

Korekiyo Takahashi, and Lieutenant-General Jotaro Watanabé, Chief of the Department of Military Training, and seriously injured Admiral Kantaro Suzuki, Grand Chamberlain at their residences. Count Nobuaki Makino, former Grand Keeper of the Imperial Seals, escaped danger at an hotel at Yugawara, while Admiral Keisuké Okada, the Premier, was miraculously saved by the vicarious death of his brother-in-law Colonel Matsuo at his official residence.

The insurgents belonged to the 3rd Infantry Regiment of the Imperial Guard, the 1st and 3rd Infantry Regiments and the 7th Heavy Field Artillery Regiment of the First Division. They were led by some 23 captains, lieutenants and sub-lieutenants who belonged to the hot blooded group of young officers, a part of which had been responsible for the May 15 affair of 1932.

Martial law was immediately put into force for a part of Tokyo surrounding the Imperial Palace under the command of Lieutenant-General Kohei Kashii.

The insurgents occupied the central part of the capital for almost 4 days and were finally subdued by Imperial Order through H. I. H. Prince Kanin, Chief of the General Staff on February 29, and most of them were sent back and detained in their original barracks. Captain Shiro Nonaka, assuming responsibility for the affair, shot himself to death. He was later followed by

Prime Minister  
Foreign Affairs  
Home Affairs  
Education  
Finance  
War  
Marine  
Justice  
Agriculture and Forestry  
Commerce and Industry  
Communications  
Railways  
Overseas

Captain Ando, who had attacked the Itoya Hotel to kill Count Makino.

All through the days of the uprising the people in Tokyo showed presence of mind and helped the authorities settle the matter peacefully. The aim of the young officers had been long understood by the people since the May 15 affair of 1932 because of several events which ensued it. Their object was the reformation of political and military administration to meet the need of the times in and out of the country.

**Formation of New Cabinet** Admiral Okada and other members of the Cabinet tendered their resignations to the Throne on February 27, taking full responsibility for the Feb. 26 affair. Prince Saionji was called to Tokyo for his advice in the matter of choosing the succeeding premier. Prince Konoyé, President of the House of Peers, was first recommended, but he asked for Imperial pardon because of his weak health. Then, on March 5, Koki Hirota, Foreign Minister in the Okada Cabinet, was summoned to the Imperial Palace and accepted the Imperial Order to form a new Cabinet.

The formation of the Hirota Cabinet met difficulties on its course, but was finally completed and the inauguration took place in the Phoenix Hall of the Imperial Palace before H. I. M. the Emperor at 8 p. m. March 9, 1936. Members of the Hirota Cabinet were then as follows:

Koki Hirota  
Shigenosuke Ushio  
Eiichi Baba  
Hisaichi Terauchi, General  
Osami Nagano, Admiral  
Raisaburo Hayashi  
Toshio Shimada  
Takukichi Kawasaki  
Keikichi Tanomogi  
Yonezo Maeda  
Hidejiro Nagata

See Chapter on Government, present Cabinet, for their full career.

## CHAPTER VI

### FOREIGN RELATIONS

#### Earlier Contacts with Foreign Countries

**China and Korea** China and Korea were the first foreign nations to come into contact with Japan. To these two countries the ancient Japanese were indebted in a large measure for various institutions of civilization. It was, however, not until about the middle of the fourth century A. D., when the Empress Jingo sent an expedition to South Korea and established a resident Japanese government in Silla, one of the three Korean kingdoms, that the Japanese began systematically introducing Chinese culture and learning through Korea. After this, Chinese civilization continued to influence the Japanese to an increasing extent, and in 593 the Prince Regent Shōtoku began the construction of an imposing Buddhist temple and pagoda at Tennoji (now a section of Osaka). This was intended to help propagate Buddhism among the Japanese as well as to impress the Chinese envoys and traders who, in those days, were in the habit of coming to this country by small sailing craft and landing at what is now known as Osaka.

Other contacts with China and Korea occurred on the occasion of the Korean resistance against the encroachment of the Chinese under the Tang dynasty in the seventh century, when the Emperor Tenchi sent assistance to Korea, and at the time of the invasion of the northern shores of the island of Kyushu by an expeditionary force under Kublai Khan in the thirteenth century,

which was the first instance of the security of Japan being menaced by foreign invasion. The Mongolian expedition was finally repulsed by the Japanese with the help of a hurricane which wrecked practically all the Mongolian fleet.

Another major event in Japan's earlier foreign relations was the expedition sent to Korea by Hideyoshi Toyotomi in 1592. This expedition was recalled without any decisive results shortly after the death of Toyotomi. It is regarded as probable that the failure of this military action was partly due to the assistance given to Korea by China, which claimed sovereignty over the Korean peninsula.

Chinese civilization was also brought to Japan by the Chinese refugees who emigrated when the Manchus invaded and subjugated China proper in the middle of the seventeenth century.

**Spain and Portugal** Japan's first contact with Western countries occurred in the middle of the sixteenth century, when Portuguese and Spanish traders first visited the shores of this country. These traders were instrumental in introducing Christianity.

**Britain and the Netherlands** Shortly afterwards, Dutch and English traders arrived in Japan and were granted every facility for the conduct of business. In the meantime, the Jesuit and Franciscan missionaries had erected churches in various parts of the country, and their activities came to be regarded with grave apprehension as it was believed that they had political motives. Con-

sequently, the Shogunate Government ordered all missionaries to leave Japan and strictly prohibited Christianity in 1597. The Shogunate Government later went so far as to close the country entirely against communications with foreign countries, issuing a decree to this effect in May, 1636. After this, only a limited number of Chinese and Dutch traders were allowed to reside at Deshima in Nagasaki, and all contact with foreigners was made through them.

**Russia** Over one and a half centuries of complete seclusion followed until 1792, when Russia sought the opening of the Japanese ports to trade through her representative. In 1806, two Russian ships attacked the coast of Saghalien, plundering a Japanese town and carrying off a number of its inhabitants.

Great Britain during the Napoleonic wars attempted to supplant the Dutch merchants at Deshima by British nationals. These British ventures were followed by the arrival of Americans in Japan. Arriving in the Bay of Yedo in 1837, aboard a ship called the Morrison, these Americans tried to convince the leaders of the Tokugawa Shogunate of the inevitability of Japan entering into relations with the Western powers. A similar attempt was made by King William II of the Netherlands who, in February, 1844, sent a friendly communication to the Shogunate Government urging Japan to enter into treaty-relations with Western countries. It was not, however, until 1853, when the American fleet commanded by Commodore Perry arrived at Uraga, that the leaders of the Tokugawa régime came to consider seriously the question of regular foreign contacts.

**The United States** As a result of Commodore Perry's visit, Japan con-

cluded her first treaty of amity with the United States on March 1, 1854, providing for the opening of the ports of Shimoda and Hakodaté to American citizens and for the extension of reciprocal aid to vessels in distress. Russia, Great Britain, France and other Western countries soon concluded treaties of a similar nature.

The conclusion of these treaties, for which no Imperial sanction was sought immediately, gave rise to a strong anti-foreign sentiment and several resident foreigners were murdered. A British squadron avenged these outrages by bombarding the city of Kagoshima at the southern tip of the Island of Kyushu in 1863. A similar attack was made on Shimonoseki the following year by a combined fleet of British, American, French and Dutch warships.

The international engagements entered into by the Shogunate Government were sanctioned in 1865 by the Throne, which reassumed its civil and military powers from the Shogunate Government in 1868 after having left *de facto* power in other hands for nearly seven centuries.

#### The Meiji Era

**The "Maria Luz" Incident** The first noteworthy incident in Japan's foreign relations in the Meiji Era was what is known as the Maria Luz incident which took place in 1872, when the Japanese Government successfully helped in releasing 200 Chinese slaves from the Peruvian ship Maria Luz at Yokohama. This action was upheld by an international tribunal presided over by Emperor Alexander II of Russia and was instrumental in strengthening the position of Japan as an independent nation in international politics.

**Saghalien and the Loochoo** In 1872, the Japanese Government proposed to buy the Island of Saghalien for

¥2,000,000, but the negotiations for this purchase were broken off on the advice of Count Kuroda, who contended that the island was worthless. Three years later Japan gave up all claim to Saghalien in exchange for Russia's recognition of Japan's sovereignty over the Kurile Islands.

**The Loochoo Islands**, a group lying between Kyushu and Taiwan, were formally incorporated in the Japanese Empire in 1871, when, inviting the King of Loochoo to Tokyo and creating him a peer, the Japanese Government organized the archipelago into a prefecture called "Okinawa-ken."

**The Bonin Island Dispute** The Bonin Islands, called in Japanese "Ogasawara-jima," were officially recognized as a territory of Japan in 1875 by the United States following a dispute as to sovereignty therein between the two nations.

**Expedition to Formosa** When a group of shipwrecked Loochooan sailors were massacred by the savages of Formosa (now known as Taiwan) in 1872, the Japanese Government sent a punitive expedition to the island, and a strong protest was received from China. The situation threatened to become very tense, but through the intervention of the British Minister at Peking, the trouble was settled, Japan evacuating the island and China consenting to pay an indemnity to the families of the victims of the outrage.

**Treaty Revision** Revision of Japan's unequal treaties with the foreign Powers was accomplished in 1894, after a series of unsuccessful attempts, which had led to the collapse of several of the most powerful Cabinets. The treaties of commerce and navigation concluded by the Shogunate Government with the Western Powers provided for the opening of the ports of Yokohama,

Kobé, Osaka, Nagasaki, Niigata and Hakodaté, together with Tokyo, to commerce and residence, with extraterritorial privileges for foreign residents. These treaties also required Japan to maintain a very low scale of import duties.

It was for the purpose of seeking revision of the treaties, on the basis of a provision therein that revisions could be made after 1871, that Prince Tomomi Iwakura's mission was sent to America and Europe in 1871. The great difficulty standing in the way of the proposed revision was the agreement among the eighteen nations concerned to the effect that they would act conjointly in their negotiations with Japan. The United States alone consented to conclude a separate treaty, but a proviso in it that it should not be put into force until after the conclusion of similar treaties with the other nations deprived the document of its practical effect.

In 1882, Count Kaoru Inouyé made overtures to the British Government and a preliminary conference followed to discuss the basis of negotiations, at which elaborate preparations were made for a great conference, in which every treaty Power should be represented. Great Britain and Germany showed their willingness to make liberal concessions and for a time it looked as if Count Inouyé's efforts would be crowned with success. However, the conditions of the proposed new treaties leaked out and, feeling indignant over what they described as a humiliation to Japan, the vernacular newspapers started vigorous campaign against the proposed revision. This coincided with the sinking of a British steamer in which all the Japanese passengers perished, and this incident poured oil on the fire of the anti-foreign agitation then prevailing throughout the

country. The situation was so threatening that the Japanese Government found it advisable to postpone the negotiations for revision.

The next foreign minister to take up this onerous task was Count Shigenobu Okuma, who started fresh negotiations in 1888. Before officially starting negotiations, however, he adopted a high-handed policy towards the foreign residents in this country with a view to convincing them of the advisability of revising the treaties. In approaching the foreign Powers concerned, Count Okuma preferred to negotiate with them individually instead of collectively and first of all made overtures to Mexico, offering to allow the presence of foreign legal assessors in the Japanese Supreme Court in cases involving foreigners during a space of at least three years after the enactment of the new legal codes on Western lines. This offer was accepted. After the signing of this treaty, the United States, Germany and Russia soon expressed willingness to make agreement on similar lines, it having been agreed that the new treaties should take effect in 1890. Before the signing of similar treaties by the other Powers, however, a vehement agitation broke out in Japan against the appointment of foreign assessors, and an attempt was made on the life of Count Okuma, in which he was seriously injured.

The treaty revision negotiations, which were thus interrupted, were resumed by Viscount Shuzo Aoki, who succeeded Count Okuma as Foreign Minister. Viscount Aoki's seven proposals did not provide for the presence of foreign assessors on Japanese tribunals, and there seemed to be a good chance of these proposals being accepted by Great Britain, when, owing to an attempt made on the life of the Crown Prince

of Russia then visiting Japan, Count Aoki had to resign and was succeeded by Viscount Buyo Enomoto.

Viscount Enomoto continued efforts to complete the desired revision of the treaties, but soon had to resign when the Government was defeated on the budget. In 1892, Count Munemitsu Mutsu assumed the foreign portfolio and immediately reopened negotiations with Britain. A new difficulty was added in 1893 when the House of Representatives submitted a petition to the Throne urging the abolition of consular jurisdiction, restoration of tariff autonomy and prohibition of coastal trade. To make the situation worse still, the people agitated against foreigners being allowed unrestricted right of residence and against foreign ownership of property in Japan. The Government, however, dissolved the Diet and concluded a new treaty with Great Britain on July 16, 1894, at London, signed by Lord Kimberley and Viscount Aoki, thereby finally settling the long pending question. Similar treaties were concluded with Austria, France, Germany, Italy, Russia and the United States in 1897.

**The Sino-Japanese War** The war with China, which arose from a complicated dispute over the independence of Korea, resulted in enhancing the prestige of Japan in the eyes of the entire world. The question whether or not Korea was an independent nation was of long standing and an open clash of interests between Japan and China led to the inevitable war.

In 1880 Japan opened a legation in Seoul, but peaceful relations between Japan and Korea were often disturbed as the result of intrigues, if not active interference, by the Chinese. In 1882, a Korean mob attacked and burned the Japanese Legation, and the legation officials

had to flee to a British gunboat then lying at anchor off Chemulpo. This incident, though settled by Count Inoué, then Foreign Minister, who visited Seoul and succeeded in inducing the Korean Government to offer an official apology and pay an indemnity, pointed to the inevitability of war between Japan and China.

Another incident, though not directly connected with the affair just referred to, proved a more direct cause of the Sino-Japanese War. This incident took place on December 4, 1884, when, during the celebration of the opening of the Postal Bureau of Korea at Seoul, at which were present all the foreign diplomats and high officials of the Korean Government, the leader of the reactionaries was murdered and the progressives sought the assistance of Japanese troops in carrying out an anti-reactionary coup d'état. However, the Chinese troops in Seoul, who outnumbered the Japanese by twenty to one, sided with the reactionaries and the Japanese troops were forced to retreat to the Japanese Legation, which was then attacked and burned by the Chinese. In settlement of the dispute arising from this incident what is known as the Treaty of Tientsin was signed on April 18, 1885, between Count (later Prince) Hirobumi Ito and Viceroy Li Hung-chang, under the provisions of which China and Japan agreed not to send troops to Korea without previously notifying each other.

