion to full General and then to Marshal is subject only to the Emperor's will.

The age limit for officers on the active list varies according to rank as follows:

General	65
Lieutenant-General	62
Major-General	58
Colonel	55
Lieutenant-Colonel	53
Major	50
Captain	48
Lieutenant and Sub-Lieutenant	45

There is no age limit for Marshals.

Army Education

Schools providing instruction in military affairs are of three categories as follows:

(1) Those under authority of the Department of Military Education, of which a full list is given below:

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akéo Flying School	Miyé prefecture
Hamamatsu Flying School	Shizuoka prefecture
Shimoshizu Flying School	Chiba prefecture

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akéo Flying School	Miyé prefecture
Hamamatsu Flying School	Shizuoka prefecture
Shimoshizu Flying School	Chiba prefecture

Name	Place
Engineering School	Tokyo City
Intendance School	Tokyo City
Army Medical School	Tokyo City
Army Veterinary School	Tokyo City
Gendarmerie Training School	Tokyo City

The Flying School at Tokorozawa gives the necessary training to military fliers as to how to handle and repair a plane and its engine, and meteorological observation, besides a knowledge of the materials of which planes and engines are constructed. This school is opened to civilian students. The Flying School at Shimoshizu gives instruction in aerial photography, aerial communications and reconnoitering. The Akéo Flying School gives courses to army pilots on aerial tactics, air navigation,

handling of machine-guns on a plane and also on the construction of aerial weapons.

To raise the level of educational capacity and general efficiency among officers, certain special courses and facilities are arranged. Graduates from universities in science or engineering are now entitled to the position of engineer of artillery lieutenants after six months' cadetship, while those from the medical and agricultural colleges are qualified to become surgeon and veterinary lieutenants respectively after three months' cadetship. Non-commissioned officers of ability may be promoted to the rank of lieutenant in virtue of a system adopted in 1930, after a short period of special training. Posts still higher, even to the supreme Marshalship, are open to non-commissioned officers of exceptional ability.

The Navy

Outline History As a result of the policy of seclusion strictly followed by the Shogunate Government of the Tokugawas, Japan was without anything worthy of the name of a navy, when Commodore Perry's fleet entered Uraga Bay in the 6th year of Kaéi (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Anséi (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just before the outbreak of the Russo-Japanese War, was in possession of 78 ships with a total tonnage of 256,816 tons.

Administrative Organization

Warships and other vessels organized into fleets and squadrons actually represent what is called the Japanese Navy and organs under the jurisdiction of the Navy Ministry are intended for the construction, maintenance, control and successful utilization of these vessels. Each naval station and fleet is placed in charge of a Com-

mander-in-chief, who is responsible for the discipline and education of his men.

The Minister The Minister of Navy is in charge of the administration of the Navy, while the Chief of the Naval Staff is directly responsible to the Emperor for operation, mobilization and intelligence. The administrative departments under the supervision of the Minister of Navy are the following:

- (1) Ministerial Secretariat
- (2) Bureau of Military Affairs
- (3) Personnel Bureau
- (4) Education Bureau
- (5) Bureau of Stores
- (6) Medical Bureau
- (7) Bureau of Accounts and Supplies
- (8) Bureau of Civil Engineering
- (9) Bureau of Judicial Affairs
- (10) Library
- (11) Telegraphy Division

The schools under the supervision of the Minister are:

(1) Naval War College (Tokyo). This school is intended for the training of advanced students selected from among naval officers.

(2) Naval College (Etajima). This school is intended for the education of intending naval officers. Warrant officers are also educated here before they are promoted to the rank of special service officer.

(3) Naval Engineering College (Maizuru). This school is intended for the education of intending engineering of-

ficers. Warrant engineering officers are received under the same conditions as at the Naval College.

(4) Naval Medical College. This school is to train surgeons and pharmacists and to conduct research in the field of surgery, medicine and naval sanitation. Warrant Ward masters are educated here before they are qualified for the rank of Wardmaster Lieutenant.

(5) Naval Paymasters' College. This school is intended for the education of intending naval paymasters. Warrant Writers are educated here before they are qualified for the rank of Accountant Lieutenants.

Under the Commander-in-Chief The following schools are under the direct supervision of the Commanders-in-Chief of the Naval Stations.

(1) Naval Gunnery School (Yokosuka). Officers, special service officers, warrant officers and seamen of special ratings are admitted.

(2) Torpedo School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(3) Naval Communication School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(4) Navigation School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.

(5) Submarine School (Kuré). Officers, warrant officers and seamen specially selected are trained here for submarine warfare. Researches on submarine construction and operation are also conducted.

(6) Naval Machinists' School (Yokosuka). This school is for the training of warrant officers and seamen aspiring to the rank of engineering officer, or special service engineering officer, or shipwright.

Active Service Organization

The Three Districts The coasts of Japan and the seas surrounding the country are divided into three Naval Districts, and these districts are placed in charge of naval stations as follows:

1st Naval District, consisting of the coasts of Aomori, Iwaté, Miyagi, Fukushima, Ibaraki, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Miyé, Hokkaido and Karafuto, and the adjacent seas, is in charge of the Yokosuka Naval Station.

2nd Naval District, consisting of the coasts of Wakayama, Osaka, Hyogo, Okayama, Hiroshima, Yamaguchi, Shi-

mané, Tottori, Kyoto, Fuku, Ishikawa, Toyama, Niigata, Yamagata, Akita, Tokushima, Kochi, Ehimé, Kagawa, Oita, Miyazaki, and the eastern part of Fukuoka prefecture, and the adjacent seas, is in charge of the Kuré Naval Station.

3rd Naval District, consisting of the coasts of the remainder of Fukuoka prefecture, Saga, Nagasaki, Kumamoto, Kagoshima, Okinawa, Taiwan and Chosen and the adjacent seas, is in charge of the Sasébo Naval Station.

The coasts and adjacent seas of the South Sea Islands, now under mandate to Japan, are in charge of the Yokosuka Naval Station. There are also minor naval Stations at Mazuru in Kyoto prefecture, Ohminato in Aomori prefecture, Chinkai in Chosen, Bako in the Boko Islands (Pescadores) and Ryojun (Port Arthur) in Kwantosyu (Kwantung).

The naval districts have each a naval barrack, which is responsible for the defence of the naval port where it is posted, besides being required to protect the neighboring district from attack. In addition to the naval barrack, each naval station or minor naval station has a defense corps, which is responsible for the defense of the neighboring seas. Where there is no naval barrack, the defense corps is required to take care of the port where it is stationed and to protect the neighboring district from attack. The naval ports and minor naval ports have respectively one or more air force detachments, which are required to protect the port and neighboring district from naval and aerial raids.

Naval Office in Manchoukuo

Japan's recognition of Manchoukuo and provisions of the Japan-Manchoukuo Protocol necessitated military and naval actions in that country on the part of Japan and to meet the emergency the Navy Ministry of Japan issued a law in March 1933, for the establishment of the Naval Department in Manchoukuo to be located in Hsinking.

The Office takes charge of the patrolling and protection of the rivers and the coast lines of Manchoukuo. The commander is directly under orders of the Emperor of Japan, and as to the administration he acts in accordance with the order of the Minister of the Navy of Japan. At present a provisional Naval Defense Brigade is quartered

at Harbin and is guarding the banks of the Sungari.

Ryojun (Port Arthur) Naval Station The Imperial Naval Station at Ryojun was abolished in November 1922, according to the Naval disarmament program. But the newly created situation in Manchuria necessitated its re-establishment in April 1933. The station is under a special regulation independent of the Naval stations in the home land. It has specific duties in the Kwantung Leased Territory and is engaged in the protection of the coasts of Kwantung Province, Manchoukuo and North China above the Yangtze.

The Standing Fleets

The standing fleets as reorganized on November 3, 1936, are as follows:

Combined Fleet

The Combined Fleet is organized with the 1st, 2nd fleets and the 12th Squadron, Mamiya and Naruto appended.

1st Fleet

1st Squadron—Nagato, Mutsu, Hyuga.
3rd Squadron—Haruna, Kirishima.
8th Squadron—Kinu, Natori, Yura.
1st Destroyer Squadron—Kawachi, 9th and 21st destroyer flotillas.
1st Submarine Squadron—Isuzu, 7th and 8th submarine flotillas.
1st Air Force Squadron—Hosho, Ryujo, and 30th destroyer flotilla.

2nd Fleet

4th Squadron—Takao, Maya.
5th Squadron—Nachí, Haguro, Ashikagu
2nd Destroyer Squadron—Jintsu, 7th, 8th and 19th destroyer flotillas.
2nd Submarine Squadron—Jingéi, 12th, 29th and 30th submarine flotillas.
2nd Air Force Squadron—Kaga, 22nd destroyer flotilla.
12th Squadron—Okishima, Kamoi, 28th destroyer flotilla.

3rd Fleet

10th Squadron—Izumo, Tenryu, Tatsuta
11th Squadron—Ataka, Toba, Seta, Kataka, Hira, Hotzu, Atami, Futami, Kuri, Tsuga and Hasu.
5th Destroyer Squadron—Yubari, 13th and 16th destroyer flotillas.
Saga is appended.

Training Squadron
Yakumo and Iwaté.

The Naval Air Force

The Naval Air Force consists of:
(1) 7½ aeroplane corps at Kasumigaura, 5 aeroplane corps at Yokosuka,

5½ aeroplane corps at Tatéyama, 1½ aeroplane corps at Sasébo, 2½ corps at Omura, 1½ corps at Kuré, 1½ Corps at Sahéki and 1½ Corps at Ominato, the number of planes belonging to these air corps are unavailable; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, Nótoro, Ryujo, Kamoi and several other ships, the number of planes carried are unavailable. Flying officers and men number over 10,000.

The Personnel

Classified according to ranks, naval officers on the active list were as follows at the end of 1934:

Admirals to Rear-Admirals and non-executive officers	148
Captains to Lieut.-Commanders and non-executive officers	2,395
Lieutenants to 2nd Sub-Lieutenants, non-executive officers, midshipmen and special service officers	3,958
Warrant officers	1,953
Cadets at school	348
Total	5,802

Equipment. Each naval station is equipped with a shipbuilding yard, and one or more dry docks for accommodating warships. The Yokosuka and Kuré arsenals are capable of taking in super-dreadnoughts of over 40,000 tons, but those of Sasébo and Mazuru are only fit for building cruisers and smaller ships. There are a number of up-to-date private establishments, such as the Mitsubishi shipyard at Nagasaki, Kawasaki shipyard at Kobé, Fujinagata shipyard at Osaka, and Ishikawajima shipyard at Tokyo. Of these the Mitsubishi and Kawasaki shipyards are capable of building superdreadnoughts.

Warship Building

The first warship built in Japan was the Sélki (870 tons) launched at Yokosuka in 1875. She played an important part in the civil war of 1877. The Hashidaté (4,228 tons), launched just before the Sino-Japanese War of 1894-5, remained the largest warship built at home until 1903. Soon after the Russo-Japanese War, Japan succeeded in building the battle-cruisers Tsukuba (13,800 tons), Ikoma, and Kurama (14,600 tons each), the battleships Satsuma (19,300 tons), Aki (19,250 tons), Kawachi and Settsu (20,800 tons each). The two last named were the first dreadnoughts planned and constructed at home and marked

a new stage in the progress of naval architecture in Japan.

The Tsukuba and Kawachi sank 18 and 17 years ago respectively as a result of an explosion of their magazines, the former at Yokosuka and the latter at Tokushima, while the Satsuma and Aki were removed from the list and sunk in target practice. The Settsu has been converted into a target ship of 16,130 tons and is still in service.

Independent of Foreign Material Up to recent years, Japan was dependent on foreign countries as regards war material, but is now almost independent in this connection. She has ample supplies of coal, iron, copper and zinc as long as she controls the mines in Manchuria. At present 95 per cent of warship building materials is of home production and in case of international competitive building of warships Japan will lose little out of the competition in international payments. The supply of crude oil is still insufficient, but the rapid progress in the oil-shale industry of Manchuria, and the remarkable development of the oil industry in North Saghallen, Taiwan, etc., show that the empire will shortly be self-sufficing in this respect also. The Imperial Iron Works at Yawata (Kyushu) has an annual output of about 200,000 tons of armor plates, rails, etc., while the Muroran Steel Works of Hokkaido is turning out an ample quantity of steel for use by the Army and Navy. In the chemical industry also, Japan is now almost independent and prepared for any form of chemical warfare.

List of Ships

The Navy consisted on September 30, 1936 of the following ships, classified by types with the total tonnage in each:

Type	No.	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	25	107,255
Aircraft Carriers	6	68,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	19,630
Coast Defense Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	80	85,479
2nd Class Destroyers	30	23,390
1st Class Submarines	37	49,157
2nd Class "	25	20,027
Torpedo Boats	12	2,108

Type	No.	Tonnage
Mine Sweepers	12	6,642
Special Service Ships	21	219,935
Total	302	1,134,823

(Tonnage of ships under construction is not included. The full individual list of warships at the same date is given in the Japan Year Book, 1937.)

The Planes

The battle planes in use in the Naval Air Force are of type 3 and type 90. The bombers and torpedo planes in use are of type 13, type 89 and type 92. Some of these machines played an important part in the Sino-Japanese conflict in Shanghai, but some of them are not suitable for an aerial war in the future.

The reconnoitering planes in use are of type 14. They are equipped with a 450 h.p. motor and can cover nearly 200 kilometers an hour. They are armed with a machine-gun mounted behind the seat of the reconnoitering officer, so that he can defend the machine against enemy fire from behind. Their speed is considered too slow for satisfactory service in the future. Type 15 and type 90 are also in use.

There are also a few large patrol planes of type 90. No. 1 of these is of metallic material, 21 metres long, 30 metres wide, 12 tons in weight, and is equipped with a number of motors producing 2,100 h.p. in all. Its maximum speed is 220 kilometers an hour. The No. 2 of type 90 is 20 meters long, 30 meters wide, 13 tons in weight, and equipped with motors producing 2,400 h.p. in all. Both of them are superior in performance to the PN-12 of the American Navy, which has a speed of less than 200 kilometers.

Naval Promotion

Officers are promoted by selection, and candidates for special promotion are selected at the conference of the Admirals' Council.

The regular course of promotion for them is: Midshipmen, over one year's service on a training ship; 2nd Sub-Lieutenants, over one year's service; 1st Sub-Lieutenants, over 18 months' service including 6 months' service in Torpedo or Gunnery School. Lieutenants of over 4 years' service are promoted to Lieutenant-Commander.

Special service 1st Sub-Lieutenants, over two years' service; Special service 2nd Sub-Lieutenants, over three years'

service. Special service Lieutenants (combatants, engineers and pay-masters) may be promoted to Lieutenant-Com-

mander by special appointment.

The qualifications for subsequent promotion are as follows:

Promotion	Minimum Service in Lower Rank
Commander—Lieutenant-Commanders	2 years
Captains—Commanders	2 "
Rear-Admirals—Captains	2 "
Vice-Admirals—Rear-Admirals	2 "
Admirals—Vice-Admirals	Period determined by Imperial order subject to special merit

N.B. 1st class warrant or ranking officer of over 6 years in the service may be promoted to 1st Lieutenant or ranking officer.

Revisions of the Military Service Law

Revision in 1939

The Law Amending the Military Service Law was promulgated on March 8, 1939. The items of revision include: amendments to the regulations on the term of military service; conscription of ex-service men; postponement of conscription for students and the manner of this conscription; abrogation of the short-term service system; and recognition of the privilege of postponement of conscription for Japanese students in Manchoukuo Government schools.

Revision of the Term of Service Under the new Law the term of the supplementary reserve service for the Army was lengthened from 12 years and four months, while that of the first reserve service for the Navy was prolonged from four years to five years and that of the second reserve service from five years to seven years.

Change in Method of Conscription of Young Men Changes were made in the method of selecting the young men at the physical examination for military service. (See p. 224, the Japan Year Book, 1940-41.)

Revised Method of Calling Ex-service Men for Training (See p. 225, the Japan Year Book, 1940-41.)

Abrogation of the Short-term Service System The short-term service system for teachers in elementary schools is peculiar to Japanese conscription. The reason for the survival of this system through all former revisions in the military service law may be found in the fact that the Government was anxious not to weaken the teaching force in elementary schools by the absence of teachers from their duties even for purposes of national defense. The short-term system allowed these teachers to remain

only five months in active service and this period was devoted to making them acquire a knowledge of military affairs so that they could accomplish their duty as educators of the people both in scientific and military subjects. The system worked well as a result of the complete understanding between the military and educational authorities.

But times have changed and the five-month service is now all too short to provide teachers with a comprehensive knowledge of military affairs to the extent that they may give proper instruction on military subjects in their schools. Simultaneously, their influence on pupils and communities will be greatly increased with a knowledge of military affairs acquired by entering the full service with other members of the nation or by going to the front when so destined. Under such considerations, the short-term service system is abrogated entirely, although investigations are being made by competent authorities not to cause any material harm to the education of the younger generation by this sudden change.

Revisions in Postponement of Student Conscription The medical examination and enrolment of students who reach the age of twenty has been postponed for as many years as they pursue their studies in schools and consequently many are much older than other young men at the time of their examination and enrolment, whereas their earlier enrolment is desirable since most of them may become important constituents of the army as reserve or non-commissioned officers.

The revised system, therefore, places a certain limit to the term of postponement, shortening it by an extent that will not deter their studies in schools,

yet that will amend the irrationality which formerly arose by the application of rules under which they were conscripted according to certain fixed ages, regardless of the month of their birth or the number of years they needed to complete their respective studies. (See the Japan-Year Book, 1940-41, p. 226.)

Furthermore, a new provision is added to the new system according to which all students in schools may be conscripted in time of emergency even before the expiration of the term of postponement so that they may take part in the defense of their country.

These new rules came into force as from December 1, 1939. Those who attended schools on that day remained under the old rules so as not to interfere with their studies.

Revision in 1941

Another revised Military Service Law which was passed by the Imperial Diet at its 76th session was enforced on April 1, 1941.

The main points of revision are (1) the enrolment of new conscripts in overseas districts into the garrisons nearest to their residences, (2) the abrogation of the second reserve service system, and (3) the prolongation of the days of call for the education of the supplementary reservists.

(1) According to the provisions of the existing Military Service Law, new conscripts are enrolled, as a rule, into the armies stationed in areas in Japan proper where they are registered as Japanese subjects, or, into the garrisons in such overseas districts as Chosen, Taiwan, Kwantung or China for convenience. There arise cases where the

ambitious young men who have gone out to overseas territories to open a future for themselves have to return to Japan proper for their examination and enrollment and are cut short of their ambition. The revision is therefore made in this respect to cause young men to be enrolled in the armies or garrisons stationed in the regions other than Japan proper without regard to their census registration. The new rule shall be applied first to those young men who are to receive the conscription examination in 1942.

(2) The old system divides those eligible for military service into three categories, namely, the active, the 1st reserve and the second reserve. In view of the increased demands made on armed services in wartime, the increase of different kinds of works and the intricacy of organization in the recent defense services, the demarcation between the first and second reserves has become meaningless, the State requiring all reserve soldiers to appear for active service at any time and in the same spirit of loyalty. And the new law provides that all those who have completed their active service shall be enlisted in the reserve list for the whole length of term formerly divided into the two reserve services. This rule governing the reserve servicemen came into force as from April 1, 1941.

(3) With the progress of military drill and education in many fields of military art, the duration of term for educating the supplementary reservists has been lengthened from the present 120 to 180 days, the rule coming into force from April 1, 1941.

THE NATIONAL GENERAL MOBILIZATION LAW

(Law No. 55, 1939, Promulgated on April 1, 1939, Effective as from May 5, 1939, by Imperial Ordinance No. 315, and Revised in 1941)

ARTICLE 1

National General Mobilization as mentioned in this Law means control and employment of man-power and material resources for the highest and most efficient development of the total power of the State in time of war (including, as hereinafter understood, an incident similar to a war), to the end of achievement of defense objectives.

ARTICLE 2

The material resources mentioned in

this Law mean the following:

- (1) Arms, war vessels, ammunition, and other materials for military use;
- (2) Clothing, foodstuffs, beverages, and feed supply necessary for national general mobilization;
- (3) Medicines and pharmaceuticals, medical and surgical machinery and instruments, other hygienic materials, and materials for veterinary hygiene necessary for national general mobilization;
- (4) Shipping, aircraft, vehicles, horses-

and other transportation and conveyance materials necessary for national general mobilization;

(5) Communication materials necessary for national general mobilization;

(6) Civil engineering and lighting materials necessary for national general mobilization;

(7) Fuel and electric power necessary for national general mobilization;

(8) Raw materials, materials, machinery, apparatus, equipment, other materials necessary for production, repair, distribution and preservation of what are mentioned in the preceding numbers;

(9) Materials other than those mentioned in the preceding numbers and to be specified by Imperial Ordinance as necessary for national general mobilization.

ARTICLE 3

The general mobilization services mentioned in this Ordinance mean the following:

(1) Services concerning production, repair, distribution, export, import, or custody of materials for general mobilization;

(2) Services concerning transportation and communications necessary for national general mobilization;

(3) Services concerning finances necessary for national general mobilization;

(4) Services concerning sanitation, veterinary hygiene, or relief necessary for national general mobilization;

(5) Services concerning education and training necessary for national general mobilization;

(6) Services concerning experiments and research necessary for national general mobilization;

(7) Services concerning information, enlightenment and propaganda necessary for national general mobilization;

(8) Services concerning defense necessary for national general mobilization;

(9) Services other than those mentioned in the preceding numbers and to be specified by Imperial Ordinances as necessary for national general mobilization.

ARTICLE 4

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, press into service subjects of the Empire and cause them to engage in general mobilization services; pro-

vided, however, that this shall not interfere with the application of the conscription law.

ARTICLE 5

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, cause subjects of the Empire, juridical persons under the law of the Empire, or any other organization to cooperate with the general mobilization services to be conducted by the State or by local public bodies or by any person designated by the Government.

ARTICLE 6

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders, with respect to the use, employment or dismissal of workers, or the obtaining employment, engaging in work or retirement by workers; or with respect to wages, salaries and other conditions of work.

ARTICLE 7

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to prevention or settlement of labor disputes, or with respect to the closing of workshops, suspension of labor, or restriction or prohibition of other acts relating to labor disputes.

ARTICLE 8

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to production, repairing, distribution, transfer, other ways of disposal, use, consumption, possession, or removal of general mobilization materials and goods.

ARTICLE 9

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prevent export or import, order export or import, impose export or import duties, or increase, reduce, or remit export or import duties.

ARTICLE 10

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial

Ordinance, use or expropriate, or cause those who are engaged in general mobilization undertakings to use or expropriate materials and goods for general mobilization.

ARTICLE 11

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, make restriction or prohibition, with respect to the establishment, increase of capital, merger, alteration of objects, issuance of debentures or making second and subsequent calls on shares of corporations, give necessary orders with respect to disposal of profits, depreciation, or other matters pertaining to corporation accounting, or give necessary orders to banks, trust companies, insurance companies or others to be designated by Imperial Ordinance, concerning the operation of capital, assumption or guarantee of obligations.

ARTICLE 12

If necessary for national general mobilization in time of war, the Government, with respect to invitation of subscriptions for debentures or to an increase of capital with the object of applying to the expense of equipment for the operations of companies engaged in undertakings which are general mobilization services, may provide separate regulations, the provisions of Article 200 or Article 210 of the Commercial Code notwithstanding.

ARTICLE 13

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, control, use or expropriate the whole or part of the factories, workshops, ships, and other facilities, belonging to the general mobilization undertakings, or any facility which may be used therefor.

In case any object mentioned in the preceding paragraph is to be used or expropriated, the Government may, as prescribed by Imperial Ordinance, cause the employers thereof to offer their worker's service, or use the patented inventions or registered utility models at present used for such facilities.

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, control, use or expropriate, or cause those who are engaged in gen-

eral mobilization undertakings to use or expropriate land or houses and other structures necessary for general mobilization undertakings.

ARTICLE 14

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, use or expropriate mining rights, placer mining rights, or rights concerning the use of water, or cause those who are engaged in general mobilization undertakings to use the patented inventions and registered utility models or to use mining rights, placer mining rights and rights concerning the use of water.

ARTICLE 15

In case a thing which was expropriated by the Government in accordance with the provisions of the preceding two Articles has fallen into desuetude and is to be disposed of by the Government within a period of 10 years from the time of expropriation, or in case a thing which was expropriated by persons who are in general mobilization undertakings in accordance with the provisions of Article 13, paragraph 3 has fallen into desuetude within 10 years from the time of expropriation, its former owner, the former holder of a right or his successor may, as prescribed by Imperial Ordinance, have the priority right of purchasing the same.

ARTICLE 16

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prohibit new installations, extensions or improvements of equipments belonging to enterprises, or may order new installations, extensions or improvements of equipments belonging to enterprises which are general mobilization services.

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to transfer and other ways of disposal of, investment in, use or removal of equipment or rights belonging to enterprises.

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to opening, trusting of manage-

ment, joint management, transfer, discontinuance or suspension of business, or alteration of objects, amalgamation or dissolution of juridical persons.

ARTICLE 17

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, cause applications to be made for the establishment, alteration or cancellation of control agreements between or among the owners of enterprises of the same kind or those of different kinds, or may order the establishment, alteration or cancellation of control agreements, or may order the owners of enterprises who are not parties to control agreements to conform therewith.

ARTICLE 18

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, order owners or their organizations of enterprises of the same kind or those of different kinds to establish organizations or companies with the object of controlling or managing for control said enterprises. An organization to be established by the order shall be a juridical person.

If any person who has been ordered to establish an organization or company as provided for in paragraph 1, fails to do so, the Government may take necessary procedures with respect to the drafting of articles of incorporation and otherwise concerning the establishment of the organization or company.

When the organization of paragraph 1 has been formed and established, the Government may, as prescribed by Imperial Ordinance, cause those who are qualified to become constitutors thereof.

The Government may cause the organization mentioned in paragraph 1 to apply for permission for the establishment, alteration or abolition of control regulations concerning the enterprises of its constitutors (including, as hereinafter understood, constitutors of the constitutors of such organization), or may order the establishment or alteration of control regulations, or may order the constitutors or those who are qualified to conform with the control regulations of their organization.

Necessary matters relating to the organization or company mentioned in paragraph 1 shall be determined by

Imperial Ordinance.

When orders have been issued with regard to transfer and other ways of disposal of, or investment in equipment or rights according to the provisions of Article 16, paragraph 2, or transfer of enterprises according to the provisions of Article 16, paragraph 3, necessary matters relating to the continuance of obligations of the assignors or investors and the disposition of the security shall be determined by Imperial Ordinance.

With regard to transfer of, or investment in equipment or rights according to the provisions of Article 16, paragraph 2, transfer of enterprises or amalgamation of juridical persons according to the provisions of Article 16, paragraph 3, or the organizations or companies to be established according to the provisions of Article 18, paragraph 1 or paragraph 3, the Government may, as prescribed by Imperial Ordinance, give special regard to the calculation of the basic amount for taxation, or may make deduction or abatement of taxes.

ARTICLE 19

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, give necessary orders with respect to prices, transportation charges, storage fees, insurance premiums, rentals, finishing charges and mending fees and other charges for earnings.

ARTICLE 20

If necessary for national general mobilization in time of war, the Government may, as prescribed by Imperial Ordinance, restrict or prohibit what is printed in newspapers or other publications.

The Government may prohibit the sale or distribution, or make seizure, of newspapers or other publications that have contravened the restriction or prohibition of the preceding paragraph and interfere with the national general mobilization, in such cases the original (type-forms being seizable).

ARTICLE 21

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause subjects of the Empire and those who employ or use subjects of the Empire to send in statements concerning occupational abilities of subjects of the Empire.

ARTICLE 22

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, give to the administrators of schools, training institutes, factories, workshops and other establishments suitable for training of skilled workers, or employers of those who are to be so trained, necessary orders concerning the training of skilled workers necessary for national general mobilization.

ARTICLE 23

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause those who are engaged in production, sale or import of national general mobilization materials to store certain numbers or quantities of such materials or what is used as raw material or otherwise for their making.

ARTICLE 24

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, cause owners of businesses which are general mobilization services, or those who are in time of war to engage in general mobilization services, to set up plans concerning general mobilization services to be enforced in time of war or go through exercises according to said plans.

ARTICLE 25

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, order those who are engaged in production or repairing of general mobilization materials, or the administrators of experimental or research organs to conduct experiments or research.

ARTICLE 26

If necessary for national general mobilization, the Government may, as prescribed by Imperial Ordinance, guarantee or grant subsidies within limits of the budget to those who engage in production or repairing of general mobilization materials; and in these cases the Government may cause such persons to produce or repair general mobilization materials or cause them to provide equipment necessary for national general mobilization.

ARTICLE 27

The Government, as prescribed by

Imperial Ordinance, will indemnify the losses incurred from disposals made in accordance with the provisions of Article 8, Article 10, Article 13, Article 14 or Article 16, paragraph 2; from orders of export or import in accordance with the provisions of Article 9; from orders of financial operations, subscription, underwriting or purchase of securities, assumption or guaranty of obligations in accordance with the provisions of Article 11; from orders for new installation, extension or improvement of equipment in accordance with the provisions of Article 16; or from orders with regard to trusting, transfer, discontinuance or suspension of enterprises, or alteration of purposes or dissolution of juridical persons in accordance with the provisions of Article 16, paragraph 3; excepting the cases mentioned in paragraph 2 of the present Article.

Those who are engaged in general mobilization undertakings shall indemnify, as prescribed by Imperial Ordinance, the losses incurred from their use, expropriation or utilization of things, in accordance with the provisions of Article 10, Article 13, paragraph 3, or Article 14.

ARTICLE 28

In case orders are to be given in accordance with the provisions of Article 22, Article 23, or Article 25, the Government may, as prescribed by Imperial Ordinance, indemnify the losses resulting therefrom or grant subsidies.

ARTICLE 29

The amounts of reparation according to the provisions of the preceding two Articles and the values at which purchases are to be made according to the provisions of Article 15, are to be determined by the Government after its consultation with the Commission on General Mobilization Reparation.

The rules governing the Commission on General Mobilization Reparation shall be determined by Imperial Ordinance.

ARTICLE 30

The Government may supervise the undertakings which, according to the provisions of Article 26 or Article 28, are guaranteed profits or granted subsidies, or may give orders or take procedure necessary thereon.

ARTICLE 31

If necessary for national general

mobilization, the Government may, as prescribed by Ordinance, call for reports, or cause competent officials to visit and inspect necessary places and look into conditions of business or other matters thereof.

Persons coming within any of the following numbers shall be punished with penal servitude not exceeding ten years or a fine of not more than fifty thousand (50,000) yen.

(1) Those who have contravened orders issued according to the provisions of Article 8.

(2) Those who have contravened orders issued according to the provisions of Article 19.

ARTICLE 32

Any person who, in contravention of the order provided in Article 9, has exported or imported, or intends to export or import, shall be punished with penal servitude not exceeding three years or a fine of not more than 10,000 (ten thousand) yen.

In the cases mentioned in the preceding paragraph, that which has been exported or imported, or is intended for export or import, may be confiscated so far as it is owned or possessed by the offender and, when all or part of it has failed to be confiscated, the value thereof may be collected additionally.

ARTICLE 33

Any person who comes within any of the following numbers shall be punished with penal servitude not exceeding three years or a fine of not more than 5,000 (five thousand) yen:

(1) Those who have contravened orders issued according to the provisions of Article 7;

(2) Those who, in contravention of the provisions of Article 9, fail to export or import;

(3) Those who have refused, impeded or evaded the use of, or the expropriation of, general mobilization materials, as provided for in Article 10;

(4) Those who have refused, impeded or evaded the administration, use or expropriation of equipment, land or establishments, or the use of employees thereof, provided for in Article 13;

ARTICLE 34

Persons coming within any of the following numbers shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than

3,000 (three thousand) yen:

(1) Those who have contravened the restriction, prohibition, or order enforced according to the provisions of Article 11;

(2) Those who have contravened the restriction, prohibition, or order enforced according to the provisions of Article 16;

(3) Those who have contravened orders issued according to the provisions of Article 16, paragraph 2;

(4) Those who have contravened orders issued according to the provisions of Article 16, paragraph 3;

(5) Those who, in contravention of the provisions of Article 17 or Article 18, have without permission established, altered or abolished control agreements or control regulations, or have contravened the order given according to the provisions of paragraph 4, Article 18;

(6) Those who have failed to lay in stores in contravention of the order given according to the provisions of Article 23;

(7) Those who, in contravention of the provisions of Article 26, have failed to produce, repair or provide equipment.

ARTICLE 35

Those who have committed any of the offences mentioned in the preceding four Articles may, according to circumstances, be punished with both penal servitude and fines.

ARTICLE 36

Persons coming within any of the following numbers shall be punished with penal servitude not exceeding 1 (one) year or a fine of not more than 1,000 (one thousand) yen:

(1) Those who refuse to comply with the expropriation made according to the provisions of Article 4 or fail to engage in the services provided in said Article;

(2) Those who have violated orders based on provisions of Article 6.

ARTICLE 37

Those who come within any of the following numbers shall be punished with a fine of not more than 3,000 (three thousand) yen:

(1) Those who have contravened orders given according to the provisions of Article 22;

(2) Those who, in contravention of

Article 24, fail to set up plans or go through exercises;

(3) Those who, in contravention of the provisions of Article 25, fail to conduct experiments or research.

ARTICLE 38

Those who come within any of the following numbers shall be punished with a fine of not more than 1,000 (one thousand) yen:

(1) Those who, in contravention of an order given according to the provisions of paragraph 1, Article 18, fail to establish organizations or companies;

(2) Those who have contravened orders given according to the provisions of Article 18, paragraph 6;

(3) Those who have contravened the order given, or the proceedings taken, according to the provisions of Article 32;

(4) Those who have failed to report as provided for in Article 32 or have made false reports.

ARTICLE 39

In case the restriction or prohibition made according to the provisions of paragraph 1, Article 20, has been contravened, the publisher or the registered editor, in the case of a newspaper, and the publisher and the author, in the cases of other publications, shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

In the cases of newspapers, those who have been in charge of editing, or those who had their articles published with their signatures, shall also be punished as provided for in the preceding paragraph.

ARTICLE 40

Any person who has interfered with the seizure made according to the provisions of paragraph 2, Article 20, shall be punished with penal servitude or imprisonment not exceeding 6 (six) months or with a fine of not more than 500 (five hundred) yen.

ARTICLE 41

The provisions governing the concurrent offences of the Penal Code shall not apply to the offenses mentioned in the preceding two Articles.

ARTICLE 42

Those who have refused, impeded or evaded the inspection made by com-

petent officials according to the provisions of Article 31, shall be punished with penal servitude not exceeding 6 (six) months or a fine of not more than 500 (five hundred) yen.

ARTICLE 43

Any person who, in contravention of the provisions of Article 21, has failed to send in the statement, or refused, impeded, or evaded the inspection, shall be punished with a fine not exceeding 50 (fifty) yen, retention, or a nominal fine.

ARTICLE 44

If any person engaged in general mobilization service has disclosed, or made secret use of, any of the secrets designated by the Government office concerned, he shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

If any one who is, or formerly was, in Government service, has committed the offenses mentioned in the preceding paragraph, he shall be punished with penal servitude not exceeding 5 (five) years.

ARTICLE 45

If a person who is, or formerly was, in public service, has disclosed, or made secret use of, secrets of the business of an individual or a juridical person that he learned through his performance of duties according to the provisions of this Law, he shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 2,000 (two thousand) yen.

If a person who is, or formerly was, an officer or employee of an organization or company established with the purpose of controlling enterprises according to the provisions of Article 18, paragraph 1 or paragraph 3, or of a juridical person or any other organization controlling enterprises according to orders issued in accordance with the provisions of this Law, has disclosed, or made secret use of, secrets of the business of an individual or a juridical person that he learned through his performance of duties, he shall be similarly punished with the person mentioned in the preceding paragraph.

ARTICLE 46

If an officer or employee of an organization or company established with the purpose of controlling enterprises ac-

ording to the provisions of Article 18, paragraph 1 or paragraph 3, or of a juridical person or any other organization controlling enterprises according to orders issued in accordance with the provisions of this Law, in connection with his duties for control, has accepted, demanded or promised (to receive) a bribe, he shall be punished with penal servitude not exceeding 2 (two) years, and if on the same account he has committed a dishonest act, or failed to perform a proper act, he shall be punished with penal servitude not exceeding 5 (five) years.

The bribe taken in the case mentioned in the preceding paragraph shall be confiscated. If all or part of it is not possible to be confiscated the value thereof shall be collected additionally.

ARTICLE 47

Any person who has delivered, offered, or promised (to give) a bribe to a person mentioned in paragraph 1 of the preceding Article shall be punished with penal servitude not exceeding 2 (two) years or a fine of not more than 500 (five hundred) yen.

If a person who has committed an offense mentioned in the preceding paragraph denounces himself, the punishment may be mitigated or remitted.

ARTICLE 48

In case a representative of a juridical person, a juridical person, or its agent or employee, or any person otherwise employed, has, with regard to the business of the same juridical person or an individual, committed an offence mentioned in Article 31, paragraph 2 to Article 34 inclusive, number 2 of Article 36, Article 37, Article 38, or the first part of Article 43, not only the offender shall

be punished but the fines or the nominal fines mentioned under the respective articles shall be imposed on the juridical person or the individual concerned.

The provisions of the preceding paragraph shall be applied to an act committed by a representative, an agent, an employee of, or any person engaged by, a juridical person holding its head or main office in the area where this Law is in effect, the same likewise applying to an act committed outside the area in which this Law is in force, by a representative, an employee of, or any person otherwise engaged by, an individual whose residence is in the area in which this Law is in effect.

ARTICLE 49

The penal provisions of this Law shall be applied to a subject of the Empire who has committed an offense outside the area in which this Law is in effect.

ARTICLE 50

In order to respond to the consultation of the Government concerning important matters relating to this Law (excepting those relating to military secrets), a National General Mobilization Commission shall be provided.

The rules governing the National General Mobilization Commission shall be determined by Imperial Ordinance.

SUPPLEMENTARY PROVISIONS

The date of enforcement of this Law shall be determined by Imperial Ordinance. The Munitions Industry Mobilization Law and Law No. 88, 1936, are hereby repealed.

The order issued, or the proceedings taken, according to the Munitions Mobilization Law, prior to the enforcement of this Law shall be considered as those done in accordance with this Law.

NATIONAL DEFENSE SECURITY LAW

The National Defense Security Law is one of the most important legislations which was approved by the 76th session (December 1940-March 1941) of the Imperial Diet and enforced on May 10, 1941.

There is already in operation the Military Secret Protection Law designed to guard against the leakage of military secrets and the Defense Resources Secrets Protection Law to safeguard the secrecy of the defense resources of the

country. But, no law specifically intended to protect the highest secrets of the State relating to diplomatic, financial and economic matters had yet been enacted.

The law is divided into two parts, the first dealing with penalties and the second with criminal procedure.

Penalties Part 1, Article 1 defines the scope or extent of matters in respect to which secrecy is to be observed, pre-

scribing that any diplomatic, financial, economic or other important State affairs provided in the Article, or documentary evidences thereof, fall within the purview of the Law.

Among the matters thus prescribed are State secrets concerning matters submitted for deliberation at the Cabinet Councils, Privy Councils, Councils in the presence of the Emperor or at similar councils and proceedings of such councils, matters discussed at the secret sessions of the Diet and proceedings thereof, matters prepared for submission to such conferences and other important confidential matters pertaining to various Government offices.

Article 5-7 provides for penalties to be meted out against searching, collecting, divulging or publishing such State secrets, and also for penalties in case anyone who, after acquiring knowledge or coming into possession of such secrets in the course of his employment, has either revealed or made them public intentionally or negligently. To make public such secrets means to place them within easy reach of common knowledge, thereby enabling foreign agents to obtain knowledge thereof with ease.

The law purports to prevent such matters designated as State secrets, made known only to high Government officials, from being divulged to a foreign country. As a matter of fact, therefore, nobody is informed of such secrets except those high officials who handle them, and the law requires those specific persons to use their best prudence and circumspection in the handling of the secrets in their possession.

Article 8 provides for penalties to be meted out to any person who has searched for or collected information on diplomatic, financial and economic matters which must be strictly guarded for ensuring national defense, which the purpose of utilizing such information against national defense or of giving it to a foreign country, knowing the

possibility of its being utilized by such country. This provision is intended to deal with a person who may be used as a medium of those who are seeking and collecting such information.

Furthermore, acts subversive to the social and economic order have also been made punishable under the provisions of Articles 9 and 10, including acts of circulating information prejudicial to the peace of the country by conspiring with or intending to benefit a foreign country and acts of obstructing the operation of national economy by creating disorders in the money market or disintegrating the productive and distributive mechanism of essential materials, for similar purposes.

Articles 11-13 provide for punishment against attempted offenses as well as against cases of preparation, instigation, inducement and agitation, in order to forestall the afore-mentioned acts of disturbances.

Criminal Procedure In case any attempt is made at systematic and deliberate espionage and intrigue by some nations hostile to this country, specific counter-measures must be devised to combat those attempts. Particular attention must therefore be given to the search for these offenses and the judicial procedures thereof. And the public prosecutors in charge of the search for the aforesaid offenses have been invested with an enlarged power, and judicial police, including prefectural police officers and gendarmerie officers and non-commissioned officers, have been made to act on specific instructions from the public prosecutors.

Court procedures subsequent to prosecution are to be so arranged as to speed up proceedings of trials, while care should be taken to ensure the prevention of the leakage of State, military and defense-resources secrets, or such official secrets related to national general mobilization as are officially designated, during the progress of the trial.

(This chapter is continued on the pages at the end of the volume.)

CHAPTER VIII

PUBLIC FINANCE

YASUDA

HEAD OFFICE:
Otemachi, Kojimachi-ku, Tokyo

THROUGH THE YASUDA HOZENSU, the Yasuda Family controls no fewer than 30 companies which stand in the forefront of Japanese finance and industry. Some of the most important of these are:

The Yasuda Bank, Ltd.
The Yasuda Savings Bank, Ltd.
The Japan Day and Night Bank, Ltd.
The Third Bank, Ltd.
The Yasuda Trust Co., Ltd.
The Yasuda Life Insurance Co., Ltd.
The Tokyo Fire Insurance Co., Ltd.
The Imperial Marine & Fire Insurance Co., Ltd.
The Oriental Fire Insurance Co., Ltd.
The First Fire & Marine Insurance Co., Ltd.
The Yasuda Trading Co., Ltd.
The Tokyo Real Estate Co., Ltd.
The Yasuda Warehouse Co., Ltd.
The Imperial Flax Manufacturing Co., Ltd.
The Japan Paper Industry Co., Ltd.
The Toyo Kisen Kaisha, Ltd.

CHAPTER VIII

PUBLIC FINANCE

Accounts System

In the second year of Meiji, 1869, Shigenobu Okuma (later Marquis Okuma) submitted to the Government a plan calling for the establishment of an accounts system to prevent a reckless disbursement of administrative expenses. In due course, and as a result of this plan, a Ministry of Finance and a fiscal year starting with October and ending with September were instituted. When Hirobumi Ito (later Prince Ito) came home from his inspection trip to America in 1873, he offered valuable advice to the Government on the financial system and this enabled the Government to announce its estimates of accounts. This marked an important point in the accounts system of Japan as it was the prototype of the Government budget, but because of the lack of system, the budget of each Ministry was subject to change by the administrative chief. The fiscal year was changed to from April to March in 1886, and has been so observed since. The opening of the Imperial Diet in 1890 brought about a great improvement in the accounts system of Japan, for each budget has since been subject to approval, and Government income and expenditure has thus come under supervision. The Board of Audit under direct control of the Emperor was also established and to it is assigned the duty of inspecting the Government accounts. These perfected the constitutional ac-

counts system of the Government and at the same time the Accounts Law was promulgated in 1889 and has been enforced since April 1, 1890. This law laid the foundation of the accounts system of Japan and in 1921 it was revised from the so-called "safe" system to the "deposit" system, i.e. the depositing of Government funds in the Bank of Japan.