Actual warfare between China and Japan started when a party called the "Tong-haks" rebelled against the corrupt officialdom of Korea. Seeing the régime which she favoured seriously menaced by this uprising, China dispatched troops to Korea and Japan also sent an expedition in accordance with the Treaty of Tientsin. After minor clashes

both on land and sea, Japan and China declared war on August 1, 1894, after which the Japanese carried out a short and entirely successful campaign. The result of the Sino-Japanese War was the Treaty of Shimonoseki, concluded on April 14, 1895, by which China recognized the full and complete independence of Korea and ceded the Liaotung Peninsula and the adjacent waters, as well as Formosa and the Pescadores, to Japan. In addition, China promised to pay an indemnity of 200,000,000 taels to Japan and open up Shashi, Chungking, Soochow and Hangchow to trade and the Yangtse-kiang river to navigation. The acquisition of the Liaotung Peninsula by Japan, however, was objected to by Russia, with the apparent support of Germany and France, and Japan had to return the territory to China, receiving, as compensation, a sum of 30,000,000 taels.

**The Boxer Uprising** The rendition of the Liaotung Peninsula by Japan was followed by the acquisition of territorial interests in China by various Powers. First of all, Russia obtained the right to extend the Siberian Railway through Manchuria as far as Dairen. Then Germany was granted a 99 years' lease of Kiaochow, while Russia forced China to grant her a lease of the Liaotung Peninsula for a period of 25 years. Great Britain and France subsequently obtained similar leases of Weihaiwei and Kuangchow Bay respectively.

This foreign penetration infuriated a group of Chinese patriots calling themselves Boxers who rose in arms in South Chihli in May, 1900 and besieged Peking, where the foreign envoys and their families faced imminent massacre. The legations were relieved by an allied force furnished by Japan, Russia, Great Britain, the United States, France and

Germany. In this expedition, the Japanese played the most important part, sending some 10,000 troops and 54 field guns.

**The Anglo-Japanese Alliance** Sharing common interests in the Far East, Japan and Great Britain concluded a treaty of alliance on January 30, 1902, in order to maintain the status quo and general peace in the Far East, simultaneously making it clear that the two countries were specially interested in maintaining the independence and territorial integrity of China and Korea. Against this, France and Russia took the precautionary measure of making the Franco-Russian Alliance applicable to the Far East.

**The Russo-Japanese War** After her penetration into Manchuria, Russia was forced to agree on April 2, 1902, to withdraw her troops from that region, largely through the intervention of Japan, Great Britain and the United States. According to this agreement, Russia was to complete her evacuation of Manchuria within 18 months. Shortly afterwards, however, she made new demands on China, in exchange for her agreement to withdraw troops, apparently with a view to securing a position of political and economic predominance in Manchuria. This was followed by the sending of Russian soldiers in the guise of civilians to Korea.

Thus menaced, Japan made proposals to Russia for the conclusion of an agreement aimed at guaranteeing Korean independence and reciprocal recognition of Japan's preponderant interests in Korea and Russia's special interests in Manchuria. These proposals were virtually rejected by Russia, with the result that Japan declared war on February 10, 1904. This conflict ended in the victory of Japan and a treaty was signed at Portsmouth, New Hampshire, U.S.A.,

between the two countries through the good offices of President Roosevelt, on September 5, 1905.

By this treaty Russia recognized the preponderant interest, political, military and economic, of Japan in Korea, and the two signatories agreed to evacuate Manchuria simultaneously. Russia also turned over its lease of Port Arthur and Dalny (Dairen) and their adjacent lands and waters to Japan, while provision was made for joint Russo-Japanese operation of the Manchurian railway. The treaty also stipulated the cession to Japan of the southern part of Saghalien Island as far north as the 50th degree of north latitude, together with the adjacent islands.

After the Russo-Japanese War Japan concluded a convention with China, on December 2, 1905, known as the Treaty of Peking, embodying the relevant terms of the Treaty of Portsmouth. This was followed by the signing of the Franco-Japanese Convention, on June 10, 1907, the exchange of what are known as the Takahira-Root notes on November 30, 1908, and the conclusion of the Russo-Japanese agreement, on July 30, 1907, all these pacts being designed to preserve peace in the Far East.

**Annexation of Korea** As a result of the Russo-Japanese War, Korea was made a virtual protectorate of Japan, but to make Japan's protection over Korea complete, Prince Hirobumi Ito, as Japanese ambassador, concluded a convention with the Korean Government on November 17, 1905, providing for the transfer of the control of Korean foreign relations to Japan and establishment of a Japanese Residency-General in Seoul.

Later developments in Korea, however, led to the abdication of the Korean King on July 17, 1907, and a week later a new agreement

was signed according to Japan practical control of the administration of the country. The formal Treaty of Annexation of Korea to Japan was signed on August 22, 1910.

#### The Taisho (1911-1926) and Showa Era (1926- )

**The World War** Less than two months after the outbreak of the European War, Japan participated on the side of the Allies, sending an ultimatum to Germany on August 16, 1914, followed by declarations of war on Germany and Austria on August 23 and 27 respectively. Refusing to send troops to Europe, her activities were confined to her attack on the German fort at Tsingtao and rendering naval assistance for the protection of Allied shipping in the southern Pacific and other waters.

At Tsingtao, the Japanese military and naval forces occupied the German base on November 7, 1914, after operations lasting only a week. In the meantime, the Japanese Navy occupied between October 3 and 19 all islands in the southern Pacific north of the equator with the exception of the island of Yap, which a British squadron had taken before the arrival of the Japanese. From the beginning Japan insisted on occupying these islands permanently despite repeated refusals on the part of Great Britain officially to support the Japanese claim. Moreover, in March, 1917, a secret agreement between the two countries provided for the permanent occupation of these islands by Japan in return for her dispatch of destroyers to the Mediterranean Sea. At the Peace Conference, however, her claim to permanent sovereignty was rejected and she was given only a mandate over the islands.

**The Washington Disarmament Conference** Japan first participated in in-

ternational efforts to limit armaments in 1921 at the Washington Conference which opened on November 11. After strongly insisting on a 7-10-10 ratio against the navies of Great Britain and the United States, she accepted a 3-5-5 ratio with regard to capital ships.

At this conference, Secretary Hughes of the United States proposed with regard to capital ships that the United States, Great Britain and Japan scrap respectively 30 ships totaling 845,740 tons, 23 ships totaling 583,375 tons and 17 ships totaling 448,928 tons, including those in course of building, and that the three countries be allowed to retain 506,050 tons in 18 ships, 604,450 tons in 22 ships and 299,700 tons in 10 ships, respectively. After negotiations on the basis of the Hughes proposal, an agreement was reached, with some changes made in the ships to be scrapped. By this agreement Japan was allowed to retain the "Mutsu" instead of the "Settsu" and the United States the "Washington" and the "Colorado" instead of the "North Dakota" and the "Delaware," while Great Britain agreed to scrap four King George V class ships, building two new ships of not more than 35,000 tons each instead. Consequently, the capital ship tonnage which the three Powers were allowed to retain was 525,000 tons in 18 ships for the United States, 581,200 tons in 20 ships for Great Britain and 313,000 tons in 10 ships for Japan.

As regards the replacement of obsolete ships, it was agreed that capital ships might be replaced after 20 years in service, providing that the new ships do not exceed 35,000 tons each in displacement. On completion of the replacement stipulated above, the United States and Great Britain were to have 15 capital ships totaling 525,000 tons each against

9 ships aggregating 315,000 tons for Japan, while France and Italy accepted a total capital ship tonnage of 175,000 tons each.

With regard to auxiliary ships, no agreement was reached on the total tonnage for each country, France claiming 350,000 tons in auxiliary ships and 90,000 tons in submarines, to which Great Britain and the United States were vigorously opposed. The proposal made by Great Britain

favouring the total abolition of submarines added to the difficulties of making a total tonnage agreement regarding auxiliary ships. It was finally decided that an auxiliary ship must not exceed 10,000 tons in displacement and must not carry guns of more than 8 inches in calibre. A summary of the Washington provisions is given in the following table (See Appendix where it is given in full.):

CAPITAL SHIPS					
	Japan	G. Britain	U.S.A.	France	Italy
Total tonnage for each signatory	315,000	525,000	525,000	175,000	175,000
Tonnage limit for a single ship	35,000	—	—	—	—
Limit of gun calibre	16 inches	—	—	—	—
AIRCRAFT CARRIERS					
	Japan	G. Britain	U.S.A.	France	Italy
Total tonnage for each signatory	81,000	135,000	135,000	60,000	60,000
Tonnage limit for a single ship	27,000	—	—	—	—
Limit of gun calibre	8 inches	—	—	—	—
AUXILIARY SHIPS					
Total tonnage	Not agreed on				
Tonnage limit for a single ship	10,000 tons				
Limit of gun calibre	8 inches				

As to fortifications and naval bases in the Pacific, it was agreed that the status quo should be maintained.

In addition to the general disarmament treaty the five Powers also concluded an agreement limiting the use of submarines and poison-gas in warfare.

At this conference, Japan was represented by Admiral Baron Tomosaburo Kato, then Minister of Marine.

**Tri-partite Conference** This conference opened on June 20, 1927, and was participated in by Japan, Great Britain and the United States, with a view to settling certain questions left over from the Washington Conference. Japan was represented by Admiral Viscount Makoto Saito, then Governor-General of Chosen. At the outset the three countries presented their respective proposals, when it

became evident that there was an almost unsurmountable difference between the claims of Great Britain and the United States.

The Japanese delegate did his best to reconcile the British and American theses, while making it clear that Japan was in no position to accept the 3-5-5 ratio in regard to auxiliary ships. In this latter connection, Japan succeeded in reaching a compromise with Great Britain but failed to induce the United States to agree to it. Thus all efforts ended in failure and the three Powers concerned closed the conference after publishing a joint declaration.

**The London Conference** At the naval disarmament conference called in London on January 21, 1930, in which the United States, Great Britain, Japan, France and Italy participated, the Japanese delegation,

headed by Mr. (later Baron) Reijiro Wakatsuki, upheld what they called "the three great principles" of Japan. These were (1) a total tonnage of 8-inch gun cruisers for Japan equal to 70 per cent. of that possessed by the United States, (2) no abolition or material reduction of submarines and maintenance of the then existing submarine strength of Japan, i. e. 78,500 tons, and (3) a ratio of 7-10 against the United States in the global tonnage of auxiliary vessels on the basis of the two foregoing conditions.

The conference was fraught with numerous difficulties. In the first place, opinion was divided as to whether global tonnage or different categories of vessels should be taken as the basis for proposed reduction, but this difficulty was overcome by a compromise allowing these two bases of reduction to be discussed simultaneously. By far the greatest difficulty was the difference between the Japanese and American theses, Japan claiming the ratio of 7-10 and the United States insisting on that of 5-3. To make the situation still worse, France claimed a global tonnage of 721,400 tons. The American-Japanese entanglement, however, was in a large measure smoothed out through informal conversations between Mr. Tsuneo Matsudaira, Japanese Ambassador in London, and Mr. David A. Reed, of the American delegation.

To summarize the Japanese-American compromise, Japan was accorded a global tonnage of auxiliary vessels equal to 70 per cent. of that held by the United States, and in

regard to submarines, Japan reduced her claim of 78,500 tons to 52,700 tons on the condition that parity was to be maintained between Japan and the United States in this respect. As for the ratio of 10,000 ton cruisers, Japan was allowed to retain a number of such ships equal to 70 per cent. of those possessed by the United States until 1936, while the United States was allowed to lay down the keels of three more ships of this category on condition that they should not be completed during the stated period.

Besides extending the naval holiday for a period of another six years, the London Naval Treaty, which was signed on April 22, 1930, affects Japan in the following respects:

(1) Japan was required to remove from active service the capital ship "Hiyēi", although she was allowed to retain it for training purposes.

(2) Japan was allowed to replace the minelayers "Aso" and "Tokiwa", provided that the two new ships should not exceed 5,000 tons in displacement.

(3) Japan was required to dispose of the "Asama", "Yakumo", "Izumo", "Iwaté" and "Kasuga" when the first three vessels of the Kuma class were replaced by new ships.

The following table gives the tonnage limits in the cruiser, destroyer and submarine categories which, under the London Treaty, the ships of the three greatest naval Powers, as completed by the end of 1936, are not allowed to exceed:

Categories	United States	Great Britain	Japan
Cruisers:			
(a) with guns of more than 6.1 inch calibre	180,000 tons	146,800 tons	108,400 tons
(b) with guns of 6.1-9 inch or less	143,500 "	192,200 "	100,450 "
Destroyers:	150,000 "	150,000 "	105,500 "
Submarines:	52,700 "	52,700 "	52,700 "

As to the later conferences in connection with the London Conference see Chapter VII, The Navy, article "The Disarmament Question."

The League Disarmament Conference Late in 1932, when the general disarmament conference was called at Geneva after years of preparation by the disarmament commission of the League of Nations, Japan also submitted a plan of her own with regard to naval limitation and reduction. This proposal, which was published on December 11, 1932, made it known that Japan was desirous of making it the guiding principle of the conference that offensive power should be reduced and that the geographical and other special circumstances of each country should be fully taken into consideration in making any settlement.

As regards the formula of the projected agreement, Japan proposed to divide it into general and special agreements. In the general agreement, it was proposed to arrange for the qualitative reduction of all vessels, and also the quantitative reduction of "offensive" vessels, belonging to Japan, Great Britain, the United States, France and Italy.

With regard to the special agreement, all the countries of the world should be divided into four groups, under (1) the Pacific group, (2) the Atlantic group, (3) European group and (4) the South America group; and each group should arrange for limitation and reduction of the armament of each of its members. Any country interested in more than one group should participate in the disarmament discussions of all groups in which it is interested.

As a concrete plan in line with these principles, Japan proposed to limit the sizes of vessels of the various categories and their gun calibres as follows:

Capital ships	25,000 tons	14-inch guns
A class cruisers	8,000 ..	8- .. ..
B class cruisers	6,000 ..	6.1- .. ..
Destroyers	1,500 ..	5.1- .. ..
Submarines	1,500 ..	8.1- .. ..

It was further proposed that aircraft carriers should be totally abolished and no vessel of war should be equipped with a landing platform or deck for aeroplanes.

Further, the capital ships of the three greatest naval Powers should be reduced to 200,000 tons in 8 vessels for Japan, and 275,000 tons in 11 vessels each for the United States and Great Britain. France and Italy should be allowed to retain any number of vessels within a total limit of 150,000 tons.