Special Accounts

Special accounts for the Government's enterprises existed independently of general account, before the promulgation of the Accounts Law in 1889. Railway funds, readjustment loans, enterprise funds, hypothec funds and others were included among the special accounts, which were unified by a law issued in 1889. The number of special accounts for the 1890-91 fiscal year was 33, which increased to 61 in 1908. Yuko Hamaguchi, Finance Minister of the Kato (Takaaki) Cabinet, made a substantial readjustment of special accounts in 1925 and reduced the number to 31. Subsequently, the health insurance special accounts, the postal annuity special accounts and live-stock reinsurance special accounts were established. In 1934 government steel works was omitted and communication enterprises was put into the list instead. The number of special accounts increased to 40 by 1939, 53 in 1940 and 55 in 1941. Besides, there are 2 for military affairs.

ANNUAL STATE REVENUE AND EXPENDITURE

Revenue

(In yen)

Year	Ordinary	Extraordinary	Total
1930-31	1,422,059,549	174,912,618	1,596,972,168
1931-32	1,314,911,859	216,170,183	1,531,082,042
1932-33	1,287,038,893	758,236,675	2,045,275,568
1933-34	1,391,418,993	940,340,595	2,331,759,594
1934-35	1,342,930,935	904,050,670	2,246,981,605
1935-36	1,405,426,797	853,894,509	2,259,321,306

Year	Ordinary	Extraordinary	Total
1936-37	1,561,649,514	810,449,098	2,372,098,612
1937-38	1,945,998,351	968,472,140	2,914,470,491
1938-39	2,331,954,153	1,263,023,992	3,594,978,145
1939-40*	2,629,963,036	2,339,894,557	4,969,857,593
1940-41‡	3,382,292,516	2,734,535,309	6,116,827,825
1941-42‡	3,790,520,529	4,204,590,104	7,995,110,633

Expenditure

Year	Ordinary	Extraordinary	Total	Surplus	
				Gross	Net
1930-31	1,202,152,685	355,711,046	1,557,863,732	39,108,436	5,991,200
1931-32	1,111,824,193	365,051,071	1,476,875,265	54,206,777	19,193,075
1932-33	1,182,862,616	767,278,007	1,950,140,623	95,134,944	29,373,981
1933-34	1,313,017,990	941,644,246	2,254,662,236	77,097,358	13,653,358
1934-35	1,224,782,544	938,221,361	2,163,003,905	83,977,700	4,403,493
1935-36	1,268,992,250	937,485,683	2,206,477,933	52,843,378	1,950,750
1936-37	1,320,140,686	962,035,114	2,282,175,801	89,922,811	34,638,176
1937-38	1,409,250,592	1,299,906,890	2,709,157,483	205,313,008	84,160,507
1938-39	1,592,792,010	1,695,237,029	3,288,029,039	306,949,107	181,712,739
1939-40*	1,906,338,410	2,587,495,033	4,493,833,443	476,024,149	180,020,003
1940-41‡	2,748,340,903	3,425,428,926	6,173,769,829	—	—
1941-42‡	3,634,359,925	4,360,750,708	7,995,110,633	—	—

Notes:—(1) Figures are for the General Accounts only.

(2) Figures for the 1940-41 budget include those of the 2 supplementary budgets approved by the Diet in March 1941, and do not correspond with the figures given in the Japan Year Book, 1940-41.

(3) The financial year begins on April 1st and ends on March 31st.

(4) The figures for 1938-39 and the years preceding it represent the settled accounts.

(5) * Represent the actual account on July 31, 1940.

(6) ‡ Represent the budget.

(7) The gross surplus indicates the balance of revenue over expenditure for each financial year. Under the Budget and Account Act the surplus actually created in each financial year is transferred to the Budget of the succeeding year, and this Gross Surplus includes not only the accumulation brought forward from preceding financial years, but the net surplus actually created in that year. Accordingly, the balance of the gross and the net surplus represents a part or a total of the surplus created in the preceding year. Part of the gross surplus is applied to disbursements and deferred expenditures during the succeeding year and the balance is carried forward as a surplus to be used in succeeding financial years.

The National Loan Redemption Act as amended in 1915 required redemption of the national debt up to 1.16% of the amount outstanding at the commencement of the preceding financial year. The same Act was further amended in 1927 to require an additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one. The same Act as amended in 1932, however, provides that the amount to be applied to redemption of the national debt shall, for the time being, be over one-third of 1.16% of the total debts outstanding at the commencement of the preceding financial year, and that the additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one may be suspended.

(8) As fractions not exceeding 1 yen are omitted, the totals of the figures and the grand total do not correspond. This explanation is applicable to the following tables.

Supplementary Budgets for 1941-42, Original Budget for 1942-43 and Supplementary Budgets for 1942-43 The Supplementary Budgets for 1941-42, Original Budget for 1942-43 and Supplementary Budgets for 1942-43 approved by the 77th, 78th, 79th and 80th Sessions of the Imperial Diet (1941-1942) are as follows:

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on November 21, 1941)

GENERAL ACCOUNT

Ordinary Revenue

I Taxes	172,113,196
II Stamp receipts	996,945
III Receipts from public undertakings and State property	41,482,760
Total of ordinary revenue	214,592,901

Ordinary Expenditure

Ministry of Finance

V House of Peers	36,950
VI House of Representatives	46,889
XI Tax collection houses and brewery laboratory	227,766
XVI State Reserve Fund	80,000,000
Sum total	80,311,605

Extraordinary Revenue

Ministry of Home Affairs

XXXIV Relief expenses for the districts damaged by cool	1,580,750
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Ministry of Finance

XXXI Transfer to the Special Account for Emergency Military Expenditure	214,592,901
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Ministry of Education

XII Extraordinary expenses for common education	45,000
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Ministry of Agriculture and Forestry

V Temporary aid to farm-villages	202,210,992
X Aid for the rehabilitation in the areas affected by natural calamities	14,802,325
XVIII Buildings and repairs	23,000
Sum total	217,036,414

Ministry of Commerce and Industry

X Promotion of enterprises	27,797
XXXVIII Aids to smaller merchants and industrialists	2,294,973
XXXIX Preparation for the establishment of the Industrial Equipment Commission	18,000
Sum total	2,340,770

Ministry of Welfare

I Subsidies	30,000
Total of extraordinary expenditure	435,625,835
Grand total of expenditure	515,937,440

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on November 21, 1941)

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Account	Revenue	Expenditure
Finance	National Debt Adjustment Fund	2,047,412,373	2,047,412,373
	National Loans	3,570,030,513	3,570,030,513
Army	Kwantung Bureau	1,694,544	115,968
	Arsenals	499,020,440	499,020,440
Agriculture & Forestry	Rice Trade Control	100,362,417	308,148,991
	Chosen Government-General	41,734,590	41,734,590
Overseas Affairs	Taiwan Government-General	15,372,139	15,372,139
	Control of Taiwan rice exportation to Japan proper	65,663,549	75,741,202
	Karafuto Government	1,011,514	1,011,514
	South Seas Government	70,588	50,000

SUPPLEMENTARY EMERGENCY MILITARY EXPENDITURE

(Published on November 21, 1941)

(In yen)

Revenue		
I	War fund	3,800,000,000
Expenditure		
I	Extraordinary expenses	Total 3,800,000,000
	Reserve fund	1,200,000,000
	Extraordinary expenses	2,600,000,000

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on December 17, 1941)

GENERAL ACCOUNT

(In yen)

Extraordinary Expenditure

Ministry of Home Affairs

XXXV	Emergency facilities for anti-aircraft activities	4,572,437
XXXVI	Expenses of prize-courts	70,945
	Total of extraordinary expenditure	4,643,382

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on December 17, 1941)

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Accounts	Revenue	Expenditure
Finance	National Loans	2,800,000,000	2,800,000,000
	Taiwan Government	2,500,000	2,500,000
Overseas Affairs	South Seas Government	479,412	500,000

SUPPLEMENTARY EMERGENCY MILITARY EXPENDITURE

(Published on December 17, 1941)

(In yen)

Revenue

I	War fund	2,800,000,000
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Expenditure

I	Extraordinary expenses	Total 2,800,000,000
	Reserve fund	800,000,000
	Extraordinary expenses	2,000,000,000

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on February 19, 1942)

GENERAL ACCOUNT

(In yen)

Ordinary Revenue

I	Taxes	630,915
II	Stamp receipts	48,650
VI	Miscellaneous receipts	53,154
	Total of ordinary revenue	732,719

Extraordinary Revenue

III	Sale of State property	75,369
IV	Payments by public bodies for public works	60,000
V	Shares assumed by public bodies for local public works	419,971
VI	Receipts for encouragement of scholarly researches	12,000
XI	Miscellaneous receipts	73,900
	Total of extraordinary revenue	641,240
	Grand total of revenue	1,373,959

Ordinary Expenditure

Ministry of Foreign Affairs

I	Ministry proper	7,001
II	Offices abroad	138,402
	Total	145,403

Ministry of Home Affairs

III	Ministry proper	1,938
IX	Joint payment for police expenses	3,266,718
	Total	3,268,656

Ministry of Finance

I	Ministry proper	24,745
II	Cabinet expenses	5,535
V	House of Peers	10,000
VI	House of Representatives	10,000
VII	Technical Board	119,722
	Total	170,002

Ministry of Justice

II	Court expenses	38,000
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Ministry of Education

I	Ministry proper	12,000
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Ministry of Commerce and Industry

II	Trade Bureau	12,481
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Ministry of Communications	
XI Annuity and Pension	25,073,625
Ministry of Welfare	
XIV Military relief	7,000,000
Total of ordinary expenditure	35,720,167
Extraordinary Expenditure	
Ministry of Foreign Affairs	
VIII Extraordinary diplomatic work	353,433
XII Extraordinary increase of salaries	7,486
XIV Calamities expenses	300,000
Total	660,919
Ministry of Home Affairs	
I Subsidies to local governments	7,168,986
XVII Special police facilities	10,000
XXI Temporary expenses for local governments	13,616
XXII National General Mobilization	60,000
XXVI Promotion of constitutional and local autonomous government	200,000
XXXII Reconstruction in the districts damaged by natural calamities	15,089,100
XXXV Temporary institute for anti-air raid	6,715,540
XXXVI Isé Grand Shrine	115,158
XXXVII Temporary construction of harbor	276,000
XXXVIII General Election of members of the House of Representatives	344,638
Total	29,992,948
Ministry of Finance	
I Buildings and repairs of ministerial offices, governmental schools, institutions and factories	150,000
III Subsidies to private economical, cultural and scientific bodies	80,000
XV Temporary expenses of the Cabinet	840,000
XVII Replenishment of expenditure in the Kwantung Bureau	56,147
XXXII Rebuildings and repairs of government offices damaged by fire	600,000
XXXVI Inspection of captures	8,732
XXXVII Administration of enemy property	16,015
XXXVIII Temporary expenses for War Insurance	21,903
XXXIX Preparation for the establishment of the South Seas Development Chest	17,000
XL National Savings	974,494
Ministry of Justice	
XIII Temporary allowances	66,000
Ministry of Education	
VI Subsidies to various educational and cultural bodies	24,820
XXVI Temporary meteorological observation facilities	67,518
Total	92,338

Ministry of Agriculture and Forestry	
II Inspection and control	78,194
V Temporary aid to farm-villages	12,064,778
VIII Aid to insurance business on agriculture, forestry and fisheries	129,810
X Aid for the rehabilitation in the areas affected by calamities	2,061,439
XVIII Buildings and repairs	10,000
XXIII Aid to special companies	8,000
XXVI Temporary aid for increasing rice production	2,739,939
XXVII Control of the distribution of fresh fish and vegetable	1,581
XXVIII Promotion of charcoal production for making gass	201,150
XXIX Reconstruction of agricultural oil-motors to use substitute fuel	348,600
XXX Control of the lumber industry	6,814
XXXI Inspection of raw silk for the use of the State	13,474
Total	17,663,779
Ministry of Commerce and Industry	
IX Promotion of the iron production	43,920,446
XL Control of important material	7,750,900
XLI Preparation for the establishment of the Important Material Administration Commission	15,000
XLII Compensation for losses anent the maintenance of war material	2,739,015
Total	54,425,361
Ministry of Communications	
I Aid for the replenishment of losses in wartime sea transportations	400,000
XXIX Expansion of marine administration	233,957
Total	633,957
Ministry of Welfare	
XXXI Aid for changing profession	138,180
Total of extraordinary expenditure	106,437,773
Grand total of expenditure	142,157,940

SUPPLEMENTARY BUDGET FOR 1941-42

(Published on February 19, 1942)

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Accounts	Revenue	Expenditure
Finance	Deposits Bureau	3,031,000	—
	National Loans	30,000,000	30,000,000
Education	Kwantung Bureau	58,172	150,882
	Seven Imperial Universities	1,462,140	1,462,140
	Government Colleges	781,064	781,064
Agriculture & Forestry	Farm Re-insurance	9,191,076	6,791,158
	Railways	State Railways, capital account	30,000,000
Overseas Affairs	State Railways, earnings account	—	13,977,401
	Chosen Government-General	462,150	6,389,418
	Taiwan Government-General	3,411,171	5,240,569
	Karafuto Government	1,350	865,890
	South Seas Government	2,025	13,265
Welfare	P.O. Annuity	90,351,348	1,453,313

BUDGET FOR 1942-43

(In yen)

GENERAL ACCOUNT

Ordinary Revenue

I Taxes	Total	3,775,071,442
Income tax		1,374,388,653
Juridical person tax		692,687,858
Special tax on dividend and interest		7,833,576
Foreign bond special tax		9,239,911
Inheritance tax		74,154,412
Tax on building		1,783,194
Mining tax		9,616,401
Tax on liquors		453,755,371
Tax on soft drinks		15,701,866
Sugar excise		184,454,178
Textile consumption tax		130,697,955
Gasoline tax		5,291,686
Tax on commodities		250,992,491
Tax on eating and drinking for pleasure		362,158,300
Tax on bourses		22,701,771
Negotiable papers transfer tax		2,347,621
Transit-duty		83,877,954
Entrance tax		48,856,781
Customs duties		40,911,633
Tonnage dues		1,173,721
Bank-notes issue tax		2,446,109
II Stamp receipts		153,637,337
III Receipts from public undertakings and State property	Total	695,898,242
Forests		181,852,660
Monopoly Bureau		511,523,318
Printing Bureau		10,386,092
Senju Woolen Factory		5,826
Capital profit of Naval Arsenals		4,240,000
Navay Fuel Factory		1,536,871
Navy Explosives Factory		450,000
Prisons' receipts		23,926,274
Rent of State property		961,910
Value of Inheritance Tax in Thing		1,015,201
IV From Special Account for Communications		82,000,000
V From the Bank of Japan		92,541,069
VI Miscellaneous receipts	Total	112,518,976
Certificates and fees		1,040,083
Penal fees and confiscated money		26,337,606
Indemnification and forfeit		489,715
Receipts anent pension		6,478,764
Allotments anent pension		2,966,547
Charges anent pension in Special Accounts		32,480,418
Interests		111,707
Receipts from Horse Race Association		33,021,169
Other miscellaneous receipts		9,592,967
VII Transferred from Special Account of funds for educational improvement and agrarian village development		6,995,152
Total of ordinary revenue		4,918,662,218

Extraordinary Revenue

I Special profits tax	1,015,698,995
II Special tax on juridical person	2,447,514

III Sale of State property	Total	6,674,429
Goods		6,482,248
Live-stock		192,181
IV Payments by public bodies for public works	Total	6,691,391
River improvement		2,675,675
Harbor improvement		3,996,606
Proceeds from the sale of land cultivated by State		19,100
V Shares assumed by public bodies for local public works	Total	15,569,314
Improvement in the Grand Shrine of Isé		55,817
River improvement		8,499,926
Harbor equipment		2,416,897
Coast improvement		197,100
Road improvement		4,399,574
VI Receipts for encouragement of scholarly researches	Total	28,000
Imperial donation		12,000
Contributions		16,000
VII Transfers from Special Accounts	Total	252,207,218
From		
State property readjustment fund		556,182
Capital section, Mint Bureau		1,020,000
Printing Bureau		30,600
Governmental universities		676,675
School and library funds		560,000
Communications operation		73,050
Post Office Life Insurance		230,331
Gold Fund		10,910,380
Deposits Bureau, Ministry of Finance		6,000,000
Governmental investment		230,000,000
Special Fund for Cultural Work for China		1,150,000
South Seas Government		1,000,000
VIII Receipts anent the Loss Compensation Law	Total	2,663,376
From		
Special banks		271,376
Exporters		1,182,000
Banks which made loans to exporters		605,000
Banks which made loans to manufacturers of export goods		605,000
IX Miscellaneous receipts	Total	13,266,439
Repayments of advances per the 1923 Earthquake Note Settlement Law		5,855,439
Contribution to the national loan reimbursement fund		1,980
Receipts from private forestry works in trust		6,500
Paid in by the 2,600th Anniversary Celebration Association		13,158
Receipts from the Nippon Iron Foundry		2,260,819
Payment by insurance companies		3,352,169
Money paid back		605,033
Receipts for investigations in trust		100,597
Payments by inmates of public leper houses		1,070,744
X Loans	Total	14,281,374
Earthquake loans and conversions		1,229,275
Road loans and conversions		13,052,099
Total of extraordinary revenue		1,329,528,050
Grand total of revenue		6,248,190,268

Ordinary Expenditure

I Imperial Household	4,500,000
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Ministry of Foreign Affairs

I	Ministry proper	Total	4,221,377
	Salaries		933,624
	Office expenses		1,185,308
	Salaries of foreigners		35,400
	Telegrams		431,707
	Entertainments		1,800
	International allotments		8,603
	Japan-Manchoukuo Economic Cooperation Committee		20,700
	Students abroad		145,793
	Special services		1,458,442
II	Offices abroad	Total	17,029,000
	Shrine expenses		2,000
	Salaries		6,307,689
	Office expenses		5,155,513
	Travelling expenses		2,608,734
	Salaries of foreigners		24,540
	Law court and registering expenses		66,801
	Detention expenses		127,495
	Land and house rent		1,436,642
	Telegrams		1,087,452
	Entertainments		212,143
III	Protection of resident Japanese abroad	Total	607,007
	Salaries		115,959
	Office expenses		491,048
IV	Miscellaneous expenses		136,287
	Sum total		21,993,671

Ministry of Home Affairs

I	Isé Grand Shrine		230,000
II	Other State shrines		1,083,667
III	Ministry proper	Total	1,610,163
	Salaries		722,513
	Office expenses		856,368
	Special services		31,282
IV	Shrine Board		320,993
V	Shrine Building Office		24,802
VI	Police Training Institute		59,506
VII	Prefectural Office	Total	16,999,381
	Salaries		11,673,632
	Office expenses		5,059,723
	Imperial attendance		79,105
	Bonin Islands		87,094
	Police for the Seven Islands of Izu		17,778
	Special services		82,049
VIII	Conscription expenses		3,864,043
IX	Joint payment for police expenses		50,378,414
X	Transfer to the Special Account for Allowance to Prefectural Governments from Tax Income		444,597,030
XI	Subsidies to cities, towns and villages	Total	480,587
	For		
	Mutual relief works		458,642
	Relief for school teachers and library officials		21,945
XII	Miscellaneous expenses		443,564
	Sum total		520,092,150

Ministry of Finance

I	Ministry proper	Total	2,197,070
	Salaries		1,016,257
	Office expenses		1,152,559
	Tariff Investigation Committee		19,917
	Special services		8,337

II	Cabinet expenses	Total	5,627,046
	Salaries		889,268
	Office expenses		2,731,397
	Rewards		150,493
	Examination for high officials		49,966
	Punishment of officials		1,789
	Committee for the Control of Transportation Enterprises		14,580
	National General Mobilization Commission		23,085
	National Mobilization Compensation Committee		14,580
	National Land Planning Committee		23,400
	Selection Committee to be appointed by the Emperor		2,520
	Special services		1,725,968
III	Board of Planning		946,455
IV	Technical Board		1,109,610
V	Patent Bureau	Total	1,471,558
	Salaries		792,414
	Official expenses		677,644
	Shares of the Protection Corporation of possessing the International Industry		1,500
VI	Central Aviation Institute		2,625,971
VII	Privy Council		284,073
VIII	House of Peers	Total	1,991,626
	Expenses for members		1,224,473
	Salaries		206,965
	Office expenses		560,188
IX	House of Representatives	Total	2,590,094
	Expenses for members		1,639,608
	Salaries		235,894
	Office expenses		714,592
X	Board of Audit		544,046
XI	Court of Administrative Litigation		154,926
XII	Bureau of Repairing and Property Overseeing		683,186
XIII	Custom houses	Total	6,812,519
	Salaries		2,162,276
	Office expenses		2,178,941
	Dividends and allowances		913,586
	Travelling expenses		1,556,775
	Special services		941
XIV	Tax collection houses and brewery laboratory	Total	41,105,769
	Salaries		12,618,880
	Official expenses		8,501,549
	Committee meetings		239,856
	Disposing expenses		19,745,484
XV	Miscellaneous refunding and replenishment		25,060,714
XVI	Transfer to the Special Accounts	Total	1,475,142,729
	Of		
	National Debt Adjustment Fund		1,473,833,611
	Deposits Bureau		1,199,181
	Communications Business Operation		109,937
XVII	Miscellaneous expenses		1,183,223
XVIII	State Reserve Fund	Total	340,000,000
	The first		40,000,000
	The second		300,000,000
	Sum total		1,909,530,615

Ministry of the Army

I	Ministry proper	Total	686,411
	Salaries		411,429
	Office expenses		274,982
II	Military expenses	Total	15,636,637
	Salaries		4,173,322

Buildings and repairs	10,174,547
Miscellaneous payments	1,223,137
Clothes and provisions	7,365
Ordnance and horses	6,120
Imperial attendance	52,146
III Contribution to the Yasukuni Shrine	12,000
IV Miscellaneous expenses	2,706
Sum total	16,337,754

Ministry of the Navy

I Ministry proper	Total	1,277,543
Salaries		906,391
Office expenses		371,152
II Military expenses	Total	8,533,785
Salaries		1,038,024
Buildings and repairs		2,432,348
Miscellaneous expenses		1,708,372
Medical treatments		107,771
Waterways		3,247,270
III Miscellaneous expenses		5,376
Sum total		9,816,604

Ministry of Justice

I Ministry proper	Total	1,711,269
Salaries		523,883
Office expenses		551,661
Aid to protection works for ex-convicts		580,000
Aid to the Warder Training Institute		14,250
Aid to the Lawyers' Association		38,475
II Court expenses	Total	27,587,732
Salaries		16,337,712
Office expenses		7,485,061
Judicial and registering expenses		2,729,526
Adjudication expenses		640,486
Detention		204,224
Special services		190,723
III Prison expenses	Total	27,993,022
Salaries		878,791
Office expenses		7,041,169
Expenses for the prisoners		20,073,062
IV Miscellaneous expenses		270,609
Sum total		57,563,632

Ministry of Education

I Ministry proper	Total	10,019,722
Salaries		1,354,566
Office expenses		2,189,222
Educational investigation and encouragement		6,271,032
Protection of national treasures		200,000
Students abroad		4,200
II Cultural Bureau		836,277
III Meteorological observatories		8,689,590
IV Latitude observatory		54,421
V Common education	Total	97,772,728
National share of National School teachers' salaries		97,065,758
Salaries of the National School teachers called to defense services		706,970
VI Aid and encouragement	Total	29,328,094
Aid to National Schools		6,327,812
Aid to Normal Schools		7,990,624
Aid for deaf and dumb education		150,000
Aid for business education		338,250

Aid for salaries of the Young Men's School teachers	8,258,960	
Aid for salaries of local Y.M. School teachers	199,045	
Aid for additional salaries of public school teachers for long service	1,213,320	
Encouragement of school attendance	510,000	
Encouragement of deaf and dumb school attendance	40,000	
Encouragement of the Y.M. School attendance	332,800	
Aid for training of the Y.M. School teachers	1,862,000	
Aid for the pension fund of private middle schools	93,600	
Aid for local thought guidance works	136,300	
Aid for sanitary facilities for the National School teachers	200,000	
Aid for the teachers' mutual aid facilities	1,579,243	
Encouragement of social education	96,140	
VII Miscellaneous expenses	Total	232,070
VIII Universities and libraries		47,788,205
Imperial universities		21,016,371
Government universities		8,615,100
School and public libraries		18,156,734
Sum total		194,721,107

Ministry of Agriculture and Forestry

I Ministry proper	Total	1,497,678
Salaries		623,037
Office expenses		542,487
Supervision of fisheries		317,838
Qualification of the bull		14,316
II Horses Bureau	Total	4,971,353
Salaries		211,805
Office expenses		288,230
Gelding		187,314
Qualification of the stallion		223,934
Protection of horses for national defense		4,060,070
III Provision Bureau		281,918
IV Forestry expenses	Total	39,753,587
Salaries		3,252,885
Office expenses		929,476
Working expenses		35,571,226
V Experimental stations	Total	2,354,795
Salaries		556,308
Working expenses		1,798,487
VI Raw silk conditioning houses	Total	1,829,636
Salaries		295,081
Working expenses		1,534,555
VII Stallion offices and pastures	Total	5,928,025
Salaries		242,418
Working expenses		5,685,607
VIII Fisheries institutes		539,754
IX Subsidies	Total	1,301,840
To prefectures where are State forests		585,021
For salaries of official of Hokkaido, and other prefectures		573,411
For salaries of officials of various agricultural and forestry associations		143,408
X Miscellaneous expenses		424,349
Sum total		58,882,935

Ministry of Commerce and Industry

I Ministry proper	Total	1,657,844
Salaries		624,813
Office expenses		771,320

	Weights and measures		261,711
II	Trade Bureau		668,847
III	Fuel Bureau		418,541
IV	Mine Supervision Bureau		973,142
V	Experimental stations	Total	3,569,678
	Salaries		905,897
	Working expenses		2,663,781
VI	Inspection and directory stations	Total	1,641,382
	Salaries		600,175
	Working expenses		1,041,207
VII	Subsidies	Total	555,087
	For local expenses for taking statistics		526,128
	For the investigation of trade conditions		28,959
VIII	Transfer to the Special Account of Alcohol Department, Fuel Bureau		15,233,575
IX	Miscellaneous expenses		94,704
	Sum Total		24,812,800

Ministry of Communications

I	Ministry proper	Total	99,948
	Salaries		66,712
	Office expenses		33,236
II	Communication expenses		450,664
III	Board of Electricity		842,955
IV	Electro-technical Laboratory		998,532
V	Board of Marine Affairs	Total	2,513,419
	Salaries		1,203,031
	Office expenses		1,310,388
VI	Maritime Bureau	Total	2,306,342
	Salaries		1,083,942
	Office expenses		800,820
	Quarantine inspection		421,580
VII	Ship Experimental Stations		297,732
VIII	Mercantile Marine School and Training Institute for navigators	Total	2,427,279
	Salaries		587,524
	Office expenses		1,839,755
IX	Training of Mariners		374,181
X	Labor Exchange for Mariners		98,590
XI	Aeronautic Bureau		1,377,001
XII	Training of aviators		4,895,541
XIII	Annuity and Pension	Total	367,709,683
	Annuity		29,794,902
	Pension		337,914,781
XIV	Miscellaneous expenses		17,571
	Sum total		383,409,438

Ministry of Overseas Affairs

I	Ministry proper	Total	977,151
	Salaries		464,568
	Office expenses		413,360
	Special services		44,223
	International allotments		55,000
II	Cultivation Institute for immigrants	Total	75,148
	Salaries		14,683
	Office expenses		42,408
	Cultivation expenses		18,057
III	Transfer to the Special Account of Karafuto Government from the profits of tobacco monopoly		2,647,770
IV	Miscellaneous expenses		12,774
	Sum total		3,712,843

Ministry of Welfare

I	Ministry proper	Total	1,787,779
	Salaries		642,811
	Office expenses		754,294
	Promotion and investigation on physical training		202,407
	Eugenic work		151,000
	Aid to patients employed for practitioners		1,750
	Protection and relief of the Ainu		35,517
II	Board of Insurance		675,704
III	National Correction House		59,132
IV	Board of Wounded Soldiers	Total	74,461
	Salaries		10,345
	Office expenses		2,531
	For Wounded Soldiers		61,585
V	Hygienic Laboratory		157,471
VI	Scientific Research Institute on Health		681,583
VII	National Tuberculosis Sanatoriums	Total	1,694,416
	Salaries		225,083
	Working expenses		519,333
	For patients		590,000
VIII	National Leper Houses	Total	3,333,541
	Salaries		462,891
	Working expenses		947,271
	For patients		1,923,379
IX	National Institute for the Investigation of Population Problem		152,619
X	Labor Exchanges		3,072,376
XI	Military relief		62,194,025
XII	Subsidies	Total	23,233,305
	For local expenses		186,000
	To health consultation rooms		1,080,000
	To insane hospitals		692,805
	For prevention of epidemics		3,341,642
	For prevention of parasites		25,425
	For juvenile protection and correction		195,782
	For relief works		3,718,409
	For medical relief		2,975,360
	For prevention of ill-treatment of children		18,000
	For mother and child protection		2,206,132
	For social works		1,000,000
	To national health insurance associations		7,793,750
XIII	State share for insurance	Total	9,324,809
	Transfer to the Special Account of Life Insurance		1,696,670
	Transfer to the Special Account of Salaried Men's Health Insurance		500,000
	Transfer to the Special Account of Seamen's Insurance		132,895
	Transfer to the Special Account of Laborers' Annuity		2,585,453
	Aid to health insurance associations		4,120,310
	Aid to salaried men's health insurance associations		289,441
	Shares of allowances at the cancellation of Seamen's Insurance policy		40
XIV	Miscellaneous expenses		84,237
	Sum total		106,525,458
	Grand total of Ordinary Expenditure		3,312,898,107

Extraordinary Expenditure

Ministry of Foreign Affairs

I	New buildings and repairs	Total	2,328,116
	New buildings of legations abroad		2,247,241
	Other new buildings		41,626
	Repairs		39,249

II	Subsidies	Total	6,254,988
	For education of resident Japanese children abroad		5,491,838
	For facilities for the welfare of Japanese residents abroad		269,750
	To international cultural bodies		136,000
	To Chosenese Associations		68,400
	To the World Economic Investigation Society		200,000
	For the rehabilitation of the Japanese in China		89,000
III	Protection and overseeing of resident Japanese abroad		11,714,208
IV	Promotion of foreign trade		505,940
V	Extraordinary diplomatic measures	Total	25,401,089
	Extraordinary facilities		24,262,594
	Joint Technical Committee of Japan, Germany and Italy		1,051,532
	Dispatch of advisers to the National Economic Commission of the National Government of China		86,963
VI	Extraordinary allowances to the families		95,952
VII	Extraordinary increase of salaries		2,784,332
	Sum total		49,084,625
Ministry of Home Affairs			
I	Subsidies to local governments, public bodies and associations for their works and financial adjustment		51,204,635
II	River improvement work	Total	35,806,818
	Office expenses		1,680,713
	River improvement		21,967,869
	Sand banks		12,158,236
III	Harbor improvement work	Total	16,843,106
	Office expenses		1,041,200
	Working expenses		15,792,906
IV	Construction of coasting bands		2,000,000
V	State road improvement work	Total	14,644,378
	Office expenses		803,378
	Working expenses		13,841,000
VI	Subsidies to engineering work	Total	7,142,188
	Office expenses		181,468
	Improvement of smaller rivers		3,036,600
	Improvement of local harbors		1,074,120
	Road improvement		2,850,000
VII	Improvement in Hokkaido	Total	47,711,720
	Land cultivation		1,493,716
	Forestry		24,957,371
	Industry		5,893,775
	Land reclamation		2,610,058
	River improvement		759,120
	Water courses		3,000,000
	Harbor construction		3,682,200
	Roads and bridges		3,917,300
	Main roads improvement		600,000
	Railways in colonial districts		693,737
	Investigations		104,443
VIII	Promotion of public works in Loochoo Islands	Total	572,026
	Office expenses		259,234
	River improvement		45,000
	Road improvement		110,792
	Harbor construction		157,000
IX	Promotion of public works in Oshima county, Kagoshima	Total	166,351
	Road improvement		55,351
	Harbor reconstruction		111,000
X	Buildings and repairs		127,742

XI	Miscellaneous investigations	Total	669,730
	Engineering work		271,191
	River control		226,522
	City planning		58,809
	Local planning		113,208
XII	Isé Grand Shrine Construction Office	Total	4,224,297
	Office expenses		85,541
	Construction expenses		4,138,756
XIII	Repair expenses of Isé Grand Shrine		181,946
XIV	Expenses for other shrines		333,600
XV	Extraordinary expenses for shrines	Total	865,307
	Office expenses		47,428
	Working expenses		817,879
XVI	Special police facilities		3,586,000
XVII	National General Mobilization		433,803
XVIII	Temporary expenses for local governments		16,674,362
XIX	Rewards anent the China Affair		136,703
XX	Promotion of constitutional and local autonomous government		80,000
XXI	General election of members of the House of Representatives		4,609,017
XXII	Promotion of social work in towns and villages		1,200,000
XXIII	Reconstruction in Kobé damaged by flood		4,309,616
XXIV	Reconstruction in the districts damaged by natural calamities		22,852,272
XXV	Temporary allowances to the families		1,653,196
	Sum total		238,019,813
Ministry of Finance			
I	Buildings and repairs of ministerial offices, governmental schools, institutions and factories		14,327,377
II	Committees for investigations on various economical, educational and labor questions		1,681,618
III	Subsidies to private economic, cultural and scientific bodies		20,737,716
IV	Extraordinary financial and economic investigation and adjustment expenses		626,984
V	Control of the production of gold		339,831
VI	Compensation of principal and interest of the 4% Chinese loan		2,663,505
VII	Residues of bonds given to lords instead of their feuds		335
VIII	Issuance of petty notes		3,200,000
IX	Conversion of old convertible bank notes		800,000
X	Extraordinary control of foreign exchange		568,747
XI	Special increase of salaries		168,345
XII	Control of the account system of corporations		437,194
XIII	Temporary expenses of the Cabinet	Total	7,334,164
	Extraordinary clerical expenses anent pension		506,134
	Clerical expenses for the promotion of Tohoku districts		43,336
	Remaining business of the 2,600th Anniversary Celebration		16,148
	Urgent expenses for the control and utilization of natural resources		783,580
	Temporary expenses in the Manchurian Bureau		396,281
	Special facilities for diplomatic communications		4,663,058
	Enlightenment and information		200,000
	Temporary expenses for establishment of various standards		47,733
	Temporary expenses on the Patent Bureau		318,232
	Encouragement of invention		359,662
XIV	Aid to the Tohoku Industrial Company for paying dividends		1,800,000

XV	Rewards anent the China Affair		3,069,753
XVI	Central Aeronautical Institute		9,641,317
XVII	Cabinet expenses anent continental policy	Total	42,155,669
	Office expenses		18,155,669
	Subsidies		18,000,000
	Special services		6,000,000
XVIII	Celebration of the 50th anniversary of the promulgation of the Imperial Constitution		27,645
XIX	Extraordinary expenses for the Board of Audit		215,378
XX	Promotion of national savings		5,145,718
XXI	Adjustment of State property		332,380
XXII	Extraordinary expenses of Custom Houses		438,691
XXIII	Levy of Special Profits Tax		2,800,293
XXIV	Temporary expenses of the Finance Bureau		1,081,104
XXV	Temporary allowances		733,673
XXVI	Transfer to the Special Accounts	Total	1,568,336,942
	Of Emergency Military Expenditure		1,552,000,000
	Kwantung Bureau		16,336,942
	Sum total		1,688,664,379

Ministry of the Army

I	Buildings and repairs	Total	1,115,186
	Buildings		698,127
	Repairs		417,059
II	Land Survey		260,000
III	Use of land and buildings		159,357
IV	Map printing		444,750
V	Temporary grants		43,090
VI	Aid for automobile manufacturing		54,252
VII	Aid to the Ex-service Men's Association		1,500,000
VIII	Special increase of salaries		858,155
IX	Purchase of land for an Army Aerodrome		75,000
	Sum total		4,509,790

Ministry of the Navy

I	Buildings and repairs	Total	420,562
	New buildings		46,862
	Repairs		75,000
	New buildings of Hydrographical Department		290,000
	New buildings of local tide examination institutes, Hydrographical Department		8,700
II	Printing maps for sale		194,027
III	Temporary grants		40
IV	Special increase of salaries		205,860
V	Transfers to the special accounts as capital	Total	2,100,000
	To Naval Explosives Factory		500,000
	To Naval Fuel Factory		1,600,000
	Sum total		2,919,489

Ministry of Justice

I	Investigations		40,306
II	Buildings and repairs		499,458
III	Prevention of special crimes		1,267,299
IV	Extraordinary prison expenses		2,551,825
V	Officiating debt arbitration cases		1,171,703
VI	Improvement of judicial police		290,000
VII	Temporary allowances to the families		1,042,944
VIII	Temporary allowances		649,092
IX	Judicial business in connection with General Election of April 30, 1942		647,640
	Sum total		8,160,267

Ministry of Education

I	Buildings and repairs	Total	4,717,839
	Meteorological observation facilities in the south		389,660
	Electric wave physics laboratory		250,000
	Repairs of school buildings damaged by 1923 earthquake		954,275
	Building of the veterinary department in forestry schools		296,432
	Establishment and expansion of a technological college		1,509,775
	Establishment of a physical training college		20,000
	Buildings of Nagoya Technological College and others		745,212
	Equipment of a hospital attached to Tokyo Dental College		30,000
	Equipment of the National Training Institute		120,000
	Establishment of a veterinary college		102,400
	Other buildings		288,385
	Other repairs		11,700
II	Investigations	Total	442,338
	Compilation of the History of the Imperial Household Organization		9,215
	Investigations on various educational problems		69,983
	Improvement of school system		49,098
	Health examination of students		29,899
	Investigation on the training of young men		19,302
	Compilation of text books		149,385
	Compilation of historical materials of the Meiji Restoration		60,456
	Observation of total solar eclipse		55,000
III	Subsidies to various educational and cultural bodies		51,457,981
IV	Extraordinary expenses for the preservation of national treasures		276,891
V	Temporary training of teachers		464,245
VI	Special lectures		463,140
VII	Temporary expenses for various institutes	Total	265,752
	Improvement of school education		88,680
	Establishment of the National History Hall		13,158
	Special training of meteorologists		79,194
	Extraordinary education of industrial technicists		7,120
	Extraordinary social education		77,600
	Sum total		98,400
VIII	Temporary allowances to the families		
IX	Extraordinary disbursement of universities and libraries		9,784,783
	Imperial universities		5,018,296
	Government colleges		713,710
	Schools and libraries		4,052,777
	Sum total		67,971,369

Ministry of Agriculture and Forestry

I	Promotion of agricultural, forestry, and fishery industries	Total	105,567,917
	Improvement of agriculture		9,865,471
	Cultivation of arable land		34,557,226
	Promotion of the forestry industry		14,070,746
	Promotion of the fishery industry		3,716,513
	Promotion of live-stock raising		5,015,583
	Improvement of sericulture and silk industry		2,746,583
	Promotion of horse raising		28,263,626
	Economic recovery of farm-villages		5,708,108
	Promotion of Okinawa (Loochoo) prefecture		1,261,569
	Promotion of Oshima county, Kagoshima		362,492
II	Cultivation of arable land by the State		1,033,660
III	Investigations and studies		1,819,787
IV	Prevention of live-stock plague and noxious insects		1,363,406
V	Inspection and control		3,694,106

VI	Insurance business	Total	3,032,138
	Guidance of insurance business		1,659,524
	Aid to Agricultural Insurance Association and Federation		1,372,614
VII	Transfer or aid to insurance business on agriculture, forestry and fisheries		368,954
VIII	Forestry work on public forest lands		1,925,559
IX	Improvement of water-courses in forest land		5,776,756
X	Creation of protection forests against natural calamities		2,000,000
XI	Aid for the rehabilitation in the areas affected by natural calamities		18,077,761
XII	Temporary measures		229,181,020
XIII	Aid to the agricultural bodies of prefectures, cities, towns and villages		20,831,471
XIV	Buildings and repairs		798,891
XV	Temporary allowances to the families of officials		624,888
	Sum total		396,096,314
	Ministry of Commerce and Industry		
I	Promotion of foreign trade		5,232,962
II	For self-supply of liquid fuel		15,356,860
III	Promotion of the production of coal		172,576,968
IV	Promotion of industries	Total	55,655,443
	Promotion of industries		6,224,856
	Promotion of mining		16,245,413
	Encouragement of iron manufacturing		32,580,469
	Promotion of mining and manufacturing industries to their full capacity		39,913
	Land planning for mining and manufacturing industries		25,894
	Industrial equipment, establishments and operation		115,572
	Improvement of the fabric manufactures		243,514
	Promotion of Okinawa prefecture		24,740
	Promotion of Oshima county, Kagoshima		30,072
	Aid to the central organ for increasing efficiency		100,000
	For the manufacture of artificial arms and legs		25,000
V	Subsidies for the manufacture of the substitute articles		4,795,334
VI	Promotion of smaller commerce and industries		2,241,979
VII	Temporary aids for changing profession		3,416,660
VIII	Temporary expenses for economic control	Total	4,929,538
	Adjustment of funds		77,718
	Adjustment of prices		774,465
	Adjustment of goods and material		3,355,113
	Control of wages		34,250
	Control of the accounts of corporations		95,671
	Economic control and guidance		149,188
	Inspection and control of the fabric goods		392,571
	Adjustment of fabric industries		50,562
IX	Investigations and experiments		1,081,662
X	Buildings and repairs	Total	1,174,801
	Installation of apparatus and machines		963,235
	New buildings		160,505
	Repairs		51,061
XI	Subsidies to the special companies	Total	11,203,000
	To		
	The Imperial Fuel Manufacturing Company for the payment of dividend		4,816,000
	The Imperial Mining Development Company for the payment of dividend		2,437,000
	For maintenance of rights of mining petroleum in North Karafuto		3,205,000
	For maintenance of rights of mining coal in North Karafuto		745,000

XII	Compensation of loss of the Nippon Gold Production Promotion Company	6,472,000
XIII	Temporary allowances to the families of officials	136,428
	Sum total	284,273,635

Ministry of Communications

I	Subsidies and encouragements for the sea and air transportation	22,179,127
	Aid for electric facilities	2,250
	Aid for the training and mutual aid of seamen	54,320
	Aid for the relief of sea disasters	27,000
	Aid to the Japan Patriotic Sea Transportation Association	124,000
	Aid to the shipbuilding industry	8,766,480
	Aid for advancing funds for shipbuilding	3,105,544
	Subsidies for air services	8,889,000
	Encouragement of aviation	830,353
	Subsidies for airports	249,386
	Aid for making loans to persons for their rehabilitation in China	130,794
II	Temporary expenses for electric power administration	Total 875,832
	Temporary investigations on hydraulic power generation	404,189
	Temporary regulation of the supply of electric power	212,193
	Secretarial expenses for the investment in electric establishments and for transmission	238,953
	Improvement in the use of electric power in farm-villages	20,497
III	Special studies at the Electro-technical Laboratory	180,160
IV	Temporary expenses for marine administration	Total 2,154,470
	Temporary control of sea transportation	1,425,432
	Control of the employment of seamen	105,752
	Temporary training of high mariners	623,286
V	Construction of beacons	265,385
VI	Equipment for training aviators	14,073,582
VII	Airway facilities	Total 1,392,511
	Establishment and equipment of airports	737,718
	Facilities for safety in aviation	654,793
VIII	Examination of aeroplanes	215,000
IX	Compensation of loss in aviation	4,644,115
X	Preparation for the opening of international airways	10,480
XI	Buildings and repairs	Total 324,838
	Installation of apparatus and machines	15,600
	New buildings	4,919
	Repairs	304,319
XII	Temporary allowances to the families of officials	145,704
	Sum total	46,461,204

Ministry of Overseas Affairs

I	Investigation expenses	Total 182,915
	Temporary investigation on emigration and colonization	170,765
	The Colonization Investigation Council	12,150
II	Enterprises for emigration and colonization	Total 1,454,735
	Protection of emigrants	36,891
	Guidance and encouragement of the enterprises for emigration and colonization	73,030
	Subsidies and encouragement expenses	1,294,814
	Special services	50,000

III	Emigrants to Manchoukuo	Total	34,101,543
	Guidance expenses		378,931
	Investigation on arable land		358,995
	Information of conditions in colonies		52,000
	Training of leaders		191,597
	For collective emigration of farmers		15,079,861
	Temporary despatch of young volunteers		17,174,605
	Guidance of women in their works		63,700
	Subsidies		803,854
IV	Subsidies to the Cotton Growers' and Sheep Raisers' Association	Total	824,502
	Salaries		5,187
	Office expenses		17,536
	Subsidies		801,779
V	Temporary economic control	Total	97,407
	Salaries		55,062
	Office expenses		42,345
VI	Replenishment of expenses in the overseas governments	Total	17,129,584
	Chosen Government-General		12,948,792
	Taiwan Government-General		231,482
	Karafuto Government		3,949,310
VII	Temporary allowances to the families		47,224
	Sum total		53,837,910

Ministry of Welfare

I	Subsidies to welfare enterprises, institutions and societies		4,693,753
II	Buildings and repairs	Total	1,064,785
	Construction of the National Tuberculosis Sanatorium		1,000,000
	Other new buildings		57,280
	Repairs		7,505
III	Investigation on medical system, adaptability, land and house rents and labor conditions		219,242
IV	Expenses for the National Athletic Meeting at the Outer Garden of the Meiji Shrine		235,000
V	Expenses for population problem	Total	4,387,860
	National physical strength standardization facilities		3,204,922
	Improvement of the physical conditions of infants		845,988
	Aid for improvement of the physical conditions of the young		200,450
	Institution and spread of new gymnastic styles		13,500
	Promotion of eugenic ideas		28,000
	Cultivation of thought for the protection of children		95,000
VI	Health preservation and sanitary enterprises		7,682,198
VII	Temporary expenses of Labor Guidance Bureau		15,378,454
VIII	Mobilization of labor		5,978,253
IX	Industrial Patriotic Movement		2,515,107
X	Military relief	Total	38,122,737
	Board of Military Protection		511,637
	Protection of wounded soldiers and sailors		19,503,040
	Protection of the bereaved families		1,146,800
	Subsidies for military relief works		16,886,260
	Building of the Wounded Soldiers' Sanatorium and others		75,000
XI	Expenses for harmony business		348,503
XII	Local improvements		1,474,310
XIII	Rewards anent the China Affair		8,785
XIV	Preparation of establishment of Laborers' Annuity Insurance		221,181

XV	Temporary allowances to the families of officials	353,712
	Sum total	82,679,880
	Total of Extraordinary Expenditure	2,922,678,675
	Grand total of Expenditure	6,235,576,782

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Accounts	Income	Outgo
Home Affairs	Transfer to Local Governments of Revenue from Taxes	614,138,584	600,974,934
Finance	Mint Bureau	105,368,191	17,410,663
	Mint Bureau, Fund Section	18,986,727	101,750,093
	Printing Bureau	55,354,073	44,967,981
	Monopoly Bureau	869,426,252	372,501,612
	Deposits Bureau	506,095,283	391,006,115
	Educational Fund	23,721	—
	National Debt Adjustment Fund	12,507,521,823	12,507,521,823
	National Loans	482,338,881	482,338,881
	State Property Readjustment Fund	3,128,646	556,182
	Educational Improvement & Farm Villages Economic Development Fund	6,676,568	6,995,152
	Gold Fund	34,450,198	57,130,896
	Investment in special companies	271,584,103	271,584,103
	Cultural Work for China	4,959,079	1,345,318
	State Re-Insurance for Accident Insurance	194,060,073	194,060,073
Army	Kwantung Bureau	100,189,775	100,189,775
	Arsenals	270,029,937	270,029,937
	Senju Woolen Factory	10,001,471	9,995,645
	Aeronautical Arsenal Fund	15,000,000	15,000,000
Navy	Naval Dockyards Fund	229,284,602	225,044,602
	Naval Explosives Factory	19,574,301	19,124,301
	Naval Fuel Depot	82,919,540	81,382,669
Education	Seven Imperial Universities	48,434,223	48,434,223
	Imperial Universities, Endowment Funds	4,854,496	5,504,200
	Government Colleges	16,246,792	16,246,792
	Government Colleges, Endowment Funds	915,970	599,067
	Schools and Libraries	29,445,528	29,445,528
	Schools and Libraries, Endowment Funds	1,054,019	2,481,864
Agriculture & Forestry	Rice Trade Control	3,226,550,061	3,226,550,061
	Charcoal Trade Control	214,298,114	214,298,114
	Silk Price Control	102,398,163	102,389,163
	Farm Re-Insurance	4,436,162	4,436,162
	Live-stock Re-Insurance	1,741,466	1,741,466
	Forests Fire Insurance	483,022	483,022
	Fishing Boats Re-Insurance	882,442	882,442
Commerce & Industry	Fuel Bureau, Alcohol Section	219,294,063	226,967,062
Communications	Communications business, capital account	69,714,066	78,038,255
	Communications business, necessities account	63,037,854	63,037,854
	Communications business, operation	586,665,092	566,899,399

PUBLIC FINANCE

Railways	State Railways, capital account	374,405,956	374,405,956
	State Railways, necessities account	517,487,814	517,487,814
	State Railways, earnings account	2,026,902,744	1,699,496,788
Overseas Affairs	Chosen Government-General	1,014,942,507	1,014,942,507
	Chosen Railways, necessities fund	126,256,253	126,256,253
	Chosen P.O. Life Insurance	51,511,881	28,206,336
	Taiwan Government-General	358,079,121	358,079,121
	Control of Taiwan rice exportation to Japan proper	385,820,407	385,820,407
	Taiwan Government Railways, necessities fund	16,949,384	16,949,384
	Karafuto Government	103,404,646	101,889,274
	South Seas Government	18,178,320	14,779,342
	Health Insurance	83,327,542	83,327,542
	Health Insurance for Salaried Men	8,051,835	8,051,835
Welfare	Seamen's Insurance	9,564,793	1,960,195
	Laborers' Annuity Insurance	126,479,025	2,996,813
	Labor Accident Legal Insurance	8,518,162	8,518,162
	P.O. Life Insurance	740,433,837	357,821,496
	P.O. Annuity	123,059,035	19,833,579

SUPPLEMENTARY EMERGENCY EXPENDITURE

Revenue		Expenditure	
I War fund	18,000,000,000		
I Extraordinary expenses		Total	18,000,000,000
Reserve fund			3,000,000,000
Extraordinary expenses			15,000,000,000

SUPPLEMENTARY BUDGET FOR 1942-43

(Published on February 10, 1942)

GENERAL ACCOUNT

(In yen)

Extraordinary revenue	Total	139,304,161
Receipt from Special Account for Extraordinary Military material fund		10,000,000
Loans		129,304,161
Ordinary expenditure		
Ministry of Finance		139,304,161

SUPPLEMENTARY BUDGET FOR 1942-43

(Published on February 10, 1942)

SPECIAL ACCOUNT

(In yen)

Ministry of Finance	Special Account	Revenue	Expenditure
	National Debt Adjustment Fund	139,304,161	139,304,161
	National Loans	14,129,803,313	14,129,803,313

SUPPLEMENTARY BUDGET FOR 1942-43

(Published on February 20, 1942)

GENERAL ACCOUNT

(In yen)

Ordinary Revenue

I Taxes	775,629,438
II Stamp receipts	6,778,043
III Receipts from public undertakings and State property	21,449,481
V From the Bank of Japan	10,824,604
VI Miscellaneous receipts	594,449
Total of ordinary revenue	815,276,015

Extraordinary Revenue

I Special profits tax	189,936,139
II Special tax on juridical person	1,991,416
III Sale of State property	263,600
IV Payments by public bodies for public works	1,350,000
V Shares assumed by public bodies for local public works	2,909,660
VII Transfers from Special Accounts	1,535,281
IX Miscellaneous receipts	290,000
X Public loans	1,382,691,723
XI Other loans	54,000,000
Total of extraordinary revenue	1,634,967,819
Grand total of revenue	2,450,243,834

Ordinary Expenditure

Ministry of	
Foreign Affairs	1,435,436
Home Affairs	11,058,469
Finance	700,045,502
Justice	1,693,715
Education	12,783,496
Agriculture and Forestry	10,506,478
Commerce and Industry	667,802
Communications	26,478,872
Overseas Affairs	30,000
Welfare	16,584,725
Total of ordinary expenditure	781,284,495

Extraordinary Expenditure

Ministry of	
Foreign Affairs	8,570,062
Home Affairs	71,587,841
Finance	1,051,336,414
Army	35,000,000
Navy	10,000,000
Justice	1,790,043
Education	24,207,512
Agriculture and Forestry	117,997,415
Commerce and Industry	246,374,008
Communications	56,681,082
Overseas Affairs	20,946,919
Welfare	37,081,529
Total of extraordinary expenditure	1,681,572,825
Grand total of expenditure	2,462,857,320

SUPPLEMENTARY BUDGET FOR 1942-43

(Published on February 20, 1942)

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Account	Revenue	Expenditure	
Home Affairs & Finance	Transfer to Local Governments of Revenue from Taxes	8,043,143	8,043,143	
Finance	Mint Bureau	3,929,526	3,773,706	
	Mint Bureau, Fund Section	—	612,000	
	Printing Bureau	6,426,908	4,274,500	
	Deposits Bureau	8,630,925	24,895,075	
	Loans Adjustment Fund	197,692,202	197,692,202	
	Loans	1,746,620,195	1,746,620,195	
	Investment in special companies	354,771,339	354,771,339	
	Kwantung Bureau	27,922,978	27,922,978	
	Army	Arsenals	1,402,745,698	1,402,745,698
		Senju Woolen Factory	20,400,821	20,400,821
Navy	Aeronautical Arsenal Fund	135,000,000	135,000,000	
	Naval Dockyards Fund	444,375,427	444,375,427	
	Naval Explosives Factory	105,425,481	105,425,481	
Education	Naval Fuel Depot	149,255,201	149,255,201	
	Seven Imperial Universities	11,993,557	11,993,557	
	Imperial Universities, Endowment Funds	17,214	1,067,214	
	Government Colleges	2,245,149	2,245,149	
	Schools and libraries	2,942,275	2,763,043	
Agriculture & Forestry	Schools and libraries, Endowment Fund	—	360,000	
	Rice Trade Control	18,974,255	18,974,255	
	Farm Re-insurance	2,140	765,636	
Communications	Vessels Re-insurance	182,078	182,078	
	Communications business, capital account	58,399,267	58,399,267	
	Communications business, necessities account	10,057,293	10,057,293	
Railways	Communications business, operation	100,828,753	44,995,410	
	State Railways, capital account	161,534,000	161,534,000	
Overseas Affairs	State Railways, earnings account	269,034,000	107,500,000	
	Chosen Government-General	109,774,994	109,774,994	
	Taiwan Government-General	57,871,257	57,871,257	
	Taiwan Government Railways, necessities fund	50,616	50,616	
Welfare	Karafuto Government	22,015,992	23,531,364	
	South Seas Government	756,058	2,337,492	
	Health Insurance	733,269	733,269	
	P.O. Life Insurance	—	2,132,687	

SUPPLEMENTARY BUDGET FOR 1942-43

(Published on May 27, 1942)

GENERAL ACCOUNT

(In yen)

Expenditure

Ministry of Finance			
I	Expansion of facilities for training mariners	Total	10,061,000

New buildings of the Higher Mercantile Marine School and others	7,000,000
New buildings of the Short-Term Training Institutes for Higher Mariners and Mariners	3,061,000
Expenses anent the Greater East Asia Construction Council	148,000
Sum total	10,209,000

Ministry of Communications

I	Expansion of facilities for training mariners	Total	2,622,000
	Preparation for the establishment of new higher mercantile marine schools		1,070,000
	Establishment of new short-term training institutes for higher mariners		190,000
	Establishment of new training institutes for mariners		1,631,000
II	Execution of shipbuilding plans		15,000
	Sum total		2,637,000
	Grand total of expenditure		12,846,000

These expenditure shall be met with the surplus of revenue for 1942-43.

An Explanation of the 1942 State Budget

On July 8, 1941, precisely five months prior to the outbreak of the Greater East Asia War, the second Konoe Cabinet decided upon a policy of compiling the 1942 budget. This policy was succeeded by the third Konoe Cabinet which succeeded the second Konoe Cabinet at a Cabinet meeting held on July 25. The original budget compilation policy was as follows:

"In order to cope with the existing situation, the Government has decided to adopt the following budget compilation policy:

1. Expenditures to be newly appropriated shall be restricted only to the items which are absolutely and urgently necessary for the execution of the national policy.

2. From the foregoing standpoint, expenditures which have been already appropriated shall be re-examined and thoroughly curtailed.

3. In view of the existing circumstances attending the supply and demand of industrial funds, materials as well as labor, the compilation of the budget shall be made in perfect conformity with the various mobilization plans regarding industrial funds, materials and labor.

4. Of expenditures other than military expenditures, those regarding the execution of important policies shall be previously examined by the Government at Cabinet conferences from the standpoint of executing the national policies on a unified basis."

The Tojo Cabinet, which succeeded the third Konoe Cabinet in October, 1941, closely studied the original budget com-

plication plan for 1942 in full consideration of the increasing strains of the international situation, and decided to appropriate expenditures which are truly essential and necessary regardless of any change in the surrounding circumstances and to postpone the inclusion of other appropriations in the budget. The Government formally decided upon the ordinary accounts in the budget at a Cabinet meeting held on December 9, 1941 and other principal special accounts including the colonial accounts on January 7, 1942.

Regarding the supplementary budgets the Government on December 18, 1941, studied and decided upon a compilation policy in order to cope with a new situation arising from the outbreak of the Greater East Asia War by taking up expenditures truly indispensable for the execution of the war as direct objective. The compilation policy of the supplementary budgets as decided upon by the Government on December 18, 1941, for presentation to the 79th Imperial Diet placed its stress on obligatory expenditures and other specially-designated expenditures which are truly urgent in nature and which are certain of realization. For this purpose, the Government restricted the supplementary expenditures in the budgets to the following categories:

(a) Expenditures for facilities indispensably connected with military activities.

(b) Expenditures for speedy and effective air-defense operations.

(c) Expenditures indispensable for the execution of the National General Mobilization.

(d) Expenditures for stabilizing the

minimum living standard of the people including foodstuffs.

The 1942 budget, compiled on the basis of the foregoing policy, was marked with the following special features befitting a wartime budget:

1. An increase was estimated for the revenue by means of the revision of the taxation system, the elevation of prices of tobacco and alcohol, the revision of railway fares and postal fees, etc. in order to cope with the expansion of the wartime national financial demand and to absorb the floating purchasing power as well as to restrict consumption.

2. Special expenditures were appropriated for activities which are urgently necessary for the wartime activities of the country such as the expansion of productivity, maintenance of the lower prices, reorganization of industry, promotion of the national health, stabilization of the public living, solution of the population problem, storage of staple commodities and materials, protection of soldiers, promotion of science and technique, perfection of air-defense, etc.

3. Efforts were made to curtail and postpone already-appropriated expenditures as much as possible. At the same time, the amount corresponding to various appropriations of the War and Navy Ministries which were transferred to the special accounts of military expenditures was deducted from the ordinary accounts.

4. Part of the increased revenue by means of the revision of the taxation system since 1938, the increased income of the Monopoly Bureau due to the elevation of tobacco prices since Jan-

uary, 1938 as well as the revision of railway fares and postal fees was transferred to the special accounts of military expenditures to directly replenish war expenditures.

5. A large amount of reserves of the National Treasury was appropriated in order to prepare for expenditures in excesses of the budget as well as to smoothly execute urgent wartime undertakings.

This epochal wartime budget was speedily examined and approved by the House of Representatives and the House of Peers within an extremely short period of time at the 79th session of the Diet.

The revenue and expenditures in the ordinary account of the 1942 budget, inclusive of the supplementary budget, respectively amounted to ¥8,837,738,263, as follows (in yen):

Revenue:			
Ordinary Department	5,733,938,233		
Extraordinary Department	3,103,800,030		
Ordinary Revenue	1,523,522,772		
Revenue from Bonds	1,526,277,258		
Debts	54,000,000		
Total	8,837,738,263		
Expenditures:			
Ordinary Department	4,233,486,763		
Extraordinary Department	4,604,251,500		
Total	8,837,738,263		

The 1942 Budget is compared with the 1941 Budget as follows:

Items	1942 Budget	1941 Budget	1942 Compared with 1941
Revenue:			
Ordinary Dept.	5,733,938,233	4,005,846,149	Inc. 1,728,092,084
Extraordinary Dept.	3,103,800,030	4,205,231,344	Dec. 1,101,431,314
Ordinary Revenue	1,523,522,772	1,120,781,458	Inc. 402,741,314
Revenue from Bonds	1,526,277,258	3,003,950,971	Dec. 1,477,673,713
Surplus from Previous Year	—	80,498,915	Dec. 80,498,915
Total	8,837,738,263	8,211,077,493	Inc. 626,660,770
Expenditures:			
Ordinary Dept.	4,233,486,763	3,749,354,287	Inc. 484,132,476
Extraordinary Dept.	4,604,251,500	4,908,495,109	Dec. 304,243,608
Total	8,837,738,263	8,657,849,395	Inc. 179,888,868

Details of the revenue in the 1942 budget are compared with those in the 1941 budget as follows:

Items	1942 Budget	1941 Budget	1942 Compared with 1941
Ordinary Department:			
Taxes	4,350,700,880	3,078,031,594	Inc. 1,472,669,286
Income Tax	1,909,981,677	1,194,064,749	Inc. 715,916,928
Juridical Person Tax	806,961,992	660,463,697	Inc. 146,498,295
Special Tax on Dividend Interest	7,833,576	11,015,851	Dec. 3,182,275
Special Tax on Foreign Bonds	9,239,911	9,750,006	Dec. 510,095
Inheritance Tax	75,309,752	77,553,151	Dec. 2,243,399
Building Tax	1,783,194	761,938	Inc. 1,021,256
Mining Lot Tax	9,616,401	8,129,451	Inc. 1,486,950
Saké Tax	453,755,371	353,573,233	Inc. 99,182,138
Soft Drink Tax	15,701,866	9,567,638	Inc. 6,134,228
Sugar Consumption Tax	184,454,178	144,686,801	Inc. 39,767,377
Textile Consumption Tax	182,140,045	75,328,110	Inc. 106,811,935
Gasoline Tax	5,291,686	16,080,883	Dec. 10,789,197
Commodity Tax	260,496,674	121,442,027	Inc. 139,054,647
Entertainment Tax	362,158,300	164,586,942	Inc. 197,571,358
Stock Exchange Tax	22,701,771	35,217,979	Dec. 12,516,208
Admission Tax	48,850,781	30,663,820	Inc. 18,186,961
Customs Duties	40,911,633	118,818,807	Dec. 77,407,174
Tonnage Dues	1,173,721	1,788,020	Dec. 614,299
Note Issue Tax	2,446,109	8,019,727	Dec. 6,173,618
Electricity and Gas Tax	15,883,458	—	Inc. 15,883,458
Advertising Tax	8,514,943	—	Inc. 8,514,943
Parimutuel Tax	39,262,266	—	Inc. 39,262,266
Stamp Revenue	160,415,380	143,397,813	Inc. 17,017,567
Revenue from Government Enterprises and State Assets			
Forestry Revenue	717,347,723	557,154,108	Inc. 160,193,615
Profits of Monopoly Bureau	161,150,033	140,246,862	Inc. 20,903,171
Profits of Government Printing Office	511,523,318	376,897,776	Inc. 134,625,542
Revenue from Prisons	12,538,200	10,386,092	Inc. 2,152,108
Others	23,926,274	22,987,780	Inc. 938,494
Payments from Communications Special Accounts	8,209,898	6,635,398	Inc. 1,574,300
Payments from Bank of Japan	82,000,000	82,000,000	—
Miscellaneous Revenue	103,356,673	51,876,375	Inc. 51,480,298
Receipts from Special Accounts of Educational Improvement and Agricultural Village Promotion Funds	113,113,425	86,370,326	Inc. 26,743,099
Total	6,995,152	7,015,933	Inc. 20,781
Total	5,733,938,233	4,005,846,149	Inc. 1,728,092,084
Extraordinary Department:			
Extraordinary Profit Tax	1,205,635,134	784,159,227	Inc. 421,475,907
Juridical Person Tax	4,438,930	1,153,389	Inc. 3,285,591
Payments for Sales of Government Property	6,938,029	7,158,392	Dec. 220,363
Payments of Construction Expenses from Public Bodies	8,041,391	8,675,057	Dec. 633,666
Payments of Construction Expenses born by Public Bodies	5,041,391	8,675,057	Dec. 633,666
Receipt of Scientific Research Encouragement Funds	18,478,974	15,699,494	Inc. 2,779,480
Receipt from Special Accounts	28,000	39,000	Dec. 11,000
Compensation Revenue	263,742,499	276,742,888	Dec. 13,000,389
Miscellaneous Revenue	2,663,376	9,448,928	Dec. 6,785,552
Revenue from Govt. Bonds	13,556,439	17,705,133	Dec. 4,148,694
Surplus from Previous Year	1,526,277,258	3,003,950,971	Dec. 1,477,673,713
Total	—	80,498,915	Dec. 80,498,915
Total	3,103,800,030	4,205,231,344	Dec. 1,101,431,314
Grand Total	8,837,738,263	8,211,077,493	Inc. 626,660,770

As the preceding table shows, the incomes from taxes, which form a cardinal part of the ordinary revenue, in the 1942 budget, total ¥5,760,774,944 in ordinary and extraordinary departments, representing an increase of ¥1,897,430,784 as compared with the 1941 budget.

In addition to the taxes in the ordinary revenue, a sharp increase of ¥134,625,542 was noted in the profits of the Monopoly Bureau in the 1942 budget as compared with the same source in the 1941 budget. This increase includes a ¥115,192,233 increase based on the raising of the prices of tobacco products, which took effect as from November 1, 1941, and the elevation of the prices of alcohol for general consumption. An increase of

¥51,489,298 in the payment of the Bank of Japan, of ¥26,743,099 in miscellaneous revenue as well as of ¥20,903,171 in the revenue from forestry was based on an estimated natural gain attributable to general economic developments.

Particularly noteworthy is the revenue from Government bonds which stands at ¥1,526,277,258, inclusive of ¥1,229,275 earthquake reconstruction bonds, ¥17,232,098 highway construction bonds and ¥1,526,277,258 deficit-covering bonds, thus representing a decline of ¥1,477,673,713 as compared with the same revenue in the 1941 budget.

Cardinal changes in the 1942 budget as compared with the 1941 budget are as follows:

1. Natural Increase Due to Economic Developments	¥536,979,923
2. Increase Due to New Increase in Expenditures	¥50,780,634
3. Decrease Due to Economization of Expenditures	¥22,938,833
4. Increase Due to Tax Increase Approved at 77th Session of Diet	¥463,491,042
5. Increase Due to Tax Increase Approved at 79th Session of Diet	¥973,588,386
6. Increase Due to Raising of Prices of Tobacco and Alcohol Taking Effect in November and December, 1941	¥115,192,233
7. Decrease in Already-Scheduled Enterprises	¥103,880,059
8. Other Changes in Ordinary Revenue	¥117,620,072
9. Decline in Revenue from Bonds	¥1,477,673,713
10. Increase in Loans	¥54,000,000
11. Decrease of Surplus Brought Over from Preceding Fiscal Year	¥50,488,915
Balance (Increase Over 1941 Budget)	¥626,660,770

The revenue in the 1942 budget, classified by principal items is compared with that in the 1941 budget as follows:

CLASSIFIED REVENUE ITEMS IN 1942 BUDGET

(In ¥1,000)

Revenue from	In 1942 Budget		In 1941 Budget		Increase	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Taxes	5,760,774	0.652%	3,863,344	0.471%	1,897,430	0.181%
Stamps	160,415	0.018%	143,397	0.017%	17,017	0.001%
Govt. Enterprises & Govt. Property	717,347	0.081%	557,154	0.068%	160,193	0.013%
Payment or Receipts from Special Acc.	385,218	0.044%	397,189	0.048%	*11,971	*0.004%
Other Miscellaneous Revenue	233,704	0.026%	165,541	0.020%	68,163	0.006%
Total	7,257,461	0.821%	5,126,627	0.624%	2,130,833	0.197%
Bonds	1,526,277	0.173%	3,003,950	0.366%	*1,477,673	*0.193%
Loans	54,000	0.006%	—	—	54,000	0.006%
Surplus from Preceding Year	—	—	80,498	0.010%	*80,498	0.010%
Grand Total	8,837,738	1.000%	8,211,077	1.000%	626,660	—

Note: The mark "*" denotes decrease.

Details of the expenditures in the 1942 budget, classified by competent Ministries, are as follows:

EXPENDITURES IN 1942 BUDGET BY MINISTRIES

(In ¥1,000)

Ministries	Ordinary	Extraordinary	Total
Civil List	4,500	—	4,500
Foreign Office	23,429	57,654	81,083
Home Office	531,150	309,607	840,758
Ministry of Finance	2,748,880	2,740,000	5,488,881
Ministry of Army	16,337	2,740,000	5,488,881
Ministry of Navy	9,816	12,919	22,736
Ministry of Justice	59,256	9,950	69,206
Ministry of Education	207,504	92,178	299,683
Ministry of Agriculture and Forestry	69,389	514,093	583,483
Ministry of Commerce and Industry	25,480	530,647	556,128
Ministry of Communications	410,888	103,142	514,030
Ministry of Overseas Affairs	3,742	74,784	78,527
Ministry of Welfare	123,110	119,761	242,871
Total	4,233,486	4,604,251	8,837,738

The expenditures in the 1942 budget, classified by competent Ministries, are compared with those in the 1941 budget as follows:

MINISTERIAL EXPENDITURES IN 1942 COMPARED WITH 1941

(In ¥1,000)

	1942	1941	Increase
Civil List	4,500	4,500	—
Foreign Office	81,083	78,271	2,812
Home Office	840,758	650,888	189,869
Ministry of Finance	5,488,881	2,719,118	2,769,763
Ministry of Army	55,847	1,700,394	*1,644,547
Ministry of Navy	22,736	1,549,985	*1,527,249
Ministry of Justice	69,206	62,937	6,269
Ministry of Education	299,683	268,800	32,883
Ministry of Agriculture and Forestry	583,483	540,133	43,349
Ministry of Commerce and Industry	556,128	304,008	252,119
Ministry of Communications	514,030	500,966	13,063
Ministry of Overseas Affairs	78,527	85,458	*6,931
Ministry of Welfare	242,871	194,385	48,486
Total	8,837,738	8,657,849	179,888

Note: The mark "*" denotes decrease.

The expenditures in the 1942 budget, classified by uses, are compared with those in the 1941 budget as follows:

1942 EXPENDITURES CLASSIFIED BY USES

(In ¥1,000)

Expense Items	1942	Percentage in Total	1941	Percentage in Total	Increase	Rate of Increase
Civil List	4,500	0.0005%	4,500	0.0005%	—	—
Government Bonds	1,793,343	0.2029%	1,238,368	0.1430%	554,974	0.0599%
Annuities & Pensions	391,835	0.0443%	373,973	0.0432%	17,861	0.0011%
Administration	4,601,906	0.5207%	2,418,374	0.2794%	2,183,532	0.2413%
Subsidies	1,120,525	0.1268%	1,034,741	0.1195%	85,784	0.0073%
Military	75,627	0.0086%	3,247,891	0.3751%	*3,172,263	*0.3665%
Army	54,303	0.0062%	1,699,567	0.1963%	*1,645,263	*0.1901%

Expense Items	1942	Percentage in Total	1941	Percentage in Total	Increase	Rate of Increase
Navy	21,323	0.0024%	1,548,323	0.1788%	*1,526,999	*0.1764%
Treasury Reserve	850,000	0.0962%	340,000	0.0393%	510,000	0.0569%
Total	8,837,738	1.0000%	8,657,849	1.0000%	179,888	—

Note: The mark "*" denotes decrease.

As shown by the preceding table, military expenses have made a sharp decrease in the 1942 budget for the reason that the majority of the important items in the military expenditures were transferred to the special accounts of the extraordinary military expenditures.

The 1942 expenditures show the following comparison with the 1941 expenditures when viewed from a different angle:

IMPORTANT EXPENDITURES IN 1942 BUDGET (In ¥1,000)

Expense Items	1942	1941	Increase
Civil List	4,500	4,500	—
Government Bonds	1,793,343	1,238,368	554,974
Annuitants and Pensions	392,827	374,944	17,882
Transferred to Special Accounts of Extraordinary Military Expenditures	2,525,945	884,592	1,641,352
Transferred to Local Tax Special Accounts	452,640	320,062	132,577
Subsidy to Colonial Special Accounts	37,571	34,512	3,059
Payment to Joint-Police Expenses	50,378	41,845	8,532
Partial Payment to Teachers of National Schools	97,065	94,314	2,751
Military Expenses	78,583	3,250,380	*3,171,797
Military Allowances	74,194	68,820	5,373
Various Payments and Compensations	27,747	35,472	*7,724
Payments re Tax Collection	23,102	18,427	4,674
Treasury Reserves	850,000	340,000	510,000
Others	2,429,838	1,951,606	478,232
Total	8,837,738	8,657,849	179,888

Note: The mark "*" denotes decrease. (†) Inclusive of payments by Clause 3 of Art. 18 of Pensions Law. (‡) Expenses of War and Navy Ministries provisionally given.

The reasons leading to the changes in the amount of expenditures in the 1942 budget from those in the 1941 budget are shown as follows:

CHANGES IN 1942 EXPENDITURES (In ¥1,000)

	Ordinary	Extraordinary	Total
1941 Budget	3,749,354	4,908,495	8,657,849
Natural Decrease	55,448	2,622,173	3,177,621
Natural Increase	1,043,886	496,903	1,540,789
Balance (Standard 1942 Budget)	4,237,792	2,783,225	7,021,018
Economized Expenses	86,664	135,088	221,752
Postponed	—	132,320	132,320
Demand reduced	1,599,576	2,023,178	3,622,755
New Increase	1,681,935	4,111,613	5,793,548
Balance (1942 Budget)	4,233,486	4,604,251	8,837,738
Increase Compared with 1941 Budget	484,132	*304,243	179,888

Note: The mark "*" denotes decrease.

The new increase in the expenditures of the 1942 budget is classified by competent Ministries as follows:

NEW INCREASE IN EXPENDITURES IN 1942 BUDGET BY MINISTRIES

(In ¥1,000)

Ministries	Ordinary	Extraordinary	Total
Foreign Office	6,988	43,177	50,166
Home Office	149,623	185,350	334,973
Ministry of Finance	1,314,911	2,688,438	4,003,350
Ministry of Army	228	37,749	37,977
Ministry of Navy	1,288	12,319	13,608
Ministry of Justice	7,376	7,406	14,782
Ministry of Education	20,704	80,819	101,524
Ministry of Agriculture and Forestry	11,430	382,815	394,246
Ministry of Commerce and Industry	16,936	452,662	469,599
Ministry of Communications	71,379	64,122	135,501
Ministry of Overseas Affairs	383	47,245	47,628
Ministry of Welfare	80,683	109,505	190,189
Total	1,681,935	4,111,613	5,793,548

Cardinal expenditures involved in the new increase are as follows:

1. **Expenses for Relief of Soldiers: ¥135,012,306** Involve the increase of the military allowances, expenditures for protection of injured soldiers as well as expenditures regarding various enterprises for protection of soldiers, all under the competency of the Ministry of Welfare.

2. **Expenses for Storage of Major Materials: ¥50,819,480** Involve the expenditures for establishing facilities for provisionally storing important materials and commodities under the competency of the Ministry of Agriculture and Forestry and the expenditures regarding the control of major commodities under the competency of the Ministry of Commerce and Industry.

3. **Expenses for Air-Defense Measures: ¥36,972,092** Involve the expenditures for subsidizing expenses for completing air-defense materials and those for air-defense activities under the competency of the Home Office as well as expenses for various air-defense activities by different Ministries.

4. **Expenses for the Productivity Expansion and the Maintenance of Lower Prices: ¥383,468,736** Involve the expenditures for the production increase of coal, compensation for purchasing pig iron, production increase of major mineral products, etc. under the competency of the Ministry of Commerce and Industry, the expenditures for the production increase and control of forestry products and production increase of staple foodstuffs under the competency of the Ministry of Agriculture and

Forestry, the expenditures for facilities for training industrial experts under the competency of the Ministry of Education, the expenditures for the production increase of coal under the competency of the Ministry of Overseas Affairs, the expenditures for assisting the construction of ships under the competency of the Ministry of Communications, the expenditures for adjusting prices of commodities, surveying labor conditions and mobilizing labor, controlling wages, etc. under the competency of the Home Office, and expenditures for adjusting general mobilization activities under the competency of the Ministry of Finance.

5. **Expenses regarding the National Health, National Living as well as population problems: ¥432,601,740** Involve the expenditures for the production encouragement of rice, production increase of staple foodstuffs, establishing facilities for the maintenance of supply of major fertilizers, and control of the distribution of foodstuffs under the competency of the Ministry of Agriculture and Forestry, expenditures for extraordinary allowances of city, town and village officials and operation of the ticket system for daily necessities under the competency of the Home Office, expenditures for extraordinary allowances for teachers and their families under the competency of the Ministry of Education, expenditures for the operation of the Physical Strength Law and increased expenditures regarding the national health insurance under the competency of the Ministry of Welfare, and the expenditures for the restrictions over consumption of daily necessities under the competency of the Ministry of Commerce and

Industry.

6. **Expenses for Reorganizing Industry: ¥102,132,428** Involve expenditures for the National Welfare Bank and the Industrial Equipment Corporation under the competency of the Ministry of Commerce and Industry, expenditures for the reorganization of smaller and medium-sized commerce and industry under the joint competency of the Ministry of Commerce and Industry and the Ministry of Agriculture and Forestry, expenditures for reorganizing the sake retail trade under the competency of the Ministry of Finance, and expenditures for the vocational shift-over under the competency of the Ministry of Commerce and Industry, Ministry of Welfare and the Home Office.

7. **Expenses for Economic Control: ¥59,956,709** Involve expenditures for the completion of the police system for coping with economic control and expenditures for control over the production and distribution of iron and steel manufactures under the control of the Home Office, expenditures for encouragement of the national savings under the competency of the Ministry of Finance, expenditures for facilities for prevention of economic crimes under the competency of the Ministry of Justice, expenditures for subsidizing the establishment of facilities for using substitute fuel under the competency of the Ministry of Commerce and Industry, expenditures for national requisition under the competency of the Ministry of Welfare and expenditures for temporary treatment of the activities of the National Vocational Guidance Station under the competency of the Ministry of Welfare.

8. **Expenses for Promotion of Science and Technique: ¥56,581,984** Involve expenditures for the establishment of the Board of Technology, expenses for establishing the Central Aeronautical Research Institute and expenditures for renovation and elevation of scientific technique, etc. under the competency of the Ministry of Finance, expenditures for subsidizing the Japan Scientific Promotion Society, expenditures for expanding the activities of the Aeronautical Research Institute of the Imperial University of Tokyo under the competency of the Ministry of Education, expenditures for manufacturing high-class and large-sized optical glass for military purpose under the competency of the Ministry of Commerce and Industry, and expenditures for promotion of civil avia-

tion under the competency of the Ministry of Communications.

9. **Expenses for various Trade Measures: ¥54,853,537** Involve expenditures for the increase of the export compensations, compensations for losses due to financing export funds, and compensations for losses due to financing funds for manufacturing export articles under the competency of the Ministry of Commerce and Industry.

10. **Expenses for Shipping Measures: ¥16,123,405** Involve expenditures for subsidizing shipping routes, expenditures for establishing the Board of Marine Affairs and Bureau of Marine Affairs, expenditures for assisting the Mercantile Marine School and the Navigation Training Institute, and expenditures for compensations of losses from wartime navigation risks under the competency of the Ministry of Communications.

11. **Expenses for Emigration to Manchoukuo: ¥35,042,402** Involve expenses for assisting the Volunteer Youth Training Camp and expenditures for assisting emigration farmers under the competency of the Ministry of Overseas Affairs.

12. **Expenses for Coping With Storm or Flood Calamities: ¥33,222,094** Involve expenditures for increased subsidy for calamity engineering expenses, increased expenses for water-work enterprises, etc. under the competency of the Home Office, and increased expenses for forestry facilities for prevention of natural calamities and expenses for reconstruction of damages by storm or flood in Kyushu and other districts under the competency of the Ministry of Agriculture and Forestry.

13. **Transferred to the Special Accounts of the Extraordinary Military Expenses: ¥2,525,045,234** Part of the combined total of the tax increase since the 1938 fiscal year and the increase of the revenue of the Monopoly Bureau due to the elevation of prices of tobacco and alcohol since January, 1938 was included in the competency of the Ministry of Finance to be transferred to the Special Accounts of the Extraordinary Military Expenses.

14. **Increase of the Treasury Reserves: ¥827,000,000**

Other principal new increases included the increase of the Government Bond expenditures amounting to ¥460,946,452, the increase in the pensions totalling ¥64,533,183 and the increase of the local

tax revenue transferred to the Local Revenue Special Accounts amounting to ¥124,534,349.

On the other hand, a strict re-examination of the already-scheduled expenditures in order to effect maximum economization in expenditures in special consideration of the materials and funds

mobilization plans was made and resulted in the economization of ¥354,073,348. Combined with ¥3,622,755,669 saved in other branches of the budget, the amount economized in the 1942 budget by various Ministries aggregated ¥3,976,829,017, as follows:

ECONOMIZATION OF EXISTING EXPENDITURES AND CURTAILMENT OF OTHER EXPENDITURES

(In ¥1,000)

Ministries	Economized Amount		Other Curtailment	Total
	Economized	Postponed		
Foreign Office	1,391	955	2,346	4,196
Home Office	1,736	66,936	68,673	156
Ministry of Finance	4,484	28,721	33,206	67,725
Ministry of Army	159,068	—	159,068	1,825,531
Ministry of Navy	3,908	—	3,908	1,680,011
Ministry of Justice	2,445	560	3,005	100
Ministry of Education	982	6,537	7,520	2,356
Ministry of Agriculture & Forestry	26,105	11,960	38,065	4,169
Ministry of Commerce & Industry	2,350	3,423	5,773	8,331
Ministry of Communications	9,337	12,891	22,229	29,493
Ministry of Overseas Affairs	9,065	—	9,065	316
Ministry of Welfare	876	35	911	358
Total	221,752	132,320	354,073	3,622,755

The special accounts in the 1942 budget numbered 50, including the two new additions, namely, Alcohol Department of the Imperial Fuel Bureau and Laborers' Annual Pensions. Exclusive of the special accounts of the Extraordinary

Military Expenditures, for which the duration of the Greater East Asia War stands as a single fiscal year, the special accounts numbered 49. Principal revenue and expenditures in those special accounts in the 1942 budget follow:

SPECIAL ACCOUNTS IN 1942 BUDGET

(In ¥1,000)

	Ordinary Accounts	Extraordinary Accounts	Total
Chosen Government-General:			
Revenue	865,571	259,145	1,124,717
Bonds	—	156,740	156,740
Expenditures	578,169	546,547	1,124,717
*Transferred to Special Military Accounts	—	163,212	163,212
Taiwan Government-General:			
Revenue	323,289	92,660	415,950
Bonds	—	20,500	20,500
Expenditures	231,096	184,854	415,950
*Transferred to Special Military Accounts	—	46,566	46,566
Kwantung Bureau:			
Revenue	76,851	51,261	128,112
Expenditures	48,879	79,233	128,112
*Transferred to Special Military Accounts	—	56,193	56,193

	Ordinary Accounts	Extraordinary Accounts	Total
Karafuto Government-General:			
Revenue	95,513	29,906	125,420
Expenditures	55,173	70,247	125,420
*Transferred to Special Military Accounts	—	19,021	19,021
South Seas Government-General:			
Revenue	18,729	205	18,934
Expenditures	8,762	8,353	17,118
Transferred to General Accounts	—	1,000	1,000
Imperial Railways:			
Capital Accounts:			
Revenue	—	—	535,939
Bonds	—	—	45,000
Expenditures	—	—	535,939
*Transferred to Special Military Accounts	—	—	165,000
Profit Accounts:			
Revenue	—	—	2,295,936
Expenditures	—	—	1,806,996
Communications Enterprises:			
Capital Accounts:			
Revenue	—	—	128,113
Bonds	—	—	34,000
Expenditures	—	—	136,437
*Transferred to Special Military Accounts	—	—	65,000
Business Accounts:			
Revenue	—	—	687,493
Expenditures	—	—	611,894
Delivered to General Accounts	—	—	82,000
Government Investments:			
Revenue	—	—	626,355
Bonds	—	—	575,745
Expenditures	—	—	626,355

Note: (*) Transferred to the Special Accounts of Extraordinary Military Expenditures.

Continuing expenses of already-fixed enterprises in the 1942 budget stood at ¥4,393,722,826, as follows:

CONTINUING EXPENSES OF ENTERPRISES IN 1942 BUDGET

(In ¥1,000)

	General Account	Special Accounts	Total
*Total Continuing Expenses	4,955,147	2,537,204	7,492,351
Economized	**172,369	—	**172,369
Curtailed	432	**1,296	**1,728
Abolished	**3,742,131	—	**3,742,131
Transferred from Preceding Fiscal Year	12,484	10,608	23,093
New Continuing Expenses	7,335	66,341	73,676
Balance (Revised Continuing Expenses for 1942 and following years)	1,227,439	3,166,283	4,393,722

Note: (*) As they stood before the compilation of the 1942 budget.
(**) Reduced from the continuing expenses.

The annual spendings of the continuing expenses in the 1942 budget are classified by year as follows:

CONTINUING EXPENSES IN 1942 BUDGET BY YEAR

(In ¥1,000)

	General Account	Special Accounts	Total
Total Continuing Expenses In and After 1942 Fiscal Year	1,227,439	3,166,283	4,393,722
1942	184,418	578,654	763,073
1943	261,850	877,611	1,149,461
1944	202,654	837,594	1,040,249
1945	153,861	319,559	475,420
1946	123,468	145,963	269,432
1947	84,487	104,877	189,365
1948	68,491	76,610	145,102
1949	47,318	55,561	102,880
1950	26,064	50,060	76,124
1951	23,121	37,602	60,724
1952-1960	51,701	72,187	123,888

Subsidies and similar Government funds in the 1942 Budget totalled ¥1,450,839,373, including ¥1,120,660,670 in general account and ¥230,178,703 in special accounts, classified by competent ministries as follows:

Subsidies and Other Similar Funds of Ministries in 1942 Budget

(In ¥1,000)

General Account:	
Foreign Office	6,407
Home Office	153,501
Ministry of Finance	62,997
Army Ministry	1,543
Ministry of Justice	640
Ministry of Education	95,232
Ministry of Agriculture and Forestry	481,979
Ministry of Commerce and Industry	143,095
Ministry of Communications	59,992
Ministry of Overseas Affairs	47,828

Special Accounts:

Government Printing Office	51
Monopoly Bureau	2,660
Chinese Cultural Work	615
Kwantung Bureau	4,137
Naval Powder Mill	12
Naval Fuel Depot	32
Imperial University	121
Schools and Libraries	1
Alcohol Division of Imperial Fuel Bureau	4
Communications Enterprises	91
Imperial Railways	9,180

The amount of Government bonds to be floated during the 1942 fiscal year as resources for general expenditures including the extraordinary military expenditures is estimated to total ¥16,358,762,389, exclusive of bonds delivered directly by the Government and conversion bonds, increasing by ¥2,383,783,047 as compared with the 1941 fiscal year.

Details follow:

SCHEDULED FLOTATION OF BONDS IN 1942 FISCAL YEAR

(In ¥1,000)

Items	1942	1941	Increase
General Accounts:			
Earthquake Bonds	1,229	3,575	*2,345
Road Bonds	17,232	16,450	781
Deficit-Covering Bonds	1,507,815	2,983,925	*1,476,109
Total	1,526,277	3,003,950	*1,477,673
Special Accounts:			
Government Investments:			
Government Bonds	575,745	361,597	214,147
Communications Enterprises:			
Enterprise Bonds	34,000	17,000	17,000
Imperial Railways:			
Railways Bonds	45,000	75,000	*30,000

Items	1942	1941	Increase
Chosen Government-General:			
Enterprise Bonds	156,740	160,432	*3,692
Taiwan Government-General:			
Enterprise Bonds	20,500	9,800	10,700
Total	531,985	623,830	208,155
Sum Total	2,358,263	3,627,781	*1,269,518
Special Accounts of Extraordinary Military Accounts:			
Greater East Asia War Bonds	14,000,499	10,347,197	3,653,301
Grand Total	16,358,762	13,974,979	2,383,785

Note: The mark "*" denotes decrease.