In respect of the A class cruisers, Japan proposed to limit them as follows:

Japan	10 ships	80,000 tons
Great Britain	12 ships	96,000 ..
United States	12 ships	96,000 ..

France and Italy should be allowed to fix the ratio between their strengths in this class of vessel by mutual negotiations within a limit of 7 ships with a total tonnage of 56,000 tons each.

Finally, the Japanese plan proposed that Japan, Great Britain, the United States, France and Italy should each be allowed the maximum limit of 150,000 tons in B class cruisers, 150,000 tons in destroyers and 75,000 tons in submarines.

#### Relations with the League of Nations

Japan's connection with the League of Nations began with the inception of the international organization in April, 1919, when the Covenant was officially adopted at Paris, and came to a virtual end on March 27, 1933, when Japan gave notice of her withdrawal from membership on grounds of dissatisfaction with the dealings of

the Geneva body with the Sino-Japanese dispute, particularly with the report adopted by the League Assembly on February 24 and the recommendations for the settlement of the problem as contained therein. The withdrawal became completely effective on March 26, 1935, in accordance with the provisions of the League Covenant.

Contribution to League's Work During the period of her participation in the activities of the League Japan made a material contribution to its work. In the Secretariat of the League, too, Japanese co-operation was by no means negligible, Dr. Inazo Nitobé and Dr. Yotaro Sugimura having served as Assistant Secretary-General in succession until early March, 1933, shortly before Japan's virtual withdrawal. What follows is a cursory review of Japan's relations with the League.

From the inauguration of the League until the present, Japan has served as one of the five permanent members of the Council. Moreover, she has contributed a considerable sum to the revenue of the body, her annual subscriptions between 1926-1932 having amounted to 16.5 per cent. of the total expenditure.

The problem of general disarmament was taken up by the disarmament preparatory commission of the League in 1925. After meeting in session several times the commission submitted its draft formula for general disarmament to the Council in January, 1931 and the General Disarmament Conference was convened to meet at Geneva to discuss limitation of the military, naval and aerial armaments of all countries late in 1932, when Japan's delegates submitted their proposal regarding naval disarmament as outlined on page 185.

Relations with the Permanent Court As regards the Permanent Court of

International Justice at the Hague, Japan has rendered due assistance to the League of Nations' efforts for arbitration at this court by sending jurists to sit on its benches, but she has not yet participated in the general provisions for peaceable disposal of international disputes, which were adopted at the Assembly in 1928. Nor has she decided yet on the adherence to the "optional clause" of the Hague court, which has been signed or accepted by Great Britain, France, Italy and about forty other countries, thereby expressing their willingness to accept compulsory arbitration in international disputes.

Relations with the International Labour Office Among the various conventions drafted by the International Labour Office of the League of Nations, Japan has ratified the following on the dates given in parenthesis:

- (1) Convention concerning workmen's compensation for occupational diseases (November 2, 1922).
- (2) Convention fixing the minimum age for admission of children to industrial employment (June 3, 1926).
- (3) Convention fixing the minimum age for admission of children to employment at sea (June 4, 1924).
- (4) Convention for establishing facilities for finding employment for seamen (November 23, 1922).
- (5) Convention concerning the age for admission of children to employment in agriculture (December 9, 1923).
- (6) Convention concerning the compulsory medical examination of children and young persons employed at sea (June 7, 1924).
- (7) Convention concerning workmen's compensation for occupational diseases (October 8, 1928). Note: this convention does not apply to such overseas dependencies of Japan

as Chosen, Taiwan, Karafuto, the Kwantung Leased Territory and the mandated islands in the Southern Pacific.

(8) Convention concerning equality of treatment for national and foreign workers as regards workmen's compensation for accidents (October 8, 1928). Note: this convention also does not apply to the overseas dependencies of Japan mentioned above.

(9) Convention concerning the simplification of the inspection of emigrants on board ship (October 8, 1928). Note: this also does not apply to the above mentioned territories.

The League commission on international communication and transit has drafted several conventions, of which Japan ratified the one concerning freedom of communication in 1922, and two others concerning seaports and railway systems in 1926.

#### World Economic Conference

This conference was preceded by informal inter-governmental pourparlers held in Washington in May, 1933, through the good offices of President Roosevelt of the United States, with the object of coming to some general understandings in preparation for the more formal negotiations. At these pourparlers Japan was represented by Viscount Kikujiro Ishii, veteran diplomat and privy councillor, who headed the Japanese delegation to the London Conference.

The London Conference opened on June 12.

During the following sessions of the conference, however, a series of unforeseen difficulties arose and finally the exchange problem proved an unsurmountable stumbling block, wrecking the parley officially on July 27, when the plenary session was

declared adjourned indefinitely.

#### Relations with Great Britain

**Abrogation of 1905 Convention** The trade relations between Japan and India received a serious setback in 1933 when notice was served Japan in April through the British Government of the abrogation on October 10, 1933, of the Indo-Japanese Trade Convention of 1905.

This step was followed by an increase of the import duty of the Indian Government on Japanese cotton fabrics from 50 per cent. to 75 per cent. ad valorem on June 6, 1933. The duty on British cotton fabrics remained at 25 per cent. This drastic action on the part of the Indian Government caused the Japanese cotton spinners to boycott Indian cotton, and the situation was such that the British Government suggested the opening of negotiations between the industrial and trade interests of Japan, India and Great Britain in the hope of finding a solution.

**Simla Conference** Opinion was divided among industrialists in Japan with regard to acceptance of the British proposal, but it was finally decided to send representatives both to London and Simla to confer with representatives of the British and Indian interests. For the Simla conference, which was scheduled to be held on September 22, with the British and Indian delegates present, Mr. Setsuzo Sawada, former chief of the Japanese Bureau of the League of Nations, Mr. Susumu Terao, chief of the Trade Bureau of the Commerce and Industry Ministry, and Mr. Tetsuichiro Miyaké, Consul-General at Calcutta, were appointed to represent the Japanese Government, although they were not given full powers because the British Government had made it known that any agreement to be reached at Simla

was subject to the approval of the British Government, while no official assurance was obtainable as to whether such an agreement would be adopted by the British Government without modification.

The Agreement Negotiations were not easy due to conflicts of interests of the two countries and more than 3 months was spent before it came to the final agreement of January 5, 1934, at New Delhi. Agreement was reached on various important problems relative to the commerce between Japan and India, including: (1) most-favoured-nation treatment; (2) a provision to open negotiations with a view to modifying customs tariff; (3) measures to be taken to adjust the effects of the exchange fluctuations; (4) customs duties applicable to Japanese cotton piece-goods imported into India; (5) a quota to be applied to the same; and (6) enforcement of the agreement entered into. The gist of the agreement follows:<sup>1</sup>

(1) Customs duties to be imposed on Japanese cotton piece-goods should not exceed following rates.

Duty on plain greys	50 per cent. ad valorem or 5.25 annas per pound
Duty on others	50 per cent. ad valorem

It is understood that the Government of India shall not impose on Japanese cotton piece-goods other than plain greys a specific duty exceeding 5.25 annas per pound subject to agreement concerning most-favoured-nation treatment.

(2) Basic quota of Japanese cotton piece-goods to be exported to India in a piece-goods year shall be 325,000,000 yards, and it shall be linked with 1,000,000 bales of India raw cotton exported to Japan in corresponding cotton year.

(3) Treaty shall come into force immediately after exchange of ratifications and shall remain in force until March 31, 1937.

**Specific Duties** The conference however could not come to happy ending because of specific duties imposed by

<sup>1</sup> For particulars of the agreement see "Commercial Treaty between Japan and India" (Appendix).

the Government of India on December 23, 1933, which are applicable to large part of Japanese miscellaneous goods exported to India. The increase in duties are so heavy as to deal a serious blow to the export of miscellaneous goods from Japan, notably hosiery, earthenwares and potteries, enamelled ironwares and pencils the new duties are prohibitive, although Sir Joseph Bhore told Mr. Sawada that the new tariffs were meant to protect domestic industry and in no way unreasonable.

On January 22 Mr. Sawada met Sir Joseph Bhore, member of the Executive Council, Railways and Commerce, to call attention of the Indian Government concerning the new duties imposed upon the Japanese miscellaneous goods presenting Japanese views in a written form. On January 26 in answer to the inquiry of Sawada on the intention of the Government of India to increase in duties on Japanese rayon goods, Bhore admitted the fact, and it caused another apprehension among the Japanese manufacturers and traders concerned.

The Indo-Japanese Trade Agreement was signed in London on July 12, 1934.

Anglo-Japanese Trade Issue (See the Japan Year Book, 1935, pp. 195, 196.)

#### Japano-Canadian Trade Relations

Japan applied the Commerce Adjustment and Safeguarding Law against the Canadian goods in July, 1935 in answer to the latter's placing prohibitive high tariff walls against the Japanese goods, and as the result the two countries came to crush with each other. Circumstances surrounding the matter has been treated in the Japan Year Book of 1935, pp. 443-445. Even then there was an indication that a new agreement would be arranged between the two countries. In the

meantime negotiations were made between Minister Kato and Premier King and a new agreement was made on December 26, 1935, which has been in operation since January 1 of this year. The substance of the agreement is as follows:

THE CANADIAN FOREIGN MINISTER'S  
NOTE TO THE JAPANESE  
MINISTER AT OTTAWA,  
DECEMBER 26, 1935.

Sir,

I have the honour to inform you that the Canadian Government, in accordance with the general policy respecting trade and tariff matters, has decided to make the following modifications in its customs regulation:

1. The classification "goods of a class or kind made or produced in Canada," as it appears in the Customs Tariff, will be restricted to goods which are of a class or kind made or produced in commercial quantities sufficient to supply at least ten per cent. of the normal Canadian consumption.

Adequate notice will be given of the transfer for customs purposes of a product from the category "not of a class or kind made or produced in Canada" to the category "of a class or kind made or produced in Canada."

2. In computing the value for duty of goods of a class or kind not made or produced in Canada, the value of the Yen will be the current exchange value in terms of the Canadian dollar at the time the goods were exported to Canada.

3. In computing the value for ordinary duty and for special duty under Section 6 of the Customs Tariff of goods of a class or kind made or produced in Canada the value of the Yen during the twelve months beginning January 1, 1936, will be at the rate of 39.5 cents; being the average exchange value of the Yen in terms of the Canadian dollar, for the five-year period 1930-34, based on the exchange rates published in the Statistical Year Book of the League of Nations.

For the succeeding twelve-month period the Yen will be taken at the average exchange value for the five-year period 1931-35, computed on the same basis, and similarly for each succeeding year. It is understood, of course, that if the Yen should reach a value in Canadian currency higher than the value set forth or provided for above, such value would thereupon cease to apply and would be replaced by the current exchange value.

4. The values established under authority of Section 43 of the Customs Act will be cancelled on January 1, 1936, on an extensive list of commodities.

5. Opportunity will be afforded for appeal to the Tariff Board of Canada respecting any value for duty which may in future be established under Section 43 of the Customs Act. In the event of such an appeal the value for duty in force will, upon the expiration of three months after the date of appeal, cease to have any force or effect unless the Tariff Board, following a public inquiry, finds that such value or some lower value is required to prevent the importation of the goods into Canada from prejudicially or injuriously affecting the interests of Canadian producers or manufacturers. If a lower value is found by the Tariff Board to be appropriate such lower value will promptly become effective.

The Canadian Government has decided to cancel on January 1, 1936, the surtax of 33½ per cent. ad valorem levied on goods the produce or manufacture of Japan under the regulations made by Order in Council P. C. 2198 of July 22, 1935, as modified by Order in Council P. C. 2317 of August 3, 1935. Accept, Sir, the renewed assurances, etc.

THE NOTE FROM THE JAPANESE  
MINISTER AT OTTAWA TO THE  
CANADIAN FOREIGN MINISTER,  
DECEMBER 26, 1935

Sir,

I have the honour to inform you that the Japanese Government have decided to cancel, on January 1, 1936, the surtax of 50 per cent. ad valorem levied on certain goods the produce or manufacture of Canada under the provisions of the Imperial Ordinance No. 208, 1935 and the proclamation No. 162 of the Department of Finance of Japan of July 20, 1935.

I avail myself of this opportunity, etc.

Trade Relations Between  
Japan and Australia

Japan was again compelled to apply the Commerce Adjustment and Safeguarding Law or Trade Protection Law (given in full at the end of Chapter XI) against Australia on June 25, 1936, regarding which the Spokesman of the Foreign Office, on June 25, 1936; stated as follows:

Japan's trade with Australia has always been marked by an excess of import on our side, which since 1933 has grown enormously, averaging 140,000,000 yen a year. On the other hand, our export business with Australia has been placed in a state of extreme uncertainty owing to the industrial conditions and the changes of trade policy of that Commonwealth.

The visit to this country in May, 1934, of Sir John Latham, then Australian Minister for External Affairs, gave us an opportunity of proposing to negotiate a treaty of commerce, which we had long desired to conclude in order to put the Japanese-Australian trade upon a stable basis. Our proposal was accepted. With the completion of preparations, negotiations were opened formally in Australia in February, 1935, at which we submitted a draft treaty covering a customs convention, the questions of exchange compensation tax, import prohibition and restriction, and other general matters of trade. But soon the negotiations had to be suspended on account of the sudden departure for England of the Australian Minister of Commercial Treaties, the principal negotiator for the Commonwealth. The said Minister having returned in December, the negotiations were resumed in January this year, and appeared to make a fair progress on the questions of tariff rates, import prohibition and restriction, and exchange compensation tax.

However, on February 20, the Australian chief representative abruptly told our representative the Consul General at Sydney, that his Government would put high specific duties on cotton and artificial silk piecegoods because owing to the too low prices of Japanese goods customs revenue from the existing ad valorem duties were decreasing. Later, on March 10, the Australian Government requested us to limit voluntarily our annual export of cotton and artificial silk goods to 50,000,000 square yards and 25,000,000 square yards respectively, upon which condition, it informed us, Australia would modify the imposition of high specific duties. From the broader view-point of the trade between the two countries, we considered it advisable to take some sort of action relative to the sudden fall in price of artificial silk piecegoods, which seemed the main point of Australian complaint. Accordingly, as an expedient we raised the price of artificial silk by imposing a high export control fee on the goods shipped to Australia; and furthermore, in accordance with Australian wish, we stopped taking new orders for some time to prevent speculative importation. Nevertheless, despite all such efforts on our part toward cooperation, the Australian Government insisting upon an absolute necessity of quantitative restriction of cotton and artificial silk goods, demanded on April 4 to hear our definite views on the question within a fixed time, intimating that, if we refused to discuss quantitative restrictions, it would impose such duties as would be high enough to restrict the import quantities of these goods.