The Special Accounts of the Extraordinary Military Expenditures have no fiscal-year limit. Since the accounts were approved as part of the budget by the 72nd session of the Diet, several additions were made to the accounts which advanced to ¥28,417,871,158 by the 78th Diet session. Inclusive of the ¥517,406,493 transferred from the General Account at the time of the establishment of the Special Accounts of the Extraordinary Military Expenditures, the total value of the accounts came to aggregate ¥28,935,077,651.

Due to the progress of the Greater East Asia War, the Government submitted to the Diet session the first Supplementary Military Budget. The supplementary budget, through speedy deliberations by the House of Peers and the House of Representatives, was organized

on January 29, 1942, and was promulgated formally on February 12. The supplementary military budget calls for the total expenditure of ¥18,000,000,000 including ¥15,000,000,000 extraordinary military expenditures and ¥3,000,000,000 reserves, and depends for resources on Government bonds to the extent of ¥14,000,499,152, receipts from other accounts to the extent of ¥3,040,938,996 and miscellaneous revenue, etc. to the extent of ¥958,561,852.

Thus, the total amount of the extraordinary military budget has come to aggregate ¥47,128,567,651, inclusive of the surplus expenditures outside of the reserves.

Details of the 1942 budget as surveyed by the Bureau of Accounts of the Ministry of Finance give a bird's eye view of the budgetary situation, as follows:

1942 BUDGET BY REVENUE AND EXPENDITURES

(In Yen)

	1942	1941	Increase
1. Revenue:			
General Account Total	8,837,738,263	8,211,077,493	626,660,770
Special Accounts Total	46,792,687,110	35,803,641,624	10,989,045,486
Addition to Special Accounts of Extraordinary Military Expenditures	18,000,000,000	11,480,000,000	6,520,000,000
Addition to Special Accounts of Army Materials Funds	—	170,000,000	*170,000,000
Total	73,630,425,373	55,664,719,117	17,965,706,256
Overlapped Accounts Deducted	38,155,069,752	27,598,159,804	10,556,909,948
Balance (Net Revenue Total)	35,475,355,621	28,066,559,313	7,408,796,308
2. Expenditures:			
General Account Total	8,837,738,263	8,657,849,395	179,888,868
Special Accounts Total	44,992,352,354	34,626,821,766	10,365,530,588
Addition to Special Accounts of Extraordinary Military Expenditures	18,000,000,000	11,480,000,000	6,520,000,000
Addition to Special Accounts of Army Materials Funds	—	170,000,000	*170,000,000
Total	71,830,090,617	54,934,671,161	16,895,419,456
Overlapped Accounts Deducted	37,122,736,543	26,898,599,959	10,224,136,584
Balance (Net Expenditures Total)	34,707,354,074	28,036,071,202	6,671,282,872

AMOUNTS OF THE NATIONAL DEBT RAISED, REDEEMED AND OUTSTANDING

Financial Year	Internal Loans			External Loans		
	Amount Issued	Amount redeemed	Amount outstanding at the End of the Financial Year (In yen)	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year
1932-33	1,096,744,000	148,008,225	5,663,753,975	—	82,137,698	1,390,444,577
1933-34	1,066,062,000	5,375,850	8,724,440,125	39,052,000	14,895,310	1,414,598,267
1934-35	1,063,126,950	100,056,325	7,687,510,750	—	11,654,994	1,402,943,272
1935-36	1,051,213,500	216,284,500	8,522,439,750	—	71,082,383	1,331,860,889
1936-37	2,871,234,275	2,136,123,075	9,257,550,950	—	14,905,642	1,316,955,247
1937-38	2,259,517,950	12,750	11,516,973,550	—	16,671,659	1,300,283,588
1938-39	4,548,287,025	121,975	16,065,138,800	—	20,568,758	1,279,714,830
1939-40	5,562,937,225	2,100	21,628,073,725	—	21,828,378	1,257,886,452
1940-41	6,983,203,545	—	28,611,277,270	—	21,290,560	1,236,595,892
1941-42	10,637,681,163	—	39,248,958,483	—	15,123,522	1,221,472,370

Financial Year	Amount Issued	Amount redeemed	Grand Total	
			Amount outstanding at the End of the Financial Year (In yen)	Amount outstanding compared with the Preceding Year
1932-33	1,096,744,000	230,205,923	7,054,195,552	+ 866,538,078
1933-34	1,105,114,000	20,261,160	8,139,038,392	+ 1,084,842,840
1934-35	1,063,126,950	111,711,319	9,090,454,022	+ 951,415,630
1935-36	1,051,213,500	287,366,883	9,854,300,639	+ 763,846,617
1936-37	2,871,234,275	2,151,028,717	10,574,506,197	+ 720,205,557
1937-38	2,259,517,950	16,684,409	12,817,257,138	+ 2,242,833,541
1938-39	4,548,287,025	20,690,733	17,344,853,430	+ 4,527,596,292
1939-40	5,562,937,225	21,830,478	22,885,960,177	+ 5,541,106,747
1940-41	6,983,203,545	21,290,560	29,847,878,162	+ 6,961,912,985
1941-42	10,637,681,163	15,123,522	40,470,430,803	+10,622,557,641

State Property

(1) The Legal Definition and Categories of State Property.

State Property is defined under Article 1 of the State Property Law, promulgated by Law No. 43 in April 1921 as follows:

"The State Property under this Law includes all the State-owned real estate and such movable estate and rights belonging to the State as provided in the Imperial Ordinance."

Article 1 of the Imperial Ordinance No. 15 concerning the State Property Law defines, however, State movable estate and rights that are State Property in the following manner:

"The following State-owned movable estate and rights are to be State Property as provided in Article 1 of the State Property Law:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate given in (a).

(c) Machine and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and other rights similar to these rights.

(e) Rights relating to stocks and investments.

The scope of the term "factory under (c) above is to be determined by the respective Ministers after consultation with the Minister of Finance."

State-owned movable estate and rights, such as, cash, deposits, loans, common fixtures and books, for instance, not mentioned in the above provisions are therefore State Property in substance, but do not come under the provision of this Law.

Article 2 of the State Property Law divides State Property into four classes, namely, Public Property, Official Property, Property used for Forestry Management and Miscellaneous Property. Public

Property is that directly used or to be used for public service by the State; Official Property is that used or to be used, by the State, for Shinto Shrines, or for State service and enterprises or for residences of officials and other personnel; Property used for Forestry Management is that used or to be used, by the State, for the management of forests, while Miscellaneous Property is that not belonging to these three categories.

(2) The Legal Limitation of the Content of the "State Property Account" and its Categories.

Article 26 of the State Property Law requires the Government to make a yearly statement of the increase or decrease in the State Property, and, every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then to be presented to the Imperial Diet.

The following are, however, excluded from the statements:

(a) Movable estate and rights owned by the State; but not subject to the provisions of the Imperial Ordinance, that is, State Property in reality if not in law (Art. 1, State Property Law; Art. 1, Imperial Ordinance concerning the State Property Law).

(b) Public Property (Art. 28, State Property Law).

(c) The value of lands used for religious purposes by Buddhist temples, the public land of public corporations and of sites of Shinto shrines (Art. 2 and 5, Ordinance No. 14, Ministry of Finance).

The figures given in the following table are based on these official statements of State Property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State Property mentioned in (a)—(c) above will be much higher than the figures given in this table. It should be noted that the Government, recognizing that it was expedient to apply the State Property Law to Chosen, Taiwan, Karafuto, Kwantung L. T., and Nanyo (Mandated Territory in the North Pacific), put this Law into effect as from April 1, 1937, and the property in these regions was included in the Statements of the financial year 1937. Further, as there prevails an opinion that the value and volume of property mentioned in (b) and (c) should be given in the state-

ments, they will be included therein in the near future.

(3) Administration of State Property.

The administrative service over State Property includes both direct management and general administration, the former under the direction of the respective Ministries, the latter under the Minister of Finance. Each Minister administers the State Property of his Ministry; but the Minister of Finance also undertakes, as the competent Minister, the general management of all the Property and, thus, unifies the direct management by each Minister, keeping one in touch with the other, so as to secure the full use of the Property.

(4) Increase or Decrease in State Property.

The increase in the total value of State Property is attributed to such factors as the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition of stocks and of rights due to investment establishment of surface rights, etc.), while the decrease in property is due to the sale, conveyance without compensation, exchange and collapse of property, and extinction of rights (extinctive prescription, reduction of capital, etc.). Moreover, the re-valuation of property made every fifth year causes an increase or decrease in the total value of State Property.

(5) The Funds from the Adjustment of State Property.

With the exception of receipts coming under other special accounts and those from the disposition of State forests and plains or of uncultivated places in Hokkaido, the receipts from the adjustment and disposition of State Property and other miscellaneous receipts constitute the Funds from the Adjustment of State Property and the revenue and expenditure are segregated in a Special Account.

These funds are transferred to the General Account and then, in addition to being used for building and repair and other expenditure necessary for the adjustment of State Property, are, in case of necessity, used for purposes other than those mentioned above in accordance with the Budget Estimates (Articles 1—4, Special Account Law for Funds from the Adjustment of State Property by Law No. 6, 1922; Exceptions in the Special Account Law for Funds

from the Adjustment of State Property by Law No. 15, 1927).

The following are the statistics of revenue and expenditure in the Funds from the Adjustment of State Property for the financial years 1930-31—1940-41:

Financial Years	Revenue (In yen)	Expenditure (In yen)
1930-31	6,439,664	6,237,805
1931-32	4,870,211	5,963,898
1932-33	4,755,566	5,823,635
1933-34	5,973,512	6,198,998

Financial Years	Revenue (In yen)	Expenditure (In yen)
1934-35	7,523,004	6,786,056
1935-36	6,812,346	3,470,679
1936-37	8,459,373	5,269,417
1937-38	7,995,946	4,528,542
1938-39	8,768,661	2,314,941
1939-40	15,418,592	5,826,408
1940-41	4,673,289	2,181,801

Note:—The figures for the financial years 1930-31 to 1939-40 represent the settled accounts, but those for 1940-41 the budget estimates.

STATE PROPERTY FOR 1941 AND 1942

(As outstanding at the end of March)

Kind	1941		1942	
	Area or Volume	Value in Yen	Area or Volume	Value in Yen
Land (Chobu)	17,378,106	2,277,390,000	17,373,543	2,350,471,438
Standing:				
Timber (Koku)	4,030,272,846	2,246,322,109	4,029,308,227	2,246,691,413
Bamboo (Taba)	271,000		268,256	
Buildings:				
Ground (Tsubo)	11,957,288	1,708,302,933	13,452,298	1,977,736,071
Floor (Tsubo)	14,459,379		16,109,735	
Number	448		471	
Manufactured goods	—	3,827,952,589	—	4,071,559,330
Machine and tools	—	1,574,355,821	—	1,876,474,857
Ships	10,653	1,777,103,625	11,324	1,942,916,866
Mine lots (Chobu)	5,372	1,339,469	14,764	2,270,855
Placer fields (Ri)	1.2		1.2	
Shares (Number)	22,867,597	807,749,818	31,096,597	1,139,826,202
Investments (Cases)	275,000		275,000	
Total	—	14,310,517,120	—	15,607,947,036

LOCAL FINANCE

ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS

Compiled by the Ministry of Home Affairs

Financial Year	Rates	Prefectures (Dō, Fu & Ken)		Expenditure
		Revenue	Total	
(In yen)				
1935-36	353,509,526	533,883,390	787,392,916	685,306,100
1936-37	269,591,003	576,947,184	846,538,187	740,125,195
1937-38	263,351,270	556,587,145	819,938,415	695,714,994
1938-39	254,595,558	344,848,085	599,443,643	599,443,643
1939-40	262,654,777	321,590,534	584,245,311	584,245,311
Cities				
Financial Year	Rates	Revenue		Expenditure
		Receipts from Other Sources	Total	
1935-36	164,739,750	977,401,582	1,142,141,332	959,693,093
1936-37	181,078,302	1,432,001,947	1,613,080,249	1,403,618,288
1937-38	200,001,974	965,547,909	1,165,549,883	927,737,445
1938-39	204,486,529	755,642,579	960,129,108	959,428,854
1939-40	217,149,412	731,395,077	948,544,489	948,032,355

Financial Year	Towns and Villages Revenue			Total Expenditure	Grand Total	
	Rates	Receipts from Other Sources	Total		Revenue	Expenditure
1935-36	214,631,432	400,875,679	615,507,111	560,377,183	2,545,041,359	2,205,376,376
1936-37	219,627,995	407,293,596	626,921,591	570,637,575	3,086,540,027	2,714,381,058
1937-38	193,202,818	435,490,963	628,693,781	566,860,463	2,614,182,079	2,190,312,902
1938-39	264,341,902	269,062,232	534,004,134	533,859,908	2,093,576,885	2,092,732,405
1939-40	244,388,398	278,781,939	523,165,335	523,066,716	2,055,955,135	2,055,344,382

Note:—The figures for 1938-39 and after represent the budget estimates.

AMOUNT OF LOCAL LOANS

At the end of March:	Loans of Prefectures	Loans of Cities	Loans of Towns and Villages	Loans of Local Associations	Total
1935	387,155,999	1,902,171,086	243,126,568	54,540,503	3,186,994,156
1936	976,482,919	2,004,852,718	391,494,111	55,109,102	3,427,938,850
1937	1,076,498,809	2,147,849,855	413,829,207	55,872,223	3,694,050,094
1938	1,125,972,744	2,243,256,011	435,947,053	56,240,946	3,861,416,754
1939	1,184,289,599	2,310,634,523	455,552,752	56,195,466	4,006,672,340

Local Financial Conditions in 1940

A drastic change took place in the composition of the revenue and expenditure of towns, cities and prefectures during 1940, due to the revision of the taxation system. The total amount of local budgets in 1940 aggregated ¥3,272,000,000 both in revenue and expenditure, which represented an increase of

¥1,045,000,000 as compared with the originally-scheduled budgets amounting to ¥2,227,000,000 in the preceding year. This increase was principally attributable to the various activities concerned with productivity expansion and export promotion enterprises under the charge of local organizations.

Details of local revenue and expenditure follow:

1940 LOCAL EXPENDITURE BY PREFECTURES, CITIES, TOWNS AND VILLAGES

(In thousands of yen)

Items	Prefectures	Cities	Towns and Villages	Total
Educational Expenses	380,081	152,373	123,423	655,877
Civil Engineering Expenses	286,763	87,799	48,392	422,955
Sanitary Expenses	28,071	92,287	16,156	136,514
Industrial Promotion Expenses	241,808	19,158	23,057	284,024
Social Welfare Expenses	29,040	54,936	15,423	99,399
Police Expenses	115,651	—	—	115,651
Office Expenses	—	66,316	103,947	170,863
Town Planning Expenses	25,540	72,573	1,729	100,843
Power Industrial Expenses	61,038	144,850	2,019	207,908
Gas Industrial Expenses	—	7,679	82	7,762
Water-Work Expenses	4,202	107,124	7,330	118,657
Automobile Expenses	557	32,971	262	33,800
Personnel Expenses	30,775	—	—	30,775
Conference Expenses	2,213	3,405	3,555	9,174
Peace Preservation Expenses	—	20,661	16,155	36,817
Bond Expenses	168,277	225,175	45,351	438,804
Expenses for Handling Prefectural Expenses	9,712	—	—	9,712
Assets Preservation Expenses	4,723	11,265	20,955	36,945
Other Expenses	139,375	103,135	113,255	355,767
Total	1,528,834	1,202,316	541,106	3,272,257

1940 LOCAL REVENUE BY PREFECTURES, CITIES, TOWNS AND VILLAGES

(In thousands of yen)

Items	Prefectures	Cities	Towns and Villages	Total
1. Tax Revenue:				
Land Surtax	30,039	25,745	43,611	100,297
Business Surtax	47,240	58,582	29,973	135,795
Mining Lot Surtax	522	10	382	914
Independent Prefectural Taxes and Their Surtaxes	81,052	56,124	38,219	175,395
Independent City & Town Taxes	—	43,835	49,225	93,061
Object Taxes	6,917	26,613	1,648	35,179
(a) Redeemed Tax	70,397	—	—	70,397
(a) Distributed Tax	—	—	—	—
Total	414,372	222,544	246,222	883,339
2. Revenue From Sources Other Than Taxes:				
Property Unused	—	—	431	431
Revenue from Assets	10,956	10,734	20,207	41,898
Fees and Commissions	96,211	292,121	22,039	410,372
Money from Treasury	143,493	—	—	143,493
Subsidy from State	247,434	20,638	9,227	277,300
Subsidy from Prefectures	—	17,080	34,617	51,698
Payments Collected	—	11,027	10,141	21,169
Contributions	46,452	15,333	29,786	91,572
Bonds	218,696	241,153	34,394	494,243
Brought-over from Preceding Year	119,974	153,857	41,031	314,863
Other Revenue	231,054	218,036	93,000	542,091
Total	1,114,271	979,993	294,879	2,389,134
Grand Total	1,528,844	1,202,527	541,102	3,272,474

Note: (a) Allotted from the State Government.

TAXES AND DUTIES

The taxation system of the country was reorganized through the general tax reform effected in 1940. An announcement was made in the Diet in the 74th Session that a tax reform would be effected in the fiscal year 1939-40. After the closing of the Diet in the 74th Session, the Government started investigations regarding the fundamental revision of the taxation system, and a Taxation System Investigation Committee, composed of officials and people, was nominated. The bills

for the revision of the taxation system drafted after further deliberations on the reports sent to the Government by this Committee were submitted to the Diet in the 75th Session and were approved with certain modifications. This solved a long-pending problem. This revision may be stated as an epoch-making event in the history of the taxation system as it is wide in scope and deep in content. By this revision the taxation system of the country, through national and local taxes, was reorganiz-

ed so that it might readily cope with the new situation. In effecting such revision, the Government made it its principal aim to establish the taxation system on a more vigorous basis to be consistent with financial and economic conditions that might develop in the course of reconstruction. In short, its objects were (1) to cause equilibrium in the incidence of taxation throughout central and local districts, (2) to secure harmony with the economic policies necessitated by the situation, (3) to increase tax receipts and to establish the elastic taxation system, and (4) to simplify the taxation system.

In the new taxation system, the income tax holds the leading position. The income tax as first created in 1887 subsequently increased in its receipts, and at the time of the World War (1914-18), it finally exceeded all others, replacing the land tax receipts. It should in particular be noted that the development of the income tax in recent years was more remarkable. In addition to the income tax and the tax on corporations, there are other categories of taxes. These are the special tax on dividends and interest imposed in respect of high dividends and high interest on Government bonds and company debentures, the special tax on foreign currency securities imposed on high interest rates on securities expressed in foreign currencies, the tax on mining sets imposed on the holders of mining rights, and the tax on bourses. There is also the special profits tax. In consequence of the tax reform of 1940, the land tax, the tax

on the building of houses, and the business tax, which had formerly been supplementing the income tax, became an independent source of local authorities, but are collected as national taxes. There is the succession tax as a property tax. With respect to excise taxes in the country, the greater part of excise taxes was formerly imposed on liquors and comestibles. After the outbreak of the China Affair, however, it was urgently needed to restrict consumption of luxuries and taxes were created for the purpose, the tax on commodities, the tax on amusements, eating and drinking, and the admission tax all coming under this category. There is the tax on liquors which, though declining in its importance, still holds the leading position in excise taxes. Besides these, there are the sugar excise, the textiles consumption tax, the gasoline tax, the playing cards tax, and the travelling tax. There are customs duties. There are also the registration tax, stamp duties, the tax on the transactions of bourses, the tax on the transfer of securities, the tax on the issue of bank notes, and tonnage dues. For a brief explanation of the taxes, see pp. 281-296, The Japan Year Book, 1940-41.

Increase in Tax Rates on Luxuries
The taxes on liquors, soft drinks, luxurious commodities, luxurious eating, etc. were again raised as from December 1, 1941, for the purpose of restricting unnecessary consumption and to resume the idle money. The income tax was raised again on April 1, 1942.

ACTUAL REVENUE AND EXPENDITURE FOR 1941-42

(As Outstanding at the End of July 1942)

(In yen)	
Revenue:	
Ordinary	
Extraordinary	4,277,430,000
Common revenue	4,324,264,000
Loans	1,333,214,000
Brought forward from the balance of the previous year	2,406,275,000
Total	584,774,000
Total	8,601,695,000
Expenditure:	
Ordinary	
Extraordinary	3,284,995,000
Total of Expenditure	4,848,895,000
Excess of Revenue	8,133,891,000
	67,804,000

Compared with the Budgetary Estimates and the Settled Account for the Previous Year

(In ¥1,000)

Sources of Revenue	1941-42 Settled Account	Inc. (+) or	Inc. (+) or
		Dec. (-) against 1941-42 Budget	Dec. (-) against 1940-41 Settled Account
Revenue			
Ordinary Revenue:	Total		
Taxes	3,255,280	+177,149	+339,577
Income tax	1,401,363	+207,298	- 87,315
Juridical person tax	530,782	-129,681	+348,648
Special tax on dividend interest	10,122	- 892	- 4,141
Foreign bond special tax	9,430	- 319	- 256
Inheritance tax	64,612	-12,941	+ 8,056
Tax on building	1,991	+ 1,229	+ 1,093
Mining tax	9,990	+ 1,861	- 731
Tax on liquors	359,340	+ 3,767	+ 74,166
Tax on soft drinks	11,987	+ 2,419	- 3,005
Sugar excise	119,836	-24,850	-21,630
Textile consumption tax	130,049	+ 54,720	+ 33,881
Gasoline tax	11,953	- 4,127	-10,264
Tax on commodities	180,762	+ 59,320	+ 70,745
Tax on eating and drinking for pleasure	200,426	+ 35,839	+ 72,378
Tax on bourses	27,588	- 7,629	- 2,229
Negotiable papers transfer tax	3,197	- 1,555	- 211
Transit-duty	29,068	- 598	+ 6,251
Entrance tax	33,385	+ 2,721	+10,600
Customs duties	87,424	-30,894	-56,574
Tonnage dues	993	- 794	- 1,101
Bank-note issue tax	11,061	+ 2,441	- 7,988
Land tax	25	+ 25	- 3,895
Business profit tax	14,489	+14,489	-63,746
Capital interest tax	87	+ 87	- 6,961
Juridical person capital tax	4,629	+ 4,629	-17,743
Tax on dividends	673	+ 673	- 4,021
Tax on the interest of public loans and corporation shares	6	+ 6	- 437
Business tax	0.216	+ 0.216	+ 0.216
Stamp tax	145,699	+ 2,301	+10,092
Receipts from public undertakings and State property	600,763	+ 43,808	+101,405
From Special Account for Communications	82,000	- 0	+ 500
From the Bank of Japan	58,859	+ 6,982	+26,384
Miscellaneous receipts	128,041	+ 41,670	+20,466
Transferred from Special Accounts of funds for educational improvement and agrarian village development	6,787	- 228	- 234
Total of ordinary revenue	4,277,430	+271,584	+498,190
Extraordinary Revenue:			
Special Profit tax	997,905	+213,746	+261,288
Juridical person special tax	4,125	+ 2,972	+ 3,385
Sale of State property	9,598	+ 2,439	+ 2,385
Payments by public bodies for Public works	8,229	- 446	+ 762
Shares assumed by public bodies for local public works	160	+ 100	+ 160
Receipts for encouragement of			

Sources of Revenue	1941-42 Settled Account	Inc.(+) or	Inc.(+) or
		Dec.(-) against 1941-42 Budget	Dec.(-) against 1940-41 Settled Account
scholarly researches	41	+ 2	- 131
Transfers from Special Accounts	5,250	- 2,648	+ 178
Payment by insurance companies	3,240	+ 111	- 67
Receipts anent the Loss Redemption Law	4,348	- 5,100	+ 3,171
Receipts from Special Accounts for General Account	6,700	0	0
Miscellaneous receipts	278,638	+ 2,141	+150,426
Loans	2,406,275	-597,675	+1,124,015
Brought forward from the balance of the previous year	554,774	+504,275	+108,750
Emergency profts tax	1	+ 1	- 5
Receipts from the former special account of Iron Foundry	1	+ 1	+ 1
Receipts from the expenses of establish- ment and expansion of higher schools	0	0	0
Total of extraordinary revenue	4,324,264	+119,033	+1,658,516
Grand total of revenue	8,601,695	+390,617	+2,156,770

Expenditure

Ordinary Expenditure:

Ministry of			
Imperial Household	4,500	0	0
Foreign Affairs	22,367	- 2,709	+ 1,171
Home Affairs	397,266	- 1,096	+ 55,942
Finance	1,278,585	-116,000	+297,649
Army	331,207	- 54,015	+160,063
Navy	449,879	- 17,604	+ 90,102
Justice	57,203	- 785	+ 5,468
Education	190,945	- 2,826	+ 27,138
Agriculture and Forestry	66,866	- 4,194	+ 9,300
Commerce and Industry	9,781	- 801	+ 938
Communications	365,498	- 20,952	+ 61,541
Overseas Affairs	3,367	- 127	+ 487
Welfare	107,527	- 6,511	+ 20,742
Total	3,284,995	-227,633	+730,547

Extraordinary Expenditure:

Ministry of			
Foreign Affairs	51,638	- 8,089	+ 6,054
Home Affairs	270,282	- 44,160	+ 87,547
Finance	1,213,986	- 44,082	+476,533
Army	1,184,042	-405,628	+162,716
Navy	1,047,495	- 79,986	+373,561
Justice	8,125	- 526	+ 1,970
Education	78,776	- 7,232	+ 47,626
Agriculture and Forestry	479,755	- 67,645	+203,752
Commerce and Industry	281,950	- 75,952	+143,047
Communications	87,458	- 52,238	+ 10,187
Overseas Affairs	64,023	- 18,710	+ 12,980
Welfare	81,359	- 19,428	+ 17,150
Total	4,848,895	-823,681	+1,543,130
Grand total of expenditure	8,133,891	-1,051,315	+2,273,677

CHAPTER IX

BANKING AND THE MONEY MARKET

Established:

1895



Incorporated:

1912

THE SUMITOMO BANK, LTD.

HEAD OFFICE: OSAKA

Capital Subscribed	¥ 70,000,000
Capital Paid-up	50,000,000
Reserve Fund	63,410,000

President: HAYASHI OKAHASHI

HOME OFFICES:

Amagasaki	Kumamoto	Niihama	Shimonoseki
Fukuoka	Kure	Okayama	Tokyo
Hikari	Kurume	Onomichi	Wakamatsu
Hiroshima	Kyoto	Osaka	Wakayama
Kobe	Moji	Saga	Yanai
Kokura	Nagoya	Sapporo	Yokohama

FOREIGN OFFICES:

SHANGHAI and DAIREN

General Banking and Foreign Exchange Business
Transacted

THE YASUDA BANK LIMITED

(Yasuda Ginko, Ltd.)

HEAD OFFICE:

Ohtemachi, Kojimachi-ku, Tokyo

Capital Subscribed..... ¥150,000,000

Reserves

¥ 84,000,000

Chairman of the Board: HAJIME YASUDA, Esq.

President: HISOMU SONOBE, Esq.

Managing Directors:

YUZO HAMADA, Esq. SEIICHI ANNEN, Esq.
TOHJI URABE, Esq.

The Bank is now in command not only of One Hundred and Thirty-Three Branches throughout Japan and Manchoukuo, but also of the services which it has secured from many correspondents over the world, and is able to offer accommodation for all kinds of banking facilities, foreign and domestic.

Foreign Business:

Tokyo Head Office

Osaka Branch:	Koraibashi, Higashi-ku, Osaka.
Kobe Branch:	Sakaemachi-dori, Kobe.
Yokohama Branch:	Honcho, Naka-ku, Yokohama.
Otaru Branch:	Ironai-machi, Otaru.
Nagoya Branch:	Minami-otsu-dori, Naka-ku, Nagoya.
Dairen Agency:	Yamagata-dori, Dairen.



THE SANWA BANK LTD.

Capital Subscribed	¥107,200,000
Capital Paid-up	72,200,000
Reserve Funds	52,860,000
Deposits (30/6/'42)	3,544,423,853

President: SADAHIKO NAKANE
 Vice-President: KIYOHIDE OKANO

Managing Directors:

Kenji Marukawa	Miki Yamada
Sadakuni Kato	Shigekazu Ono

Head Office: Imabashi 3-chome, Osaka
 Tokyo Office: Marunouchi 1-chome, Tokyo

177 Branches and 59 Sub-offices
 Throughout Japan

Osaka, Tokyo, Yokohama, Nagoya, Kyoto, Nara,
 Wakayama, Kobe, Himeji, Okayama, Hiroshima,
 Kure, Kokura, Fukuoka, Kurume, Tokushima,
 Kochi, Keijo, Taihoku, Tainan, Takao, Dairen,
 and other Business centers.

Correspondents:
 Principal Cities at Home and Abroad.

TOTAL DEPOSITS:
 ¥631,735,000



CAPITAL:
 ¥22,531,600

THE KOBE BANK, LTD.

(THE BANK OF KOBE, LTD.)

Chairman of the Board of Directors:
 TADAO OKAZAKI

President:
 KANESUKE HACHIUMA

Vice-President:
 KENJI USHIO



Head Office: 56, Naniwa-machi, Kobe

BRANCHES:

23 Branch Offices in Kobe, 68 in Hyogo Prefecture
 (outside of Kobe), Seven in Osaka City and Osaka
 Prefecture, Tokyo Branch—13, 1-chome, Yedo-bashi,
 Nihonbashi-ku.



THE DAI-ICHI GINKO, LTD.

(Formerly The First National Bank)

(ESTABLISHED 1873)

CAPITAL (Paid up) ¥ 57,500,000

RESERVE ¥ 89,500,000

A Complete Banking Service

Head Office: Tokyo

BRANCHES:

Yokohama, Nagoya, Kobe, Osaka, Kyoto and other principal cities at home; Seoul, Fusan in Korea, Dairen in Manchuria.
Correspondents: All important places at home and abroad.

HYPOTHEC BANK *of* JAPAN

(Nippon Kwangyo Ginko)

Uchisaiwai-cho, Kojimachi-ku,

TOKYO

Governor: GEN NISHIO, Esq.

CHAPTER IX

BANKING AND THE MONEY MARKET

The modern system of banking in Japan dates from the promulgation of the National Banks Regulations in November 1872. Banks of every description have since then been created in quick succession, and now the credit establishments for agriculture, industry, commerce and various other enterprises have been brought into full working order. The actual number of banks, including those of Chosen and Taiwan, was 409 at the end of 1939. These banks are divided by their nature into two classes, namely, those which have been established under the general banking laws, and make it their object to facilitate the general circulation of capital, and those which, having been created under special banking laws, have special objects and functions.

In 1872, the Government promulgated the National Banks Regulations, which were modelled on the National Bank Act of the United States of America, and provided for the conversion of the national bank notes into specie. An amendment was made in 1883 in the National Banks Regulations, by which the privilege of issuing notes was taken away from the national banks and granted exclusively to the newly-created Bank of Japan, and suitable measures were taken for the redemption of the national bank notes.

Meanwhile, private banks and bank-like companies which did not come within the purview of the National Banks Regulations had increased in number, until their total number reached 954 in 1884, and there were no general provisions to control such banks and companies beyond their subjection to the control of the local authorities. To bring them under more efficient control, the Ordinary Banks Regulations and the Savings Banks Regulations were promulgated in 1890 and put in force three years later.

Side by side with these private banks, the national banks acted from the first as financial institutions of general trade. When the terms of their respective charter expired, most of them continued

business as private banks, and by February 1899, national banks ceased to exist, so that there is no longer any difference in economic functions and legal nature between the former national banks and other private banks, all of which are now subject to the general banking laws.

Ordinary Banks Ordinary banks are placed under the control of the Minister of Finance, whose license is required for the establishment of a new bank or the amalgamation of existing banks; he is also empowered to order at any time investigation into the business condition and property of a bank. Every bank must every half-year prepare and present to the Minister of Finance a balance-sheet and other business reports, the former to be published in newspapers or by some other means. Provisions are also made in the Regulations with regard to business hours and holidays.

Though a few amendments had been made from time to time since its enactment, the greater part of the Bank Regulations became obsolete and inadequate on account of the rapid progress in the financial and economic conditions of the country. A new act therefore was promulgated on March 29, 1927 in place of the old legislation, and was put into effect on and after January 1, 1928.

The features of the new act are as follows:

(a) Banks as defined in the Banking Act are, in principle, institutions which carry on operations of giving as well as of receiving credits.

(b) Participation in banking business is confined to joint stock companies having at least the minimum capital prescribed by the Act.

(c) The use of the word "Bank (Ginkō)" in the trade name is made compulsory for every bank, but such use by other persons is not allowed.

(d) Banks are strictly prohibited from engaging in business activities other than those prescribed in the Act.

(e) The minimum amount of the reserve fund required by the Commer-

cial Law is increased in the case of banks.

(f) A new audit system is established.

(g) Managers or managing directors are not allowed to participate in the management of other companies at the same time without sanction by the Minister of Finance.

(h) The Court of Justice shall exercise closer supervision over the liquidation of banks.

(1) The Minister of Finance is empowered to make necessary provisions respecting banks with head offices outside the area, desirous of doing banking business within the area where the Act is in force.

(j) The power of the Minister of Finance respecting the cancellation of business licenses and the giving of various sanctions to banks is greatly increased and the penalties for illegal acts by banks shall be made heavier.

Savings Banks A Savings Banks Law enacted in 1921 superseded the Savings Banks Regulations, and was put in force from January 1, 1922. Certain amendments were, however, made in this law in 1931. Essential points of the law are as follows:

(1) receiving deposits at compound interest;

(2) receiving sums of less than ¥10 as deposits at one time;

(3) receiving deposits periodically or several times during a certain period by fixing beforehand the time of repayment, or

(4) receiving money periodically or several times during a certain period under promise to pay a certain sum of money at a certain period.

Besides, savings banks are also authorized to take up subsidiary business, as

(a) receiving fixed deposits;

(b) receiving valuable articles for custody;

(c) collection of debts;

(d) receipt and payment of money as treasurers of public corporations or industrial associations;

(e) receiving deposits on demand from public corporations or industrial associations;

(f) sale on the instalment plan of national bonds, local bonds, and debentures of corporations created under special laws; and

(g) transacting business in connection

with the issue of national bonds and other bonds and debentures referred to above or the payment of their principal and interest.

While no savings bank can carry on business other than that mentioned above, no ordinary bank can carry on the proper business of savings banks. Savings banks shall not carry on transactions requiring the cashing of cheques against the deposits of (1) and (2) mentioned above under the head of proper business.

A savings bank must be a joint-stock company with a minimum capital of ¥500,000 and must obtain a license from the Minister of Finance.

Savings banks are not permitted to invest their funds in ways other than the following:

(1) to subscribe for, take up or purchase national and local bonds and debentures or stocks approved by the Minister of Finance;

(2) to subscribe for, take up or purchase securities issued in Manchoukuo approved by the Minister of Finance;

(3) to make loans on pledge of national bonds and other securities referred to above;

(4) to make loans on mortgage of real estate;

(5) to make loans to a depositor up to the amount of his deposit;

(6) to make loans up to the amount of the deposit to a person who deposits money periodically or several times during a certain period under promise to pay a certain sum of money at a certain time;

(7) to make loans up to the amount already paid in to a person who receives the securities under a contract made with respect to the sale of securities on the instalment plan;

(8) to make loans redeemable within a period of one year to prefectures, cities, towns, and villages;

(9) to make loans redeemable by instalments within a period of two years;

(10) to deposit money with banks or the Deposit Funds of the Ministry of Finance or the post office;

(11) to deposit money or securities with trust companies in accordance with the Ordinance issued by the Minister of Finance; and

(12) to purchase bills accepted by banks or trust companies.

Further restrictions on business are as follows:

(1) Savings banks shall not own or take as security for loans or deposits more than one-fifth of the total stock of a company.

(2) Loans to a person shall not exceed one-tenth of the total amount of the paid-up capital and reserve fund of the bank.

(3) The total amount of loans on mortgage of real estate or the total amount of loans redeemable within a period of one year to prefectures, cities, towns and villages shall not exceed the total amount of the paid-up capital and reserve fund of the bank.

(4) The total amount of loans redeemable by instalments within a period of two years shall not exceed one-fifth of the paid-up capital and reserve fund. In this case, loans to a person shall be less than ¥1,000 and reliable guarantees of more than two persons are required.

(5) The total amount of deposits with any bank and of bills purchasable as accepted by the said bank shall not exceed one-tenth of the amount of the deposits received and one-fourth of the paid-up capital and reserve fund of the said bank.

(6) A regulation given under (5) above is applicable correspondingly to

property deposited with trust companies and the total amount of bills purchasable as accepted by the trust companies.

Savings banks are obliged to deposit an amount of Government bonds with the Public Deposit Bureau of the Ministry of Justice as guarantee for repayment of the deposits, such bonds to be not less than one-third of the deposits. Savings banks may, however, replace these bonds with the deposits with the Deposit Funds of the Ministry of Finance.

When a savings bank is unable to meet its liabilities with the assets, the directors are jointly under unlimited liability as regards the deposits received before the registration of resignation, and this liability continues for two years after such registration.

Special Banks The above statements refer to ordinary banks and savings banks, but there exist in addition such special banks as the Bank of Japan, the Yokohama Specie Bank, the Hypothec Bank of Japan, Agricultural and Industrial Banks, the Industrial Bank of Japan, the Hokkaido Colonization Bank, the Bank of Taiwan and the Bank of Chosen.

DEPOSITS AND LOANS OF THE BANKS

At the end of 1941

Published by the Ministry of Finance

(In ¥1,000)

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Deposits				
Public money	61,641	—	—	61,641
Current deposits	254,823	5,018,849	—	5,273,672
Special current deposits	363,108	6,384,586	—	6,747,694
Deposits at notice	265,580	2,808,133	—	3,073,713
Fixed deposits	1,089,870	14,850,887	20,532	15,961,289
Other deposits	818,245	338,354	281	1,156,880
Ordinary and special	5	5,358	3,830,042	3,835,405
Reserves	—	7	1,690,816	1,690,823
Total	2,853,272	29,406,174	5,541,671	37,801,117
Increase over the previous year	505,629	5,016,692	1,088,971	6,611,292
Loans				
Loans on bills	174,843	11,157,083	—	11,331,926
Loans on bonds	2,295,585	640,777	360,019	3,296,381
Overdrafts	86,040	1,741,725	—	1,827,765
Discounts	2,926,003	1,603,200	—	4,529,203
Total	5,482,471	15,142,785	360,019	20,985,275
Increase over the previous year	986,830	1,588,861	38,474	2,614,165
Call loans	139,038	526,353	—	665,391
Total	5,621,509	15,669,138	360,019	21,650,666
Increase over the previous year*	1,110,118	1,407,381	38,474	2,555,973

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Negotiable papers owned				
National bonds	1,033,607	7,943,980	3,307,376	12,884,963
Prefectural and municipal bonds	12,743	298,702	123,245	434,690
Foreign bills	49,962	534,963	248,797	833,722
Debenture bonds	216,080	3,260,859	1,063,461	4,540,400
Stocks	62,212	742,909	276,363	1,081,484
Total	1,974,604	12,781,413	5,019,242	19,775,259
Increase over the previous year	652,957	3,157,581	1,016,599	4,827,137
Cash and deposits on the day				
Cash on hand on the day	77,641	2,399,159	60,865	2,537,665
Deposits on hand	143,592	576,120	251,526	971,238
Total	221,233	2,975,279	312,391	2,509,903
Increase over the previous year	63,994	612,910	54,797	731,701

DEPOSITS AND LOANS OF THE BANKS

At the end of June 1942

Published by the Ministry of Finance
(In ¥1,000)

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Deposits				
Public money	70,475	—	—	70,475
Current deposits	307,354	5,593,834	—	5,901,188
Special current deposits	402,546	7,181,484	—	7,584,030
Deposits at notice	323,212	3,213,073	—	3,536,285
Fixed deposits	1,116,720	16,383,144	20,181	17,520,045
Other deposits	948,236	412,297	327	1,360,860
Ordinary and special	10	15,929	4,600,903	4,616,842
Reserves	—	24	1,832,019	1,832,043
Total	3,168,553	32,799,785	6,453,430	42,421,768
Increase over the previous year	459,895	5,981,764	1,459,079	7,900,738
Loans				
Loans on bills	178,111	12,351,021	—	12,529,132
Loans on bonds	2,340,234	624,487	359,220	3,323,941
Overdrafts	87,062	1,915,048	—	2,002,110
Discounts	3,148,741	1,444,056	—	4,592,797
Total	5,754,148	16,334,612	359,220	22,447,980
Increase over the previous year	1,155,506	2,607,417	35,900	3,798,823
Call loans	76,730	519,960	—	596,690
Total	5,830,878	16,854,572	359,220	23,044,670
Increase over the previous year	1,202,076	2,478,355	35,900	3,716,331
Negotiable papers owned				
National bonds	2,003,067	9,520,757	3,961,032	15,484,856
Prefectural and municipal bonds	11,252	294,595	123,272	429,119
Foreign bills	64,608	584,260	282,182	931,050
Debenture bonds	288,925	3,702,059	1,258,043	5,249,027
Stocks	70,874	262,704	292,122	1,125,700
Total	2,438,726	14,864,375	5,916,651	23,219,752
Increase over the previous year	741,337	3,147,623	1,381,113	5,270,073
Cash and deposits on the day				
Cash on hand the day	96,602	2,487,832	58,822	2,643,256
Deposits on hand	205,941	615,149	276,675	1,097,765
Total	302,543	3,102,981	335,497	3,741,021
Increase over the previous year	102,360	475,696	64,069	642,125

Remarks: The figures do not include accounts of the banks located outside of Japan proper, Taiwan and Karafuto.

Various loans made by savings banks are collectively included in the item of loans on bonds.

The Bank of Japan is excluded from special banks.

At the end of 1941 there were 186 ordinary banks and 69 savings banks, and at the end of May 1942 the number of ordinary banks decreased to 172 owing to amalgamation for greater efficiency.

The Bank of Japan (Nippon Ginko)

The Bank of Japan, the central bank of the country, was established in 1882 as a joint-stock company. Its authorized capital, which was at first ¥10,000,000, was increased three times and now stands at ¥80,000,000, of which ¥45,000,000 has been paid up.

This Bank is privileged to issue bank notes to any amount against gold and silver coins and bullion, and further to issue such notes against Government bonds and Treasury bills, and other bonds and commercial bills of a reliable nature. In June 1932, amendments were made in the Convertible Bank Note Regulations, whereby the maximum amount of the issue against securities was increased up to ¥1,000,000,000 as from July 1 of the same year. The maximum amount of the issue against securities was further increased to ¥1,700,000,000 on April 1, 1938 and to ¥2,200,000,000 on April 1, 1939, in order to meet the increased requirements for the notes arising from the development of the China Affair. It should, however, be noted that this measure is of a temporary nature, and will be discontinued within a period of one year after the China Affair comes to an end. The Bank is also authorized to issue notes against such securities beyond the maximum mentioned above. The payment of the tax formerly imposed on the issue of bank notes against securities was also replaced by a system of payments to the Government by the Bank of Japan, which was created by Law No. 10 of June 18, 1932. Under this system adopted during and after the second half of 1932, the Bank of Japan is required to pay to the Government for each half year one-half of the remainder of the net profits after deducting such amounts as (1) the amount equivalent to 6 per cent per annum on the paid-up capital, and (2) the amount equivalent to the minimum to be set apart as reserve fund pursuant to Article 10 of the Bank of Japan Act. When the remainder of the net profits after the deduction of the amounts mentioned in (1) and (2) above and of the amount to be paid to the Government exceeds the

amounts equivalent to 4 per cent per annum on the paid-up capital, the Bank is further required to pay three-fourths of such excess amount to the Government. The Advisory Council of the Bank of Japan, created by Law No. 11 of 1932, had since July 1 of the same year acted in consultation with the Governor of the Bank of Japan on the important operations of the Bank, until in July 1937, it was replaced by the office of advisory directors newly created in the Bank in order to maintain closer connections between the Bank and financial circles. These advisory directors are appointed from among persons engaged in finance or industry, or men of learning and experience. It should be noted that the directors and auditors of the Bank, who have hitherto not been allowed, during their term of office, to become officers of other banks or companies, are now allowed to become such officers with permission of the Minister of Finance.