We invited the Australian Government to reconsider the matter, stating that we could not agree to any quantitative restriction on cotton

piecegoods in the absence of any grounds for it such as a fall in price affecting the market, while on artificial silk we were prepared to discuss price control, but not quantitative restriction in view of the present condition of the trade between the two countries which is so greatly adverse to Japan. On April 27 the Australian Government replied that after careful consideration it had found it impossible to accept as a basis of negotiations our proposition limited to the price control of artificial silk piecegoods alone. At the same time, it hastily submitted to the Parliament just before its adjournment—namely, on May 22—a bill for tariff revision, and put a new tariff into force on the next day, May 23, together with an import license system on 86 articles including cotton piecegoods and artificial silk piecegoods. This tariff which puts practically prohibitive duties on Japan's principal articles of export to Australia—100-140 per cent. ad valorem on cotton piecegoods, and 100-400 per cent. on artificial silk piecegoods—means a fatal blow to our export trade with that Commonwealth.

It is a matter for profound regret that, in spite of the conciliatory attitude we have always maintained from the beginning and our earnest endeavours to arrive at an agreement, the negotiations for a commercial treaty have been brought to a standstill by the action of Australia in preventing the importation of our goods by not only imposing prohibitively high customs duties but adopting an import license system—an action extremely unreasonable in view of the present state of the Japanese-Australian trade.

Anxious to avoid taking retaliatory steps against the unreasonable action of the Australian Government and to induce it through diplomatic means to reconsider its policy, we have made up to this time repeated protests through our Consul General, and continued to urge it to drop speedily the new tariff, making it clear to it that if it adhered to the new tariff and the import license system, we would be compelled to adopt the necessary measures for the safeguarding of our trade. The Australian Government, while only suggesting to accord special treatment to the goods already under contract, has persisted upon the maintenance of the tariff and the license system, rejecting our fundamental demand. It has communicated its intention to continue negotiations on the condition that we refrain from invoking our Trade Protection Law, while it maintains its new tariff and import license system. It is obviously impossible for Japan to carry on negotiation under such intolerable conditions, with prohibitive duties imposed on the principal articles of export to say nothing of our overwhelming adverse trade balance that has continued for these many years past. The Trade



Protection Law has now been invoked upon the rejection by the Australian Government of our final appeal for consideration.

The invocation of the Trade Protection Law has been necessitated, as above set forth, in order to counteract the unreasonable measures adopted by the Australian Government and to place the parties to the negotiations on an equal footing. Needless to say, the Japanese Government earnestly desires that the question be solved satisfactorily through negotiations as soon as possible.

Of late, we hear reports allegedly emanating from certain quarters in Australia that the Japanese Government has presented demands interfering with the domestic policies of the Commonwealth Government or intruding upon the commercial relations between Great Britain and Australia. However, nothing is farther removed from our intention. We wish to take this opportunity to declare that our sole desire, as everybody knows well, is to ensure and enhance the smooth development of our trade relations with the Australian Commonwealth.

#### Japan-Dutch Conference

On the heels of the Indo-Japanese trade conference, Japan decided to negotiate on trade with Holland. In the talks at The Hague in December, 1933, between the Dutch Premier and Japanese diplomatic representatives, it was decided that Japanese and Dutch delegations negotiate in Java on the trade relations of Japan and the Dutch East Indies and that the outcome of their discussions be further debated at the Hague by representatives of both governments.

Dutch Indies constitute Japan's fourth most important market, and since 1932 they have been taking more from this country than from Holland itself, a situation that has naturally led the Dutch industrialists to campaign for restrictions against Japanese commodities.

With the purpose, on the part of the Dutch East Indies, to adjust the one sided trade relation with Japan for it bought ¥157,487,000 and sold ¥55,709,000 in 1933, the Japan-Dutch trade conference has been opened at Batavia on June 8, 1934.

General committee meetings were

opened on June 26 and adjourned indefinitely without any result on December 21, 1934.

**Shipping Conference** For some time since 1931 there had been a very severe competition in freight business between the Java, China and Japan Line and the Japanese shipping companies. In order to improve the situation freight conference had been arranged towards the close of 1932 between the above-mentioned Dutch Line and the Japanese shipping interests. In 1934 parties interested in the quota system of cargoes held a conference at Kobe. After the Japan-Dutch Conference, a new Conference was held at Kobe in February, 1935. But before going to discuss any question of practical importance the conference came to a deadlock as soon as the question of language to be used came up, and, on February 22, the Conference was adjourned.

Since the rupture of the Kobe Conference the Dutch Government barred imports of the Japanese goods through the issuance of ordinances restricting imports and business, and through a restriction placed on handling of imported goods by the Japanese companies, which resulted in a marked decrease of imports of Japanese goods, the former ratio of trade between Japan and the Dutch East Indies which was 3 to 1 having been changed to 2 to 1.

The freight conference on Japan-Java Line expired in June, 1935 and the freight competition became very severe. Japan then established the Nanyo Kaiun Kaisha, Ltd., with the Ishihara Sangyo, the Nanyo Yusen, and the Osaka Shosen as its investing companies. The result, however, was adverse to Japanese shipping companies. The ratio of placing of steamers which was 7 to 8 in Japan's favour has become 3 to 2.

In November of 1935 a shipping

conference was held at Kobe, but both sides stuck to their own views and the conference brought about no satisfactory result. Later the matter was taken up again by the Japanese Consul-General Mr. Ishikawa at Batavia with the officials of the Dutch Government, and on June, 1936 an agreement was made between the two countries. According to this new agreement, the Japanese steamers have been enabled to load 64.28 per cent. of the outgoing cargoes and 60 per cent. of incoming cargoes. In this manner the trade relations between Holland and Japan have come to be satisfactorily arranged.

#### Relations with Soviet Russia

After the Siberian expedition in which Japan participated from 1918 until 1920, diplomatic relations were not restored between the Japanese and Russian Governments until 1924, although Japan had withdrawn her troops from Siberia few years previously.

After her participation in the World War, Japan concluded an agreement with Russia on July 3, 1916 for the purpose of preventing Russia from making peace with Germany independently of the other Allies. At this time there was a rumour that the two countries had concluded an offensive and defensive alliance. Following the establishment of the communist régime in Russia, in 1917, Japan sent the 3rd and the 12th divisions and a part of the 7th division to Siberia between August and October of 1918, in compliance with a proposal from the United States, in order to enable some 50,000 Czechoslovak troops (formerly prisoner of war taken by the Russian from the Austrian armies) to establish contact with the Allied armies in the East. This expedition to Siberia automatically

disrupted the diplomatic relations between Japan and Russia, and even after the Czechoslovak troops had re-established liaison with the other allied armies, the Japanese remained in Siberia with fresh troops relieving the first expeditionary forces. The American and other foreign troops were withdrawn early in 1920, but Japan in spite of the demand for withdrawal by the Soviet Government of Irkutsk on March 11, 1920, continued to station her troops in the vicinity of Vladivostok and Habarovsk for the professed purpose of protecting the Japanese residents there. On March 18 and 19, 1920, partisan troops attacked the Japanese consulate, Nikolaevsk, killing all the officials and guards. On March 31, the Japanese Government issued a statement to the effect that Japan had no territorial designs in Siberia, but that the withdrawal of troops was impossible in the circumstances. Japan maintained relations with the Far Eastern Republic, constituted an independent state in February, 1921, until January, 1922, when this region was incorporated in the U. S. S. R.

With a view to restoring diplomatic relations with Soviet Russia, with which she shared interests on the Asiatic mainland, Japan undertook to negotiate with the Russian representatives on several occasions at Changchun and Dairen. Such efforts were resumed in 1923 in Tokyo, where M. Joffe and Mr. Toshihiko Kawakami met in conference officially representing Soviet Russia and Japan respectively, through the good offices of Count Shimpei Goto, but no satisfactory results were forthcoming. It was at Peking that the diplomatic relations between the two countries were resumed officially on January 20, 1925, when Mr. Kenkichi Yoshizawa, the Japanese Minister there, succeeded in concluding an

agreement with M. Kharahan, the Soviet representative, after seven months' negotiations.

**The Fishery Dispute** The first fishery convention between the two countries had been concluded in 1907, and after the resumption of Soviet-Japanese relations, efforts were made for its revision and, following the visit to Russia by Count Shimpei Goto in this connection, the revised convention was signed on January 24, 1928, remedying such provisions as had proved disadvantageous to the Japanese and otherwise improving the pact to meet the new situation. However, this revision was later found to be imperfect and disputes arose one after another between the Japanese fishing interests and the Soviet authorities regarding the details of the fishery convention.

Among other issues in this connection the most notable in recent years was that concerning the exchange rate of the rouble. This dispute originated in the inspection of the Vladivostok office of the Bank of Chosen by the local Soviet authorities and the subsequent prohibition of free transactions in rouble exchange. As a result, the Japanese fishing interests, which had been paying various taxes and rates to the Soviet authorities with Soviet currency obtainable at the Vladivostok office of the Bank of Chosen at depreciated exchange rates, now faced the necessity of exchanging the yen for the rouble at an official rate five or six times higher than the open market value. In order to settle this problem, the Japanese Government demanded that either the rents of the fishing leases or the official exchange value of the rouble be reduced, and this proposal was followed by prolonged negotiations in Moscow and Tokyo.

The negotiations were started in Moscow in October, 1930, but soon

afterwards the Soviet Ambassador to Japan, M. Troianovsky, took up the dispute in Tokyo, and communicated the willingness of his Government to reduce the official exchange rate of the rouble by 25 per cent., when selling debentures of the state operated corporation, "Aco" (in charge of the Russian fishery interests), fixing the rate at 75 sen in Japanese currency. In reply Japan insisted on the rate of 30 sen for the rouble, and negotiations continued until April 26, 1931, when a compromise was reached providing that the payments of the Japanese fishing interests to the Soviet authorities during the year of 1931 should be made with "Aco" debentures to be purchased at the rate of 32.5 sen for the rouble.

In view of this dispute and other difficulties arising from the differences between the two countries in the interpretation of the provisions of the Fishery Convention, Japan proposed on June 22, 1931, to open a conference with Soviet Russia to reconsider the whole convention. After a delay of five months, Soviet Russia consented to negotiate with Japan and pourparlers were started between Mr. Koki Hirota, the Japanese Ambassador, and M. Kharahan, Assistant Commissar of Foreign Affairs of Soviet Russia, on November 27, 1931. No substantial progress, however, was made during the negotiations, which were carried on with frequent interruptions for several months.

On February 20, 1934, the auction for the current year of the fishery grounds was held at Vladivostok. Bids were submitted by both Japanese and Soviets. The Soviets, however, declared that the Japanese bids were unacceptable, because they were accompanied by a guarantee made out at the rate of 32.5 sen, instead of 75 sen as ruled by the Vladivostok

fishery authorities, per rouble, and the Soviets' bids, which numbered 60, were accepted as valid. The reason that a Japanese interests insisted upon a 32.5 sen rate of exchange is based upon a provision in the Shidehara-Troianovsky Agreement of April 26, 1931.

On February 25 the Russian authorities proposed a compromise which purported to permit Japanese bidders to enter new offers at 32.5 sen on February 28 for the remaining 66 fishing grounds, provided that the exchange rate question would be held open for future negotiations. This was accepted by the Japanese interests and the grounds were given them at the auction held on May 20.

The question of yen-rouble exchange still remained and negotiations to settle the matter were opened on June 17 at Moscow, from then up to February 21, 1935, the negotiations were held 15 times. At the date of writing (July 31, 1935), however, the negotiations remain in abeyance. The reason for this was that both the Soviets and Japan insisted upon their original rates, the former upon 75 sen and the latter 32.5. The yen-rouble question had to be solved in the negotiations incidental to the Japan-Soviet Fishery Treaty. This treaty will mature in May, 1936. As Japan thought it necessary to revise it, the Foreign Office caused Ambassador Tamekichi Ohta, in Moscow, to make a proposal to the Moscow Government in May, 1935, one year prior to the date of maturity, in conformity with Article XV of the treaty, for its revision.

On April 26, 1936 the Japanese Government proposed, at the conference held between the councillor Sako at the Embassy at Moscow and Mr. B. I. Kozlovsky, second head of the eastern department of the Foreign Commissariat, to revise the 1928

fishery convention and to extend 1932 Hirota-Kharahan agreement for 12 years, which the Soviet declined. As the basic claim of Japan was not heeded the negotiation was impossible to come to a satisfactory close before May 27, which was the final date set for the revision of the convention. However, a provisional agreement for the extension of the 1928 convention was signed at Moscow on May 25. According to this agreement, the present convention has become valid till December 31, 1936.

**Non-Aggression Pact Proposal** (See the Japan Year Book, 1935, p. 199.)

**Negotiations for Sale of the N. M. R.** Through the good offices of the Japanese Government a conference was opened in Tokyo on June 26 between representatives of Soviet Russia and Manchoukuo regarding the proposed sale of the North Manchuria Railway (formerly the Chinese Eastern Railway). Japan took no active part in the railway negotiations, except that a few Japanese officials attended the sessions as observers.

According to a memorandum stating the fundamental principles for the transfer of the North Manchuria Railway submitted by the Soviet Russia at the third official meeting held on July 4, 1933, the sale price was put at 250,000,000 gold roubles. The price offered by Manchoukuo was ¥50,000,000. The Soviet side based its calculation on the amount of its investment totalling 411,630,000 gold roubles up to 1932 and, taking into consideration the depreciation of economic value of the railway and its condition of damage, it finally estimated the total amount of transfer at 250,000,000 gold roubles. The Manchurian side appraised the value on the basis of the prevailing construction cost. In March, 1934, the Soviet side brought down the price to ¥200,000,000, but the Manchurian

side lowered it to ¥100,000,000 in April of that year. Through mutual concession, the price was fixed at ¥170,000,000 on September 21, 1934. During the intervening period Foreign Minister Koki Hirota held interviews with Ambassador Youreneff ten times and Mr. Shigenori Togo, Director of the Europe and Asia Bureau, of the Foreign Office, saw M. Benedict I. Kazlovsky, one of the Soviet delegates, eight times on negotiations. Finally, the negotiations were concluded on January 21, 1935, and on March 23 the signing of the agreement took place at the official residence of the Foreign Minister in Tokyo. According to the resume of the Transfer Agreement, all the property of the North Manchuria Railway (the old Chinese Eastern Railway) will be sold to Manchoukuo for ¥140,000,000. In addition, Manchoukuo shall pay ¥30,000,000 as retirement allowances for Soviet employees of the railway. It is also provided for in the Agreement that one-third of the transfer price shall be paid in cash and two-thirds in goods, all to be completely paid in three years. The Japanese Government guarantees the Manchoukuo Government completely fulfills the payment.

**North Saghalien Oil Concession** The North Saghalien Oil Concession contract, based on Article VI of the Japanese-Soviet Basic Treaty, concluded in October, 1925, proves very disadvantageous to Japan as well as the Japanese-Soviet Fishery Treaty. The whole area where oil prospecting is to be undertaken is divided like a checker board. If one bloc of the board is assigned for Japan to prospect, the adjoining bloc is claimed by the Soviet side as its prospecting field. When Japan succeeds in turning out oil by prospecting paying an enormous amount of expenses and changes it

into an oil mining section, the Soviet side enlists the adjoining bloc into its oil fields, thus profiting without much trouble and expenses. It is also disadvantageously provided for in the treaty that the term of oil prospecting in unexploited fields covering an area of 1,000 versts in Ocha districts is fixed at only 10 years. Moreover, North Saghalien is open to the practicability of actual work for a brief period of only two or three months during summer. The actual period of operation throughout 10 years is therefore only about 20 or 30 months. The term will mature at the end of 1936. The North Saghalien Oil Company has been negotiating with the Soviet Government for extension of the term of prospecting since about seven years ago. The Foreign Office also has been negotiating with Soviet authorities in Moscow for extension of the term through Ambassador Tamekichi Ohta.

#### Relations with the United States

The mutual friendship of Japan and the United States largely hinges upon their respective interests on the Asiatic continent, most notably in Manchuria and China proper. The United States first made it known in 1899 that she had an equal claim in China to that of other Powers by advocating the so-called Open Door policy. The United States thought it necessary to assert this principle in order to catch up with the other Powers, which had already acquired extensive interests in China, and it followed naturally that the Americans should sympathize with Japan in her desperate attempt in 1904-5 to force Russia out of Manchuria and leave the region open to all nations interested.

**The Four-Power Treaty** For the same reason the United States ob-

jected to Japan's occupation of Shantung during the World War. The result was that Japan formally restored the territory to China on May 17, 1919 and at the Washington Conference, 1921-22, agreed to complete evacuation thereof. The Four-Power Treaty concerning the insular possessions of the signatories in the Pacific and the Nine-Power Treaty regarding the sovereignty and the open door principle of China, which were signed at the Washington Conference, also had a more important bearing upon Japan and the United States than on the other signatories. The Four-Power Treaty provided that the signatories should mutually respect the right of the Powers regarding their respective insular possessions in the Pacific and also that in case a dispute arose regarding such rights with likelihood to prove detrimental to the peaceful relations between the powers concerned, the parties involved in such a dispute should call a joint conference of the other signatories to discuss settlement of the entire issue. So far as Japan is concerned, however, this provision applies only to Karafuto, the Pescadores and her mandated islands in the Southern Pacific. The most important provision in this treaty for Japan is embodied in its fourth article which stipulates that the Anglo-Japanese alliance, which had been concluded at London on July 13, 1911, should terminate simultaneously with the conclusion of this treaty.

**The Nine-Power Treaty** The Nine-Power Treaty also has an important bearing on Japan in that it consolidated the open door policy in connection with China, where Japan has greater interests than any other foreign country, especially in Manchuria. This treaty was invoked against Japan both by the United States and the League of Nations

in connection with the Manchurian incident.

In the first article of this treaty, what are known as Root's four principles were incorporated, providing, first, that the sovereignty and independence as well as the territorial and political integrity of China should be respected, second, that most perfect and unrestricted opportunities should be offered China in order that she might be able to establish and maintain a powerful and stable government, third, that efforts should be made to establish and maintain the principle of equal opportunity for commerce and industry to be undertaken by people of all nationalities throughout the territory of China, and fourth, that the signatories should refrain from utilizing conditions in China to seek special rights or interests detrimental to the interests of the subjects or citizens of other friendly nations, or from recognizing actions detrimental to the welfare of such friendly nations.

**The Immigration Question** In view of the agitation in the United States against Japanese labour, the Tokyo Government has taken every precaution not to aggravate this issue and from 1907, when what is known as the "Gentleman's Agreement" was concluded, Japan continued to restrict emigration to the United States by withholding passports from intending emigrants above a limited number.

However, on August 19, 1913 the State of California promulgated the Alien Land Law (the Webb Bill) prohibiting Japanese and other aliens ineligible for citizenship from owning land, in spite of three protests by Baron Sutemi Chinda, Japanese Ambassador in Washington. In 1919, the Japanese Government took the further precaution of stopping the emigration of so-called "picture

brides" to the United States, but nevertheless an ever increasing anti-Japanese sentiment continued to prevail in the United States, and on April 19, 1920, the Federal Immigration Bureau revised the regulations governing the entry of the adopted children of Japanese parents. Moreover, the State of California enacted a second law of exclusion barring the Japanese and other aliens from leasing land, or owning land in the name of corporations or from operating land owned in the name of their American-born children.

The immigration problem assumed its greatest gravity in 1924, when the United States Congress passed a new federal immigration law, which included a provision absolutely prohibiting immigration of Japanese labourers. While this bill was before Congress, the Japanese Government instructed its ambassador at Washington, Mr. Masanao Hanihara, to call the attention of the United States Government to the importance attached by the Japanese to the proposed legislation. The steps taken by Mr. Hanihara, however, resulted in provoking the American sentiment owing to a phrase "grave consequences" which he used inadvertently in a communication to the Secretary of State, Mr. Hughes.

When the United States President signed the bill on May 24, 1924, the Japanese Government sent in a strong protest but could not improve the situation in any way. The Japanese people took this action on the part of the United States as a serious insult to their national honour.

A resolution calling for ejection of Japanese farmers for the next 10 days from Arizona farmlands was adopted at a convention of about 200 American tenant farmers near

Phoenix, the capital of Arizona State in the United States, on August 15, 1934. A movement of forcing Japanese farmers out of their farmlands was subsequently staged several times. These American farmers approached the Governor of the State to recognize their movement, but, when he rejected their petition they resorted to direct action to force Japanese farmers out. The situation then spread to California and in February, 1935, an anti-Japanese exclusion bill was submitted to the Californian State Legislature. The bill provided for an absolute prohibition of Japanese people from engaging in agriculture under any circumstances. The exclusion bill was submitted to an agriculture committee of the Lower House and then was turned over to a judicial committee. Finding that the bill was too exacting and aimed at depriving the Japanese farmers of the right of agriculture, the committee doubted it might conflict the U. S. Constitution and submitted it to the plenary session of the Californian State Lower House with a desideratum for amendment, but it was shelved at the Upper House. The problem thus was apparently solved, but the exclusion tendency against Japanese was growing keener. Even Japanese who legally entered that country and are engaged in peaceful vocations are not given treatment the same as that accorded the American citizens.

**Other Issues** The attempted intervention in the Manchurian and Shanghai affairs in 1931 and 1932 by the American Secretary of State, Col. Henry L. Stimson, at one time seemed to menace seriously the relations between Japan and the United States.

**Hirota-Hull Messages** As soon as Mr. Koki Hirota took office as Foreign Minister he commenced to devote

himself to strengthening Japan's friendly relations with her neighbouring countries. As one of the manifestations of such endeavour, he sent, through Mr. H. Sato, the new Ambassador, his personal message to Mr. Hull, the Secretary of State of the United States, on February 21, 1934:

"I firmly believe that, viewed in the light of the broad aspect of the situation and studied from all possible angles, no question exists between our two countries that is fundamentally incapable of amicable solution. I do not doubt that all issues pending between the two nations will be settled in a satisfactory manner, when examined with a good understanding on the part of each of the other's position, discussed with an open mind and in all frankness, and approached with a spirit of co-operation and conciliation."

To this, Secretary Hull replied on March 3 with his personal message in the form of a letter, to Mr. Hirota, a summary as follows:

"I believe that there are in fact no questions between our two countries which, if they be viewed in proper perspective in both countries, can with any warrant be regarded as not readily susceptible to adjustment by pacific processes."

#### The Manchurian Incident

What is known as the "Manchurian Incident" broke out with the blasting of a section of the South Manchuria Railway near Liutiaokou by Chinese regular troops on September 18, 1931. It has brought about the foundation of a new nation in Manchuria and the withdrawal of Japan from the League of Nations. The incident though called in the singular was not really a single incident, but a series of incidents which followed one another after the unexpected outbreak, the inevitable sequel

to long-continued and growing anti-Japanese activities on the part of the old Mukden militarists.

The hostilities which occurred in Shanghai in January, 1932, as well as the threatening situation in Tientsin some time earlier were only two of the manifold ramifications of the "Manchurian Incident." The state of affairs known as the Manchurian Incident continued until the truce concluded on May 31, 1933, at Tangku between the Japanese and Chinese forces, which to all intents and purposes wound up the Jehol expedition carried out by the combined Japanese and Manchoukuo armies to pacify the province and protect the provincial people from local banditry and invading troops from the south across the Great Wall.<sup>1</sup>

#### Founding of Manchoukuo

The Manchurian Incident having resulted in the over-throw of the old régime of Chang Hsueh-liang, various groups came to declare independence in different districts of Manchuria.

The chief principles of the projected new government called for the suppression of the military cliques, co-operation with the rest of the world in line with the principle of the open door and equal opportunity for all, elimination of anti-foreignism, and promotion of the welfare of the people in place of the oppression and grinding taxation from which they had hitherto suffered.

Thus, on March 1, 1932, a manifesto was promulgated announcing that Manchoukuo was founded in response to the unanimous aspirations of the 30,000,000 people of Manchuria and Mongolia. On March 7, Mr. Henry Pu-yi, who had once reigned over the entire territory of

<sup>1</sup> For particulars of the incident see the Japan Year Book, 1933, Chapter VII.

China as the 12th Emperor of the Ching dynasty, consented to become the Chief Executive of Manchoukuo. This was followed by the installation in office of Mr. Henry Pu-yi and the ceremony celebrating the founding of Manchoukuo at Changchun on March 9. (For particulars see Chapter on Manchoukuo.)

#### Japan and Manchoukuo

**The Japanese Envoy** On August 8, 1932, General Nobuyoshi Muto was appointed commander of the Kwantung army with concurrent offices as Ambassador Extraordinary and Minister Plenipotentiary to Manchoukuo and Governor of the Kwantung Leased Territory.

**Recognition of Manchoukuo** The Japanese Government extended de jure recognition to Manchoukuo on September 15, 1932, when the protocol completing this procedure was signed at the Chief Executive's offices in Hsinking between General Muto representing Japan and Premier Cheng Hsiao-hsu representing Manchoukuo.

The official English translation of this protocol follows:

Whereas Japan has recognized the fact that Manchoukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchoukuo has declared its intention of abiding by all international engagements entered into by China in so far as they are applicable to Manchoukuo;

Now the Governments of Japan and Manchoukuo have, for the purpose of establishing a perpetual relationship of good neighbourhood between Japan and Manchoukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

1. Manchoukuo shall confirm and

respect, in so far as no agreement to the contrary shall be made between Japan and Manchoukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchoukuo by virtue of Sino-Japanese treaties, agreements or other arrangements or of Sino-Japanese contracts, private as well as public;

2. Japan and Manchoukuo, recognizing that any threat to the territory or to the peace and order of either of the High Contracting Parties constitutes at the same time a threat to the safety and existence of the other, agree to co-operate in the maintenance of their national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchoukuo.

The present Protocol shall come into effect from the date of its signing.

The present Protocol has been drawn up in Japanese and Chinese, two identical copies being made in each language. Should any difference arise in regard to interpretation between the Japanese and the Chinese texts, the Japanese text shall prevail.

#### The Shanghai Affair

**The Causes** Anti-Japanese feeling in China was increasingly accentuated following the Wanpaoshan affair, the conflict between Koreans and Chinese in Chosen and the Manchurian incident in particular. Among other places Shanghai was the scene of most vigorous and organized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the *Min-kuo Jipao*, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred an assault on two Japanese Buddhist

priests and three Japanese Buddhist believers of the Nichiren sect by a mob of workers of the Sanyu Business Company, manufacturers of towels, on January 18, when all of the Buddhist group were seriously wounded, one of them dying later on January 24.

Indignation among the Japanese residents in Shanghai over this outrage was such that they immediately held a mass meeting and lodged a strong protest with Wu Tieh-cheng, mayor of Shanghai.

**The Ultimatum** Consul-General Murai had filed an official protest with Mayor Wu of Shanghai demanding an apology from the mayor, the arrest and punishment of the marauders, payment of solatiums and expenses of medical treatment for the injured and also immediate dissolution of anti-Japanese organizations.

Seeing the general situation, Consul-General Murai sent an ultimatum to the Chinese with a time limit set for 6 p. m. on January 28 and received a reply from Mayor Wu promising to suppress the anti-Japanese agitators and accept all the Japanese demands.

**Opening of Hostilities** On the evening of January 28, however, Chinese crowds gathered around the municipal offices of Shanghai loudly accusing the mayor of having weakly yielded to the Japanese, and a serious situation threatened to prevail in all parts of the city, with the result that the Municipal Bureau of the International Settlement had to declare a state of siege, the foreign garrison forces taking up their positions in their respective areas of defence.

The situation, however, went from bad to worse, and the Japanese and Chinese troops came into a collision, which lasted from January 29 to March 3, when the former completely drove out the latter from the

Chapei district.

On the completion of this achievement, General Shirakawa, commander of the Japanese expeditionary forces, and Vice-Admiral Nomura, commander of the Japanese fleet, ordered suspension of all hostilities at 2 p. m. on March 3.

#### Sino-Japanese Issue and the League

**Japan's Attitude** Following the outbreak of the Manchurian Incident, the Council of the League of Nations held an urgent session in compliance with a request of Dr. Alfred Sze, the Chinese representative, on September 22, 1931.

**The League Adjourns** Following the publication of the statement of the Tokyo Government, the intentions of Japan gradually came to be understood by the Powers, and the League Council adjourned on September 30 after adopting a resolution.

**Activities of Council** The situation, however, threatened to grow worse when, on October 8, the air raid on Chinchow was reported, and on the following day Japan lodged a protest against the anti-Japanese movement and sent a naval force to South China.

For three days from October 14, the Council discussed the question of the proposal to invite an observer of the United States to attend the Council meeting. The Japanese representative objected to this proposal from a juridical viewpoint, but at a private session held on the 15th, the Council passed this proposal as a question of "procedure" by a majority vote with Japan alone dissenting.