The business carried on by the Bank is principally as follows:

(1) To discount or purchase Government bills, bills of exchange and commercial bills;

(2) To buy or sell gold and silver bullion;

(3) To make loans on security of gold and silver coins and bullion;

(4) To collect bills for banks, companies and merchants, who are its regular customers;

(5) To receive deposits and to accept for custody articles of value, such as gold, silver, and other precious metals and documents; and

(6) To make advances on current account or loans for fixed periods on security of Government bonds, Treasury bills, and other securities guaranteed by the Government.

The Bank is, in addition, entrusted with the management of the Treasury receipts and disbursements.

In August 1937, there were promulgated the Gold Reserve Valuation Law and other laws regarding the gold reserve of the Bank of Japan. In respect of the gold coins and bullion held by the

Bank as the reserves for exchange against convertible bank notes, valuation has hitherto been made at the rate of ¥1 per 750 milligrams of fine gold in accordance with the provisions of the Coinage Law. As, however, owing to a substantial advance in the price of gold in recent years, the valuation made at such rate could not indicate the actual position of the gold reserve of the Bank of Japan, a decision was taken to increase the value of gold applied to the reserves to the approximate level of the current international value. It was, however, recognized that in the world situation when the currencies of various countries are still instabilized, the time is not yet opportune for changing the value of Japanese currency by amendment of the Coinage Law, and consequently, a step has provisionally been taken to alter the value of gold applied to the reserves, notwithstanding the provisions of the Coinage Law, by making valuation at the rate of ¥1 per 290 milligrams of fine gold. At the same time, both the Bank of Japan's obligation (as provided for in the Convertible Bank Note Regulations) to convert the bank notes into gold coins and the Government obligation (as provided for in the Coinage Law) to comply with the requirements of persons who bring gold bullion for the minting of gold coins have been suspended for the time being. It should further be noted that not only has revaluation been made in the same manner of the gold coins and bullion held by the Bank of Chosen and the Bank of Taiwan as the reserves for exchange against convertible bank notes, but the Government has also been authorized to require these two Banks to transfer such gold in whole or in part to the Bank of Japan for the purpose of securing the centralization of gold holdings into the Bank of Japan. The profits obtained by the Bank of Japan from such revaluation have been

paid to the Government, and with the amount so paid the Government has created a Gold Fund Special Account. Certain portion of this fund is applied to expenses necessary for the increase of gold production, while certain portion is used for the purchase of gold bullion or investment in national bonds. It was in September 1937, that investments in industrial debentures were allowed to be made from this Account. Another law, namely, the Gold Production Law was enacted to secure the centralization of gold holdings and the increase of gold production, whereby the Government is authorized to purchase new gold with the funds of the Gold Fund Special Account, and as a result the Law concerning the Purchase of Gold by the Bank of Japan has been abrogated.

In consequence of the aforesaid revaluation and other factors, the gold reserve of the Bank of Japan expanded to some 800 million yen. In view, however, of the Government policy of increasing the exports from the country by facilitating the importation of certain materials used for the manufacture of export goods, and also of the existing position of exchange funds, the Bank of Japan created on July 23, 1938 the Special Funds for Foreign Exchange with 300 million yen released from its holding of gold bullion, and deposited the fund with the Yokohama Specie Bank. This fund is, as mentioned above, made available for financing imports when necessary, and is replenished with the proceeds of export bills. When it becomes unnecessary to maintain this fund, it will at any time be restored to the gold reserve of the Bank of Japan.

A thorough reform has been introduced into the function of the Bank in 1942 as it is mentioned in the article "Japan's Economic Development in 1941-42, (2) Money and Banking," at the end of this Chapter.

PRINCIPAL ACCOUNTS OF THE BANK OF JAPAN

Monthly Average

(Unit: ¥1,000)

	Notes Issued	Deposits	Loans
1940:			
February	3,051,385	361,443	674,623
March	3,013,774	330,024	686,608
April	3,206,847	244,317	541,474
May	3,189,733	301,130	520,150
June	3,316,537	220,733	576,998
July	3,306,040	241,746	730,723

	Notes Issued	Deposits	Loans
August	3,329,069	260,309	781,348
September	3,303,885	364,451	821,930
October	3,529,331	272,096	768,387
November	3,549,673	430,761	612,254
December	4,088,929	380,931	530,149
1941:			
January	4,164,951	382,760	463,418
February	3,950,561	485,591	488,817
March	3,947,947	507,608	602,507
April	3,802,864	586,767	536,971
May	3,724,569	577,902	531,584
June	3,805,844	595,946	566,378
July	3,979,249	531,096	557,408
August	4,210,249	499,038	540,929
September	4,333,860	543,149	533,136
October	4,439,746	491,150	550,961
November	4,546,099	505,763	610,350
December	5,179,449	602,185	500,125
1942:			
January	5,230,315	626,185	588,878
February	5,014,896	672,218	532,380
March	4,967,114	589,770	523,243
April	5,074,291	554,791	401,536

Outstanding at End of Each Month

(Unit: ¥1,000)

	Notes Issued	Loans	Deposits (Bankers')	Public Bonds
1940:				
February	3,177,447	777,350	119,974	2,426,297
March	3,311,183	734,163	149,054	2,481,567
April	3,460,635	681,423	118,001	2,714,321
May	3,405,725	579,897	133,526	2,692,140
June	3,597,152	945,774	152,060	2,546,871
July	3,493,502	927,649	125,060	2,534,399
August	3,532,627	883,995	108,536	2,619,553
September	3,604,702	912,380	113,871	2,600,266
October	3,735,363	820,192	140,250	2,912,245
November	3,874,403	566,666	146,586	3,228,484
December	4,777,429	818,848	228,613	3,948,533
1941:				
January	4,184,760	529,866	123,434	3,859,770
February	4,123,555	649,444	121,029	3,764,997
March	4,229,021	658,694	131,109	3,878,844
April	4,085,428	533,315	359,358	3,759,059
May	3,962,699	533,744	443,931	3,874,960
June	4,247,048	372,843	341,129	3,846,890
July	4,332,702	562,636	318,927	4,053,511
August	4,566,152	560,882	323,033	4,249,427
September	4,619,322	601,970	332,060	4,133,532
October	4,742,822	732,740	340,227	4,322,968
November	4,902,871	682,990	349,997	4,591,805
December	5,978,816	903,003	445,494	5,339,913
1942:				
January	5,256,191	652,295	409,500	5,059,305
February	5,263,446	675,737	384,407	5,143,645
March	5,305,839	515,780	402,451	5,282,580
April	5,352,548	390,308	470,086	5,662,312

Yokohama Specie Bank
(Yokohama Shokin Ginko)

The Yokohama Specie Bank, established in 1880, is an organ charged with the special task of affording financial facilities for foreign trade through its conduct of the foreign exchange business. Its capital was increased several times and now stands at ¥100,000,000, fully paid up by June 1920.

The Bank may buy or sell public bonds, gold and silver bullion, and foreign coins, if so required by the condition of its business. It may also be entrusted with matters relating to foreign loans and with the management of public money for international account. The Yokohama Specie Bank has its

head office in Yokohama. There are branches, sub-branches, or agencies in the following places: Kobe, Nagasaki, Nagoya, Osaka, Moji, Tokyo, Marunouchi (Tokyo), Otaru; Hankow, Peking, Changchakou, Shanghai, Tientsin, Tsingtao, Chinan, Canton, Chihfou; Hsinking, Dairen, Harbin, Fengtien, Shaohsikwan (Fengtien), Yingkow; Hamburg, London, Berlin, Paris; Los Angeles, New York, San Francisco, Seattle, Honolulu; Rio de Janeiro; Bombay, Calcutta, Karachi; Batavia, Semarang, Sourabaya; Alexandria, Bangkok, Hongkong, Manila, Rangoon, Singapore and Sydney.

THE YOKOHAMA SPECIE BANK

At the end of each year
(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1933	100,000	100,000	124,852	558,089	368,864	27,517	10,000	10.0%
1934	100,000	100,000	127,890	551,385	369,274	30,248	10,000	10.0
1935	100,000	100,000	131,174	621,594	346,157	32,914	10,000	10.0
1936	100,000	100,000	134,554	553,372	381,249	34,656	10,000	10.0
1937	100,000	100,000	137,993	588,207	383,133	34,480	10,000	10.0
1938	100,000	100,000	140,695	1,276,096	394,739	33,356	10,000	10.0
1939	100,000	100,000	142,985	1,859,540	687,142	34,721	10,000	10.0

Assets and Liabilities of The Bank for 1941

Balance Sheet
(In ¥1,000)

Liabilities

	1941 First Half	1941 Second Half
Capital subscribed	100,000	100,000
Reserve funds	143,400	144,650
Redemption fund for loans	3,140	3,126
Bank debentures	207	203
Deposits, etc.	2,749,223	3,157,643
Bills rediscounted, sold; Suspense receipts, Due to other Banks, etc.	464,441	497,339
Dividend unpaid	6	11
Balance from last account	12,783	14,525
Profit for the half year	8,118	6,626
Total	3,481,322	3,924,126

Assets

Cash account	470,040	507,387
Cash on hand	168,337	196,399
Deposits in other banks	301,703	310,988
Bonds and shares	859,607	979,977
Advances and Bills discounted	1,121,385	1,787,323
Bills purchased and Due from other banks	1,009,293	625,884

	1941 First Half	1941 Second Half
Bullion and foreign money	1,767	4,353
Land and buildings	19,228	19,199
Total	3,481,322	3,924,126

Appropriation of Profit

	1941 First Half	1941 Second Half
Profit for the half year	8,118	6,626
Balance brought forward from last account	12,783	14,525
Total	20,901	21,152
Reserved	1,250	1,250
Dividend (10% p.a.)	5,000	5,000
Balance carried forward to next account	14,525	14,776

The Hypothec Bank of Japan
(Nippon Kwangyo Ginko)

With an authorized capital standing at upwards of ¥141,000,000 and advances reaching the neighborhood of ¥1,300,000,000, the Hypothec Bank of Japan is now, in fact as well as in name, the central organ of the nation in making loans on mortgage of immovable property.

The Hypothec Bank is authorized, when at least one-fourth of its nominal capital has been paid up, to issue mortgage debentures to an amount not exceeding fifteen times its paid-up capital, provided the amount of such debentures shall not exceed the total amount of outstanding loans redeemable by annual instalments or at a fixed time and the debentures of the Agricultural and

Industrial Banks, Hokkaido Colonization Bank, Central Chest for Industrial Associations and Chosen Industrial Bank in hand. These mortgage debentures must be redeemed by means of drawings taking place at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments and the debentures of the above-mentioned banks in hand. In case any loans redeemable by annual instalments are repaid before they are due, the Bank may with the amount so repaid purchase and redeem its mortgage debentures. The Temporary Fund Adjustment Law as amended in 1940 has authorized the Hypothec Bank of Japan to issue savings certificates to the amount of 500 million yen.

THE HYPOTHEC BANK OF JAPAN

At the end of each year
(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Mortgage Debentures
1933	108,750	145,888	1,094,070	12,582	8,463	10.0%	852,806
1934	111,755	136,091	1,046,809	12,923	8,614	10.0	797,481
1935	111,775	141,959	969,081	13,076	8,765	10.0	729,394
1936	115,275	148,517	1,020,218	13,369	8,940	10.0	715,390
1937	140,920	257,361	1,312,839	17,395	11,680	10.0	959,447
1938	141,920	279,836	1,221,763	17,580	11,780	10.0	901,098
1939	141,920	303,066	1,224,123	17,673	11,779	10.0	850,810
1940	141,920	326,153	1,261,226	17,659	11,779	10.0	834,464

Agricultural and Industrial Banks
(Noko Ginko)

The Agricultural and Industrial Banks are local financial institutions for furnishing long-term loans at a low rate of interest on security of immovable property and are most useful through their

connection with their central institution, the Hypothec Bank of Japan. But with a view to affording further financial facilities to local districts, the law concerning the amalgamation of the Hypothec Bank and the Agricultural and Industrial Banks was enacted in 1921.

By virtue of this law the former was allowed to take over the business of the latter on condition that it establish its branches in places where head offices and branches of the latter were in existence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. The principal business of these banks is the same as that of the Hypothec Bank of Japan. These banks may become agents for the Hypothec Bank or other Agricultural and Industrial Banks. When acting as agents for loans made by the Hypothec Bank, Agricultural and Industrial Banks may guarantee to the bank the solvency of the debtors. They may take charge of the receipt and disbursement of the funds of prefectures or cities. They are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding fifteen times the paid-up capital. Such debentures, however, must not exceed the

amount remaining after the deduction of the amount of pledges given for money borrowed from the Hypothec Bank from the total amount of outstanding loans redeemable by annual instalments and at a fixed time. The face-value of agricultural and industrial debentures which was originally not less than twenty yen has been reduced to ten yen and upward; and when debentures of not more than twenty yen face value are to be issued, such issue may be effected by sale. For this purpose a term must be fixed for the sale, and the amount sold within that term is taken as the amount of issue. These agricultural and industrial debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments except that part thereof given as security to the Hypothec Bank as mentioned above. There were 5 of these banks in existence throughout the country at the end of 1939.

AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	No. of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debt-tures
1933	19	88,900	162,775	672,893	17,659	7,449	9.2%	406,673
1934	17	84,500	166,996	622,049	18,586	7,306	8.2	449,395
1935	17	84,500	167,834	602,155	19,196	7,162	9.2	429,543
1936	16	77,500	170,051	520,489	19,713	6,760	9.1	356,356
1937	6	22,000	65,593	183,671	5,854	1,631	8.0	135,236
1938	5	20,000	63,894	161,655	4,843	1,435	7.8	115,480
1939	5	20,000	81,690	161,621	4,887	1,435	7.8	109,657

The Industrial Bank of Japan (Nippon Kogyo Ginko)

The primary function of the Industrial Bank of Japan is to underwrite national and prefectural bonds and company debentures and make loans on security of foundations created as prescribed by law.

The Bank is authorized to issue debentures to an amount not exceeding ten times its paid-up capital, provided, however, that the amount of such debentures shall not exceed the total amount of outstanding loans, discounted bills, and national or local bonds, company debentures and shares and gold and silver bullion in hand. Only in the event of funds being required for enterprises

for public benefit undertaken in a foreign country, the Bank may, with the approval of the Minister of Finance, issue debentures irrespective of the above-mentioned restriction.

With a view to facilitating the supply of abundant funds to important industries, the Temporary Fund Adjustment Law enacted following the outbreak of the China Affair has authorized the Industrial Bank of Japan to issue, beyond the maximum mentioned above, industrial debentures not exceeding 1,000 million yen during the period in which the Law is in force. The Government has also been authorized to assume liability for the service of the industrial debentures with a total face-value of 1,000 million yen issued.

THE INDUSTRIAL BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Capital Fund in Trust	Net Profit	Dividend	Rate of Dividend	Debt-tures
1933	50,000	59,236	408,177	354,645	7,800	3,000	6.0%	323,840
1934	50,000	59,736	369,429	860,085	7,810	3,000	6.0	290,393
1935	50,000	99,614	393,353	940,085	6,863	3,000	6.0	279,659
1936	50,000	269,456	506,504	1,200,635	6,878	3,000	6.0	244,477
1937	50,000	279,646	932,243	1,408,835	6,909	3,000	6.0	640,868
1938	50,000	288,934	1,169,559	1,568,335	7,940	3,000	6.0	872,138
1939	200,000	402,672	1,367,412	2,285,535	9,508	4,353	6.0	866,520

The Hokkaido Colonization Bank (Hokkaido Takushoku Ginko)

The Hokkaido Colonization Bank was established with the object of supplying capital for enterprises for colonizing and developing Hokkaido and Karafuto (the southern half of Saghalien), and especially for the purpose of facilitating the supply of capital by making loans on security of agricultural products and company shares and debentures as well as making long-term loans at low interest rate on immovable property. The bank had at first a capital of ¥3,000,000 but on April 23, 1922 it was increased to ¥20,000,000, of which ¥12,500,000 has been paid up. The business scope is

very much similar to that of the Hypothec Bank of Japan and the Agricultural and Industrial Banks. The bank is authorized to issue debentures of not less than ten yen face value to an amount not exceeding 15 times its paid-up capital. Such debentures, however, must not exceed the total outstanding amount of loans which are redeemable by annual instalments or at a fixed date, and when debentures of not more than twenty yen face value are to be issued by the bank, such issue may be effected by sale. These debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount of the said loans to be redeemed in the same year.

THE HOKKAIDO COLONIZATION BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debt-tures
1933	20,000	89,089	217,620	2,411	875	7.0%	122,000
1934	20,000	102,828	212,216	2,443	875	7.0	114,491
1935	20,000	100,486	225,021	2,496	875	7.0	124,862
1936	20,000	102,563	215,924	2,382	875	7.0	121,367
1937	20,000	121,203	235,403	2,258	875	7.0	119,102
1938	20,000	163,572	254,564	2,358	875	7.0	104,765
1939	20,885	259,585	311,996	2,791	885	7.0	98,480

The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September 1889, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War.

It is a joint-stock company with an authorized capital of ¥30,000,000, of which ¥18,750,000 has been paid up.

The Bank is privileged to issue banknotes of the denomination of one yen and upward, and is under obligation to convert them into gold coins or convertible

bank notes issued by the Bank of Japan. It is required to hold as conversion reserve gold and silver coins and bullion and the convertible notes of the Bank of Japan to the same amount as the notes issued. It may, in addition to the notes mentioned above, issue bank notes up to the amount of ¥80,000,000 against Government bonds and other securities or commercial bills of a reliable nature. Notes issued beyond this limit are subject to a tax of not less than three per cent per annum of the amount so issued.

THE BANK OF TAIWAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1933	15,000	101,457	227,944	1,296	395	3.0%
1934	15,000	112,610	214,891	1,443	395	3.0
1935	15,000	120,745	214,006	1,776	395	3.0
1936	15,000	130,017	221,918	2,174	395	3.0
1937	15,000	148,814	244,828	2,644	459	3.5
1938	15,000	186,408	235,247	3,358	656	5.0
1939	15,000	278,169	228,316	3,423	787	6.0
1940	30,000	367,986	333,270	4,223	548	6.0

The Bank of Chosen
(Chosen Ginko)

The Bank of Korea was established in October 1909, its name being changed to the Bank of Chosen in 1911 by virtue of the Bank of Chosen Act issued by the Government following Korea's annexation to Japan in April 1910. The bank is authorized to issue bank notes against gold coins, gold and silver bullion and notes of the Bank of Japan, and further to issue such notes on security of national bonds, and other bonds and commercial bills of a reliable nature, the maximum amount of the latter notes being ¥160,000,000. The bank may be allowed to issue notes beyond the maximum, such excess issue being subject to a tax of at least 3 per cent per annum. In 1917 the bank's notes were given sole right of legal tender in the Kwantung Leased Territory and along the South Manchuria Railway. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Chosen to the Minister of Finance.

After the foundation of Manchoukuo, however, steps were taken by the Manchoukuo Government to stabilize the value of the yuan and to adjust the complicated currency system of that country, and in conformity with this policy, the Bank of Chosen reduced the issue of its notes in Manchoukuo (excluding Kwantung L.T.) from December 23, 1935 onward. Simultaneously with the establishment of the Industrial Bank of Manchou at Hsinking, the branches of the Bank of Chosen in Manchoukuo (excluding Kwantung L.T.) were all turned over to the Industrial Bank of Manchou in December 1936, with the result that the issue of the Bank of Chosen notes in Manchoukuo was entirely discontinued. It may further be noted that with the abolition of extra-territoriality in Manchoukuo and the transfer of the administrative power in the South Manchuria Railway Company Zone to Manchoukuo on December 1, 1937, the provisions respecting the legal tender of the Bank of Chosen notes in the Zone were also abrogated.

THE BANK OF CHOSEN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1933	40,000	215,105	354,508	1,853	940	4.0%
1934	40,000	228,193	420,533	1,847	940	4.0
1935	40,000	292,122	422,814	1,859	940	4.0
1936	40,000	411,142	484,349	1,872	940	4.0
1937	40,000	293,943	453,669	1,868	940	4.0
1938	40,000	539,654	579,586	2,510	1,175	5.0
1939	40,000	881,656	793,424	2,985	1,500	7.0

Trust Business

It was about 1906 that companies bearing the title of Sintaku Kaisha (Trust Company) were first established in Japan, and, since that time the number of these institutions has steadily increased.

The function of a trust company is to hold, use or dispose of property for, and on behalf of persons who have not the ability or time to attend to these matters themselves. It goes without saying, therefore, that the sound development of this particular business agency will contribute greatly to social and economic progress. But some trust companies have been in existence that did not rest upon a sound basis and which transacted business that could not be properly called trust business. The Government, therefore, laid the projected Trust Law and Trust Business Law before the 45th session of the Diet and secured its approval. These two laws were effective on and after January 1, 1923.

According to the Trust Business Law:

(1) Trust business can be carried on only by a joint-stock company whose capital is one million yen or more and which has obtained licence from the Minister of Finance.

(2) The properties that a trust company can accept in trust are limited to money, negotiable paper, monetary claims, movables, land and things thereon, and superficies and leases of lands.

(3) The method of administering the trust property is specified in the Imperial Ordinance issued according to the provisions of the Trust Law.

(4) Businesses which trust companies can carry on as incidental to their main business are limited to the following:

1. Reception of deposits for safe custody.

2. Giving guarantees for debts.

3. Acting as an intermediary in the sale of immovable properties.

4. Acting as an intermediary in the loans of either money or immovable properties.

5. Flotation of bonds, debentures or stocks, and receipt of payment from the subscribers.

6. Payment of principal and interest or dividends of bonds, debentures or stocks.

7. Execution of a will concerning property.

8. Auditing.

9. Acting as agents for the following matters:

a. Acquisition or disposition of properties.

b. Adjustment and liquidation of properties.

c. Collection of claims.

d. Performance of obligations.

Of the above the guaranteeing of debts is subject to necessary limitations to be specified by ordinance.

(5) Trust companies are forbidden to engage in any business other than those mentioned above, excepting business connected with mortgage debentures.

(6) Trust companies must, in conformity with the provisions of ordinance, deposit national loan bonds of not less than one-tenth of their capital as security, and beneficiaries are entitled to preferential rights as regards the national loan bonds thus deposited by trust companies. The rate of legal reserve fund has also been increased, while certain limit is to be observed by the companies in using their own fund for the purpose of investment. These, together with other provisions for control, are intended to protect the interests of beneficiaries, at the same time preventing the companies from possible mismanagement.

(7) As stated in (5) the companies carrying on general trust business can also engage in similar business connected with mortgage debentures. Consequently a revision was effected in this respect in the Mortgage Debentures Trust Law. Ordinary banks were formerly disqualified to combine general trust business but this privilege was allowed to the Bank of Taiwan, Industrial Bank of Japan and Hokkaido Colonization Bank. It being deemed necessary to confine the operation of these special banks in the particular line to business connected with mortgage debentures only, necessary revisions have been made in the laws relating to these banks.

Trust companies established under the provisions of the above-mentioned laws numbered 28 and had an aggregate nominal capital of ¥256,000,000 at the end of December 1939. These institutions have now great influence in financial circles.

TRUST COMPANIES

At the End of Nov.	No. of Head Offices	No. of Branch Offices	Authorized Capital	Paid-up Capital	Reserve Funds (In yen)	Net Profit	Dividend
1933	36	16	287,000,000	82,076,075	29,536,346	18,019,865	3,689,200
1934	33	16	282,000,000	78,336,575	34,180,490	20,984,787	3,674,498
1935	32	17	272,000,000	76,308,575	39,421,837	22,135,929	3,638,498
1936	31	17	259,000,000	74,670,478	43,469,351	23,393,825	3,584,747
1937	29	18	259,000,000	73,932,475	48,676,307	24,961,897	3,865,998
1938	28	18	256,000,000	73,421,975	54,102,769	26,199,578	4,043,498
1939	28	18	256,000,000	73,459,000	59,569,000	—	—
1940	28	18	256,000,000	73,486,000	66,528,000	—	—

Assets

Trust Account

(In ¥1,000)

At the End of Each Year	Securities	Advance	Deposits	Movable and Real Estate	Miscellaneous Assets	Cash in Hand	Total (including branches' accounts)
1933	568,901	923,807	47,529	40,565	30,758	4,188	1,765,289
1934	799,418	896,288	54,960	40,648	31,443	3,813	2,058,923
1935	940,644	949,137	50,129	42,669	42,858	3,719	2,310,253
1936	1,133,158	983,811	41,606	43,884	36,459	3,669	2,551,779
1937	1,158,156	1,088,999	43,869	44,199	57,835	3,504	2,705,002
1938	1,306,295	1,230,963	47,417	50,987	73,674	3,526	3,063,538
1939	1,529,468	1,478,692	42,550	59,515	90,168	703	3,210,093
1940	1,636,999	1,693,275	59,205	65,669	—	80,605	3,536,053
1941	1,821,683	1,775,059	84,483	67,326	111,328	1,671	3,861,550
1942 (June)	1,987,898	1,796,594	89,572	68,175	104,204	1,645	4,048,086

Liabilities

Trust Account

	Money in Trust	Trust Fund other than Money in Trust	Securities in Trust	Claims in Trust	Real Estates in Trust	Super-ficies in Trust	Branches Accounts	Total
1933	1,378,375	11,641	183,867	9,314	32,536	15	149,541	1,765,289
1934	1,570,191	8,962	205,824	9,013	32,566	14	232,353	2,058,923
1935	1,729,993	10,169	250,205	6,052	32,723	14	281,097	2,310,253
1936	1,854,153	8,002	340,954	4,490	34,972	16	309,192	2,551,779
1937	1,886,416	8,731	457,661	8,026	35,713	16	308,439	2,705,002
1938	2,037,582	9,181	609,965	13,136	42,982	16	350,676	3,063,538
1939	2,322,761	12,776	797,357	17,425	50,758	13	—	3,201,093
1940	2,601,931	11,791	824,719	21,308	57,227	13	—	3,536,053
1941	3,047,036	9,663	714,815	28,314	61,706	13	—	3,861,550
1942 (June)	3,280,328	10,636	662,795	31,632	62,681	13	—	4,048,086

Mutual Loan Companies (Mujin Kaisha)

In addition to the banking institutions there are mutual loan companies (Mujin Kaisha), which are credit establishments peculiar to Japan and are based on mutual credit among the middle and

lower classes of people. Mutual credit societies have existed in Japan since olden times. The Mutual Loan Society Law was promulgated in June 1915, whereby the mutual loan societies acquired a legal standing. But in order to enable these societies to perform the function of financial institutions for

lower classes and to extend their business operations, fundamental amendments were made in the law in 1931, and 1938. According to the provisions of the Mutual Loan Company Law, put into effect on and after April 1, 1938, the business of the companies is to make the subscribers pay money in instalments during a fixed period and then to distribute it, in lots, among the subscribers, by drawings, biddings or some similar means, the number of such lots and the sum of money to be thus distributed be-

ing previously fixed. Each company must be a joint stock company with a nominal capital of more than ¥100,000. No company is allowed to carry on this kind of business without permission of the Minister of Finance. Those so engaged are prohibited from carrying on any other business at the same time and are under obligation to present business reports to the Government. Restrictions also are put on the use of business funds. The number of these companies was 162 at the end of June 1942.

MUTUAL LOAN COMPANIES

Assets

(In ¥1,000)

Year	No. of Companies	Money yet to be paid in instalments	Convertible Notes	Loans	Deposits	Total, including others
1933	276	67,616	4,447	44,271	26,340	166,723
1934	273	63,002	7,643	51,473	32,084	179,865
1935	262	56,041	9,025	61,723	33,293	187,880
1936	253	51,848	13,152	73,365	38,594	204,422
1937	246	50,727	18,358	96,568	45,252	238,995
1938	245	49,508	25,988	125,987	53,386	287,481
1939	237	—	42,886	183,233	69,917	691,851

Note: Unpaid capital and loss are discounted.

Liabilities

(In ¥1,000)

Year	Paid-up Capital	Reserves	Net profit	Total, including others
1933	18,581	9,554	447	166,723
1934	19,330	9,927	(—) 134	179,865
1935	19,067	10,708	710	187,881
1936	18,933	10,923	1,512	204,422
1937	18,886	12,071	1,666	238,995
1938	19,122	13,386	2,080	287,481
1939	19,125	14,948	2,605	691,851

Cooperative Credit Associations

Credit Associations acquired a legal standing under a new system as defined by the so-called Cooperative (or Industrial) Association Law, promulgated in March 1900. The business of these associations is to lend money to their members in order to better their economic conditions and to employ their savings. By virtue of the revision of the law in July 1917, the business of the Credit Associations has been expanded and they may use the savings of the families of their members, public corporations or

legal persons who do not aim at profit. Especially, the Credit Associations in cities or city areas designated by the competent Minister of State may, besides the business above described, discount bills for their members and handle savings of persons who are not their members but reside inside the same boundary. Therefore, they may be called the People's Banks in city areas, and are placed under the control of the Minister of Finance and the Minister of Agriculture and Forestry. The actual number of these associations was 282 with 495,328 members at the end of April 1942.

Year	Money Paid	Loans (In yen)	Savings	Total B/S
1933	58,493,820	158,026,038	177,376,486	292,271,078
1934	58,516,000	160,450,000	189,780,000	309,983,000
1935	59,028,000	164,584,000	218,676,000	320,973,000
1936	58,394,000	175,197,000	241,664,000	350,034,000
1937	59,930,000	190,610,000	277,453,000	390,805,000
1938	64,721,000	208,483,000	363,531,000	482,241,000
1939	68,632,000	249,274,000	477,937,000	596,580,000
1940	68,663,000	281,492,000	661,464,000	—
1941	67,640,000	317,354,000	869,672,000	—
1942 (April)	69,396,000	332,096,000	952,826,000	—

Central Chest for Cooperative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations of Cooperative (or Industrial) Associations and of individual Cooperative Associations and for bringing them into close touch with the central money market, the Central Chest for Cooperative Associations was established by law on April 5, 1923. Its capital at present amounts to ¥35,700,000, of which ¥17,500,000 is invested by the Government and the remainder, ¥18,200,000 by the Cooperative Associations throughout the country. Of this nominal capital, 32.9 million has been paid up. Formerly, those interested in the Chest were confined to the Government, federations of industrial association, and industrial associations, but federations of fishery associations and mutual fishery associations were further authorized to make investments by the Law as amended on March 18, 1938. The number of associations that were interested in the Central Chest amounted on June 30, 1940 to 13,502, representing more than 87% of the total number of associations throughout the country. The principal business of the Central Chest for Cooperative Associations is as follows:

(1) To make without security loans

redeemable at a fixed time within a period of not more than five years to Federations of Cooperative Associations, or Cooperative Associations, Federations of fishery associations, or mutual fishery associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to those federations or associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to those federations or associations;

(4) To undertake exchange business for those federations or associations;

(5) To receive money as deposits from those federations or associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for those federations or associations; and

(7) To buy and sell on a consignment basis securities for those federations or associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and the Minister of Finance. The assets and liabilities of these associations follow:

ASSETS (In ¥1,000)

March of	Unpaid Investment	Loans	Deposits in Banks	Securities	Total, including Others
1933	381	127,332	40,145	18,493	192,073
1934	14	150,970	30,532	57,216	245,786
1935	—	141,314	28,247	73,897	248,584
1936	—	147,419	23,499	79,177	256,572
1937	—	155,565	18,327	61,673	242,471
1938	—	162,884	26,312	76,027	272,208
1939	4,000	159,504	32,601	123,410	328,149
1940	3,287	160,633	34,846	239,060	444,286
1941	2,565	208,947	30,255	404,153	—

LIABILITIES

(In ¥1,000)

March of	Investment by Government	Investment by Others	Co-operative Debentures	Fixed Deposits	Total, including Others
1933	15,000	15,700	59,503	59,624	192,073
1934	15,000	15,700	64,411	84,454	245,785
1935	15,000	15,700	84,291	86,149	248,584
1936	15,000	15,700	86,575	99,383	256,572
1937	15,000	15,700	82,939	80,776	242,471
1938	15,000	15,700	82,312	103,613	272,208
1939	17,500	18,200	72,309	150,934	328,149
1940	17,500	18,200	66,800	218,895	444,286
1941	17,500	18,200	57,916	536,121	—

Central Chest for Commercial and Manufacturing Associations

(Shōkō Kumiai Chūō Kinko)

For the purpose of regulating and facilitating the movement of funds of commercial associations, manufacturing associations, and foreign trade associations, the Central Chest for Commercial and Manufacturing Associations was created by Law No. 14 of May 27, 1936. Amendments were, however, made in this Law on April 1, 1940 and were put into operation as from May 3 of the same year. Its capital amounts to 10 million yen, of which 5 million yen has been invested by the Government. Those that may be interested in this institution are the Government, commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, and federations foreign trade associations, and the subscription to the capital by those other than the Government is in principle limited to 1,000 shares per federation or association.

The principal business of the Central Chest for Commercial and Manufacturing Associations is as follows:

(1) To make, without security, loans redeemable at a fixed time or by monthly instalments within a period not exceeding 5 years to the federations or associations interested in the Chest.

(2) To make, without security, loans redeemable by annual or semi-annual instalments within a period not exceeding 20 years to the federations or associations; provided, however, that in cases where the loans are to be redeemable within a period exceeding 5 years, such loans must not exceed half of the total amount of the paid-up capital and

commercial and manufacturing debentures issued.

(3) To discount bills for or allow overdrafts to the associations or federations.

(4) To undertake business relating to documentary bills for the associations or federations.

(5) To undertake inland exchange business for the associations or federations.

(6) To receive money as deposits from commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, federations of foreign trade associations, public corporations, and other corporations on a non-commercial basis.

(7) To accept securities for custody and to buy and sell securities on a consignment basis for the associations or federations.

When deemed necessary, the Central Chest may require security in the case of the business mentioned under (1) to (4) above. It is further to be noted that the Central Chest may employ its surplus fund in the following manner only:

(a) To purchase national bonds, local government bonds, or securities designated by the competent Ministers.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks designated by the competent Ministers, or the Post Office Savings Bank.

(c) To make short-term loans to commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, or

Year	Money Paid	Loans (In yen)	Savings	Total B/S
1933	56,493,820	158,026,038	177,376,486	292,271,078
1934	58,516,000	160,450,000	189,760,000	309,983,000
1935	59,028,000	164,584,000	215,676,000	326,973,000
1936	58,394,000	175,197,000	241,664,000	350,034,000
1937	59,930,000	190,610,000	277,453,000	390,805,000
1938	64,721,000	208,483,000	363,531,000	482,241,000
1939	68,632,000	240,274,000	477,937,000	596,580,000
1940	68,663,000	281,492,000	661,464,000	—
1941	67,640,000	317,354,000	869,672,000	—
1942 (April)	69,396,000	332,096,000	952,826,000	—

Central Chest for Cooperative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations of Cooperative (or Industrial) Associations and of Individual Cooperative Associations and for bringing them into close touch with the central money market, the Central Chest for Cooperative Associations was established by law on April 5, 1923. Its capital at present amounts to ¥35,700,000, of which ¥17,500,000 is invested by the Government and the remainder, ¥18,200,000 by the Cooperative Associations throughout the country. Of this nominal capital, 32.9 million has been paid up. Formerly, those interested in the Chest were confined to the Government, federations of industrial association, and industrial associations, but federations of fishery associations and mutual fishery associations were further authorized to make investments by the Law as amended on March 18, 1938. The number of associations that were interested in the Central Chest amounted on June 30, 1940 to 13,502, representing more than 87% of the total number of associations throughout the country. The principal business of the Central Chest for Cooperative Associations is as follows:

(1) To make without security loans

redeemable at a fixed time within a period of not more than five years to Federations of Cooperative Associations or Cooperative Associations, Federations of fishery associations, or mutual fishery associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to those federations or associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to those federations or associations;

(4) To undertake exchange business for those federations or associations;

(5) To receive money as deposits from those federations or associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for those federations or associations; and

(7) To buy and sell on a consignment basis securities for those federations or associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and the Minister of Finance. The assets and liabilities of these associations follow:

ASSETS (In ¥1,000)

March of	Unpaid Investment	Deposits in			Total, including Others
		Loans	Banks	Securities	
1933	381	127,332	40,145	18,493	192,073
1934	14	150,970	30,532	57,216	245,786
1935	—	141,314	28,247	73,897	248,584
1936	—	147,419	23,499	79,177	256,572
1937	—	155,565	18,327	61,673	242,471
1938	—	162,884	26,312	76,027	272,208
1939	4,000	159,504	32,601	123,410	328,149
1940	3,287	160,633	34,846	239,060	444,286
1941	2,565	208,947	30,255	404,153	—

LIABILITIES

(In ¥1,000)

March of	Investment by Government	Investment by Others	Co-operative Debentures	Fixed Deposits	Total, including Others
1933	15,000	15,700	59,503	59,624	192,073
1934	15,000	15,700	64,411	84,454	245,785
1935	15,000	15,700	84,291	86,149	248,584
1936	15,000	15,700	86,575	99,383	256,572
1937	15,000	15,700	82,939	80,778	242,471
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1940	17,500	18,200	66,800	218,895	444,286
1941	17,500	18,200	57,916	536,121	—

Central Chest for Commercial and Manufacturing Associations

(Shōkō Kumiai Chūō Kinko)

For the purpose of regulating and facilitating the movement of funds of commercial associations, manufacturing associations, and foreign trade associations, the Central Chest for Commercial and Manufacturing Associations was created by Law No. 14 of May 27, 1936. Amendments were, however, made in this Law on April 1, 1940 and were put into operation as from May 3 of the same year. Its capital amounts to 10 million yen, of which 5 million yen has been invested by the Government. Those that may be interested in this institution are the Government, commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, and federations of foreign trade associations, and the subscription to the capital by those other than the Government is in principle limited to 1,000 shares per federation or association.

The principal business of the Central Chest for Commercial and Manufacturing Associations is as follows:

(1) To make, without security, loans redeemable at a fixed time or by monthly instalments within a period not exceeding 5 years to the federations or associations interested in the Chest.

(2) To make, without security, loans redeemable by annual or semi-annual instalments within a period not exceeding 20 years to the federations or associations; provided, however, that in cases where the loans are to be redeemable within a period exceeding 5 years, such loans must not exceed half of the total amount of the paid-up capital and

commercial and manufacturing debentures issued.

(3) To discount bills for or allow overdrafts to the associations or federations.

(4) To undertake business relating to documentary bills for the associations or federations.

(5) To undertake inland exchange business for the associations or federations.

(6) To receive money as deposits from commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, federations of foreign trade associations, public corporations, and other corporations on a non-commercial basis.

(7) To accept securities for custody and to buy and sell securities on a consignment basis for the associations or federations.

When deemed necessary, the Central Chest may require security in the case of the business mentioned under (1) to (4) above. It is further to be noted that the Central Chest may employ its surplus fund in the following manner only:

(a) To purchase national bonds, local government bonds, or securities designated by the competent Ministers.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks designated by the competent Ministers, or the Post Office Savings Bank.

(c) To make short-term loans to commercial associations, federations of commercial associations, manufacturing associations, federations of manufacturing associations, small manufacturing associations, foreign trade associations, or

federations of foreign trade associations.

This institution is authorized to issue debentures to an amount not exceeding 10 times the paid-up capital. Such debentures, however, must not exceed the total amount of outstanding loans, discounted bills and holdings of securities. The institution is under the control of both the Minister of Finance and the Minister of Commerce and Industry. The president, directors (more than 3), and auditors (more than 2) are appointed by the competent Ministers. There are 20 counsellors, and more than one half of the number consist of members of commercial associations, manufacturing associations, and foreign trade associations.

People's Chest (Shomin Kinko)

The People's Chest, which makes it its object to grant low-interest credits to medium and smaller merchants and manufacturers, salaried men and laborers who had formerly not benefited from the established financial institutions, and thereby to stabilize the living conditions of those classes of the people, was created by the People's Chest Law promulgated on March 31, 1938. It should specially be noted that this People's Chest is a financial institution on a non-commercial basis. Its capital amounts to 10 million yen, consisting of Government bonds all contributed by the Government.

The principal business of the People's Chest is as follows:

- (1) To make small loans redeemable at a fixed time or by instalments.
- (2) To make accommodations to financial institutions as funds for small loans.
- (3) To make compensation payments for loss sustained in making small loans by financial institutions.
- (4) To receive money as deposits from those conducting the above transactions with the People's Chest.
- (5) To undertake business incidental to those mentioned above.

The People's Chest may employ its surplus fund in the following manner only:

(a) To acquire national bonds, local government bonds, or securities designated by the competent Minister.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks, or the Post Office Savings

Bank.

The People's Chest is authorized to issue debentures to the amount not exceeding 10 times its paid-up capital. The Government guarantees the payment of the principal and interest of such debentures to the amount not exceeding 100 million yen of face-value, and makes grants for the business expenses of the Chest over a period of 10 years. The People's Chest is under the control of the Minister of Finance.

Pension Chest (Onkyu Kinko)

The transfer of the right to receive pension to other persons or giving that right as security is not only contrary to the principle of the pension system, but is prohibited by law. There were, however, a great number of pensioners who, driven by the necessity of finding a means of livelihood, were often offering the right as security in different ways. As it was impossible for them to be financed from the established financial institutions, they were constantly suffering from the burdens of extremely high-interest loans. In order to eradicate the evils arising from such circumstances, and to grant promptly low-interest credits, the Pension Chest Law was promulgated on March 31, 1938, whereby the Pension Chest was created. Its capital amounts to 30 million yen, of which 5 million yen has been contributed by the Government and the remainder by the Ministry of the Imperial Household, special organizations, and the general public.

The principal business of the Pension Chest is as follows:

- (1) To make loans on the security of pension under the Pension Law.
- (2) To make loans on the security of annuities granted for distinguished services.
- (3) To make loans on the security of pensions granted by other laws and ordinances than the Pension Law.
- (4) To receive pensions and annuities for the person in question, and to receive as deposits such pensions and annuities.
- (5) To undertake business incidental to those mentioned above.

The surplus fund of the Pension Chest is employed in the following manner only:

(a) To acquire national bonds, local government bonds, or other securities

designated by the competent Ministers.

(b) To deposit money with the Deposit Funds of the Ministry of Finance, banks, or the Post Office Savings Bank.

The Pension Chest is authorized to issue debentures to the amount not exceeding 15 times the paid-up capital, but such debentures must not exceed the total amount of outstanding loans and holdings of securities. The Chest is under the control of the Prime Minister and the Minister of Finance.