Accordingly the United States was represented by Mr. Prentiss Gilbert, the American consul-general at Berne, as an observer at the Council meeting from October 16.

At its private session on October

17, which is known as the 13-power conference because of the absence of the Japanese and Chinese representatives, the Council, with the attendance of the American observer, resolved that the 13 Powers take steps to call the attention of Japan and China to the Kellogg-Briand anti-war pact with regard to the Manchurian situation.

Consequently the Powers interested sent notes to Japan and China to that end, and the Japanese Government replied to these notes on the basis of a decision reached at an urgent meeting of the Cabinet held on October 22.

**Briand's Proposal** In the course of this conference M. Briand proposed a tentative plan to Mr. Yoshizawa, suggesting that Japan recognize the sovereignty of China in Manchuria, that China suppress her anti-Japanese agitation, boycott and anti-Japanese education, that China guarantee the safety of the lives and property of the Japanese nationals in China, that China recognize the right of Japanese nationals to reside, travel and engage in business in Manchuria, and that China confirm before the League of Nations the rights vested by all the existing treaties including what is known as the "Twenty-one Demands."

There were indications of these five proposals, if accepted by China, proving instrumental in improving the situation by making it possible for Japan to start direct negotiations with China regarding the concrete procedure of the withdrawal of the Japanese troops.

The situation, however, underwent a sudden change for the worse for an unknown reason, and at its session of October 22 the Council proposed to make Japan complete the withdrawal of her troops by November 15 with neutral observers see-

ing to it that perfect peace and order would be maintained after the Japanese evacuation, and to make Japan and China appoint their respective representatives to take charge of the evacuation of the occupied area, it also being suggested that Japan and China start direct negotiations immediately after the completion of the evacuation.

These proposals were regarded as the most disadvantageous ones to Japan that had ever been considered by the Council.

The Counter Proposal Against this, the Japanese representative, Mr. Yoshizawa, submitted a counter-proposal to the Council on the 23rd to the effect that the Japanese Government should withdraw those of its troops still remaining in a few localities outside the railway zone as the then-prevailing atmosphere of tension cleared and the situation improved, by the achievement of a previous understanding between the Chinese and Japanese Governments as regards the fundamental principles governing normal relations, that the Japanese and Chinese Governments should confer together at once with a view to arriving at the understanding as mentioned above, and that the Japanese and Chinese Governments should appoint representatives to arrange the details of execution of the evacuation and of taking over the districts evacuated.

The Japanese counter-proposal was defeated by a vote of 13 to 1, and the Council's resolution also failed to pass by a unanimous vote, the vote being 13 to 1 in favour of the Council proposal, the Japanese representative dissenting.

#### The "Fundamental Principles"

**The Five Principles** Following this, the Japanese Government published a statement on October 26, regarding the "fundamental principles"

In this statement Japan made it clear that these so-called "basic principles" related to:

1. Mutual repudiation of aggressive policy and conduct.
2. Respect for China's territorial integrity.
3. Complete suppression of all organized movements interfering with freedom of trade and stirring up international hatred.
4. Effective protection throughout Manchuria of all peaceful pursuits undertaken by Japanese subjects.
5. Respect for the treaty rights of Japan in Manchuria.

#### Resolution of December 10

**Tension Continues** The League of Nations' Council held its third session to discuss the Sino-Japanese issue on November 16, 1932. Whereas League circles had been looking to the withdrawal of the Japanese troops by that date, the situation in Manchuria was such that Japan could not live up to their expectation, with the result that a frontal clash threatened to take place between Japan and the League of Nations.

In this connection League circles were reported advocating severance of economic relations with Japan, withdrawal of diplomatic representatives from Japan or exclusion of Japan from the League. These reports were met by an outburst of strong nationalistic sentiment in Japan and serious tension prevailed.

The Council met on November 16 as scheduled amid an atmosphere of such tension and was continued until December 10.

**The Resolution** Before adjourning, the Council adopted a resolution by a unanimous vote on December 10. This resolution in effect provided that the Japanese Government should withdraw its troops within the rail-

way zone in proportion as the safety of the lives and the protection of the property of Japanese subjects were effectively secured and that the two parties should undertake to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which might lead to further fighting and loss of life.

Regarding this resolution, the Japanese representative declared that his Government accepted the resolution on the understanding that it would not prevent the Japanese military authorities from taking action in defence of lives and property of Japanese nationals against bandits and other lawless elements rampant in various parts of Manchuria.

**Opinion Adverse** Just after the League Council met in its 66th regular session on January 25, 1932, troubles broke out in Shanghai and Mr. W. W. Yen, the Chinese representative, appealed to the Council on January 29 to invoke Article 15 of the League Covenant in regard to the affair.

Thus, at the Council meeting on January 30, it was decided that only the first paragraph of Article 15 of the Covenant would be invoked, in regard to the Shanghai incident alone. Accordingly, representatives of the neutral members of the Council organized an international committee at Shanghai to gather information on the spot and submit it to the Council.

This committee sent in four reports successively, first under date of February 6, second under date of February 12, third under date of February 20 and fourth under date of March 6. Of these, the first report was very favourable to Japan, but the second report proved decidedly unfavourable to Japan, it declaring that the Japanese and Chi-

nese troops had been in a state of open hostilities since February 3.

Consequently, the Council caused the representatives of the 12 members of the Council other than Japan and China to address an appeal to Japan on February 16, regretting that it appeared that Japan could no longer trust to the peaceful settlement to be provided by the League of Nations.

**Japan's Refusal** Thereupon, in a statement published on February 23, the Japanese Government refuted this appeal in detail asserting that, although China had been treated in the past, by common consent, as if the expression connoted an organized people, such fictions could not last forever, nor could they be tolerated when they became grave sources of actual danger. Thus the Japanese Government declared that the time had inevitably come when realities, rather than fictions, had to be reckoned with.

Views unfavourable to Japan were also expressed in various quarters about that time, and Japan's relations with the League of Nations seemed seriously menaced.

#### The Shanghai Armistice

**A Parley Proposed** On February 27, 1932, the Japanese delegation at Geneva unofficially notified the representatives of the 12 member Powers of the Council that Japan was willing to participate in a round-table conference if the Powers would sponsor such a parley at Shanghai.

The armistice conference was officially opened at Shanghai on March 24, but the progress of the parley was delayed owing to a divergency of opinion between the Japanese and Chinese delegates regarding the time to be fixed for the final withdrawal of the Japanese troops.

During this period of deadlock China made a sudden appeal to the

League of Nations on April 11, reporting a rupture of the conference.

The Mixed Committee On receipt of this appeal, the Committee of 19, organized by the League Assembly on March 11 to continue in charge of the entire Sino-Japanese issue, immediately accepted this representation and opened a session on April 16 to discuss the situation.

At its session on April 19, the Committee of 19 drafted a resolution for the Assembly with the object of breaking through the reported deadlock between Japan and China.

This proposal was met by strong opposition from the Japanese Government as well as the military and public opinion of Japan, and another crisis arose between Japan and the League of Nations. But the situation was improved and the League Assembly adopted the Lampson plan by a unanimous vote on April 30. The crisis having thus passed, the armistice conference was resumed at Shanghai on April 28, and despite the occurrence of the tragic bombing outrage on the occasion of the celebration of the Emperor's birthday on April 29, an armistice was finally signed on May 5, 1932.

#### The League Commission of Inquiry

The League of Nations' Commission of Inquiry, appointed in line with the resolution of December 10, 1931, and comprising the Earl of Lytton of Great Britain, Général de Division Henri Claudel of France, Major-General Frank Ross McCoy of the United States, Dr. Heinrich Schnee of Germany and Count Pldrovandi of Italy, arrived in Japan on February 29, 1932, accompanied by a party of their secretaries. The Commissions left Japan for China on March 11, and spent about four

months to make investigations in China and Manchuria.

**Preliminary Report** What the Commission learned was presented to the League of Nations on April 29 as a preliminary report.

In the course of this preliminary report, the Enquiry Commission stated that Manchuria was not under the authority of the Nanking Government and was infested by banditry, so that the Japanese troops could not be withdrawn, adding that the Nanking Government did not exercise its power in any part of Manchuria in the prevailing situation.

**The Final Report** The full text of the final report of the Commission was published at 9 p.m., Tokyo time, on October 2 in Tokyo, Geneva and Nanking simultaneously.

The contents of the report were considered comparatively impartial in its description of the outline of the history of the Sino-Japanese relations, Japan's interests in Manchuria and the general observations of the prevailing situation.

However, that the Commission gave only a cursory account of the Shanghai incident, as if this incident had been outside the scope of its investigation work, was taken to show that the Commissioners did not fully understand what their true mission was.

Further, the failure of the Commissioners to recognize the military action taken by Japan on September 18, 1931, which was dealt with in the fourth chapter of the report, as an act of self-defence, was highly resented in Japan. It was also generally held both in official and private circles in Japan that the sixth chapter of the report, in so far as the description of the circumstances pertaining to the founding of Manchoukuo was concerned, was full of prejudiced misrepresentations and that

the last two chapters containing what they called "principles and conditions of settlement" and "considerations and suggestions to the Council" were for this reason practically superfluous, especially after the de jure recognition recently extended to Manchoukuo by Japan.

**Resolution of February 24** Following the publication of the Lytton Report, the League of Nations started its discussion thereon at the Council meeting convened on November 21, 1932, and, after complicated proceedings through the Assembly, the Committee of Nineteen and other committee meetings, a report with several recommendations was adopted by a vote of 42 to 1 on February 24, 1933, at the Assembly meeting, at which Siam abstained from voting and 12 countries were not represented.

The report was on the whole based upon the Lytton Report and was distinctly unfavourable for Japan and Manchoukuo, one of the recommendations contained therein purporting to recognize Chinese sovereignty and administrative integrity in Manchuria.

**Japan's Withdrawal** After voting against the report of the League of Nations Assembly on the Sino-Japanese dispute, the Japanese delegation to the League meetings, headed by Mr. Yosuké Matsuoka, left Geneva without attending further meetings of the League, thereby expressing the firm determination of Japan.

In Japan, the Government decided on severance from the League of Nations and submitted a project to this end to the Throne. Accordingly the Privy Council met in plenary session on March 27, 1933, in the presence of the Emperor to recommend the project for Imperial sanction with a unanimous vote.

The Throne immediately sanction-

ed the project, a telegram was dispatched to Geneva addressed to the Secretary-General of the League of Nations notifying the body of Japan's withdrawal from its membership, and simultaneously with this the Emperor issued an Imperial rescript announcing the policy to be followed by Japan after this action.

The official translation of the Imperial rescript follows:

"When the League of Nations came into being upon the restoration of a general peace, Our Imperial Father was pleased to order the entry of Our Empire thereinto; and We, in Our turn, have laboured assiduously to fulfil the high purpose of the late Emperor. It is thus that Our Empire has for these thirteen years past extended consistently its co-operation to the League.

"Now Manchoukuo having of late been founded, Our Empire deems it essential to respect the independence of the new state and to encourage its healthy development, in order that the sources of evil in the Far East may be eradicated and an enduring peace thereby established. Unhappily, there exists between Our Empire and the League of Nations a wide divergence of view in this regard and it has devolved upon Us to cause Our government to take, upon mature deliberation, the necessary steps for the withdrawal of Our Empire from the League.

"However, the advancement of international peace is what, as evermore, We desire, and Our attitude toward enterprises of peace shall sustain no change. By quitting the League and embarking on a course of its own, Our Empire does not mean that it will stand aloof in the extreme Orient nor that it will isolate itself thereby from the fraternity of nations. It

is Our desire to promote mutual confidence between Our Empire and all the other Powers and to make known the justice of its cause throughout the world.

"Every country is overtaken today by emergencies of an unprecedented magnitude. Our Empire itself is confronted by a situation fraught with momentous possibilities. It is indeed an hour that calls for an intensification of effort on the part of Our entire nation. We command that all public servants, whether civil or military, shall faithfully perform each his appointed duty, and that all private citizens shall pursue their wonted tasks with diligence. Stray not, in advancing, from the path of rectitude; and in action, embrace always the golden mean. Strive to meet the present situation with a united will and with courage and resolution. So may ye carry forward the glorious work bequeathed by Our Grand sire and contribute to the prosperity and well-being of Mankind."

#### Jehol and Tangku Truce

**Jehol Expedition** The expedition carried out by the joint forces of Manchoukuo and Japan to Jehol to pacify this province of the new nation, and the subsequent truce concluded at Tangku between the hostile Chinese troops and the Japanese expedition on May 31, 1933, practically put an end to the long-protracted state of affairs popularly known as the Manchurian Incident.

The Jehol expedition, which was launched following a declaration to this end made by the Manchoukuo Government on February 26, 1933, announcing that it was dispatching without delay necessary forces "to exterminate completely all bandits within and to dislodge all the invading armies from the province," was executed with amazing speed

and on March 4 a Japanese contingent occupied Chengte, the capital of the province; a few days later the Japanese troops taking several important positions along the Great Wall.

After having been driven out of the province almost without any resistance, however, the Chinese troops continued hostile operations on the Great Wall positions from the south, and the Japanese forces were obliged to advance south across the Great Wall more than once to destroy the bases of Chinese hostilities.

**The Truce** In fact, on the second occasion the Japanese advanced within a few miles of Peiping and Tientsin, but they refrained from actually entering these cities, and instead succeeded in inducing the representatives of the Chinese forces to sign a truce on March 31 at Tangku, providing for a demilitarized zone between the Peiping and Tientsin districts and the Great Wall.

After ascertaining the intentions of the Chinese authorities to carry out the terms of the truce, the Japanese forces withdrew to the Great Wall line, true to their repeated declaration that they had no ulterior intention other than to maintain peace in Jehol.

Meanwhile, the Manchoukuo authorities, immediately after the pacification of Jehol, started a constructive programme in the province, re-adjusting finances and mapping out plans for future industrial and economic development for the provincial people.

#### Mending of Sino-Japanese Relations

**Solution of Pending Questions** There are many issues that have been pending between Japan and China since the signing of the Tangku

truce pact on May 31, 1933. Because of China's non-recognition of Manchoukuo, Sino-Manchoukuo relations are still officially at a deadlock. Pressed, however, by necessity, the through railway connection problem was solved in June, 1934, as the result of negotiations between Japan and China, and since July 1 of that year the Sino-Manchoukuo International Train Service has been in operation between Mukden and Peiping. This was followed by the Frontier Customs question which was solved in December of that year. By this the trade relations of China and Manchoukuo are going on smoothly. The Sino-Manchoukuo Postal question was also solved and the postal service has been in operation since January 1, 1935.