The Big Seven

Among the non-governmental banks in the country there are seven which stand out from all the others in importance, these being the Mitsui, Mitsubishi, Dai-ichi, Sumitomo, Yasuda, Daihyaku (the One Hundredth Bank) and Sanwa, the last named having been created by the amalgamation of three banks, i.e. Kōnoike, Yamaguchi and the 34th in December 1933:

BUSINESS CONDITIONS OF THE BIG SEVEN

(In ¥1,000)

1. Dai-ichi Bank			4. Mitsui Bank		
Kinds	1941 First half	1941 Second half	Kinds	1941 First half	1941 Second half
Paid-up capital	57,500	57,500	Paid-up capital	100,000	100,000
Deposits	2,342,051	2,504,287	Deposits	1,773,264	1,789,061
Foreign bills	1,671	3,221	Foreign bills	26,543	35,101
Total liabilities	2,504,119	2,744,355	Total liabilities	2,030,677	2,056,115
Fixed assets	23,329	23,638	Fixed assets	15,497	13,135
Loans	1,256,709	1,384,542	Loans	1,016,202	1,099,561
Total assets	2,564,119	2,744,355	Total assets	2,030,677	2,056,115
Total profits	19,771	19,932	Total profits	20,011	20,492
Rate of dividend	8.0	8.0	Rate of dividend	8.0	8.0
2. Mitsubishi Bank			5. Sumitomo Bank		
Kinds	1941 First half	1941 Second half	Kinds	1941 First half	1941 Second half
Paid-up capital	100,000	100,000	Paid-up capital	70,000	70,000
Deposits	1,878,472	2,067,629	Deposits	2,724,978	3,007,459
Foreign bills	2,851	2,775	Foreign bills	5,027	2,178
Total liabilities	2,105,613	2,302,276	Total liabilities	2,926,943	3,219,185
Fixed assets	21,318	21,395	Fixed assets	15,696	15,426
Loans	922,601	1,042,974	Loans	1,035,855	1,784,268
Total assets	2,105,613	2,302,276	Total assets	2,926,943	3,219,185
Total profits	16,770	17,531	Total profits	16,504	17,746
Rate of dividend	8.0	8.0	Rate of dividend	8.0	8.0
3. Yasuda Bank			6. Sanwa Bank		
Kinds	1941 First half	1941 Second half	Kinds	1941 First half	1941 Second half
Paid-up capital	150,000	150,000	Paid-up capital	107,200	107,200
Deposits	2,628,269	2,880,648	Deposits	2,792,399	3,204,712
Foreign bills	261	39,242	Foreign bills	2,504	2,692
Total liabilities	2,937,173	3,204,263	Total liabilities	3,034,254	3,464,323
Fixed assets	13,485	13,484	Fixed assets	27,000	26,860
Loans	1,383,394	1,518,025	Loans	1,229,323	1,424,881
Total assets	2,937,173	3,204,263	Total assets	3,034,254	3,464,323
Total profits	12,801	13,253	Total profits	8,452	9,152
Rate of dividend	8.0	8.0	Rate of dividend	8.0	8.0

7. Dai-Hyaku Bank

(The One Hundredth Bank)

Kinds	1941	1941
	First half	Second half
Paid-up capital	38,988	38,988
Deposits	1,518,351	1,698,675
Foreign bills	3,803	2,147
Total liabilities	1,633,986	1,817,773
Fixed assets	18,492	18,315
Loans	708,467	804,196
Total assets	1,633,986	1,817,773
Total profits	4,300	5,000
Rate of dividend	8.0	8.0

Clearing Houses

The establishment of the first clearing

house in Japan took place in Osaka in 1879, preceding by eight years that in Tokyo, where one was established in 1887. Cash transactions marked the commercial society of this country early in the Meiji era and no transactions in bills or cheques were then conducted. Viscount Shibusawa and other business leaders encouraged paper transactions among businessmen at large and the time soon came when it was necessary for Tokyo to establish a clearing house, one being eventually brought into existence by the Bankers' Association in 1887. At the end of 1940, there were 53 clearing houses in Japan. The amount of clearings in Tokyo and Osaka and Japan proper were as follows:

BILLS CLEARED AT THE CLEARING-HOUSES IN JAPAN PROPER

(000's omitted)

Year	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1933	13,577	31,549,888	10,412	22,175,225	37,290	66,571,808
1934	14,253	25,338,571	9,547	24,458,933	37,739	64,370,020
1935	15,153	25,512,010	10,472	22,688,248	40,725	63,858,341
1936	15,887	27,400,087	11,090	24,979,292	42,961	69,662,561
1937	17,308	34,125,353	11,983	30,153,543	45,846	85,270,132
1938	18,328	37,387,153	12,058	28,535,903	47,105	86,091,458
1939	20,437	46,867,000	13,097	33,819,000	57,417	117,708,990
1940	20,688	57,029,598	12,671	43,284,338	51,516	132,077,148
1941	—	63,375,732	—	42,680,448	55,302	153,136,535

Postal Savings Deposits

The postal savings deposits system of Japan was adopted from the Post Office Savings Act of Great Britain. It was established by an Imperial Ordinance of August 1874, and was enforced in May of the following year at 22 post offices in the country. The history of this service in Japan is one of the oldest in the world, older than that of Germany or France and 36 years older than that of America. At first the annual interest rate was 3 per cent, the highest rate was 7.2 per cent during 1881-1884, but it is 2.76 per cent since April 1937. The maximum amount one could deposit was at first ¥500. In the first year of enforcement the amount totalled ¥51,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and the Minister of Agriculture and Commerce. The service was looked after by 4,000 post offices in the country. In 1890 the Postal Savings Deposit Act was

issued. In 1920 the Exchange Deposit Bureau was established and was later replaced by the Deposits Bureau in the Ministry of Finance.

The number of accounts and amount of savings since 1933 are as follows:

March 31,	Number	Amount in yen
1933	39,838,438	2,772,004,751
1934	41,625,306	2,910,345,286
1935	43,908,510	3,062,750,943
1936	46,508,533	3,232,947,127
1937	49,564,766	3,485,835,081
1938	54,628,871	3,903,261,783
1939	74,654,584	4,760,150,164
1940	85,880,088	6,177,646,619
1941	96,244,782	7,927,909,852
1942	110,476,421	12,571,659,957

Note: Figures include Postal Transfer, which, for instance, amounted to ¥288,548,046 on March 31, 1942.

Currency System

Coinage The present coinage system is based on the Coinage Law issued in 1897, which established the gold mono-

metallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.75 grams) of pure gold, that is, one-half of the former gold unit, and is to be denominated one yen.

(2) The standard gold coins are of three denominations, namely, five yen, ten yen and twenty yen; the former gold coins pass for double their nominal value.

(3) The subsidiary silver coins are of two denominations, namely, twenty sen and fifty sen; the former five-sen, ten-sen, twenty-sen and fifty-sen silver pieces are allowed to circulate.

(4) The other subsidiary coins are the nickel five-sen and ten-sen pieces and the bronze one-sen and five-rin pieces; the former five-sen nickel as well as two-sen, one-sen, five-rin and one-rin copper pieces are allowed to circulate.

(5) The fineness and weights of the coins prescribed in the Coinage Law are as follows:

(a) Fineness

Gold coins:

pure gold 900 copper 100

Silver coins:

pure silver 720 copper 280

Nickel coins:

pure nickel

Bronze coins:

copper 950 tin 40 zinc 10

(b) Weights

Gold coins:

Denominations	Weights Grams
20-yen pieces	16.6666
10-yen pieces	8.3333
5-yen pieces	4.1666

Subsidiary coins:

50-sen silver	4.95
20-sen silver	1.98
10-sen nickel	4.00
5-sen nickel	2.80
1-sen bronze	3.75
5-rin bronze	2.10

Paper Notes of Small Denominations In order to make good the deficiency of subsidiary silver coins caused by the World War, paper notes of small denominations, namely, fifty-sen, twenty-sen and ten-sen, were issued as a substitute in accordance with the Imperial Ordinance No. 202 promulgated on October 29, 1917. The issue of these petty notes went on increasing in volume till at the end of February 1922, it reached 218 million yen, the largest on record. After that time the volume gradually dwindle

died in consequence of the minting of new subsidiary coins to displace the notes, the latter coming down, by the end of 1939, to ¥10,853,327 consisting of ¥5,264,129 of 50-sen notes, ¥1,087,954 of 20-sen notes, and ¥4,501,244 of 10-sen notes. At the end of 1930, there were also 50-sen notes of ¥237,912,778 issued under the Emergency Currency Law of 1938.

Emergency Currency Not only to effect economy, for the time being, in the use for monetary purposes of some metals as provided for in the Coinage Law, but to meet the increasing requirements for subsidiary coinage, emergency currency was issued in accordance with the provisions of the Emergency Currency Law promulgated in June 1938. It consists of subsidiary coins of 10-sen, 5-sen and 1-sen, and of paper notes of small denomination of 50-sen.

The fineness and weight of these subsidiary coins are specified by Imperial Ordinance No. 388 of 1938 as follows:

A. Fineness.

10-sen piece aluminium 50 copper 950

5-sen piece aluminium 50 copper 950

1-sen piece copper 900 zinc 100

1-sen piece aluminium

B. Weight.

10-sen piece Grams 4

5-sen piece 2.8

1-sen piece 3.75

1-sen piece 0.0

Note:—The copper 1-sen piece was displaced by the aluminium 1-sen piece under Imperial Ordinance No. 724 of November 1938.

Convertible Bank Notes In May 1884, there was promulgated the Convertible Bank-notes Law providing for the issue by the Bank of Japan of bank-notes which were to be converted into silver, but on the adoption of the gold standard in 1897 these notes became convertible into gold. Certain amendments were made in the law in 1932 and 1938. The principal points may be summarized as follows:

The Bank of Japan is required to hold as a conversion reserve against the issue of notes, gold and silver coins and bullion to the same amount as that of the notes issued; and the total value of silver coins and bullion must not exceed one-fourth of the entire conversion reserve. The Bank of Japan may, in addition to the notes specified in the preceding para-

graph. Issue bank notes to the amount of ¥2,200,000,000 against Government bonds, Treasury bills and other reliable securities or commercial bills. The Bank may also be allowed to issue notes against such securities beyond the maximum mentioned above. In case the issue in excess of this limit lasts more than 15 days the approval of the Minister of Finance is required, and such issues outstanding after a period of 15 days are subject to a tax of at least 3 per cent per annum of the amount so issued. The bank-notes are of 7 denominations, namely, one yen, 5 yen, 10 yen, 20 yen, 50 yen, 100 yen and 200 yen.

Currency System of Chosen and Taiwan The currency system of Chosen had fallen into such a state of disorder and confusion that the credit of legal tenders was entirely gone, and consequently commodity prices perpetually fluctuated. In 1905, at the time of the protectorate régime of Japan, the radical reform of the system was started, the Coinage Regulation was revised and new coins equal in quality and weight to those of Japan were minted. At the same time, the use of the old nickel coins was prohibited on and after December 31, 1909. After the annexation, with the object of unifying the coinage in Chosen with that of the Empire, the minting of coins under the Coinage Regulation was suspended and the circulation of Japanese coins was encouraged. As the old Korean coins in circulation diminished steadily, the Imperial Coinage Law was put in force in April 1918 in Chosen and the use of the old Korean coins as legal tender was permitted till the end of 1920 only, the Government undertaking to exchange during the five subsequent years. The use of "Yō-sen" (bronze pieces), however, was left free for the time being in consideration of the economic conditions of Chosen.

Bank-notes issued by the Bank of Chosen are convertible notes. Besides issuing, under the Charter of the Bank of Chosen, on the security of gold specie, gold and silver bullions and the Bank of Japan's convertible notes, the Bank is authorized to issue notes up to the limit of ¥160,000,000 on the security of the exchequer bills and other reliable bills or trade bills. Being the principal medium of exchange in Chosen the volume of issue has steadily expanded with the development of economic conditions in the Peninsula.

The Emergency Currency Law was put into operation in Chosen as from June 1, 1938.

By Law No. 38 promulgated in April 1897, the Bank of Taiwan was empowered to issue notes convertible into silver, but the frequent fluctuations in the value of silver yen have since not only impeded the smooth circulation of silver notes, but tended to foster a speculative spirit among the public. The repercussions of such developments had been so seriously felt in many directions that attention was directed in 1903 to the reform of the currency system, and an emergency measure, designed to relieve the situation, was taken by promulgating in June 1904 and enforcing in July of the same year, an Ordinance authorizing the Bank of Taiwan to issue notes convertible into gold against gold and silver coins and bullion. This Ordinance, however, was abrogated concurrently with the Law relating to the Bank of Taiwan being amended in 1906 so as to vest the Bank with lawful authority to issue notes convertible into gold. The issue of gold-notes markedly facilitated business operations as they were favorably received and their circulation was highly satisfactory. The Government thereafter encouraged a greater diffusion of gold-notes on the one hand, and adjusted silver coins and notes on the other. Thus, the silver-notes had been withdrawn from circulation by April 1909. It should specially be noted that the Coinage Law of the Empire was put into operation in April 1911 in Taiwan, with the result that the currency system of the island became uniform with that of Japan proper.

The abnormal economic condition resulting from the World War suggested the necessity of placing the specie under protection, and restriction was imposed in 1917 on the export of gold and silver coins and bullion by Ordinances No. 41 and 44. It was prohibited, at the same time, to collect, melt down, or demolish gold or silver coins for sale or use as bullion. As, however, economic conditions returned to normal, the Government issued in 1929 Ordinance No. 66, abrogating the Ordinances mentioned above and permitting the export of gold as from January 11, 1930. Gold shipments abroad have since continued on so large a scale that the Government, with a view to protecting the specie reserve, promulgated in 1931 Ordinances No. 67 and No. 71, prohibiting the ex-

port of gold coins, gold bullion, gold manufactures and alloys of gold as from December 13, 1931. On December 17 of the same year, an Imperial Emergency Ordinance suspending the conversion of bank notes into gold was pro-

mulgated, whereby the conversion of the notes of the Bank of Taiwan into gold coin was prohibited. The Emergency Currency Law was put into effect in Taiwan as from June 1, 1938, by Imperial Ordinance No. 387 of 1938.

CIRCULATION OF PAPER NOTES AND BANK NOTES

(In ¥1,000)

End of	Petty Government Notes	Bank of Japan Notes	Bank of Chosen Notes	Bank of Taiwan Notes	Total
1934	11,160	1,538,188	192,457	62,653	1,804,460
1935	11,040	1,607,870	220,777	70,190	1,909,878
1936	10,900	1,756,483	210,654	79,138	2,057,246
1937	10,965	2,080,555	279,502	112,033	2,483,055
1938	88,838	2,474,134	321,977	140,018	3,024,969
1939	248,766	3,393,693	443,986	171,169	4,257,614
1940 (May)	257,592	3,101,416	425,167	171,974	3,956,150
1941	464,974	5,978,816	741,607	252,845	7,384,173
1942 (June)	456,485	5,466,983	667,715	250,429	6,841,611

MONEY RATES

(Per annum rate)

	1937 March	1938 March	1939 March	1940 March	1941 March	1942 March
Bank of Japan { Commercial Bills Re-discount	3.285	3.385	3.285	3.285	3.285	3.285
Gov't Bonds Collateral Discount Bills	3.650	3.285	3.650	3.650	3.650	3.650
Postal Savings Deposits { Ordinary	3.00	2.76	2.76	2.76	2.76	2.76
(Japan Proper) { Fixed	3.24	3.04	3.04	3.04	3.04	3.04
Bank Deposits (Agreement Rates) {	Class A { Time	3.3	3.3	3.3	3.3	3.3
	Bank { Current	0.37	0.37	0.37	0.37	0.37
	{ Savings	1.83	1.83	1.83	1.83	1.83
	{ At Notice	2.19	2.19	2.19	2.19	2.19
	Class B { Time	3.5	3.5	3.5	3.5	3.5
Bank { Current	0.73	0.73	0.73	0.73	0.73	
{ Savings	2.19	2.19	2.19	2.19	2.19	
{ At Notice	2.56	2.56	2.56	2.56	2.56	
Bankers' Call Loan (Agreement Rate)	2.56	2.56	2.56	2.56	2.56	2.56

Tokyo Open Market

Month	Overnight Call Loan			Prime Name Spinner Bills		
	High	Low	Average	High	Low	Average
1936 March	3.83	2.56	2.88	4.38	3.29	3.83
1937 "	3.65	2.46	2.81	4.02	3.29	3.65
1938 "	2.56	2.19	2.48	4.02	3.29	3.65
1939 "	2.56	2.48	2.52	4.02	3.29	3.65
1940 "	2.56	2.46	2.51	4.02	3.29	3.65
1941 "	2.56	2.48	2.53	4.02	4.02	4.02
1942 "	2.56	2.56	2.56	4.02	4.02	4.02

BANK OF JAPAN RATE CHANGES

(Rates per diem and per annum)

Effective on	Effective Period for Each Rate (No. of Days)	Loans and Discounts with Government Bonds Collateral		Loans and Discounts with Nongov't Securities Collateral		Rediscounts of Commercial Bills		Overdrafts on Current Deposits & Correspondence	
		sen	%	sen	%	sen	%	sen	%
1925 Apr.	15	537	2.0 (7.30)	2.2 (8.03)	2.0 (7.30)	2.3 (8.40)			
1926 Oct.	4	155	1.8 (6.57)	2.0 (7.30)	1.8 (6.57)	2.1 (7.57)			
1927 Mar.	9	215	1.7 (6.21)	1.8 (6.57)	1.6 (5.84)	2.0 (7.30)			
	Oct.	10	1,093	1.6 (5.84)	1.7 (6.21)	1.5 (5.48)	1.9 (6.44)		
1930 Oct.	7	364	1.5 (5.48)	1.6 (5.84)	1.4 (5.11)	1.8 (6.57)			
1931 Oct.	6	30	1.7 (6.21)	1.8 (6.57)	1.6 (5.84)	2.0 (7.30)			
	Nov.	5	128	1.9 (6.94)	2.0 (7.30)	1.8 (6.57)	2.2 (8.03)		
1932 Mar.	12	128	1.7 (6.21)	1.8 (6.57)	1.6 (5.84)	2.0 (7.30)			
	June	8	88	1.5 (5.48)	1.6 (5.84)	1.4 (5.11)	1.8 (6.57)		
	Aug.	18	309	1.3 (4.75)	1.4 (5.11)	1.2 (4.38)	1.6 (5.84)		
1933 July	3	1,009	1.1 (4.02)	1.2 (4.38)	1.0 (3.65)	1.4 (5.11)			
1936 Apr.	7	464	1.0 (3.65)	1.1 (4.02)	0.9 (3.29)	1.3 (4.75)			
1937 July	15	68	0.9 (3.29)	1.1 (4.02)	0.9 (3.29)	1.2 (4.38)			
1938 Dec.	15	—	0.9 (3.29)	1.0 (3.65)	0.9 (3.29)	1.1 (4.02)			

Deposit Funds Management Bureau of the Ministry of Finance

(Commonly called "Deposits Bureau")

Organization of the Deposit Funds Management Bureau Although the Deposit Funds have been in existence since 1877, it was only after many changes that the present system was established in 1925. The chief of the Deposit Funds Management Bureau is under the control and supervision of the Minister of Finance and he is responsible for its activities and efficiency. Its finances are segregated in a Special Account and the Bureau is given control over the expenditure of its entire revenue. The chief business of the Bureau is not merely confined to the control of deposits, but also includes the investment and management of other funds. The deposits, which are made according to laws and ordinances, consist, for the most part, of postal savings deposits received by the Government; but the Deposit Funds also include other deposits, reserves in the Special Account of the Deposit Funds and surpluses. It may specially be noted that the total of the Deposit Funds reached 10,018 million yen on November 8, 1940, this representing some 2/3 of the total deposits in ordinary banks throughout the country. All business connected with receipt and payment of cash is transacted on behalf of the Bureau by the Bank of

Japan in accordance with instructions from the Minister of Finance.

Investment of the Deposit Funds It is laid down by law that the Deposit Funds are to be invested solely for the benefit of the State and the public in a profitable and safe manner, and that such investments are to be made only after investigation of their purposes and methods in consultation with the Committee on Investments of the Deposit Funds. The following is an explanation of the nature of the Committee and the methods it employs.

Committee on Investments of the Deposit Funds This Committee consists of the following members: The Minister of Finance, as a chairman, the Parliamentary Vice-Minister of Finance, high officials of the Government Offices concerned, one of the Chief Auditors of the Auditing Board, the Governor of the Bank of Japan and other eminent persons in financial circles. The number of full members is not to exceed fifteen, but in order to meet special needs, temporary members may be appointed. The Committee is placed under the supervision of the Minister of Finance, and its function is to answer the questions of the Minister, after both investigation and study of matters relating to the investment of the Deposit Funds has been completed. At the beginning of every fiscal year, the Minister of Finance

is to draw up the necessary plan to govern the investment of the funds to submit it to this Committee, and the same process is to be undertaken should there be any occasion to supplement or to change this plan. In addition to answering the question of the Minister of Finance the Committee may send him proposals concerning the investment of the Deposit Funds. The Minister should present to the Committee, after every fiscal year, a report stating particulars of important matters concerning conditions of investment of the Deposit Funds and changes in the funds invested.

Method of Investment As mentioned above, the Deposit Funds are to be invested for the benefit of the State and the public welfare in a profitable and safe manner. Consequently, in conformity with this principle, the investment of funds is to be limited to the following items:

(a) The subscription to, underwriting or purchasing of national loans or making of loans to the General or Special Accounts of the Government.

(b) The subscription to, underwriting or purchasing of local loans, irrigation associations' loans or health insurance associations' loans, or making of loans to local public corporations, irrigation associations or health insurance associations.

(c) The subscription to, underwriting or purchasing of bonds issued by corporations organized under special laws or making of loans redeemable within a period not exceeding three years to these corporations.

(d) The subscription to, underwriting or purchasing of bonds issued by corporations other than those mentioned in (c) under Government guarantee in respect of the payment of their principal and interest.

(e) Loans to banks organized under special laws but not authorized to issue debentures.

(f) The subscription to and purchasing of foreign Government bonds.

(g) The subscription to or purchasing of bonds issued in Japanese currency by foreign corporations under the said foreign Government guarantee in respect of the payment of their principal and interest, as subscribed in Japan.

(h) Deposits with the Bank of Japan to be held abroad for designated purposes.

These items only indicate the method

of the investment of the funds and the question whether any particular investment is for the promotion of the benefit of the State or public welfare or whether it is profitable and safe is left to the joint consideration and decision of the Minister of Finance and this Committee.

The investment of the Deposit Funds is determined, within the limits mentioned above, at the beginning of every fiscal year.

Local funds representing the funds to be invested for the benefit of local districts to local public corporations, various associations and individuals are advanced from the Deposit Funds Management Bureau to the borrowers either directly or through special banks and similar institutions. These funds are allotted for the following purposes—

A. Advances to be generally made every year for:

(a) Public utility undertakings of public corporations such as water supply works, prevention of disasters, sanitary arrangements, improvement of roads, rivers and harbors, road making and construction of bridges, reclamation works, construction of school-houses and teachers' dwelling-houses, electric and gas enterprises, and tramway, local railway and car enterprises, and others.

(b) Social works such as housing reform and the establishment of public markets, public pawnshops, day nurseries and intelligence offices and others.

(c) Enterprises by various associations such as land adjustment associations, industrial associations, forestry associations, fishery associations, livestock breeding associations, manufacturers' associations and commercial associations and those by federations of these associations.

B. Advances to be made for urgent needs:

Repair works of disasters, reconstruction works necessitated by earthquakes, accommodation to the silk-raising industry, the relief of the unemployed, and accommodation to middle and lower class merchants, manufacturers and farmers.

C. Advances to be made for:

Such institutions as public corporations and various associations in overseas territories.

With regard to the rate of interest paid on the deposit it is to be noted that the rate was reduced as from April 1, 1937 to 2.76% per annum for the

greater part of postal savings. The postal savings amount to some 60% of the total amount of the Deposit Funds, and details are given in the Statement of the Deposit Funds. Other deposits were divided into two classes, namely, fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 2.5% per annum, but the rate on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 3%. The rate on post office life annuities and insurance is 3.5%. The rate on ordinary deposits is in principle 0.75% per annum, while that on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 1%. The rates on fixed deposits have been effective since July 1, 1936 and those on ordinary deposits since April 1 of the same year. Turning to the rates for the advances made by the Deposit Fund Management Bureau, it will be found that those for the advances to prefectures, large cities, and local corporations remain, for the most part, at 3.2% per annum. As to the advances made through banks and similar institutions, the intermediate institutions gain 0.7%

and actual borrowers must pay at the rate of 3.9%.

Plans approved in 1940 Plans for the investments of funds to the amount of ¥2,553,060,000 were made in the fiscal year 1940, and are roughly classified into the following three principal items:—

	(In yen)
(a) Funds for taking up loans to be issued in 1940, and for purchases of loan bonds	1,800,000,000
(b) Local funds	274,910,000
(c) Funds for the expansion of productive capacity and other funds	478,150,000

In the examination of the above statement, it will be observed that the funds for taking up Government bonds occupy the greater part of the investments. A large investment is also made as local funds in the quarters necessary under the present situation. It is planned to supply, in response to the condition of the money market, especially on the issue market, funds required for the achievement of the expansion of productive capacity throughout Japan, Manchoukuo and China. Besides these items considerable short-term loans are to be made this year as usual.

STATEMENT OF THE DEPOSIT FUNDS OF THE MINISTRY OF FINANCE

(At the end of March)

(In ¥1,000)

Liabilities	1939	1940	1941	1942
	Deposits of the Post Office Savings Bank	4,620,825	6,004,136	7,726,221
Deposits of the Postal Transfer System	161,225	190,892	251,294	328,602
Proceeds of Savings Certificates and Reconstruction Savings Certificates	172,671	327,854	693,082	1,052,580
Surplus funds of various Special Accounts of the Government	547,574	932,286	1,499,454	1,603,036
Certain funds and deposits from public corporations	46,368	46,233	46,249	24,343
Funds in custody and deposits with the Government	43,350	49,975	32,902	49,385
Reserves	693,748	760,788	857,330	1,015,100
Receipts	265,054	341,303	418,306	485,707
Total	6,550,820	8,653,472	11,545,063	14,256,789
Assets				
Government bonds	3,686,492	5,437,416	7,411,933	9,743,445
Advances to the General & Special Accounts	89,784	88,660	110,766	103,858
Foreign Government bonds	85,243	95,108	129,706	169,032
Local government and municipal bonds	1,074,349	1,125,922	1,199,429	1,258,618
Advances to local public corporations, etc.	307,851	328,903	338,332	403,541
Debentures of Special Banks, etc.	649,113	664,971	843,072	918,412
Debentures of Special Companies, etc.	122,030	220,751	577,697	974,127

	1939	1940	1941	1942
Advances to Special Banks and Companies, etc.	266,791	461,013	352,436	240,938
Deposits	110,212	63,956	342,788	153,795
Expenditures	139,810	166,743	214,626	290,700
Amount written off	19,135	27	4,272	313
Total	6,550,820	8,653,472	11,545,063	14,256,789

PROFIT AND LOSS ACCOUNT OF THE DEPOSIT FUNDS OF THE MINISTRY OF FINANCE

Receipts

(In yen)

	1937-38	1938-39	1939-40
Interest on securities	172,844,865	192,806,695	230,897,399
Interest on advances	22,687,425	22,243,753	22,200,891
Interest on deposits	463,701	465,834	464,082
Transferred from General Account	1,122,000	1,050,000	1,464,011
Profits from the disposal of the specie held abroad	6,968,283	8,623,620	8,409,138
Profits from the sale and redemption of securities and other profits	3,208,401	2,505,745	3,689,308
Total	207,294,675	227,695,647	267,124,829

Payments

	1937-38	1938-39	1939-40
Interest on deposits and commissions	116,389,118	118,475,046	143,187,295
Amount transferred to other Government Accounts	18,730,000	21,957,322	25,980,000
Administrative expenses and others	1,018,294	1,084,544	1,163,044
Depreciation	503,077	19,139,303	27,171
Transfers to reserves	70,654,186	67,039,432	96,762,319
Total	207,294,675	227,695,647	267,124,829

JAPAN'S ECONOMIC DEVELOPMENTS IN 1941-42

1. Introduction

It was solely due to the interference of hostile countries, namely Britain and the United States that the China Affair, which was in progress for more than four years and six months, could not be settled. The Anglo-American maneuverings had become increasingly evident since 1940. They had organized an anti-Japanese common encirclement front and had thus invalidated all the peace efforts of Japan, thus threatening the peace and order in East Asia.

Under the circumstances, there was only one way left for Japan, and that was to decide the issue on the battlefield. Thus, an Imperial rescript declaring war on Britain and the United States was promulgated on December 8, 1941, and the curtain was raised for the War of Greater East Asia. On the other hand, Germany and Italy, Japan's allies, which had been fighting against Britain and the Soviet Union in Europe, took

the occasion of Japan's declaration of war to enter into stronger alliance with Japan in order to form a common front with Japan for the construction of the new world order. It can be said that this has added a great significance to the present war as the second world war. It may be recalled that Japan's diplomatic policy in 1941 started on the basis of two leading principles, namely, the stabilization of the East Asia co-prosperity sphere through the settlement of the China Affair on the one hand, and the adjustment of diplomatic relations with Britain and the United States on the basis of the Italo-German-Japanese Tripartite Alliance on the other. Efforts for the first objective culminated in the strengthening of the foundation of the National Government at Nanking and the conclusion of the Japan-French Indo-China Economic Agreement and Joint-Defense Agreement as well as the conclusion of the Offensive and Defensive Alliance with Thailand. Negotia-

tions with the Netherlands East Indies, however, proved abortive despite great efforts on Japan's part because of the secret Anglo-American maneuverings.

In connection with the second goal, Japan concluded a Neutrality Treaty and a Trade Agreement with the Soviet Union, but diplomatic negotiations with the United States proved fruitless, resulting in the outbreak of the present Greater East Asia War. It is needless to say that Japan's economy was greatly affected by such a strained international situation. Particularly, since the outbreak of the German-Soviet War in the latter part of June, 1941, Japan's economic relations with Germany, Italy and other countries in Europe by the trans-Siberian Railway were suddenly suspended. In addition, Britain, the United States, their dominions and colonies, and the Netherlands East Indies froze Japanese assets in the latter part of July. Under the circumstances, Japan's trade with third countries, except Thailand, French Indo-China and a few South American countries, was practically suspended. Thus, the stabilization of the East Asia Co-prosperity and Self-sufficiency structure and the completion of planned trade within that sphere have become the two urgent problems at issue demanding immediate solution by Japan. Japan, already foreseeing such developments several years ago, has endeavored to complete and strengthen the domestic economic system not merely into a wartime structure but also into a solid and compact structure of a defense State. To that end, various laws and regulations were promulgated and enforced. No less than 51 Imperial Ordinances were promulgated under the provisions of the National General Mobilization Law (including 10 enforced in 1941) since the enactment of the foregoing law until the outbreak of the Greater East Asia War on December 8, 1941. The Government also examined and approved the drafts of eight Imperial Ordinances at meetings of the National General Mobilization Council held on December 10 and 23 following the start of the Greater East Asia War. In this way, Japan's total war system was nearly completely extended over all the spheres of the national life and national economy.

In the course of the advance and completion of Japan's domestic structure during 1941, four noteworthy points de-

serve special mention. The first was the organization and control of national economy. The Major Industrial Goods Control Ordinance, which serves as the keynote of the national economic organization and control, was promulgated on August 30, 1941, effective as from September 1, as an embodiment of the essentials for the establishment of an economic new structure which had been prepared by the Government. Ever since the enforcement of that law, there has been noted an active sentiment for the creation of control bodies in various fields of industry. Already, control associations have been established for iron and steel, coal, mining, cement and machinery. In view of the fact that the realization of a complete unity of the Government and people is the fundamental condition for the smooth and swift management of wartime economy, the speedy renovation of the bureaucratic structure and administrative system in order to properly cope with future developments is considered extremely important and necessary. The second was the production and distribution of materials and commodities. (a) Parallel with the progress of industrial reorganization, production increase and industrial control through the utilization of idle and inactive industrial facilities became the two urgent problems. In order to cope with the situation, the Government drafted the Industrial Equipment Corporation Bill, which was approved at the 79th Extraordinary Session of the Diet in November, 1941, and was immediately enforced. The Industrial Licensing Ordinance aiming at exercising comprehensive control over all phases of industry also was recently enacted for the same purpose. (b) In connection with the control of major materials, the Export-Import Temporary Treatment Law was already in operation. However, a stronger State control in order to consummate the materials mobilization plan under the wartime situation became increasingly necessary. Naturally, a special control ordinance of living necessities was promulgated in March, 1941, while the State control of rice was strengthened and expanded in September. At the same time, the General Materials Control Ordinance providing for comprehensive control over production, repair, storage, use and consumption of all the important materials and commodities was finally promulgated and operated. (c) While the distribution

system of materials and commodities became extremely complete, the distribution of commodities, specially foodstuffs, was not smooth and satisfactory. In order to cope with the situation, the Government apparently was considering the adoption of an extensive ticket rationing system. (d) Regarding the transportation of materials, control over both land and sea transportation was strengthened for the purpose of coping with the wartime requirements. Particularly, shipping was placed under almost exclusive State control.

In the third place, the State mobilization of labor made a marked progress. The stabilization of a supply source of necessary labor, proper adjustment of the supply and demand of labor and promotion of the productivity of labor are the basic essentials of labor measures. For the purpose of attaining those objectives, the Government took steps to complete unemployment measures through the establishment of the National Vocational Guidance Station, National Labor Training Station and National Welfare Bank, to expand the scope of labor requisitioning by the revision of the National Requisitioning Ordinance and Vocational Declaration Ordinance and to stabilize the labor mobilization system through the expansion of the labor registration system and the enforcement of the National Patriotic Labor Cooperation Ordinance. More recently (effective January 10, 1942), the Government promulgated the Labor Adjustment Ordinance for the dual purpose of checking the movement of labor and preventing the outflow of labor to non-urgent industries. However, it is strongly felt that there are still many concrete measures to be positively undertaken for promoting the productivity of labor, the most important phase of the labor policy today.

The control over industrial fund-raising in the fourth place. The stabilization of a structure for mobilizing wartime industrial funds should be based on "the planning-out of the accumulation and distribution of State funds and thereby enable the industrial funds to display their efficiency to the maximum extent." In this connection, it can be noted that the fundamental financial and monetary plan which was announced by the Government in July, 1941, clarified the Government's measure to deal with this problem. The expansion of the functions of the Industrial Bank of Japan, the establishment of a joint

financing syndicate with the Industrial Bank of Japan as the pivot, etc. were measures provided for the sole purpose of stabilizing the supply of wartime industrial funds. Although the Government apparently has completed every measure for coping with emergency financial and monetary problems, the Japanese people were urged to redouble their efforts in order to strengthen savings, the principal source of industrial funds, in view of the increasing demand for industrial materials for productivity expansion parallel with the progress of the war.

A close scrutiny into the economic events in Japan during 1941 reveals that the demand for industrial funds by the State has greatly expanded due to the intensified strains on international relations, and resultantly, the economic burden of the people has become increasingly heavier. On the other hand, it could also be noted that the economic strength of Japan to cope with the increasing demand of the State made a steady and remarkable progress despite the intensified economic pressure of Britain and the United States.

In connection with the financial trend of the country, which is the barometer of the State's demand for industrial funds, the national expenditure in the 1941 budget, inclusive of supplementary expenditures approved at the two extraordinary Diet sessions, totalled ¥8,515,000,000 in the general account and ¥11,480,000,000 in the extraordinary military expenses. The estimated amount of Government bond issues during 1941 aggregated ¥13,945,000,000. With the sound consumption of such a gigantic amount of Government bonds depending solely on the increase of national savings, the Government expanded the goal of national savings for 1941-42 from ¥13,500,000,000 to ¥17,000,000,000. It should be noted, at this point, that the 1941-42 goal of national savings did not take into account the flotation of ¥2,800,000,000 Government bonds which was approved at the 78th session of the Diet.

The accumulation of funds so far has produced very satisfactory results. With the morale of the people further promoted by the outbreak of the War of Greater East Asia, it is considered possible that the final goal of the 1941-42 national savings will be achieved without difficulty.

The money market at the close of last year, although busy and brisk, passed the year-end in a normal and peaceful tone due principally to the distribution of a large amount of funds by the National Treasury. The excess of the Government payments during December 1941, exclusive of the rice and raw-silk notes, aggregated ¥1,424,000,000 (compared with ¥1,010,000,000 in the corresponding month in 1940), while the call-rate overnight low, stood at 6.4 rin toward the beginning of December. With the average overnight call-rate, low, in December standing at 6.8 rin, the supply-demand for call-money during December was kept in harmonious balance. The excess of Government payments during the whole year of 1941 amounted to

CONSUMPTION OF GOVERNMENT BONDS

1941 compared with 1940

(In millions of yen)

	1941			1940		
	Total	1st half	2nd half	Total	1st half	2nd half
Through post-office windows	590	225	365	570	210	360
By city banks	4,800	2,386	2,414	2,750	1,434	1,316
Sales to public total	5,390	2,611	2,779	3,320	1,650	1,670
Underwritten by Deposits Bureau	1,690	790	900	1,850	900	950
Sales to Government quarters	285	81	204	69	126	57
Total consumption	7,366	3,483	3,883	5,240	2,676	2,564
Total issue	8,782	3,582	5,200	6,667	2,765	2,702
Consumption rate	83.8%	97.2%	74.7%	78.6%	96.8%	95.7%

Note: The mark "*" denotes redemption.

The note issue by the Bank of Japan at the close of last year reached the peak at ¥6,231,000,000 while the daily average issue during December, 1941 amounted to ¥5,179,000,000. The daily average issue in the whole year of 1941 stood at ¥4,176,000,000, representing an increase of ¥840,000,000 over the daily average issue of 1940. The 1941 increase of the note issue over 1940, while being comparatively smaller than the 1940 increase of ¥960,000,000 over 1939, showed a remarkable expansion of the note circulation in view of the fact that the large part of the convertible notes which had been hitherto reserved for the payments of the Bank of Chosen and the Bank of Taiwan was replaced by the deposits of those two banks in the Bank of Japan due to the revision of the note-issuing system of the two colonial banks.

Unlike ordinary years, advances by the Bank of Japan during December, 1941, continued increasing until the end of the

¥4,580,000,000, representing an increase of ¥1,060,000,000 as compared with 1940. Due to such a bulky distribution of funds from the National Treasury, the sale of Government bonds, underwritten by the Bank of Japan, newly issued during December, amounting to ¥1,600,000,000, proved favorable. The consumption of Government bonds in the fourth quarter in 1941 totalled ¥1,932,000,000 against the total issue of ¥3,100,000,000 with the consumption rate standing at 62.9 per cent, a great improvement over the consumption rate of 51.7 per cent in the corresponding quarter in 1940. The consumption of Government bonds in 1941 is compared with that in 1940 in the following table:

year and reached ¥903,000,000 at the year-end, gaining by nearly ¥48,000,000 during the last ten days of the month alone. However, due to the progress of consumption of bonds and rice-notes, the convertible note issue on the last day of the year, as usual, shrank by ¥250,000,000.

Because of the increase of the distribution of Government funds, the deposits and advances of local banks became markedly viable. A survey by the Ministry of Finance disclosed that the net increase of deposits of banks throughout Japan, exclusive of the Bank of Japan, totalled ¥2,756,000,000 in December, 1941, and aggregated ¥6,610,000,000 in the whole year of 1941, representing a noteworthy gain over ¥2,280,000,000 and ¥6,098,000,000, respectively, in 1940. The 1941 increase of bank deposits included ¥2,440,000,000 or 37.0 per cent of the total in fixed deposits, ¥1,160,000,000 or 17.7 per cent in special current

deposits, ¥970,000,000 or 14.7 per cent in current deposits and ¥580,000,000 or 8.8 per cent in deposits at call. The increase of bank loans in December, 1941 and during the whole year of 1941 stood at ¥1,050,000,000 and ¥2,614,000,000, respectively, the former gaining by ¥162,000,000 and the latter receding by ¥719,000,000 compared with the corresponding figures in 1940. The ministerial

survey also revealed that the amount of valuable securities owned by banks in Japan increased by ¥4,827,000,000 in 1941 compared with ¥2,639,000,000 in 1940. Of the total increase of valuable securities owned by banks during 1941, the advance of the Government bonds possessed accounted for ¥3,261,000,000 or 67.6 per cent, the Ministry of Finance reported. Relative figures follow:

ACCOUNTS OF BANKS IN JAPAN

(In millions of yen)

Items	At end of 1939	At end of 1940	Increase of 1940 over 1939	At end of 1941	Increase of 1941 over 1940
Loans	15,038	18,371	3,333	20,985	2,614
Excess of deposits over loans	10,054	12,819	2,765	16,816	3,997
Valuable Securities	12,309	14,948	2,639	19,775	4,827
Call Loans	568	724	155	605	*59
Cash on hand	2,520	2,777	257	2,537	*240

Note: The mark "*" denotes decrease. Figures not including the Bank of Japan accounts.

2. Money and Banking

(1) Progress of Monetary Control:

The meeting of huge national expenditures and the smooth supply of industrial funds to defense industries are the two pivotal themes of wartime monetary activities. The former may be achieved by means of the encouragement of savings for the consumption of Government bonds as well as the planning-out of Government payments, while the latter may be obtained through the increase of the supply-sources of industrial funds and the proper control over the distribution of funds. It is noteworthy that the monetary control during 1941 made a remarkable progress toward those cardinal goals.

For the consumption of Government bonds and the encouragement of savings for that purpose, the National Savings Associations Law was approved at the 76th session of the Diet in addition to extensive savings encouragement campaigns which were carried out at schools, Government offices, cities, towns, villages, etc. with the Savings Encouragement Bureau at the helm. At that Diet session were also approved the revision bill of the Postal Savings Law elevating the maximum limit of the postal savings and the revision bill of the Mutual Credit Business Law opening new ways for the

utilization of idle funds. The 1941 goal of the national savings was revised to ¥17,000,000,000, by adding the Government bond issues which were approved at the 77th Extraordinary Session of the Diet, from the original goal of ¥13,500,000,000.

The planning-out of the Government payments had been strongly urged long before in view of the great influence which the distribution of Government funds exercised on the monetary market. Under the circumstances, the Ministry of Finance established a Council for the Adjustment of Government Funds in March, 1941, for the purpose of adequately adjusting and controlling the acceptance and payment of Government funds and smoothing market operations. The Ministry of Finance also decided to fix the terms for the redemption of Government rice notes, issued as after November, 1941, after taking into full consideration the actual conditions of the money market in view of the increasing importance of the rice notes in the monetary policy parallel with the expansion of the State control over the sale of rice. (The Government rice notes had been regularly redeemed on the first day of April, August and December before.) While the increase of savings is admittedly the fundamental source for the supply of funds in war-

time industries, several secondary measures were adopted by the Government during 1941 to serve this end. They included the elevation of the issue limit of the Industrial Debentures and the Savings Debentures (¥2,000,000,000 for the former and ¥1,000,000,000 for the latter) through the revision of the Extraordinary Industrial Funds Adjustment Law and the partial reduction of discount rates of the Bank of Japan, effective July 21, 1941. The underwriting system by the Industrial Bank of Japan for munitions bills, effective since August 26, 1941, may also be included among Government measures in the sense that it served to effectively utilize short-term funds.

Regarding the control over distribution of funds, the Government in preceding years had placed its stress on the restrictions on the demand for industrial funds among non-urgent industries. During 1941, however, the emphasis was placed on the positive accommodation of industrial funds to principal wartime industries. Important Government measures taken for the purpose included the elevation of the limit of accommodations against immovables through the revision of the Japan Hypothec Bank Law, the Agricultural and Industrial Banks Law and the Hokkaido Colonization Bank Law approved at the 76th Session of the Diet and the proposed establishment of the Industrial Equipment Corporation aiming at constructing and maintaining wartime industrial equipments and utilizing idle and non-working industrial facilities. A bill calling for the creation of the Industrial Equipment Corporation was approved at the 77th Extraordinary Session of the Diet. Noteworthy also were the activities of the Wartime Joint Bankers' Syndicate organized in August, 1941, by 10 banks in the city including the Industrial Bank of Japan and additionally participated in by 5 leading trust companies in November. The amount of industrial funds accommodated through this syndicate totalled ¥365,000,000 by December, 1941.

There is no doubt, however, that the fundamental financial and monetary plan which was announced by the Government on July 11, was the most important monetary control measure adopted by the Government during 1941 for the reason that it established the highest indicator for the guidance of monetary activities. This plan, which formed an

integral part of the economic new structure plan which the Government decided on and announced in the fall of 1940, called for the estimation of the national strength and resources through the comprehensive survey of the total productivity of national economy. On the basis of such estimations, the plan called for the establishment of a scheme for mobilization of national industrial funds which might be adequately and rationally distributed to finance, industry and public consumption in accordance with the final objectives of the country through well-worked-out plans for the flotation and consumption of Government bonds.

The plan also provided for extensive phases of monetary problems such as the fiscal year, the method of compiling the budget, the reform of the taxation system, the systematization of monetary organs, etc. Thus, the plan has opened for the first time the way for a well-planned monetary control. The question which now remains is how to put the plan into a concrete shape. In this connection, the 1941 Industrial funds control plan which was approved and announced by the Cabinet conference on September 16, 1941, was greatly noteworthy as taking a step nearer to a general and concrete plan for the mobilization of national funds. The control plan announced by the Cabinet provided for:

(a) Adopting a policy for accommodating industrial funds both in Japan and Manchoukuo with accumulated funds with the pivot of the Government bond flotation plan placed on a perfect consumption basis.

(b) Generally harmonizing the distribution of industrial funds with the national budget, the materials mobilization plan, the productivity expansion plan, etc. taken into full consideration.

In order to cope with a new situation arising from the creation of various industrial control associations, the Government also decided upon a concrete policy of a monetary control body as a legal organ. For this purpose, the systematization of monetary organs with the Bank of Japan as the pivot has taken a concrete step toward realization in accordance with the provisions of the Fundamental Financial and Monetary Plan of the Government. In this connection, the Minister of Finance clarified the Government's policy to submit to the 77th session of the Diet a funda-

mental revision bill of the Bank of Japan Law.