**Exchange of Ambassadors** In July, 1924, Japan and China agreed on the exchange of ambassadors between them, but, due to the subsequent internal relations of China, the matter failed to be realized. Sino-Japanese relations assumed a sudden turn for the better since early in 1935. Taking advantage of this situation, Foreign Minister Koki Hirota made a proposal to the Nanking Government for promotion of the Japanese Legation in China to the status of an embassy. Both sides agreed on this. The matter was formally announced in Tokyo and Nanking at the same time on May 17. The Japanese Government promoted Mr. Akira Ariyoshi, Minister to China, to Ambassador, and the Chinese Government promoted General Tsiang Tso-pin, Chinese Minister to Tokyo, to Ambassador. At the initiative taken by Japan, both Great Britain and the United States at once promoted their Ministers in China to Ambassadors.

**North China Incidents** Infringement of the Tangku truce pact on the Chinese side and violation



of an official note exchanged between the Japanese and Chinese Governments regarding the retrocession of Tientsin in 1902 were the real causes of the North China incidents. Sun Yung-chin, bandit chieftain, with his followers, was expelled from Jehol Province by Japan-Manchoukuo combined forces to Shunhua in Hopei Province, where he was given support of a peace preservation corps under General Yu Hsueh-chung, chairman of the Hopei Provincial Government. It was discovered that General Yu supplied him with ammunition and foodstuffs. The Sun banditry, however, was subjugated by the Kwantung Army late in May, 1935. It was also found that General Ho Ying-chin, chairman of the Peiping branch of the National Military Council, had been giving bandits in Manchoukuo certificates of the Northeastern Volunteer Corps. All these were glaring instances of infringement of the Tangku truce pact. Another event that made the North China situation serious was assassination of two pro-Japanese Chinese journalists. On May 3 Mr. Pei Yu-han, president of the Tientsin Hsin Pao, a Chinese daily, and Mr. Hu Ching-pu, president of a Chinese magazine, the Kuo Hsien, were assassinated in the Japanese Concession, in Tientsin, by Chinese terrorists belonging to the Blue Shirt Party and Third Peiping Gendarmery in concert with other similar secret societies. Mr. Pei was an employee of the Japanese army. This was China's violation of the official note regarding the retrocession of Tientsin.

Japan's Notification Colonel Takashi Sakai, chief-staff of the Japanese Garrison in Tientsin, and Major Tan Takahashi, Japanese resident army officer in Peiping, called on General Ho on May 29 and blamed a dual policy of Generalissimo

Chiang Kai-shek towards Japan, pointing out these two anti-Japanese facts. They handed the following demands of Japan to the General Ho:

1. Dismissal of Yu Hsueh-chung who is directly responsible for the incidents and the evacuation of the Central Army of China from Hopei Province.

2. Dismissal of Chang Tingyo, Mayor of Tientsin, and Li Chunyo, Director of the Tientsin Public Peace Bureau, both directly responsible for the assassination.

On June 10 the Nanking Government replied that it accepted all what Japan demanded.

Establishment of Two Governments Towards the close of November, 1935, an independent government was established with the demilitarized zone as the centre, which was named as the East Hopei Anti-Communist Autonomous Committee. Mr. Yin Ju-keng, special administrative inspector of the Lwanchow-Shanhai-kwan area of zone, became its chairman. In December, the Committee was renamed as the East Hopei Anti-Communist Autonomous Government and appointed Mr. Yin its chairman.

The Kuomintang Government despatched its War Minister, General Ho Ying-ch'in to the north. As the result of his conference with General Sung cheh-yuan and General Han Fu-chu the Hopei-Chahar Political Council was established as an organ to manage the administration of North China. General Sung Cheh-yuan was appointed as its chairman and assumed the office on December 18, 1935. This institution, while being under supervision of the Kuomintang Government, is a new political organ which has in its hand the charge to negotiate with Japan and Manchoukuo for the maintenance of amicable relations with them. The domain over which the power of this political organ will be exercised

comprises Hopei and Chahar Provinces, and Shantung, Suiyuan and Shansi Provinces are governed by Han Fu-chu and Yen Hsi-shan respectively.

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

#### OCCUPATION OF TSUSHIMA BY RUSSIA

- 1861—A Russian fleet seizes the island of Tsushima but abandons it shortly afterwards through the intervention of Great Britain.

#### BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI

- 1863—A British fleet bombards Kagoshima city.
- 1864—A combined fleet of Great Britain, the United States, France and the Netherlands bombards Shimonoseki.

#### IMPERIAL SANCTION OF TREATIES

- 1865—Treaties with Britain, France, the Netherlands, Russia and the United States are sanctioned by the Emperor.

#### TREATY REVISION

- 1871—Prince Iwakura's mission leaves 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 seizes Peruvian slaver "Maria Luz" in Yokohama.

#### EXPEDITION TO TAIWAN

- 1872—Japan sends a punitive expedition to the island.

#### EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS

- 1875—Japan cedes Saghalien to Russia in exchange for the Kurile Islands.

#### BONIN ISLAND PROBLEM

- 1875—The United States recognizes Japan's territorial sovereignty over the Bonin Islands.

#### CONVENTION OF TIENTSIN

- 1885—Count Ito and Li Hung-chang sign the convention defining Sino-Japanese relations in Korea.

#### NON-ALIENATION OF FUKIEN PROVINCE

- 1889—Japan guarantees the non-alienation of Fukien province from China.

#### SINO-JAPANESE WAR

- 1894—Japan declares war.
- 1895—Treaty of Shimonoseki concluded.

#### ANGLO-JAPANESE ALLIANCE

- 1902—Alliance signed in London.

#### RUSSO-JAPANESE WAR

- 1904—Japan declares 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

- 1905—Movement is started in California for exclusion of Japanese children from common 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 exchanges 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—An agreement is signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.

**PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY**

1910—Japan refuses 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—A new agreement is concluded on July 4 between Japan and Russia regarding the maintenance of the status quo in Manchuria.

**FINAL TREATY REVISION**

1910—Japan notifies Great Britain and 10 European countries on July 17 that existing treaties will be revised a year later. On August 4, similar notices are served to France and Austria-Hungary.

**ANNEXATION OF KOREA**

1910—Treaty of Annexation concluded.

**INTERNATIONAL COPYRIGHT TREATY**

1910—Japan signs the International Copyright Treaty in Berlin on September 8.

**FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT**

1911—An agreement is 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 publishes revised treaty with Japan on April 5. Great Britain, Spain, and Sweden do likewise on April 6, May 15 and July 13 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada publish revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3, and August 26 respectively.

**SETTLEMENT OF RUSSO-JAPANESE INDEMNITIES**

1911—The Foreign Office announces that the amounts of the indemnification of private Russian and Japanese subjects for damage done during the Russo-Japanese War have been determined.

**RECOGNITION OF THE REPUBLIC OF HUNGARY**

1911—Japan accords recognition on September 13.

**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 are concluded on October 7, the Chinese accepting all the Japanese demands.

**MANCHURIA RAILWAY TREATY**

1913—A treaty is concluded between Japan and China regarding the railway building concessions.

**RECOGNITION OF THE CHINESE REPUBLIC**

1913—Japan recognizes the Republic of China on October 6 simultaneously with the election of Yuan Shih-kai as President.

**ABOLITION OF FOREIGN SETTLEMENTS IN CHOSSEN**

1914—The protocol abrogating the foreign settlements in Chosen, signed on April 20 the preceding year, is published.

**THE GREAT WAR**

1914—Japan declares war on Germany and Austria.

**SINO-JAPANESE PARLEYS**

1915—The Chinese Government requests Japan on January 8 to delimit the war zone in Shantung and withdraw her troops from that zone. Accordingly, Minister Hiroki in Peking holds a conference with Yuan Shih-kai on January 18 to discuss Japan's counter proposals. Japan serves an ultimatum on May 6, and the Chinese Government accepts all the Japanese proposals.

**SPANISH-JAPANESE TREATY**

1915—Ratifications of a commercial treaty are exchanged on July 10.

**ANTI-INDEPENDENT PEACE AGREEMENT**

1915—Japan participates 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 issues a warning to China on October 23.

**PARTICIPATION IN THE ALLIED ECONOMIC CONFERENCE**

1916—Baron Yoshio Sakatani leaves for Europe on May 1, to attend the Conference in Paris.

**RUSSO-JAPANESE AGREEMENT**

1916—The third Russo-Japanese agreement

for protection of Japanese and Russian interests in the Far East is signed on July 3.

**ISHII-LANSING AGREEMENT**

1917—Japan and the United States exchange notes declaring that territorial proximity creates special relation between countries. This exchange of opinion, published on November 7, is generally known as the Ishii-Lansing Agreement.

**SINO-JAPANESE MILITARY ENTENTE**

1918—Entente is concluded on May 15, 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 announces the restoration of complete Chinese sovereignty on May 17.

**RECOGNITION OF FINLAND**

1919—Japan recognizes the independence of the Finnish Republic on May 23.

**CONTROL OF THE SIBERIAN RAILWAY**

1919—The Siberian Railway Joint Control Conference decides on June 2 to place the Ussuri line, 531.1 km. in length, and the Heilungkiang line, 2,735.6 km. in length, under the control of the Japanese experts' department of the Siberian expeditionary forces.

**SEQUESTRATION OF GERMAN PROPERTY**

1919—An Emergency Imperial Ordinance is issued on June 23 announcing sequestration of German property.

**SIGNING OF THE PEACE TREATIES**

1919—Prince Kimmochi Saionji signs the Versailles treaties at 3 o'clock in the afternoon of June 28.

**PARTICIPATION IN EUROPEAN PROBLEMS**

1920—Baron Chinda proposes on March 2 participation in the conference concerning the Dardanelles International Control, but the Japanese proposal is rejected owing to opposition from Great Britain, France and Italy.

**DEMAND FOR THE EVACUATION OF SIBERIA**

1920—The Soviet Government of Irkutsk sends an ultimatum to Japan on March 11.

**NIKOLAEVSK AFFAIR**

1920—Attack on Japanese consulate launched.

**DECLARATION OF SIBERIAN POLICY**

1920—Japanese Government issues statement re withdrawal of troops.

**ANTI-JAPANESE IMMIGRATIONS**

1920—Revision of regulations by the Immi-

**RENEWAL OF THE ANGLO-JAPANESE ALLIANCE**

1920—The Japanese and British Governments notify 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 arrives in Japan as the first German ambassador after the Great War.

**WASHINGTON CONFERENCE**

1921—Conference opens with Japan participating.

**THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE**

1927—Conference opens with Japan participating.

**THE LONDON NAVAL DISARMAMENT CONFERENCE**

1930—Conference opens with Japan participating.

**THE MANCHURIAN INCIDENT**

1931—Outbreak occurs 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 opens 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 4 12.

**MANCHOUKUO ESTABLISHED.**

1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor. 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—Becomes completely effective on March 26.

**THE VISIT OF THE EMPEROR OF MAN-  
CHOUKUO**

1935—The Emperor of Manchoukuo visits Japan and makes 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 occurred in North China accepted by the Nanking Government.

**WITHDRAWAL FROM THE WASHINGTON  
NAVAL TREATY**

1935—Japanese Government notifies the U.S. A. Government their intention to terminate the Washington Naval Treaty, December 29.

**List of the Envoys to and from Foreign Countries****JAPANESE ENVOYS TO FOREIGN COUNTRIES**

(July 1, 1936)

Country	Representative	Address
Great Britain	Shigeru Yoshida, Ambassador	Embassy of Japan, 37 Portman Square, London, W.I. England
"	Isoahi Asahi, Chargé d'Affaires	Consulate-General of Japan, 15 St., Helen's Place, Bishopsgate, London, E.C. 3. England
France	Naotaké Sato, Ambassador	Ambassade du Japon, 24 rue Greuze, Paris, (16 <sup>e</sup> ) France
Germany	Viscount Kintomo Mushakōji, Ambassador	Ambassade du Japon, Berlin W. 62, Ahornstr., 1, Allemagne
"	Sentaro Edo, Consul-General	Consulat Général du Japon, Hamburg 1, Alsterdamm, 39, (Europahaus) Allemagne
Italy	Dr. Yotaro Sugimura, Ambassador	Ambassade du Japon, Viale Regina Magherita, 260, Rome, Italie
Belgium	Saburo Kurusu, Ambassador	Ambassade du Japon, 1 Boulevard Général Jacques, Ixelles, Bruxelles, Belgique
The U.S.S.R.	Tamekichi Ohta, Ambassador	Ambassade du Japon, Malaya Nikitskaya, 13, Moscou, U.R.S.S.
"	Yujiro Sugishita, Consul-General	Consulat Général du Japon, 24 Pekinskaya Ulitsa, Vladivostok, U.R.S.S.
"	Seishuku Ogata, Consul-General	Consulat Général du Japon, 3 Ulitsa Imeni Dzerzinskavo, Alexandrovsk-Sakhalinsky, Sakhalin, U.R.S.S.
"	Masaharu Shimada, Consul-General	Consulat Général du Japon, 54 Komsomolskaya Ulitsa, Habarovsk, U.R.S.S.
Turkey	Iyemasa Tokugawa, Ambassador	Ambassade du Japon, Ayaz Pacha 77, Péra, Stamboul, Turquie
Manchoukuo	General Kenkichi Uyeda, Ambassador	Embassy of Japan, Hsinging
"	Shoshiro Sato, Consul-General	Consulate-General of Japan, Harbin
"	Takaichi Nakano, Chargé d'Affaires	Consulate-General of Japan, Hsinking
"	Shohei Morioka, Consul-General	Consulate-General of Japan, Tiehling