Immediately upon the outbreak of the War of Greater East Asia on December 8, the Ministry of Finance decided upon a wartime monetary plan and announced four emergency measures, including the accommodation of funds for the payment of deposits, disposition of liabilities of war sufferers, monetary protection to wartime industries and simplified payment of deposits. For the operation of those measures, the Government urged the close and whole-hearted cooperation of financiers.

On January 19, 1942, the National General Mobilization Council decided upon the drafts of two Imperial ordinances which would serve as the basis for the monetary control operations, namely, an Imperial Ordinance pertaining to the monetary activities.

The activities of the proposed monetary control organ included:

1. Participation in the Government's fund plan.

2. Control and guidance of the absorption and operation of industrial funds.

3. Acceleration of the adjustment of monetary enterprises.

4. Promotion of the functions of monetary enterprises.

5. Promotion of relations between monetary organs and industries.

6. Monetary surveys and researches.

With the adjustment of the monetary structure thus taking a step forward, the Government decided on the fundamental reform of the Bank of Japan, a long-pending problem, and submitted the Bank of Japan Bill to the 79th session of the Diet.

According to the details of the reform plan announced on January 7, 1942, the Bank of Japan, in addition to its present functions, would be authorized to execute industrial financing as well as international monetary transactions. Moreover, the plan called for the desertion of the gold standard by the Bank of Japan and the stabilization of the note issuing system on the basis of the controlled currency system. In a nutshell, the plan enabled the Bank of Japan to serve as the pivot of the new national monetary structure and invested the national bank with powers to act as the monetary center of the Greater East Asia Co-prosperity Sphere.

The Wartime Financing Bank Bill and the Southern Regions Development Bank Bill were the two other important mone-

tary bills which were submitted to and approved by the 79th Session of the Diet. The former bill provided for the creation of the ¥300,000,000 Wartime Financing Bank (financed by the Government to the extent of ¥200,000,000 and by private circles to the amount of ¥100,000,000). The foregoing bank is tasked with accommodation of funds to industrial companies engaged in urgent wartime industries which own idle or non-working facilities, keeping important materials and commodities in storage or adjust their enterprises in accordance with the Government policy, and also engages in activities to stabilize market prices of industrial shares through the purchase or sale of valuable securities. Thus, the proposed bank attends to the supply of industrial funds which was made by the Industrial Bank of Japan by a Government accommodation order as well as to the stabilization of market prices of valuable securities which were hitherto executed by the Japan Joint Securities Company. Naturally, the Japan Joint Securities Company is to be absorbed by the new bank upon its creation.

The Southern Regions Development Bank Bill provided for the establishment of the ¥100,000,000 Southern Regions Development Bank for the purpose of furnishing necessary funds for developing and utilizing natural resources in the southern regions as well as adjusting and manipulating the currencies in the southern areas. To attain those objectives, the bank engages in accepting deposits, exchanging currencies, transacting purchases and sales of exchanges and such general banking businesses as well as in investments and accommodations. By thus playing a part of the central bank, commercial bank and the supply organ of development funds, the bank will serve as the central executive organ of the currency and monetary policy of Japan in the occupied areas in the south. A noteworthy feature of the bank is that it is authorized to obtain loans from the extraordinary military accounts.

(2) Distribution of Government Funds and Currency

The excess of Government payments (exclusive of payments for Government rice notes) was extremely small in the first three months of 1941. The month of February even saw the excess of Government collection of funds to the

amount of ¥95,000,000. However, the excess of Government payments sharply increased in and after April, and totalled ¥1,862,000,000 in the first half of 1941, representing an increase of ¥632,000,000 compared with the corresponding half in 1940.

The excess of Government payments sharply dwindled in the second half of 1941, principally due to the increase of the collection of taxes, but still eclipsed the 1940 mark, having totalled ¥1,009,000,000 in the four months from July to October or an increase of ¥304,000,000 over 1940.

The total excess of Government payments in 1941 aggregated ¥4,580,000,000, representing a gain by ¥1,060,000,000 compared with 1940.

Because of the sharp increase of Government payments, loans extended by the Bank of Japan recorded a decline in 1941

compared with 1940, the average daily amount of loans having amounted to ¥540,300,000 or a decrease of ¥121,900,000 compared with the preceding year.

Due to the distribution of an enormous amount of Government funds in 1941, the convertible note issue by the Bank of Japan continued to expand throughout the year, topping the ¥4,700,000,000 mark in October and thus necessitating the excess issue to the extent of ¥42,000,000,000 within only seven months since the revision of the Bank of Japan Note Issue System.

The note issue particularly increased following the outbreak of the War of Greater East Asia on December 8, and reached the peak of ¥6,231,000,000 at the year-end. The daily average issue in 1941 amounted to ¥4,176,000,000, eclipsing the corresponding figures in 1940 by ¥840,000,000. Details follow:

DISTRIBUTION OF GOVERNMENT FUNDS AND BANK OF JAPAN ACCOUNTS

(In millions of yen)

	1937	1938	1939	1940		1941	
				1st Half	2nd Half	1st Half	2nd Half
Excess of Govt. Payments (1)	1,182	2,034	2,905	1,230	2,082	1,862	1,009(3)
Average Daily Loans by Bank of Japan	622	488	473	617	707	532	558(2)
Average Note Issue by Bank of Japan	1,535	1,819	2,376	3,152	3,518	3,899	4,300(2)

(1) Not including accounts of bonds and short-term govt. securities.

(2) Average for the second half ending in November.

(3) For the second half ending in October.

In addition to the Bank of Japan notes, the issues of the Bank of Chosen notes and the Bank of Taiwan notes also increased by 23.8 per cent and 20.8 per cent, respectively, in the year ending November, 1941, compared with the corresponding figures in the preceding year. The auxiliary note issues by the Bank of Japan also jumped by ¥121,000,000 or 32.3 per cent in the year ending November, 1941.

(3) Consumption of Government Bonds

The total issues of Government bonds up to December 20, 1941 aggregated ¥7,782,000,000, representing an increase of ¥1,914,000,000 compared with the corresponding period in the preceding year. The 1941 issues were divided into ¥1,590,000,000 (¥1,850,000,000 in 1940) underwritten by the Deposits Bureau of

the Finance Ministry and ¥6,192,000,000 (¥4,017,000,000 in 1940) underwritten by the Bank of Japan.

It is quite noteworthy that the amount underwritten by the Deposits Bureau dropped by ¥260,000,000 while the underwriting by the Bank of Japan gained sharply by ¥2,174,000,000, indicating that the consumption of Government bonds served as the basic measure for furnishing national expenditures and the prevention of inflation.

According to Government data given at the 77th Extraordinary Session of the Imperial Diet, the sales of Government bonds by the Bank of Japan up to November 15, 1941, totalled ¥4,764,000,000. The total consumption, inclusive of the underwriting by the Deposits Bureau, aggregated ¥6,154,000,000 with the consumption rate against the total issues standing at 93.5 per cent and thus indi-

ating a remarkable improvement compared with consumption rate in the preceding year. The consumption rate in the first half of 1941, standing at 97.2 per cent, was particularly favorable due to the plenty distribution of Government payments.

Inclusive of the budget approved at the 78th Extraordinary Session of the Imperial Diet, the Government bonds to be issued during the 1941 fiscal year was estimated at ¥10,347,200,000 for extraordinary war expenditures and ¥3,597,700,000 for general and special accounts, inclusive of ¥4,900,000,000 of the former

and ¥1,300,000,000 of the latter, respectively, already issued up to December 20, 1941. With the brought-over from the preceding fiscal year amounting to ¥1,073,300,000 for the former and ¥20,000,000 for the latter, respectively, added, the total issues for the 1941 fiscal year aggregated ¥8,838,200,000 for the remnant part of the 1941 fiscal year (ending March, 1942), inclusive of ¥6,520,500,000 for military expenditures and ¥2,317,700,000 in the general and special accounts.

Details of the Government bond issues up to November, 1941, follow:

CONSUMPTION OF GOVERNMENT BONDS

(In millions of yen)

Terms	Total Issues		Total	Sold by Bank of Japan	Consumption	Consumption rate (%)
	Underwritten by Deposits Bureau	Underwritten by Bank of Japan				
1940—						
1st half	900.0	1,965.0	2,765.0	1,777	2,677	96.8
2nd half	950.0	2,947.5	3,897.5	1,609	2,559	65.6
Total	1,850.0	4,817.5	6,667.5	3,386	5,236	78.5
1941—						
1st half	790.0	2,792.0	3,582.0	2,692	3,482	97.2
**2nd half	600.0	2,400.0	3,000.0	2,072	2,672	89.1
Total	1,390.0	9,192.0	6,582.0	6,154	5,154	93.5
Grand Total Since July 1937	5,470.0	18,591.5	*24,161.5	15,048	*20,618	85.3

Note: * Including ¥100,000,000 underwritten by the Government Bonds Underwriters' Syndicate.

** By Government references submitted to the Diet, up to Nov. 15, 1941.

(4) Deposits by Monetary Organs and Demand for Industrial Funds

Due to the expansion of the distribution of Government funds, the deposits in banks and other monetary organs continued increasing year after year. The deposits by monetary organs in banks throughout the country, except the Bank of Japan, cash in trust as well as postal savings deposits in 1940 increased by ¥8,092,000,000 compared with 1939. Continuing the upward trend, the total of cash deposits, postal savings deposits and cash in trust during the first ten months of 1941 (January to October) aggregated ¥5,155,000,000, which was a gain by ¥128,000,000 compared with the increase in the corresponding period in 1940.

An active demand for industrial funds in 1941 was well reflected by a sharp gain of the amount of share payments,

corporation debentures and bank loans. In the first ten months of 1941, the total amount of share payments, corporation debentures and bank loans aggregated ¥6,643,000,000, advancing by ¥482,000,000 over the corresponding period in 1940. The increase of share payments and bank loans, however, was not so remarkable as the gain of debenture issues, apparently due to the difficulty in the collection of share payments because of the depression in the stock market as well as the discouraging circumstances surrounding the extension of bank loans because of the waning trend of deposits. The total amount of Government bonds issued in the first ten months of 1941 aggregated ¥8,055,000,000, topping the bond issues by ¥3,322,000,000, over the corresponding in the preceding year.

Thus, the total demand for industrial funds, inclusive of the share payments, debenture issues and bank loans and inclusive of bonds and debentures con-

cerned with China and Manchoukuo, aggregated ¥15,314,000,000, increasing by ¥3,929,000,000 or 34.5 per cent compared with the corresponding period in 1940.

The total amount of valuable securities possessed by banks in Japan at the end of October, 1941 aggregated ¥19,034,000,000, advancing by ¥4,085,000,000 during the preceding ten months. Of the total gain, Government bonds accounted for ¥2,748,000,000 while corporation debentures were responsible for ¥1,119,000,000, both marking a noted increase over the corresponding period in the preceding year.

On the other hand, the total amount of industrial capital floated through new establishments, capital increase or debentures during the first ten months of 1941 aggregated ¥4,939,000,000, eclipsing the corresponding period in 1940 by ¥1,242,000,000 or 33.6 per cent. The increas-

ing pace of new establishments, capital increases and debenture flotations during 1941 was almost well-balanced, a phenomenon entirely different from 1940 when the new establishments decreased sharply and the capital increases recorded a marked advance.

The capital floated through new establishments in 1941 registered a comfortable increase over 1940, although not amounting to one half of the corresponding figures in 1939, principally due to the successive creation of policy concerns for developing natural resources during 1941.

Classified by industry, the capital increase was most noteworthy in manufacturing industry and gas and electricity, while a decrease was noted in transportation and communications, mining and monetary enterprises. Details follow:

INCREASE OF DEPOSITS IN MONETARY ORGANS AND DEMAND FOR INDUSTRIAL FUNDS

(In millions of yen)

	1938	1939	1940	January to October	
				1941	1940
Increase of Deposits:					
Postal Savings	689	1,200	1,713	1,520	1,607
Bank Deposits	3,370	5,975	6,098	3,251	3,161
Cash in Trust	179	278	281	384	259
Demand for Funds:					
Share Payments	1,901	2,250	2,894	1,767	2,322
Net Increase of Corp. Debentures	780	1,358	2,210	2,859	1,706
Increase of Bank Loans	1,211	2,815	3,333	2,017	2,133
Total	3,892	6,423	8,442	6,643	6,161
Net Increase of Government Bonds	4,350	5,319	6,755	8,055	4,733
Net Increase of Local Bonds	32	118	60	22	73
Total	4,382	5,437	6,815	8,077	4,806
Bonds and Debentures concerned with China and Manchoukuo	—	—	—	—	—
Share payments	—	—	68	23	62
Net Increase of Bonds and Debentures	—	—	502	571	356
Total	8,274	—	570	594	418
Grand Total	8,274	11,860	15,827	15,314	11,385

Note: Share payments, debentures, Government bonds and local bonds surveyed by the Bank of Japan; Bank deposits and loans exclusive of those by the Bank of Japan.

CHAPTER X

COMMERCE AND INDUSTRY



K.K. SANYO SHOKAI

No. 14, Marunouchi 2-chome, Kojimachi-ku, Tokyo, Japan

Tel.: Marunouchi (23) 4657, 4987, 3074

President: DENJIRO MORI, Esq.

PRINCIPAL LINES OF BUSINESS

JAPAN ————— **GERMANY**

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General Merchandise; Chemical Machinery and Industrial Chemicals; Machinery of all sorts for machine tools, civil engineering, mining, etc.; Civil Engineering and Building Materials; Provisions of all kinds, Etc.

IMPORT

German Machine Tools; Chemical Machinery and Materials of all sorts; Metal materials of all sorts; German Manufacturing Patents of various materials; Electric Furnace; Diesel Engines and Trucks.

BRANCHES AND FACTORIES

TOKYO

14, Marunouchi, 2-chome
Kojimachiku, TOKYO

KURE

7, Naka-dori 5-chome
KURE

SHINKYO

59, Asahi-dori
SHINKYO, MANCHUKO

OSAKA

Tosabori-dori 1-chome
Nishiku OSAKA
(Daido Seimei Building)

DAIREN

196, Yamagata-dori
DAIREN

YOKOHAMA

35, Nihon-odori, Nakaku
YOKOHAMA
(Koen Building)

NAGOYA

10, Sakaemachi 1-chome
Nakaku NAGOYA
(Daihyaku Ginko Building)

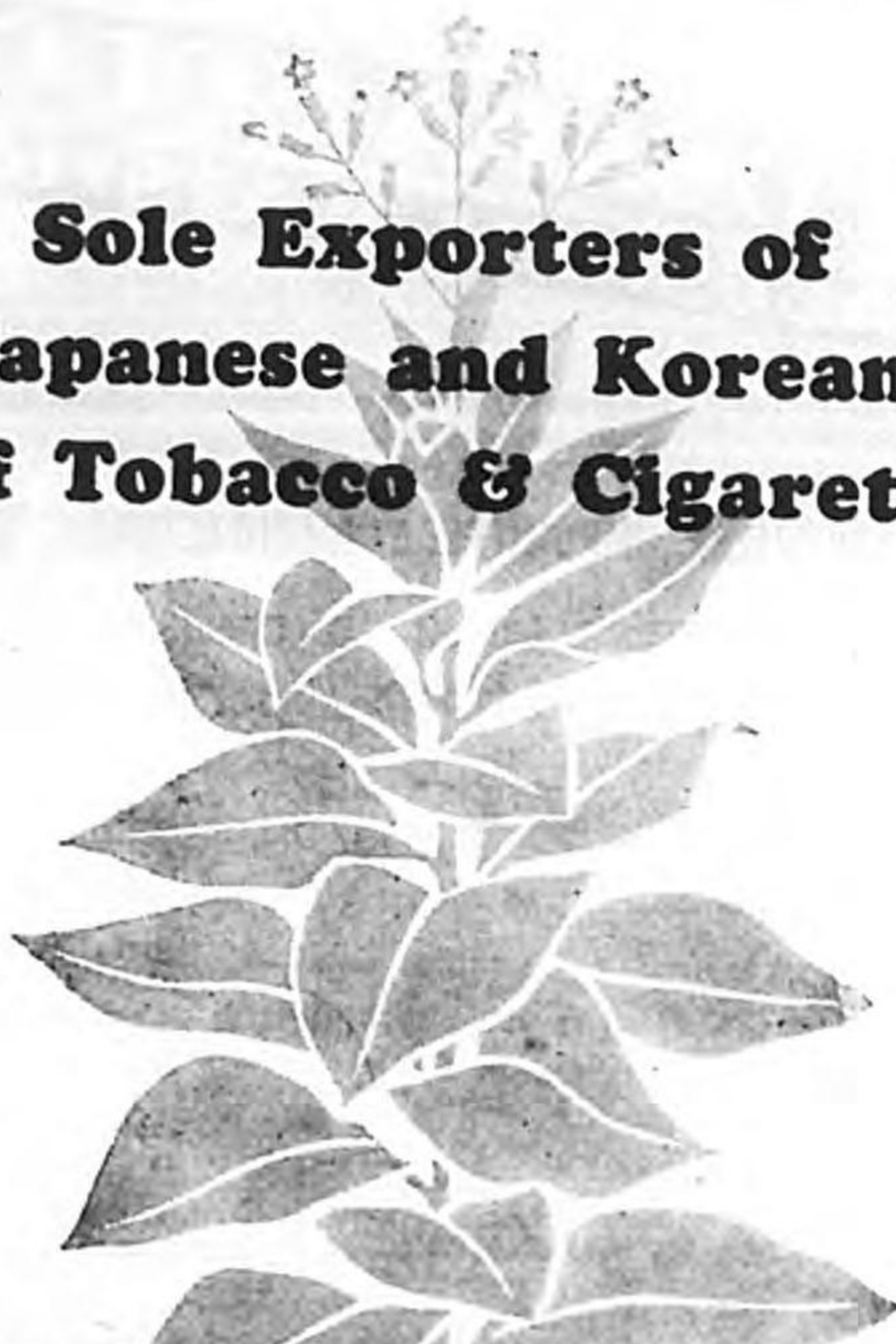
HOTEN

40, Chiyoda-dori Yamato-ku
HOTEN, MANCHUKO
(Hoten Bōeki Kaikan Bldg.)

YOKOHAMA FACTORY

Nagatsuda-cho,
Kohoku-ku

Sole Exporters of Japanese and Korean Leaf Tobacco & Cigarettes



KYODO TOBACCO CO., LTD.

Yusen Building, Marunouchi,
Tokyo, Japan

Cable Address:
"KYODOTOBAC"

Codes Used:
All Standard Codes

OSAKA GODO KABUSHIKI KAISHA

President: Imura Kenjiro

(Authorized Exporters for French Indo-China)

EXPORTERS, IMPORTERS & MANUFACTURERS of
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Soaps, Lacquers, Pigments, Licorice, Apricot Kernel & Sundries.

HEAD OFFICE: 42, 1-chome, Kita-Kyuhoji-machi, Osaka
Cable Address: "KUHOJIMURA" Osaka. P.O. Box: East No. 18, Osaka

DOMESTIC BRANCH OFFICES:

Tokyo, Nagoya, Kyoto,
Hamamatsu, Fukuyama, Keljo.

SUB-BRANCH OFFICES:

Fukui, Wakayama, Kurume,
Ashikaga, Otaru, Takaoka,
Tahoku.

FACTORY:

Oil & Fat Works, Kyoto,
O.G. Tokyo Works, Tokyo,
Godo Chemical Works, Kyoto.

FOREIGN BRANCH OFFICES:

Mukden, Tientsin, Shanghai.

SUB-BRANCH OFFICES:

Dairen, Hsinking, Antung,
Chinchow, Harbin, Peking,
Tsingtao, Tsinan, Taiyuan,
Shihmeng, Hankow.

FACTORY:

Godo Chemical Works, Shang-
hai; Godo Chemical Works,
Tientsin.

SUBSIDIARY COMPANIES:

Goshi Kaisha Kansai Yuō Kōgyōsho, Suita and Saijo
Zao Kagaku Kenkyusho, Kyoto
Nippon Jyukō Kagaku Kabushiki Kaisha, Nagoya
Alkoku Kagaku-Nori Kenkyusho, Fukuyama
Kabushiki Kaisha Sugimura Shoten, Nagoya

CHAPTER X

COMMERCE AND INDUSTRY

Number of Companies

There were a total of 91,028 companies throughout the country at the end of 1940, which showed an increase of 5,906 or 6.9 per cent over similar figures recorded one year before. The change of the number of companies during the past 10 years is illustrated by the following figures:

	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1931	57,226	123	5,316	10.2
1932	65,041	139	7,815	13.7
1933	71,196	152	6,155	9.5
1934	78,198	167	7,002	9.8
1935	84,146	180	5,948	7.6
1936	87,511	187	3,365	4.0
1937	85,042	182	-2,469	-2.8
1938	83,042	178	-2,000	-2.4
1939	85,122	184	2,080	2.4
1940	91,028	195	5,906	6.9

Kinds of Companies

Of the 91,028 companies, 15,663 were Gomei Kaisha (unlimited partnership), 37,592 were Goshi Kaisha (limited partnerships), 35,936 were Kabushiki Kaisha (joint stock companies), and 28 were Kabushiki Goshi Kaisha (joint-stock limited partnerships).

During 1940 and 1941 the number of

Kabushiki Kaisha amalgamated into one or with another reached 1,474. The purpose of amalgamation was for the consolidation of business.

Capitalization of Companies

Among these companies there were in 1940, 59,599 companies with a working capital of less than ¥50,000, an increase of 9,555, while the number of companies with a working capital more than ¥5,000,000 was 852, a decrease of 233, as compared with 1939. The number of companies classified according to capitalization follows:

Working Capital (in yen)	No. of Companies	Percentage
Less than 50,000	59,597	66.5
50,000-100,000	10,979	12.2
100,000-500,000	14,126	15.7
500,000-1,000,000	1,927	2.1
1,000,000-5,000,000	2,103	2.7
5,000,000-10,000,000	278	0.4
More than 10,000,000	474	0.5
Total	89,584	100.0

Note: Totals differ from the preceding table because there were 1,444 companies without working capital.

In the percentage in the total those with a working capital of less than ¥50,000 increased from 58.6 per cent of the previous year to 66.5 per cent.

INDEX NUMBER OF COMPANIES BY CAPITAL

	Less than ¥50,000	Over ¥50,000 and less than ¥100,000	Over ¥100,000 and less than ¥500,000	Over ¥500,000 and less than ¥1,000,000	Over ¥1,000,000 and less than ¥5,000,000	Over ¥5,000,000 and less than ¥10,000,000	Over ¥10,000,000
1931	183	123	107	94	98	101	109
1932	220	128	108	92	99	99	109
1933	246	135	112	95	99	98	109
1934	274	147	120	98	103	104	113
1935	294	162	128	104	108	113	116
1936	302	175	139	109	114	122	123
1937	283	179	148	114	125	134	145
1938	262	187	172	112	128	141	158
1939	247	209	227	115	132	145	168
1940	283	221	172	80	93	118	126

Kinds of Enterprises

The greater part of the companies are engaged in commerce as shown by the figures recorded at the end of 1939 which placed the commercial firms at 42,608 or 50.5 per cent of the total. Those engaged in the manufacturing industry numbered 32,937 (38.4%); those in transport business, 6,422 (7.6%); those in agriculture, 1,609 (1.8%); those

in mining, 1,234; and those in fishery, 312. It is to be noted in this respect that those classified under the heading of commerce include those dealing in merchandise, in warehouse business, in banking and in insurance business as well.

The following is a table showing the increasing tendency of the various companies during the past 10 years in index number:

INDEX NUMBER OF COMPANIES BY ENTERPRISE

	Agriculture	Fishery	Mining	Manufacturing Industry	Commerce	Transport
1931	124	100	97	120	123	116
1932	169	115	99	136	144	124
1933	190	117	108	149	159	130
1934	225	122	131	163	174	140
1935	241	123	155	176	187	148
1936	244	129	177	186	192	150
1937	239	131	212	184	184	157
1938	217	116	252	184	176	155
1939	196	153	313	198	174	158
1940	131	162	272	174	191	173

NUMBER, CAPITAL AND BUSINESS CONDITIONS OF COMPANIES IN JAPAN PROPER

Business Results of Companies

(Amount in yen)

	No. of Companies	Capital	Reserves	Total		
				Net Profit	Dividend	Loss
1931	57,220	19,551,543,522	2,892,130,298	743,674,676	549,313,737	272,977,045
1932	65,041	19,484,540,099	2,934,912,608	830,322,113	545,112,912	201,617,106
1933	71,190	19,960,318,207	2,992,993,198	1,092,033,665	638,799,501	138,608,044
1934	78,198	21,126,978,409	3,317,792,057	1,329,053,672	777,697,888	148,710,392
1935	84,140	22,352,402,224	3,609,218,098	1,510,294,180	903,013,099	109,388,955
1936	87,511	23,977,761,065	3,986,683,110	1,682,681,941	1,009,358,614	118,143,245
1937	85,042	26,912,152,345	4,305,417,115	2,008,815,507	1,200,848,789	111,333,703
1938	83,042	30,250,178,604	4,823,040,937	2,414,852,806	1,393,379,120	90,913,761
1939	85,122	34,025,000,000	5,477,000,000	2,889,000,000	1,544,000,000	83,000,000
1940	91,028	35,253,101,984	8,392,962,849	4,168,696,104	1,711,955,159	542,680,817

Agricultural Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	1,005	179,419,567	9,410,873	1,101,824	930,572	4,784,527
1932	1,370	175,921,870	9,549,321	1,190,261	845,917	3,489,771
1933	1,548	172,688,571	10,185,207	2,247,291	1,385,094	2,253,861
1934	1,833	179,817,967	11,405,104	4,562,729	2,600,127	2,817,079
1935	1,957	178,378,964	13,054,122	5,824,581	4,232,927	2,848,996
1936	1,987	184,422,763	13,116,044	6,747,455	4,471,217	1,401,934
1937	1,942	199,981,339	13,903,841	8,749,496	6,474,018	1,377,020
1938	1,763	216,174,635	14,059,678	8,428,878	5,563,702	1,876,810
1939	1,609	224,300,000	15,100,000	10,800,000	6,400,000	900,000
1940	1,330	210,457,122	20,180,396	14,729,491	6,334,980	10,960,501

Fisheries Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	294	127,245,564	10,535,168	1,555,358	1,180,065	2,496,473
1932	309	149,289,571	10,091,826	6,470,393	3,871,431	2,198,027
1933	316	144,111,727	9,616,241	8,037,036	6,018,768	978,924
1934	324	142,754,058	9,345,619	11,755,919	6,795,758	1,160,121
1935	332	151,089,613	13,911,080	16,320,589	10,136,150	1,360,076
1936	346	182,241,152	16,685,138	15,491,053	10,367,297	900,904
1937	353	253,677,652	24,033,043	16,077,870	10,776,322	1,368,416
1938	313	263,093,982	27,901,291	21,173,009	16,022,402	1,732,257
1939	312	259,200,000	29,500,000	24,900,000	16,900,000	1,200,000
1940	331	273,404,454	52,021,674	37,304,332	18,305,101	6,232,924

Mining Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	383	961,868,883	97,793,798	19,027,144	15,651,820	15,857,406
1932	389	951,969,923	96,981,747	26,812,546	19,093,927	12,647,560
1933	427	975,954,664	96,736,497	50,605,374	31,914,230	5,509,475
1934	515	1,066,996,905	120,127,123	76,317,610	49,989,059	2,228,960
1935	611	1,269,098,458	141,984,183	98,089,442	63,862,501	3,250,888
1936	697	1,418,426,383	170,580,240	113,489,849	60,684,072	8,916,621
1937	836	1,758,504,011	210,737,740	131,457,216	85,221,659	7,027,587
1938	991	2,294,097,623	246,328,767	179,034,250	107,928,726	8,369,046
1939	1,234	2,768,600,000	289,900,000	186,400,000	124,700,000	8,600,000
1940	1,080	2,617,276,035	428,096,337	233,253,064	128,130,225	39,880,003

Industrial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	19,969	7,673,518,695	827,873,104	340,977,420	268,876,915	93,350,984
1932	22,575	7,571,152,934	863,546,716	359,856,144	261,873,820	58,961,769
1933	24,717	8,008,172,260	905,296,435	493,721,537	310,217,934	40,159,609
1934	27,067	8,825,335,800	1,034,280,329	614,251,026	392,603,151	63,235,825
1935	29,312	9,456,415,805	1,202,110,825	752,602,721	450,508,664	33,068,171
1936	30,986	10,701,376,368	1,371,321,074	839,868,165	542,065,633	40,950,550
1937	34,518	12,851,303,576	1,597,920,518	1,026,367,425	646,736,061	37,362,611
1938	30,565	14,972,278,836	1,965,666,396	1,313,700,622	783,334,336	31,435,087
1939	32,937	17,419,800,000	2,296,900,000	1,570,500,000	864,800,000	31,600,000
1940	29,204	18,044,873,915	4,022,875,565	2,299,102,829	948,810,937	150,047,959

Commercial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	30,794	8,292,845,679	1,783,832,237	324,341,080	216,505,974	137,501,905
1932	35,315	8,325,581,410	1,789,408,407	385,676,586	220,975,645	105,951,777
1933	38,850	8,350,747,964	1,803,069,497	479,743,200	251,077,831	73,901,069
1934	42,716	8,610,933,879	1,965,678,690	553,716,588	281,054,019	71,881,733
1935	45,852	8,965,151,295	2,041,359,679	542,051,927	286,177,248	62,257,141
1936	47,090	9,105,441,190	2,205,007,423	608,212,852	319,615,445	58,794,378
1937	44,953	9,299,678,059	2,223,407,286	679,650,816	370,946,405	57,068,974
1938	43,040	9,830,539,065	2,285,799,424	725,874,129	382,964,737	42,373,993
1939	42,608	10,429,500,000	2,498,200,000	883,400,000	413,900,000	36,100,000
1940	47,003	6,206,573,952	1,145,512,280	737,391,563	235,305,387	203,686,307

Transportation Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1931	4,781	2,316,645,134	162,685,118	56,671,850	46,168,391	18,976,350
1932	5,083	2,310,644,398	166,334,588	50,316,183	38,452,172	18,368,202

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1933	5,338	2,308,643,012	168,089,321	57,779,227	38,185,654	15,805,100
1934	5,739	2,301,140,000	176,952,192	68,449,800	44,655,772	7,586,674
1935	6,082	2,332,269,289	190,798,809	95,404,920	58,090,209	6,603,683
1936	6,405	2,385,583,209	209,973,193	98,872,567	63,154,950	7,178,858
1937	6,440	2,549,007,708	235,414,887	146,512,684	80,694,324	6,829,095
1938	6,370	2,673,994,463	283,285,381	166,641,918	97,515,217	5,126,568
1939	6,422	2,932,900,000	347,100,000	213,300,000	116,900,000	4,800,000
1940	7,470	3,066,547,113	522,258,768	349,675,004	136,678,348	33,733,833

OUTSTANDING AMOUNT OF BONDS AND NOTES

(Compiled by the Bank of Japan)

(In ¥1,000)

Internal Loans

End of	Government Bonds	Govt. Rice Purchase Notes	Silk Bills	Local			Corporation Bonds	Total
				Govt. Bonds	Bank Bonds	Govt. Bonds		
1939	20,253,576	380,683	7,000	2,490,897	2,942,446	4,726,032	30,780,636	
1940	27,008,153	585,641	68,464	2,549,686	4,086,782	5,796,701	40,095,730	
1941	36,100,558	724,704	146,302	2,571,829	5,570,267	7,390,300	52,709,963	
1941:								
June	30,659,167	658,077	146,302	2,628,245	4,746,262	6,553,731	45,391,786	
July	31,706,669	673,790	146,302	2,630,082	4,959,762	6,729,635	46,846,243	
August	32,313,106	636,185	146,302	2,630,142	5,089,926	6,855,012	47,670,674	
Sept.	32,829,845	671,270	146,302	2,592,987	5,154,488	7,078,895	48,473,792	
October	33,746,127	659,080	146,302	2,583,592	5,238,752	7,223,888	49,597,743	
Nov.	34,352,790	659,673	146,302	2,583,623	5,379,646	7,422,930	50,574,966	
Dec.	36,100,558	724,704	146,302	2,571,820	5,570,267	7,596,300	52,709,963	
1942:								
Jan.	37,315,185	768,070	146,303	2,898,682	5,702,857	7,855,755	54,686,850	
Feb.	37,850,697	902,833	146,303	2,907,494	5,902,075	8,021,320	55,730,722	
March	39,248,958	1,060,173	146,303	2,886,074	6,206,781	8,237,378	57,785,667	
April	39,973,291	1,020,673	146,000	2,886,111	6,368,540	8,334,303	58,728,918	
May	41,236,508	938,270	146,000	3,054,219	6,498,241	8,544,555	60,417,793	
June	43,086,321	879,027	146,000	3,058,629	6,646,047	8,711,622	62,527,646	

External Loans

	Government Bonds	Local		Corporation Bonds
		Government Bonds	Government Bonds	
1939		1,266,629	170,007	290,441
1940		1,245,055	170,708	262,289
1941		1,221,472	166,884	249,891
1941 June		1,233,788	166,884	250,192
July		1,229,006	166,884	250,020
August		1,224,340	166,884	249,117
September		1,224,340	166,884	248,566
October		1,224,340	166,884	247,458
November		1,221,472	166,884	246,792
December		1,221,472	166,884	249,891
1942 January		1,221,472	165,779	250,060
February		1,221,472	165,779	250,060
March		1,221,472	165,779	250,060
April		1,221,472	165,779	250,060
May		1,221,472	165,779	250,060
June		1,221,472	165,779	249,007

TRANSACTIONS IN SHARES AT THE BOURSES

Year	Number of Bourses	Shares			
		Long Term		Short Term	
		Amount of Sales	Amount of Deliveries	Amount of Sales	Amount of Deliveries
1934	11	62,291,090	11,982,120	198,729,380	23,041,310
1935	11	41,065,140	8,153,130	214,320,750	23,545,450
1936	11	53,176,290	9,920,920	183,892,540	24,513,640
1937	11	72,943,670	13,933,380	289,128,520	34,115,900
1938	11	37,037,430	8,488,680	189,024,490	21,145,190
1939	11	39,701,000	7,703,000	197,740,000	22,122,000
1940	11	48,967,000	10,101,000	237,396,000	24,023,000
1941 (Tokyo only)		29,266,200	—	35,316,890	—

NUMBER OF INDUSTRIAL FACTORIES AND OPERATIVES AND VALUE OF PRODUCTION

(Compiled by the Ministry of Commerce and Industry)

At End of	Number of Industrial Factories		Number of Operatives		Production Value	
	Actual Number	Index Number	(1) Actual Number	Index Number	(2) Actual Production	Index Number
	1929	59,887	100	1,825.0	100	7,759.0
1930	62,234	102	1,683.6	92	5,962.8	77
1931	64,436	107	1,661.5	91	5,174.6	67
1932	67,318	112	1,733.5	95	5,982.5	77
1933	71,940	120	1,901.1	104	7,871.4	102
1934	80,311	133	2,163.5	118	9,390.1	121
1935	85,174	142	2,369.5	130	10,836.9	139
1936	90,602	150	2,592.7	142	12,257.6	157
1937	106,005	177	2,936.5	161	16,356.2	210
1938	112,332	187	3,217.7	166	19,067.2	253
1939	137,422	229	3,766.7	201	24,360.1	314

Note—(1) In 1,000 operatives; (2) In millions of yen.

NUMBER OF FACTORIES AND OPERATIVES AND VALUE OF PRODUCTION BY KIND

Industries	Factories			(1) Operatives			(2) Production		
	1938	1939	Increase	1938	1939	Increase	1938	1939	Increase
Metals	11,183	11,603	3.8%	380.6	430.4	14.7%	4,694.4	5,472.1	16.6%
Machinery & tools	17,570	23,067	31.3%	860.4	1,126.0	30.9%	3,821.9	5,421.4	41.9%
Chemical industry	6,349	9,005	41.8%	337.9	399.2	18.1%	3,513.7	4,161.0	18.4%
Gas & power	669	672	0.4%	10.5	12.0	14.4%	47.2	69.2	46.7%
Ceramics & bricks	5,231	6,686	27.8%	111.7	139.7	25.1%	431.8	572.0	32.5%
Spinning	32,618	38,871	13.0%	1,045.5	1,063.4	1.7%	4,200.2	4,791.5	14.2%
Sawing & woodwork	10,629	13,111	23.4%	113.8	152.2	33.7%	457.3	719.8	57.4%
Foodstuffs	16,944	22,737	34.2%	190.7	229.7	20.4%	1,786.1	2,331.9	30.5%
Printing & bookbinding	3,932	3,777	3.9%	63.6	60.2	4.1%	281.2	297.5	5.8%
Others	7,217	9,893	37.3%	103.0	141.4	37.3%	433.3	523.6	20.9%
Total	112,332	137,422	22.3%	3,217.7	3,766.7	17.1%	19,067.2	24,360.1	23.7%

Patents Under Wartime Situation

Patent statistics compiled by the Imperial Patent Office are a very delicate barometer of the trend of the times and vividly reflect the dominant factors of the times such as the priority principle, the substitutes age or the industrial and economic reorganization. They also give a clear glimpse into the personal characters of inventors.

Recent statistics of the Imperial Patent Office show that the number of applications for patents has sharply increased for aeronautical and military machinery and tools, machine tools, organic and inorganic chemicals, fuel gas and mineral oil, thus indicating the rising zeal of the inventors for wartime items instead of peace-time utensils such as agricultural tools, reeling or weaving machines, personal effects, cooking utensils and furniture. Particularly noteworthy is the drastic fall of the number of applications for registration of designs.

Interesting is the fact that more than

80 per cent of patent-applications for sound-recording and sound-reproduction concern substitute phonographic needles, and there has been almost no application for patents for phonographs themselves. According to a survey by the Imperial Patent Bureau, the number of applications for patents of substitute articles has sharply increased in recent years.

The number of licenses issued for the patent applications indicates the progress of the invention world qualitatively as well as quantitatively. A striking contrast in this respect has marked the percentage of licenses issued for applications for patents of thrashing machines and that of the machines for manufacturing straw work or wood work. While the former recorded a marked decline in the number of applications, the number of licenses issued has registered a remarkable increase. An entirely opposite tendency has featured the latter. Details follow:

PATENT-APPLICATIONS AND APPLICATIONS FOR REGISTRATION OF DESIGNS 1934—1940

Items	1934	1935	1936	1937	1938	1939	1940
Sound-Recording and Reproduction	228	292	314	301	190	131	114
Internal-Combustion Engines	490	591	839	971	1,023	900	952
Rolling-Stock, Wheels	1,644	2,201	2,418	1,941	1,515	1,056	983
Aviation	121	176	193	237	262	284	350
Military Machines	61	96	77	276	204	164	161
Drilling and Prospecting Machines	119	129	160	116	185	219	310
Machine-Tools	717	934	1,032	944	906	1,176	1,301
*Agricultural Implements	1,900	2,032	3,020	1,917	1,065	1,375	1,318
Reeling, Weaving and Knitting Machines and Likes	3,456	4,230	4,425	3,489	2,590	1,965	1,653
Flour-Manufacturing, Tea Manufacturing Machines and Likes	443	404	453	367	247	205	193
Machines for Manufacturing Straw or Wood Work	121	151	147	177	173	166	194
Advertising Machines, Selling Machines	299	349	296	232	219	121	57
Stationery, Instructing Machines	1,440	1,844	2,015	1,801	1,712	1,286	1,123
Personal Effects	3,830	4,221	4,729	4,176	4,210	2,801	2,935
Cooking Utensils, Furniture	4,477	5,303	5,793	5,146	4,639	3,565	3,997
Organic or Inorganic Chemicals	402	528	486	509	661	607	762
Fuel, Gas	268	381	383	420	788	1,004	1,275
Mineral Oil	123	137	160	222	259	229	275
Metallurgy	146	169	161	262	300	434	395
Rubber	258	253	276	236	327	179	309
High-Frequency Electric Communications	416	487	781	837	775	784	865

Items	1934	1935	1936	1937	1938	1939	1940
Electric Bulbs	1,042	1,355	1,172	1,280	1,044	885	684
Applications for Registration of Designs	9,611	12,384	14,074	10,714	7,063	5,278	4,243

Note: (*) Agricultural implements include thrashing and refining machines and similar machines for treating cereals as well as forestry machines, horticultural machines, sericultural machines, stock-farming machines, etc.

PERCENTAGE OF PATENT LICENSES ISSUED

Items	1934—1940						
	1934	1935	1936	1937	1938	1939	1940
Internal Combustion Engines	31%	30%	21%	21%	24%	27%	61%
Military Machines	70%	50%	58%	20%	21%	44%	29%
Mining	25%	13%	32%	15%	42%	18%	13%
Thrashing Machines and Likes	4%	14%	13%	13%	11%	16%	56%
Machines for Manufacturing Straw, Wood or Bamboo Work	41%	25%	17%	30%	43%	20%	7%
Fuel and Gas	37%	23%	13%	12%	9%	8%	12%
Machinery Industry	31%	26%	24%	25%	31%	37%	37%
Chemical Industry	29%	26%	26%	24%	25%	30%	27%
Electric Industry	37%	37%	33%	32%	25%	33%	50%

Note: Figures show the rates of licence numbers issued against the number of applications for patents. Patents granted to enemy nationals were decided to be confiscated and utilized by the Japanese factories, at the Cabinet meeting held on July 14, 1942. The number of such patents in force was nearly 3,000.

Price Trend in Japan

Since the outbreak of the China Affair, the prices in Japan have followed a steady upward trend as an inevitable result of the expansion of wartime finance and the growing stringency of general commodities.

With the object of checking the dangers of inflation, therefore, the Government resorted to various measures to check the uptrend of prices on the basis of the low-price policy. Such measures took the form of the promulgation of the Price Suspension Ordinance, the fixation of official prices, the encourage-

ment of national savings for the absorption of the floating purchasing power and the tax increase centered around indirect taxes. Such a Government price policy has served greatly to alleviate or check the rising trend of prices.

According to a survey by the Ministry of Commerce and Industry, retail prices of 30 leading cities as well as wholesale prices of 199 principal commodities in Japan since the outbreak of the China Affair moved as follows:

Wholesale Prices The wholesale price index in August, 1941, stood at 179.0 on the basis of December, 1929, as shown by the following table:

WHOLESALE PRICE INDICES IN LEADING CITIES

(December 1929=100)

Cities	1937	1938	1939	1940	1941 (August)
Tokyo	135.0	146.0	161.1	178.3	181.4
Osaka	131.0	142.0	158.3	168.1	179.8
Kobe	117.0	132.0	165.0	172.3	173.9
Kyoto	118.0	129.0	152.7	165.1	171.4
Nagoya	126.0	137.0	162.8	177.5	183.5
Yokohama	117.0	129.0	158.2	157.7	167.4
Hiroshima	119.0	135.0	152.5	155.3	167.2
Kanazawa	115.0	130.0	155.9	162.7	166.4
Sendai	111.0	121.0	140.8	156.3	159.2

Cities	1937	1938	1939	1940	1941 (August)
Otaru	112.0	125.0	141.5	157.6	164.6
Fukuoka	124.0	137.0	155.0	170.8	172.3
Niigata	116.0	129.0	159.6	163.5	165.0
Kochi	116.0	125.0	147.1	155.3	164.6
Total average	128.8	141.7	161.7	168.4	179.0

Note: All December figures. 119 principal commodities surveyed.

Classified by commodities, metal goods made the biggest jump, August (1941) figures standing at 218.6 while building materials, miscellaneous articles, foodstuffs, fibrous articles, fertilizers and fuel followed in order. Comparing the August (1941) indices with those of July, 1937, just following the outbreak of the China Affair, it is noted that building materials made the widest gain of 60.1 per cent, while foodstuffs and fibrous materials followed with 57.6 per cent and 54.6 per cent, respectively. Fertilizers, miscellaneous articles and

Industrial chemicals came in that order with metal goods registering the smallest increase of 18.2 per cent. Export commodities rose 20 per cent while import articles soared by 65 per cent, apparently reflecting the recent price trend in foreign markets.

Classified by cities, Nagoya came first with 55 per cent gain, followed by Kobe and Otaru each with 51 per cent. Kyoto, Sendai and Hiroshima came next with Tokyo coming the last with 43 per cent advance. The total average showed a gain of 45 per cent. Details follow:

WHOLESALE PRICE INDICES OF PRINCIPAL COMMODITIES

(December 1929=100)

Years	Foodstuffs	Fibrous Articles	Metal Goods	Building Materials	Industrial Chemicals
1930	90.5	82.4	87.3	89.7	93.3
1935	97.8	91.6	107.3	99.4	82.7
1936	105.1	97.8	112.8	100.2	72.7
1937	110.2	109.4	189.3	122.4	97.0
1938	116.8	121.4	234.1	145.0	120.3
1939	142.4	145.0	194.6	161.8	123.3
1940	170.8	136.9	199.0	177.8	125.1
1941—January	173.1	130.7	215.3	190.6	123.6
February	173.7	138.0	207.8	189.6	123.2
March	175.0	143.8	218.2	190.1	123.2
April	173.0	145.8	218.4	194.4	123.2
May	173.9	147.0	217.8	194.0	123.8
June	173.1	159.3	217.4	195.1	124.2
July	173.3	169.1	218.2	196.0	124.4
August	172.9	168.3	218.6	196.4	124.8

Years	Fuel	Miscellaneous Goods	Total Average	Export Goods	Import. Goods
1930	92.0	90.4	87.7	48.1	87.2
1935	94.0	108.7	97.4	93.7	107.8
1936	97.6	112.1	101.2	97.3	114.5
1937	113.2	147.4	123.8	111.8	151.8
1938	135.0	157.9	140.2	120.9	163.9
1939	139.8	171.9	153.7	145.4	164.4
1940	149.1	182.0	165.2	139.9	176.6
1941—January	150.4	185.6	168.6	142.4	179.0
February	151.0	185.2	170.4	149.2	179.9
March	150.2	188.3	172.7	156.1	180.5
April	150.4	192.8	173.3	157.2	180.7
May	150.9	193.2	173.9	158.4	181.4
June	151.1	193.1	176.6	169.8	182.5
July	151.2	193.7	179.2	180.0	187.5
August	151.3	193.7	179.0	182.2	184.7

Retail Prices The movement of retail prices was more or less different from that of wholesale prices, as the rising trend of retail prices was steadily curbed by the application of official prices since the enforcement of the control ordinance of September 18. The retail price index in September, 1941, stood at 168.8, representing an increase of 64 per cent compared with 103.3 in July, 1937, following the outbreak of the China Affair. Classified by items, clothings and personal effects made the widest jump of 81.5 per cent, followed by miscellaneous items

with 71 per cent and foodstuffs with 60 per cent. Building materials gained by 56 per cent while the 31 per cent gain by fuel had the smallest margin. Classified by cities, Nagoya topped with a gain of 76 per cent, followed by Kobe, Sendai, Fukuoka and Niigata each exceeding 60 per cent. Osaka stood at the tail-end with 48 per cent.

The rising trend of retail prices has become particularly slow since September, 1941, due to timely price control measures adopted by the Government. Relative figures follow:

MOVEMENT OF RETAIL PRICE INDICES IN PRINCIPAL CITIES

(December 16, 1929=100)

Cities	Average Indices					1941 (Sept.)
	1936	1937	1938	1939	1940	
Tokyo	94.5	104.7	122.9	133.8	157.7	162.1
Osaka	93.7	100.7	115.6	128.2	147.5	147.6
Kobe	94.2	104.4	129.9	140.7	109.6	176.6
Kyoto	96.2	104.6	122.3	137.1	154.2	159.2
Nagoya	94.2	103.4	123.4	132.7	167.4	179.3
Yokohama	89.7	100.9	119.1	129.3	149.8	156.4
Hiroshima	98.6	110.4	129.7	147.4	162.2	164.3
Kanazawa	100.0	109.7	124.3	137.8	163.5	168.9
Sendai	95.7	107.9	124.6	139.1	168.0	177.4
Otaru	94.0	101.7	118.8	134.8	156.7	158.8
Fukuoka	92.1	103.6	119.4	138.0	168.6	172.8
Niigata	95.5	104.3	118.6	134.2	166.5	170.2
Kochi	98.9	106.0	122.1	137.4	160.4	166.8
Total Average	94.8	104.2	121.6	138.7	162.3	168.8

RETAIL PRICE INDICES IN JAPAN BY ITEM

(December 16, 1929=100)

Years	Foodstuffs	Clothings & Personal Effects	Fuel	Building Materials	Miscellaneous	Total Average
1930	92.4	86.9	94.9	88.4	91.2	91.0
1935	91.7	87.1	90.6	100.0	83.8	90.5
1936	98.2	89.7	92.0	98.9	84.1	84.8
1937	101.2	104.1	99.1	135.4	102.7	104.2
1938	114.2	131.7	113.7	159.9	120.0	121.6
1939	131.7	153.9	119.4	177.6	131.1	138.7
1940	163.3	168.1	126.2	188.8	151.9	162.3
1941—January	156.4	177.4	129.0	203.2	164.4	163.1
February	157.1	177.4	129.4	207.5	164.8	163.8
March	157.7	178.5	129.6	209.0	167.7	164.7
April	160.1	179.8	129.7	209.0	170.2	166.7
May	161.5	181.6	130.1	209.8	173.3	168.1
June	161.4	183.3	130.3	210.0	173.1	168.5
July	159.8	183.9	130.0	210.3	173.7	167.8
August	159.6	185.9	129.7	210.3	175.3	168.1
September	159.1	189.3	129.3	211.3	176.4	168.8

* Wages vs. Price Indices, Comparison by Year

Years	Wage	Wholesale	Retail	Actual Wage Indices	
	Index (A)	Price Index (B)	Price Index (C)	A Against B	A Against C
1930	101.1	100.5	101.8	100.6	99.3
1936	101.1	104.3	106.5	96.9	94.9
1937	107.0	127.6	117.3	83.9	91.2
1938	113.7	145.0	137.1	78.4	82.9
1939	128.5	156.9	154.7	81.9	83.1
1940	146.1	170.5	182.6	85.7	80.1
1941—Jan.	153.1	174.0	183.5	86.0	83.4
Feb.	155.8	175.9	184.3	88.6	84.5
Mar.	157.6	178.2	185.3	88.4	85.1
Apr.	159.2	178.8	187.5	89.0	84.9
May	160.8	179.5	187.4	89.6	85.8
June	162.2	182.2	189.5	89.0	85.6
July	163.4	184.9	188.8	88.4	86.6
Aug.	164.3	184.7	189.1	89.0	86.9

Note: Average of a period from April, 1929 to March, 1940 as 100.

Tokyo Retail Price Indices Based on Private Transactions The movement of retail-price indices based on private transactions was surveyed by the Economic Bureau of the Tokyo Municipality. The present survey, made of the purchasing prices of daily necessities by specified families in Tokyo which were designated by the authorities of the ward offices as well as women's associations in the city as on the 16th day of each month, affects 50 items including 48 items select-

ed from the list of commodities of the Survey of Living Cost Indices of the Cabinet Bureau of Statistics. According to the present survey, the retail price index for May, 1941, stood at 215.0 on the basis of July, 1937, representing an increase of 11.9 per cent as compared with the ordinary retail price index for May, 1941 surveyed by the General Affairs Bureau of the Municipality.

Details follow:

RETAIL PRICE INDICES OF DAILY NECESSITIES AS IN MAY, 1941

(July, 1937 as 100)

Items	Unit	Indices of Retail Prices		Actual Prices		
		at which Consumers purchased (A)	Retail Price Indices (B)	Average	High	Official
Cereals		167	151	10.7		
Refined rice	kg.	111	115	-3.5	300	300
Kaiyo wheat	kg.	131	132	-0.7	—	—
Soya beans	kg.	199	173	15.0	—	—
Red beans	kg.	198	130	14.2	445	667
Wheat flour	kg.	152	180	16.3	368	400
Starch (Katakuri)	100 gr.	212	198	17.7	53	77
Fish, raw, salted or dried	kg.	249	198	25.6		
Sardines	kg.	219	188	16.5	248	400
Flatfish	kg.	313	259	20.8	613	773
Mackerel	kg.	176	124	42.0	893	1,082
Yellow-fish	kg.	316	—	—	2,025	2,667
Tunny	kg.	270	—	—	2,737	3,501
Dried Bonito	100 gr.	178	184	3.2	364	440
Dried Sardines	100 gr.	211	167	27.2	57	67
Salted Salmon	kg.	312	263	18.5	—	—

Items	Unit	Indices of Retail Prices			Actual Prices		
		at which Consumers purchased (A)	Retail Price Indices (B)	A B	Average	High	Official
Meat, Eggs		229	188	21.8			
Beef	100 gr.	267	207	29.1	353	480	320
Fowl	100 gr.	225	169	33.2	354	474	267
Hen's Egg	kg.	195	189	3.1	1,318	1,616	1,280
Vegetables		316	302	4.6			
Irish potato		409	349	17.2	184	267	160
Radish		309	283	9.2	145	213	133
Carrot		208	202	2.9	206	240	213
Sweet Potato		381	385	0.7	183	347	187
Spinach		174	180	3.3	357	533	400
Onions		414	414	0	207	567	213
Dried Vegetables,							
Pickles		162	155	4.6			
Shitake	100 gr.	144	149	3.2	907	960	853
Pickled Radish	kg.	106	105	0.8	218	267	187
Konnyaku	100 gr.	146	138	5.9	19	19	19
Chikuwa	100 gr.	250	228	9.5		109	67
Sake, Relishes and Other Drinks		135	135	1.4			
Sake	1 litre	127	118	7.6	1,336	1,760	1,265
Beer	bottle	129	128	1.1	473	500	470
Soy Sauce	1 litre	108	110	-1.7	360	385	350
Miso	1 kg.	130	133	-2.2	271	373	267
Sugar	1 kg.	110	109	0.9	474	520	475
Tea	100 gr.	204	202	0.9	216	267	213
Confectionery,							
Fruits		211	181	17.2			
Biscuit	100 gr.	318	213	49.2	159	192	107
Sembel	100 gr.	154	147	4.8	125	160	120
Apples	piece	171	164	4.3	132	158	
Banana	1 kg.	210	200	0.5	457	507	453
Fuel		184	174	5.8			
Charcoal	bag	194	185	4.8	2,315	2,590	
Rentan	10 kg.	157	136	15.4	602	706	
Match	Case	202	200	0.9	133	150	130-150
Personal Effects		315	270	-16.6			
Undershirts	piece	375	411	8.8	3,811	6,000	
Shirts	piece	361	272	32.2	4,856	7,000	
Socks	pair	384	228	68.5	972	2,000	
Towels	piece	170	204	-16.6	240	250	
Clogs (Geta)	pair	287	235	22.1	2,133	2,500	
Others		177	167	5.9			
Soap	piece	116	118	-1.7	103	150	100
Pomade	piece	202	195	3.5	856	950	
Toilet Paper	bundle	174	172	1.2	101	140	
Absorbent Cotton	case	191	186	2.8	191	300	170
Shoji Paper	roll	200	162	23.4	514	850	
Total Average		215	192	11.9			

BUSINESS RESULTS IN 1940 AND 1941

(Compiled by the Mitsubishi Economic Research Bureau)

(Amount in ¥1,000)

Kind of Business	No. of Representative Companies Investigated	Paid-up Capital	Net Profit		Dividend		Reserves	
			Amount	Percentage	Amount	Percentage	Amount	Percentage
Second Half of 1940								
Trust	6	34,950	3,688	21.1%	1,137	6.5%	2,416	66%
Bourses	6	89,500	3,917	8.8%	3,065	6.8%	636	16%
Securities	4	22,750	1,747	15.4%	1,125	9.9%	384	22%
Foreign Trade	5	325,117	33,129	20.4%	11,995	7.4%	19,985	60%
Railways	9	410,050	21,928	10.7%	16,716	8.2%	4,596	21%
Shipping	5	140,700	15,545	22.1%	5,894	8.4%	9,442	61%
Transportation	3	36,363	1,868	10.3%	1,158	6.4%	603	32%
Warehousing	4	29,260	912	6.2%	481	3.3%	348	35%
Manufacturing								
Industries	98	3,308,716	260,383	15.9%	145,896	8.9%	107,996	41%
Cotton spinning	7	272,125	28,517	21.0%	17,396	12.8%	10,240	36%
Woolen	4	56,500	4,954	17.5%	3,090	10.9%	1,653	33%
Hemp	3	10,408	1,701	32.7%	468	9.0%	1,155	68%
Rayon	5	134,925	8,547	12.7%	6,618	9.8%	1,519	18%
Cement	6	148,620	7,988	10.7%	6,234	8.4%	1,349	17%
Bricks	2	18,000	1,516	16.8%	776	8.6%	674	44%
Glass	2	44,250	5,030	22.7%	2,831	12.8%	2,043	41%
Drugs	2	18,000	1,751	19.5%	736	8.2%	962	55%
Chemicals	6	56,074	4,597	16.4%	2,421	8.6%	1,965	43%
Oils & fats	2	40,600	2,975	14.7%	1,817	9.0%	1,060	36%
Leather	2	6,500	873	26.9%	310	9.5%	516	59%
Paper	4	289,222	22,624	15.6%	12,928	8.9%	9,209	41%
Chemical fertilizers	6	298,125	20,090	13.5%	13,324	8.9%	6,366	32%
Other chemicals	3	36,000	3,898	21.7%	2,000	11.1%	1,713	44%
Electric machine	4	163,750	16,419	20.5%	7,772	9.7%	8,377	51%
Shipbuilding	3	224,000	11,444	10.2%	6,060	5.4%	5,151	45%
Rolling stock	3	64,494	5,101	15.8%	2,640	8.2%	2,288	45%
Other machines	8	95,372	9,783	20.5%	4,479	9.4%	4,905	50%
Iron & steel	7	724,163	45,644	13.4%	24,986	7.2%	19,900	44%
Other metallic	5	336,617	24,152	14.3%	14,395	8.6%	9,291	38%
Sugar	4	191,926	24,389	25.4%	10,961	11.4%	13,308	55%
Flour	4	43,670	5,268	24.1%	2,084	9.5%	2,971	56%
Confectionaries	2	19,500	1,785	18.3%	835	8.6%	860	48%
Printing	4	15,875	1,337	16.8%	735	9.3%	521	39%
Mining	7	639,406	55,947	17.5%	31,933	10.0%	23,148	41%
Kerosene oil	2	87,500	8,155	18.6%	3,575	8.2%	4,256	52%
Gas	2	24,775	1,299	10.5%	965	7.8%	319	25%
Electricity	8	1,289,117	58,030	9.0%	48,279	7.5%	8,499	15%
Fisheries	1	42,300	3,029	14.3%	2,115	10.0%	722	24%
Land & building	4	25,750	1,241	9.6%	637	4.9%	558	45%
Rubber plantation	4	17,225	1,049	12.2%	603	7.0%	417	40%
Total	168	6,523,479	471,867	14.6%	275,574	8.5%	184,325	39%

First Half of 1941

Kind of Business	No. of Representative Companies Investigated	Paid-up Capital	Net Profit		Dividend		Reserves	
			Amount	Percentage	Amount	Percentage	Amount	Percentage
Trust	6	34,950	4,588	26.3%	1,137	6.5%	3,256	71%
Bourses	6	89,500	3,155	7.1%	2,548	5.7%	490	16%
Securities	4	22,750	848	7.6%	950	8.4%	178	21%
Foreign Trade	5	325,117	35,920	22.1%	19,450	12.0%	15,543	43%
Railways	9	430,089	25,789	12.0%	17,870	8.3%	7,275	28%
Shipping	5	145,950	18,185	24.9%	6,133	8.4%	11,393	63%
Transportation	3	36,363	2,210	12.2%	1,244	6.8%	860	39%
Warehousing	4	29,260	1,309	8.9%	918	6.3%	323	25%
Manufacturing								
Industries	98	566,339	269,432	15.1%	160,300	9.0%	103,579	38%
Cotton spinning	7	319,246	33,094	21.1%	18,883	11.8%	15,848	44%
Woolen	4	56,500	5,727	20.3%	3,090	10.9%	2,428	42%
Hemp	3	11,488	1,271	22.1%	541	9.4%	651	51%
Rayon	5	134,925	8,899	13.2%	6,579	9.8%	1,998	22%
Cement	6	159,056	7,825	9.8%	6,465	8.1%	1,065	14%
Bricks	2	18,000	1,287	14.3%	790	8.8%	443	34%
Glass	2	44,250	4,466	20.2%	2,831	12.8%	1,479	33%
Drugs	2	18,000	1,871	20.8%	750	8.3%	1,048	56%
Chemicals	6	65,844	4,025	12.2%	2,532	7.7%	1,304	32%
Oils & fats	2	40,975	2,929	14.3%	1,827	8.9%	1,005	34%
Leather	2	6,500	971	29.9%	310	9.5%	612	63%
Paper	4	289,265	24,959	17.3%	14,494	10.0%	9,954	40%
Chemical fertilizers	6	352,625	18,485	10.5%	15,207	8.6%	2,901	16%
Other chemical	3	36,000	3,611	20.1%	1,840	10.2%	1,591	44%
Electric machine	4	204,000	18,518	18.2%	9,231	9.1%	8,740	47%
Shipbuilding	3	228,000	12,483	11.0%	6,956	6.1%	5,159	41%
Rolling stock	3	64,494	5,417	16.5%	2,810	8.6%	2,434	45%
Other machines	8	99,625	10,539	21.7%	4,605	9.4%	5,313	50%
Iron & steel	7	776,000	47,627	12.3%	30,249	7.8%	16,770	35%
Other metallic	5	350,000	25,323	14.5%	15,025	8.6%	9,842	39%
Sugar	4	210,301	20,574	19.6%	11,455	10.9%	8,323	40%
Flour	4	43,670	5,769	26.4%	2,161	9.9%	3,370	58%
Confectionaries	2	19,500	1,576	16.2%	823	8.4%	585	37%
Printing	4	15,875	1,586	20.0%	786	9.9%	716	45%
Mining	7	730,096	46,304	12.7%	32,062	8.8%	13,117	28%
Kerosene oil	2	87,500	7,829	17.9%	3,556	8.1%	4,024	51%
Gas	2	24,775	1,637	13.2%	1,074	8.7%	487	30%
Electricity	8	289,117	56,721	8.8%	48,233	7.5%	7,335	13%
Fisheries	1	42,300	2,811	13.3%	2,115	10.0%	542	19%
Land & building	4	25,750	962	7.5%	648	5.0%	277	29%
Rubber plantation	4	18,725	998	10.7%	707	7.6%	261	26%
Total	168	898,581	478,698	13.9%	298,945	8.7%	168,584	35%
Second Half of 1941								
Trust	6	34,950	4,392	25.1%	1,137	6.5%	3,056	70%
Bourses	6	89,500	2,812	6.3%	2,392	5.3%	313	11%
Securities	4	22,750	522	4.6%	661	5.8%	1,921	—
Foreign Trade	5	350,117	40,220	23.0%	20,575	11.8%	18,579	46%

Kind of Business	No. of Representative Companies Investigated	Net Profit		Dividend		Reserves		
		Amount	Percentage	Amount	Percentage	Amount	Percentage	
Railways	9	458,082	23,628	10.3%	17,677	7.7%	5,339	23%
Shipping	5	145,950	18,598	25.5%	6,210	8.5%	11,638	63%
Transportation	3	43,740	2,523	10.9%	1,426	6.2%	986	39%
Warehousing	4	29,260	1,435	10.7%	881	6.4%	482	34%
Manufacturing Industries	98	3,830,726	262,732	13.8%	168,320	8.8%	88,023	34%
Cotton spinning	7	349,649	32,587	18.6%	21,643	12.4%	11,448	54%
Woolen	4	56,500	7,213	25.5%	3,090	10.9%	3,898	54%
Hemp	3	11,488	1,227	21.4%	574	10.0%	560	46%
Rayon	5	146,796	8,470	11.5%	6,362	8.7%	1,839	22%
Cement	6	173,158	7,105	8.8%	6,373	7.4%	986	13%
Bricks	2	18,000	1,268	14.1%	790	8.8%	420	33%
Glass	2	44,250	4,081	18.4%	2,625	11.9%	1,258	31%
Drugs	2	18,000	2,051	22.8%	750	8.3%	1,217	59%
Chemicals	6	67,094	3,820	11.4%	2,443	7.3%	1,205	32%
Oils & fats	2	53,850	3,712	13.8%	2,373	8.8%	1,233	33%
Leather	2	6,500	984	30.3%	318	9.8%	605	61%
Paper	4	326,767	24,896	15.1%	15,431	9.4%	8,753	35%
Chemical fertilizers	6	367,997	20,735	11.3%	17,471	9.5%	2,894	14%
Other chemicals	3	36,000	3,279	18.2%	1,840	10.2%	1,267	39%
Electric machine	4	206,500	19,333	18.7%	10,250	9.9%	8,488	44%
Shipbuilding	3	235,500	13,668	11.6%	7,070	6.0%	6,190	45%
Rolling stock	3	76,538	5,959	15.6%	3,102	8.1%	2,701	45%
Other machines	8	120,813	11,549	19.1%	5,434	9.0%	5,591	48%
Iron & steel	7	859,100	36,629	8.5%	31,428	7.3%	4,620	13%
Other metallic	5	365,000	26,099	14.3%	14,819	8.1%	10,812	41%
Sugar	4	210,301	20,386	20.6%	10,689	10.9%	9,139	45%
Flour	4	43,670	4,052	21.8%	1,841	9.9%	1,983	49%
Confectionaries	2	19,880	1,625	16.3%	780	7.8%	742	46%
Printing	4	17,375	1,694	19.5%	824	9.5%	774	46%
Mining	7	730,098	46,332	12.7%	33,110	9.1%	12,300	27%
Kerosene oil	2	120,000	8,921	14.9%	4,851	8.1%	3,777	42%
Gas	2	24,775	1,782	14.4%	1,111	9.0%	586	33%
Electricity	8	1,289,117	54,859	8.5%	48,233	7.5%	5,455	10%
Fisheries	1	42,300	2,767	13.1%	2,115	10.0%	529	19%
Land & building	4	25,750	939	7.3%	648	5.0%	253	27%
Rubber plantation	4	18,725	920	9.8%	646	6.9%	245	27%
Total	168	7,255,840	472,338	13.1%	309,993	8.6%	150,969	32%

DEVELOPMENT AND TENDENCY OF THE NATIONAL ECONOMY IN 1941-42

1. Security Market

Due to the increasing strains of international relations and the general industrial depression, the domestic stock market had become increasingly inactive. Although the Government resorted

to various measures in an effort to maintain the prices of shares and the bond world barely managed to continue the flotation by the progress of well-balanced flotation plans, the security market in general remained dull and

depressed throughout 1941 until the very close of the year.

The stock market, however, became suddenly active and animated on the reports of successive victories of the Japanese forces since the outbreak of the War of Greater East Asia on December 8, 1941. The Government was forced to take up measures to check the excessive soaring of share prices. Thus, the dull atmosphere in the stock market which had been prevalent for the past few years, was completely wiped out toward the close of 1941.

Fluctuations of Prices of Shares The prices of shares, which had continued downward throughout 1940, remained dull and inactive in 1941, except a few spasmodic gains, due solely to the increasing complexities of the international situation and the growing depression in industrial circles.

Particularly, the downward trend of prices of leading shares was further accelerated toward the close of June, 1941, because of the start of hostilities between Germany and the Soviet Union, the strengthening of the wartime structure following the organization of the third Konoe Cabinet and the intensification of the so-called ABCD encirclement front by the "Democracies." The market sentiment was specially erratic and unstable on July 26, 1941, when Britain and the United States announced the freezing of the Japanese assets in those countries, with the Tokyo Stock Exchange (new), hitting the record low since October, 1931 at ¥94.50. The further fall of share prices, however, was successfully checked by the limitless purchasing gesture of the Mutual Securities Corporation, the restrictions of short selling transactions by the exchange authorities as well as the co-operation by various monetary organs with the policy of the Government. Since then the prices of shares remained comparatively firm and stable in the face of the increasing uncertainty of the outcome of Japanese-American negotiations and the mounting strains of the East Asiatic situation, due to the promulgation of the Share Prices Control Ordinance in August, the decrease of the number of floating shares and the manifestation of the firm resolve of the nation to tide over the crisis through the formation of the Tojo Cabinet. Reports of successive war victories achieved by the Japanese forces since the outbreak of

the War of Greater East Asia on December 8 served to stir up the bullish tone in the market with the prices of leading shares soaring in rapid succession.

The Tokyo Stock Exchange (new) on December 11 zoomed to ¥145, representing a wide-margined gain of ¥38 compared with the quotations preceding the outbreak of the war with Britain and the United States. Other leading shares, including the Osaka Stock Exchange (new), Kanegafuchi Spinning (new) as well as shipping, fibrous industrials, food-stuffs and heavy industries, kept pace in a wide-margined rise.

To cope with the sharply-rising tendency of share prices, the Government resorted to various checking measures, including the revision of the Share Prices Control Ordinance, which had originally been promulgated as a means for checking the excessive fall of share prices, in order to authorize the Government to restrict the excessive increase of share quotations. In view of the Government urging for the self-discipline in stock circles, the Tokyo Stock Exchange raised the amount of margins on several occasions, and imposed almost a prohibitively high margin on stock exchange shares.

The average quotation of industrials during 1941 (up to December 20, 1941) stood at ¥71.23, down by ¥9.99 or 12 per cent compared with the corresponding period in 1940 while that of the Tokyo Stock Exchange (new) was ¥18.00 or 15 per cent lower than the 1940 average. The high for industrials at ¥79.56 in mid-December, however, was the highest price quoted since August, 1940, while the mid-December quotation of the Tokyo Stock Exchange (new) at ¥148.00 was the highest level reached since January, 1940.

Share Price Control Measures (1) Measures for Maintaining Share Prices: In view of the unfavorable influences to be brought about to the progress of the industrial productivity expansion by the sharp decline of share prices, and the consequent difficulty in the accommodation of industrial funds, unsmooth circulation of funds due to the fall of the value of securities in the form of stock as well as the fluctuations of the basis for appraising the assets of industrial concerns, the Government came to adopt strong measures for checking the excessive decline of the prices of shares. Those Government measures included the following:

a) Establishment of Japan Mutual Securities Corporation: This company was established in March, 1941, with the Industrial Bank of Japan as the pivot, and started purchasing operations in the market in June, that year. With the Government deciding to finance the company positively in order to enable the concern to embark upon limitless purchasing activities, the stabilization operations conducted by the company became increasingly concrete and positive.

b) Promulgation of Share Prices Control Ordinance: The stock market, while having been temporarily stabilized because of such Government measures as well as whole-hearted cooperation by civil circles, was liable to be subjected to an increasing risk due to the mounting strains of international conditions. To cope with the situation, therefore, the Government resorted to two emergency measures, the Share Prices Control Ordinance and Emergency Treatment Ordinance Pertaining to the Appraisal of Shares Owned by Industrial Companies.

The Share Prices Control Ordinance, based on the provisions of Article 19 of the National General Mobilization Law, authorizes the Government, when necessary, to fix the lowest prices of shares. Members of the stock exchanges as well as securities merchants are prohibited to transact shares, for which the lowest prices have been fixed by the Government, at quotations lower than the lowest prices.

The Emergency Treatment Ordinance Pertaining to the Appraisal of Shares Owned by Industrial Companies is based on the provisions of Article 11 of the National General Mobilization Law, and provided for temporary exceptions in the appraisal provisions in the Commercial Code so that the Government might compensate for the losses which would be sustained by industrial companies through the decline of the value of shares owned in appraisal. By this measure, the Government aimed at preventing the sales of stocks by companies.

c) The unit-trust investment system initiated by the Nomura Securities Company and Nomura Trust Company in November, 1941, was also a measure aiming at absorbing floating purchasing power and accelerating the active supply of industrial funds through the control over floating shares.

(2) Control Over Highest Share Prices: The Government revised the Share Prices Control Ordinance in order to acquire an authority to specify the highest prices of shares in addition to fixing the lowest prices in view of the fact that the wild soaring of share prices since the outbreak of the War of Greater East Asia was more or less too sudden and abnormal. By this measure, the Government aimed at checking the reactionary slump which might follow the limitless soaring, restraining excessive speculations and preventing the inflow of speculative funds into the stock market.

FLUCTUATIONS OF LEADING SHARE PRICES

Actual Quotations*

(In yen)

Average of	Average of 50 Leading Industrials	Tokyo Stock Exchange (new)
1937	87.05	153.49
1938	78.91	148.49
1939	79.50	136.54
1940 1st half	87.57	141.29
1940 2nd half	74.83	118.21
1940 average	81.20	129.67
1941 1st half	72.17	112.29
1941 2nd half	70.29	109.17
1941 average	71.23	110.73

Average Share-Price Indices**

(January, 1921=100)

Average of	Transportation	Gas & Power	Mining	Textiles	Metals	Machinery
1937	108.5	173.1	152.0	84.9	209.3	149.2
1938	97.7	163.4	155.6	76.6	202.2	147.7
1939	121.4	188.6	155.3	82.0	193.6	153.2
1940 1st half	149.9	207.5	158.3	97.8	201.0	186.1
1940 2nd half	128.0	178.5	128.5	83.6	166.5	170.3
1940 average	138.9	193.8	143.4	90.7	183.8	178.2
1941 1st half	130.8	160.1	119.1	86.0	157.3	166.0
1941 2nd half	129.4	155.5	109.5	81.5	141.5	161.8
1941 average	130.1	158.0	114.7	83.9	150.1	164.1

Average of	Chemicals	Foodstuffs	Ceramics, etc.	Banking & Insurance	Total Average Index
1937	123.5	111.6	58.6	175.2	156.7
1938	115.9	105.8	61.5	173.6	150.4
1939	112.4	132.4	70.2	183.6	160.3
1940 1st half	112.5	151.5	83.8	205.7	185.3
1940 2nd half	98.6	120.6	76.5	188.0	158.2
1940 average	110.6	136.0	80.1	196.8	171.7
1941 1st half	88.5	144.5	74.4	187.9	152.4
1941 2nd half	81.3	119.8	69.4	187.8	144.7
1941 average	85.3	116.9	72.1	187.9	148.9

* 1941 2nd half and annual average covering period ending on December 20.

** 1941 2nd half and annual average covering period ending in November.

LEADING SHARE PRICES

(In yen)

Average of 50 Leading Industrials	Tokyo Stock (New)	Kanegafuchi Spinning (New)	Imperial Rayon (New)	N.Y.K. (New)	Uruga Dockyard (New)
1939 2nd half, High	91.66	170.30	128.20	126.70	107.00
1940, Low	67.63	101.80	72.50	76.00	58.50
March end, 1941	73.48	115.80	89.20	96.20	75.90
July 26, 1941, Low	65.94	94.80	70.30	72.80	64.10
July end, 1941, Low	67.20	102.90	74.40	74.20	67.90
December 6, 1941	69.89	109.70	79.30	81.70	76.20
December 11, 1941	76.11	145.00	100.00	100.00	94.00
Middle decade, December, 1941, High	79.56	148.90	106.00	102.00	95.00
Gain since December 6, 1941	9.67	39.20	26.70	20.30	18.80

Mitsubishi Heavy Ind. (New)	Japan Steel Tube (New)	Japan Oil (New)	Asahi Glass (New)	Japan Fisheries (New)	Toa Tobacco (New)	Nissan Norin (New)
1939 2nd half, High	110.90	98.40	87.50	163.50	70.00	106.10
1940, Low	70.80	60.10	62.50	117.50	42.20	69.30
March end, 1941	77.00	68.50	64.30	125.90	45.80	81.60
July 26, 1941, Low	71.20	55.00	57.00	107.30	40.40	71.30
July end, 1941, Low	70.50	56.20	58.90	112.50	41.60	75.60
December 6, 1941	76.40	57.70	62.60	120.00	40.60	83.00
December 11, 1941	87.50	70.00	74.90	131.00	54.30	100.60
Middle decade, December, 1941, High	89.20	77.50	79.50	133.50	54.30	106.90
Gain since December 6, 1941	12.80	19.80	16.90	13.50	13.70	23.90

Bond Market in 1941 Flotation of Bonds. The total amount of debentures of which the flotation was concluded up to December 20, 1941, aggregated ¥3,685,000,000, representing an increase of ¥1,132,000,000 or 44 per cent compared with the corresponding period in the preceding year. The sharp increase, despite the general curtailment policy of the Government, was principally due to the activities of the productivity expansion drive. The smooth flotation of the huge amount of debentures under more or less unfavorable conditions in the

bond market was attributable to a close cooperation among governmental offices concerned, bankers' syndicates and local banks on the basis of well-mapped-out consumption plans, as well as the mobilization of funds of local and savings banks and industrial associations.

Under the circumstances, the portion of debentures opened for public subscription steadily dwindled and stood at 33.5 per cent of the total amount floated compared with 68.6 per cent in 1939 and 49.1 per cent in 1940. Details follow:

BOND AND DEBENTURE FLOTATION CONTRACTS CONCLUDED IN 1941

(In Millions of Yen)

	Local Bonds	Banks	Debentures				Total	Opened for Public Subscription
			Special Companies	Ordinary Companies	Concerned with Man-choukuo	Concerned with China		
1939 Total	89.2	135	372.2	532.0	824.0	110	2,062.5	1,415.4
1940 Total	—	725	465.0	366.0	742.0	255	2,553.0	1,235.9
1941:								
1st quarter	—	285	165.0	141.5	270.0	60	921.5	285.4
2nd quarter	—	304	209.8	116.5	150.0	100	910.3	319.0
3rd quarter	—	260	195.0	207.4	205.0	70	937.4	344.7
*4th quarter	—	230	230.0	199.5	181.5	75	916.0	295.0
1941 Total	—	1,079	799.8	664.9	836.5	305	3,685.1	1,244.1

Note: * Up to December 20.

Reflecting the stringency of the long-term funds, however, the consumption of debentures proved rather inactive, due principally to the tendency of successive future issues as well as the lower interest yields. Naturally, the sale of debentures was extremely unfavorable, except a few issues such as the South Manchuria Railway debentures or the Oriental Development debentures.

Perplexed with the increasing volume of debentures in possession, therefore, the underwriting securities companies sought the accommodations from the Industrial Bank of Japan on the one hand and encouraged the sales by marketing debentures of second-class companies with those of leading firms or at lower quotations.

The National Monetary Council in July, 1941, decided upon a five-point certain counter-measure in order to cope with the situation but without avail.

Reflecting the general depression in bond circles, the bond market was generally inactive. Particularly, the inac-

tivity was acute in about March, 1941, when even the leading bonds such as those concerned with China and Man-choukuo with Government guarantee were quoted in the market at quotations from 5 sen to 10 sen lower than the issue prices.

Interest-yielding Government bonds continued in a strong tone since the start of the year, the Ko-Goh 5 per cent Government bonds having advanced to ¥106 at the close of the first half of 1941 or a gain of ¥1.70 since the start of the year. Due to the advent of a fear for the possible increase of taxation, however, the quotation was subjected to a reactionary decline since July. The Ko-Goh 5 per cent ended the year at about ¥105.50 after successive ups and downs, as the industrial associations, mutual credit associations and other monetary organs which are exempted from taxation came forward to resort to purchasing operations. Market quotations of principal bonds and debentures in 1941 follow:

QUOTATIONS OF LEADING BONDS

Terms	Ko-Goh 5%	4% 1st	I-Goh 3.5%
1939	¥104.50	¥103.22	¥98.63
1940	105.64	103.33	98.70
1941 1st half	105.23	102.74	98.73
*1941 2nd half	105.34	102.71	98.88
*1941 Average	105.31	102.75	98.81

Note: * Up to December 20.

QUOTATIONS OF LEADING DEBENTURES

	Japan Power Generation and Transmission	Japan Iron Mfg. Company, 58th	Japan Mining Company, 2nd-Ha Goh
Interest Rate per Annum	4.2%	4.3%	4.3%
Sale Prices	¥99.50	¥100.00	¥100.00
End of June 1940	99.40	100.10	99.90
End of December 1940	99.40	100.00	99.70
End of March 1941	99.35	99.90	99.35
End of June 1941	99.35	100.00	99.35
End of November 1941	99.35	100.00	99.35

Transition of Stock Transactions The reorganization of the security exchanges came to be hotly discussed since the fall of 1940 in order to cope with the economic new structure advocated by the Government. The actual reform, however, failed to make any substantial progress. However, the general market activities of the stock exchanges under the old structure came to be strictly restricted by the weight of surrounding circumstances.

Ever since the outbreak of the China Affair, the share dividends have come to be considerably restricted due to the enforcement of different control regulations such as the Extraordinary Industrial Funds Adjustment Law, the restrictions over dividends as well as control over profits. Naturally, the charm of stock exchange speculations greatly dwindled. Particularly, the market sentiment became further depressed in 1941 as a result of various discouraging factors such as the Ordinance Restrict-

ing the Fall of Share Prices, the control of short-selling by the Tokyo Stock Exchange, etc.

The daily total of futures transactions in the first eleven months of 1941 aggregated 96,000 long-term transactions and 169,000 short-term transactions, respectively, or decrease of 29 per cent for the former and 27 per cent for the latter compared with the corresponding figures in the preceding year. Spot transactions in the first eleven months, however, increased sharply, long-term transactions having gained by 45 per cent and short-term transactions by 42 per cent compared with the corresponding figures in 1937. The inactivity of futures transactions, a cardinal source of revenue for the stock exchanges naturally served to worsen the business results of the exchanges. With 1937 as the peak, therefore, the dividend rate of the Tokyo Stock Exchange continued downward and stood at 5.5 per cent for the second half of 1941.

TRANSACTIONS OF TOKYO STOCK EXCHANGE

	Share Transactions (Shares)				Bonds & Debentures (¥1,000)		
	Long-term	Short-term	Spot	Total	Govt. Bonds (Long-term)	Govt. Bonds (Short-term)	Corp. Debentures (Spot)
1937	198,569	592,736	46,832	538,129	1,744	1,578	212
1939	122,786	202,967	70,246	395,998	2,592	1,968	682
1940:							
1st half	144,279	212,162	62,716	419,157	5,093	2,958	1,079
2nd half	127,992	249,608	39,868	417,468	1,431	1,552	723
Average	136,136	230,885	51,292	418,313	3,262	2,255	901

	Share Transactions (Shares)				Bonds & Debentures (¥1,000)		
	Long-term	Short-term	Spot	Total	Govt. Bonds (Long-term)	Govt. Bonds (Short-term)	Corp. Debentures (Spot)
1941:							
1st half	101,075	174,100	51,009	326,842	585	1,640	704
*2nd half	90,931	164,849	48,498	304,278	861	1,078	654
*Average	96,464	169,895	50,220	316,680	710	1,384	682
†December	240,998	459,691	128,097	828,697	908	1,019	446

Note: * Average for first 11 months.
† Average up to December 20.

2. Prices of Commodities

Low Price Policy and Production Increase Measures Ever since the outbreak of the China Affair, the Government has resorted to various measures in order to maintain the prices of commodities at a low level. For this purpose, the Government, particularly, has expanded the scope of application of official prices on the basis of the provisions of the Ordinance for Control of Prices, etc. However, the changing situation caused the disproportion of the prices of different commodities. Under the circumstances, opinions became rampant since the close of 1940 favoring the revision of the official price system based on the low-price policy. The elevation of prices to a certain extent came to be considered as inevitable for the sake of production increase. Even within the Government itself, the necessity of establishing a comprehensive price policy in order to change from the negative price policy of the past to a negative low-price policy pivoted on the expansion of productivity.

For this purpose, the Government in May, 1941 reorganized the Price Investigation Council and partially revised the organization of the Central Price Fixing Committee. On August 12, 1941, the third Kono Cabinet sent an inquiry to the Price Investigation Council regarding the adjustment of the low price and productivity expansion. According to the Council's reply to the Government in response to that inquiry, thoroughgoing rationalization in various departments of production and distribution was demanded together with a positive support to the production of important materials and commodities so that the increase of production and the reduction in the cost of production and distribution might be adequately effected. The reply also stressed the need for the rationalization of national consumption

of commodities and the fixing of a minimum level of the national wartime standard of life through the strengthened restrictions over consumption.

The Tojo Cabinet, which came into power succeeding the third Kono Cabinet, adopted the price policy of the outgoing Cabinet almost unchanged. In this connection, Nobusuke Kishi, Minister of Commerce and Industry, at the plenary session of the House of Representatives on November 17, 1941, clarified the Government policy favoring the revision of the existing official prices so as to encourage production increase of necessary commodities, while not altering the low-price policy, thus indicated the future trend of the price policy.

The Government also enforced the revision of the Ordinance Controlling the Prices, etc. on September 3, 1941, thereby extending the operation of the September 18 Price Suspension Ordinance of 1939 for the time being.

Low Price Policy and Absorption of Purchasing Power For the maintenance of the low-price policy and the prevention of the dangers of inflation, the absorption of purchasing power became a very important issue. With the production increase of consumption commodities making but slow progress and the convertible note issue expanding remarkably, the restrictions over consumption and absorption of purchasing power were required to be more positively pushed. For this purpose, the Government elevated the goal of the national savings for 1941 to ¥17,000,000,000 from the ¥13,500,000,000 for 1940. The National Savings Associations Law was also enacted by the Government as a means for increasing the national savings by the free will of the people.

In addition to the strengthening of national savings, the Government decided on the advance of railway freight

rates, increase of taxation and raise of the prices of Government monopolies for the purpose of absorbing the floating purchasing power. As a consequence, the prices of tobacco products were raised as from November 1 and the railway passenger fares were elevated by about 30 per cent, effective April, 1942.

In connection with taxation increase, the Government at the 77th Extraordinary Session of the Diet decided to effect an extraordinary increase in taxation, principally indirect taxes, by ¥635,000,000 in 1942 (¥173,000,000 in 1941). Taxes raised included the Sake tax, commodity tax, amusement tax, admission tax, building tax and transit tax. The Government also decided upon a comprehensive increase of the combined income tax, the juridical person profit tax and other direct taxes.

General Trend of Price Movement The prices of commodities continued the upward trend throughout 1941. However, as far as the price indices were concerned, the upward tone was greatly alleviated. Particularly, the advance of retail prices was short-margined. This was believed to be solely attributable to the expansion of the official price system.

a) Wholesale Prices: The rising rate

of the wholesale-price indices was extremely lower in the second half of 1941 than the first half, although the combined index for 1941 still continued upward. The wholesale-price index for November, 1941, stood at 3.0 per cent higher than the December index in 1940 and 70.3 per cent higher than the average index for 1936, preceding the outbreak of the China Affair. The average index for the first eleven months of 1941 represented 3.2 per cent gain compared with the corresponding index in 1940 and 08.4 per cent advance over the average index for the first eleven months of 1936.

Classified by items, metals recorded the greater increase, with the index in November, 1941, eclipsing the average for December, 1940 by 8.0 per cent. Raw materials for clothing ranked second with a 7.1 per cent gain while textiles came third with a rise of 5.7 per cent. Industrial chemicals rose by 1.8 per cent, building materials upped 1.6 per cent, fuel advanced 1.2 per cent and fertilizers increased marginally by 0.1 per cent. Cereals remained stationary while foodstuffs and spices recorded a 0.7 per cent recession. Relative figures follow:

WHOLESALE PRICE INDICES 1938-1941

(July 1937=100)

Terms	Total Index	Cereals	Foodstuffs	Clothing		Building Materials
				Materials	Raw Materials	
1938 average	109.7	103.0	104.7	130.3	94.4	112.4
1939 average	121.0	126.5	113.3	153.6	110.3	113.9
1940 average	133.4	150.2	132.1	162.0	121.4	121.9
1941-January	135.4	152.4	137.0	160.0	125.2	125.2
June	138.0	149.8	137.0	167.2	125.9	125.9
November	139.2	150.7	136.9	171.2	127.0	127.0

Terms	Metals	Industrial Chemicals	Miscellaneous		Fertilizers
			Industrial Items	Fuel	
1938 average	94.5	114.9	100.5	127.7	105.9
1939 average	88.6	139.2	110.9	133.3	115.4
1940 average	99.5	154.3	118.2	139.9	136.6
1941-January	100.5	156.3	120.1	144.1	141.5
June	102.3	159.2	124.3	144.1	141.5
November	107.6	158.0	123.1	145.9	141.6

b) Retail Price Indices: Parallel with the advance of wholesale prices, the retail prices continued upward. It is noteworthy, however, that the increasing rate of the retail prices in 1941 was extreme-

ly small-margined compared with the rising rate of the wholesale prices in contrast with longer strides with which the retail prices rose compared with the wholesale prices in 1940.