Country	Representative	Address
Manchoukuo	Hiroshi Kawamura, Consul-General	Consulate-General of Japan, Chientao
"	Uzuhiko Usami, Consul-General	Consulate-General of Japan, Mukden
The U.S.A.	Hiroshi Saito, Ambassador	Embassy of Japan, 2514 Massachusetts Avenue, N.W. Washington, D.C., U.S.A.
"	Teijiro Tamura, Consul-General	Consulate-General of Japan, 1742 Nuuanu Avenue, Honolulu, T.H., U.S.A.
"	Kintaro Masé, Chargé d'Affaires	Consulate-General of Japan, Postal Telegraph Bldg., 22 Battery St., San Francisco Cal., U.S.A.
"	Masutaro Inouye, Chargé d'Affaires	Consulate-General of Japan, 500 Fifth Avenue, New York City, N.Y., U.S.A.
Brazil	SetSUZO Sawada, Ambassador	Ambassade du Japon, 75 Rua dos Voluntarios da Patria, Rio de Janeiro, Brésil
"	Kozo Ichige, Consul-General	Consulat-Général du Japon, Avenida Brigadeiro Luiz Antonio 487, São Paulo, Brésil
China	Shigeru Kawagoye, Ambassador	Chancellery of the Embassy, Shanghai
"	Akiyoshi Tajiri, Chargé d'Affaires	Consulate-General of Japan, Tientsin
"	Haruhiko Nishi, Consul-General	Consulate-General of Japan, Tsingtao
"	Masayasu Hashimoto, Chargé d'Affaires	Consulate-General of Japan, Tsinan
"	Itaro Ishii, Consul-General	Consulate-General of Japan, Shanghai
"	Yakichiro Suma, Consul-General	Consulate-General of Japan, Nanking
"	Yoshiaki Miura, Consul-General	Consulate-General of Japan, Hankow
"	Toyochi Nakamura, Consul-General	Consulate-General of Japan, Fuchow
"	Tatsuo Kaso, Consul-General	Consulate-General of Japan, Canton
"	Kosaku Mizusawa, Consul-General	Consulate-General of Japan, Prince's Bldg., 5, Ice House St., Hong Kong
Switzerland	Masaaki Hotta, Minister	Légation du Japon, 95 Thunstrasse, Berne, Suisse
"	Yoshitane Kiuchi, Chargé d'Affaires	Consulat-Général du Japon, 39, Quai, W. Wilson, Genève, Suisse
Spain	Makoto Yano, Minister	Légation du Japon, Calle de Alcalá 87, Madrid, Espagne
Portugal	Taneki Kumabé, Chargé d'Affaires (ad interim)	Légation du Japon, Praça do Rio de Janeiro 14, Lisbon, Portugal

Country	Representative	Address
Holland	Toshihiko Taketomi, Minister	Légation du Japon, 1 Guliana van Stolberglaan, Den Haag, Pays-Bas
Sweden	Toshio Shiratori, Minister	Légation du Japon, 25 Strandvägen, Stockholm, Suède
Finland	Hikotaro Ichikawa, Chargé d'Affaires	Légation du Japon, 11, B. Parkgatan, Helsingfors, Finlande
Latvia	Shin Sakuma, Chargé d'Affaires (ad interim)	Légation du Japon, Jura Alunana iela 2, dz 2. Riga, Lettonie
Poland	Nobubumi Itô, Minister	Légation du Japon, Ulica Bronislawa Pierackiego 10, Varsovie, Pologne
Czechoslovakia	Noboru Ogawa, Chargé d'Affaires (ad interim)	Légation du Japon, Palace "Fenix," č 60-62, Václavské náměstí, Praha-11 Tchécoslovaquie
Austria	Masayuki Tani, Minister	Légation du Japon, Wien III, Kôlblgasse 1, Autriche
Rumania	Rokuro Suzuki, Chargé d'Affaires	Légation du Japon, Str. G.G. Cantacuzino 33, Bucarest, Roumanie
Greece	Jiro Kurosawa, Chargé d'Affaires	Légation du Japon, 23 Avenue de la Reine Sophie Athènes, Grèce
Iran	Takezo Okamoto, Minister	Légation du Japon, Avenue Pahlavi, Téhéran, Iran
Siam	Takashi Mori, Chargé d'Affaires	Legation of Japan, 545 Rajaprarob Road, Makasan, Bangkok, Siam
"	Takashi Mori, Consul General	Legation of Japan 545 Rajaprarob Road Makasan, Bangkok, Siam
Canada	Sotomatsu Kato, Minister	Legation of Japan, Victoria Bldg., 140 Wellington St., Ottawa, Ontario, Canada
Mexico	Makoto Izawa, Chargé d'Affaires	Légation du Japon, Avenida de Los Insurgentes, 190. Colonia, Roma, México, D.F., Mexique
"	Kokutaro Nagumo, Chargé d'Affaires	Consulat-Général du Japon, Avenida de Los Insurgentes, 190, Colonia, Homa, México, D.F., Mexique
Peru	Yoshiatsu Murakami, Minister	Légation du Japon, Avenida Arequipa 610, Lima, Pérou
Chile	Suetaka Hayao, Chargé d'Affaires	Légation du Japon Avenida Pedro de Valdiva 522, Santiago, Chili
Argentina	Hirobumi Terajima, Chargé d'Affaires	Légation du Japon, Calle Reconquista 336, Buenos Aires, Argentine
Afghanistan	Masamoto Kitada, Minister	Légation du Japon Kaboul, Afganistan

Country	Representative	Address
Cuba	Ryuji Ito, Chargé d'Affaires	Legation du Japon Avenida de Bélgica entre Avenida de los Aliados y Victoria, Altura de Al- mendares, Habana, Cuba
Colombia	Yoshio Iwaté, Minister	Legation du Japon Edificio de Banco de la Repub- lica, Bogota, Columbie
Egypt	Tokuji Amagi, Chargé d'Affaires	Legation du Japon, No. 6 Rue Hadika Garden : Le Caire, Egypte
Singapore	Kiichi Gunji, Consul-General	Consulate-General of Japan, Union Bldg., Collyer Quay, Singapore, Straits Settlements
Philippines	Kiyoshi Uchiyama, Consul-General	Consulate-General of Japan, G. de Las Reyes Bldg., Plaza Cervantes, Manila, P.I.
Dutch East Indies	Yutaka Ishizawa, Consul-General	Consulate-General of Japan, Scottweg 23, Batavia-Centrum, Java
British India	Kikuji Yonezawa, Consul-General	Consulate-General of Japan, Royal Insurance Bldg., 25/27, Dalhousie Square, Calcutta, British India
French Indo-China	Ushio Munemura	Consulat-Général du Japon, 76 Boulevard Carnot, Hanoi, Tonkin, Indochine
Australia	Kuramatsu Murai, Consul-General	Consulate-General of Japan, Grace Bldg., 77 York St., Sydney, New South Wales, Australia

## FOREIGN ENVOYS TO JAPAN

(July 15, 1936)

Country	Representative	Address in Tokyo
Afghanistan	Habibullah Khan Tarzi, Minister	7 Aoba-cho, Shibaku
Germany	Dr. Herbert von Dirksen, Ambassador	14, 1-chomé, Nagatacho, Kojimachi-ku
The U.S.A.	Joseph Clark Grew, Ambassador	1 Enokizaka-machi, Akasaka-ku
Argentina	Eduardo Racedo, Minister	67 Shinsaka-machi, Akasaka-ku
Belgium	Le Baron de Bassompierre, Ambassador	33 Shimoniban-cho, Kojimachi-ku
Brazil	Pedro Leão Vellosô, Ambassador	2, 3-chomé, Omoté-cho, Akasaka-ku
Canada	Herbert Marler, Minister	16, 3-chomé, Omoté-cho, Akasaka-ku
Chile	Martin Figneroa, Minister	7, 1-chomé, Shirokané Dai-machi, Shiba-ku
China	Hsu Shih-ying, Ambassador	14, 6-chomé, Iigura-machi, Azabu-ku
Colombia	Dr. Domingo Esguerra, Minister	Hotel Imperial
Cuba	Carlos González Peraza, Chargé d'Affaires (ad interim)	Osaka Building, Uchisai- wai-cho, Kojimachi-ku
Denmark	Baron Rudolph Bertouch-Lehn, Minister	52, Hikawa-cho, Akasaka-ku
Spain	Santiago Méndez de Vigo, Minister	2, 1-chomé, Ichibei-cho, Azabu-ku
Finland	Hugo Valvanne, Minister	62 Tansu-machi, Azabu-ku
France	Fernand Pila, Ambassador	33 Fujimi-cho, Azabu-ku
Great Britain	Sir Robert Clive, Ambassador	1 Goban-cho, Kojimachi-ku
Iran	Mirza Bagher Khan Azimi, Minister	55 Zaimoku-cho, Azabu-ku

Country	Representative	Address in Tokyo
Italy	Giacinto Auriti, Ambassador	28, 1-chomé, Mita, Shiba-ku
Manchoukuo	Hsieh Chieh-shin, Ambassador	50 Sakurada-cho, Azabu-ku
Mexico	Général Francisco J. Aguilar, Minister	21, 2-chomé, Nagata-cho, Kojimachi-ku
Norway	Finna Koren, Minister	17 Aoyama Takagi-cho, Akasaka-ku
Holland	General J.C. Pabst, Minister	1 Sakaé-cho, Shiba-ku
Peru	Carlos Holguin y de Lavalle, Chargé d'Affaires (ad interim)	13 Shinsaka-machi, Akasaka-ku
Poland	Michel Mościcki, Minister	9 Mita-Tsunama-cho, Shiba-ku
Portugal	Dr. Thomaz Ribeiro de Mello, Minister	1 Sannen-cho, Kojimachi-ku
Rumania	Georges G. Stoicesco, Minister	55 Zaimoku-cho, Azabu-ku
Siam	Phra Mitrakarm Raksha, Minister	2 Dai-machi, Akasaka-ku
Sweden	Dr. J.E. Hultman, Minister	63 Zaimoku-cho, Azabu-ku
Switzerland	Walter Thurnheer, Minister	1 Shimonban-cho, Kojimachi-ku
Czechoslovakia	Frantivšek Havlíček, Minister	22 Kasumi-cho, Azabu-ku
Turkey	R. Husrev Gerece, Ambassador	47 Kamiyama-cho, Shibuya-ku
The U.S.S.R.	Constantin Youreneff, Ambassador	1 Mamiana-cho, Azabu-ku
Uruguay	Eduardo Daniel de Arteaga, Chargé d'Affaires (ad interim)	Rooms Nos. 251-252, Osaka Building, 3, 1-chomé, Uchi-saiwai-cho, Kojimachi-ku

Japanese consulates are established in the following places:

Country	Situation of Consulates
Canada	Ottawa, Vancouver
Great Britain	Liverpool
France	Lyons, Marseilles
Italy	Milan
Belgium	Antwerp
Sweden	Stockholm
U. S. S. R.	Blagovestchensk
U. S. S. R.	Odessa
U. S. S. R.	Novo-Sivirsk
U. S. S. R.	Petropavlovsk
Manchoukuo	Manchuli
Manchoukuo	Tsitsihar
Manchoukuo	Chinchow
Manchoukuo	Antung
Manchoukuo	Chengchiatun
Manchoukuo	Halloerh
Manchoukuo	Yingkou
Manchoukuo	Chifeng
Manchoukuo	Chengte
China	Chang Kiakou
China	Chefoo
China	Hangechow
China	Soochow
China	Wuhu
China	Chengchow
China	Kiukiang
China	Ichang
China	Shashi
China	Changsha
China	Chungking
China	Amoy
China	Swatow
China	Yunnan

Country	Situation of Consulates
Cochin China	Saigon
Siam	Bangkok
Burma	Rangoon
Java	Sourabaya
Sumatra	Medan
India	Bombay
Ceylon	Colombo
Philippines	Davao
Egypt	Port Said
Egypt	Alexandria
Union of South Africa	Cape Town
British East Africa	Mombasa
U. S. A.	Los Angeles
U. S. A.	Portland
U. S. A.	Chicago
U. S. A.	Seattle
U. S. A.	New Orleans
Cuba	Havana
Panama	Panama
Salvador	San Salvador
Mexico	Mazatlan
Argentina	Buenos Aires
Peru	Lima
Brazil	São Paulo
Brazil	Rio de Janeiro
Brazil	Belén

The following foreign consulates are registered.

Country	Situation of Consulates
Germany	Yokohama, Kobé, Dairen, Osaka.
Argentina	Yokohama, Kobé, Osaka, Nagoya, Tokyo.
Austria	Tokyo.

Belgium	Yokohama, Kobé, Nagasaki, Keijo, Dairen, Osaka.	Holland	Tokyo, Nagoya, Yokohama, Kobé, Nagasaki, Taihoku, Keijo, Dairen.
Bolivia	Yokohama, Osaka, Kobé.	Panama	Yokohama.
Brazil	Kobé, Yokohama, Nagasaki.	Peru	Yokohama, Kobé.
Chile	Yokohama, Kobé.	Portugal	Tokyo, Kobé, Nagoya, Kyoto, Osaka, Moji, Shimonoseki, Nagasaki.
China	Yokohama, Kobé, Nagasaki, Fusan, Gensan, Taihoku, Keijo, Shingishu.	U. S. S. R.	Kobé, Hakodate, Keijo, Otaru, Tsuruga, Dairen, Situation of Consulates Tokyo.
Colombia	Yokohama.	Country	
Cuba	Kobé.	Sweden	Yokohama, Osaka, Kobé, Shimonoseki, Moji, Nagasaki, Dairen.
Denmark	Tokyo, Yokohama, Kobé, Nagasaki, Osaka.	Switzerland	Tokyo.
Spain	Yokohama, Kobé, Tansui.	Venezuela	Kobé, Tokyo, Yokohama.
U. S. A.	Tokyo, Yokohama, Nagoya, Kobé, Nagasaki, Taihoku, Keijo, Dairen.	Poland	Osaka, Tokyo.
France	Yokohama, Kobé, Dairen, Nagasaki, Tansui, Keijo.	Czechoslovakia	Yokohama, Tokyo, Osaka.
Country	Situation of Consulates	Siam	Osaka.
Great Britain	Tokyo, Yokohama, Osaka, Kobé, Shimonoseki, Nagasaki, Tansui, Keijo, Dairen, Jinsen, Hakodate, Fukuoka, Otaru.	Honduras	Tokyo, Kobé, Yokohama.
Finland	Kobé, Yokohama, Dairen.	Salvador	Tokyo.
Greece	Yokohama, Kobé.	Latvia	Tokyo.
Italy	Kobé, Yokohama, Nagasaki, Keijo.	Dominica	Kobé.
Mexico	Yokohama, Kobé.	Guatemala	Tokyo, Yokohama, Kobé.
Norway	Tokyo, Yokohama, Kobé, Shimonoseki, Nagasaki.	Turkey	Osaka, Yokohama.
		Uruguay	Kobé, Yokohama.
		Rumania	Osaka.
		Luxemburg	Tokyo.
		Egypt	Kobé.
		Yugoslavia	Osaka.
		Haiti	Osaka.

## CHAPTER VII

### NATIONAL DEFENCE

#### The Imperial Precepts to The Soldiers and Sailors

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, subjugated 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 vigour; 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 Kaei, 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 Komei, 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 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 arms shine resplendent, We will share with you the honour. 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 failing in moral principle fall into disgrace and bring dishonour 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 seaving 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 co-operation 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 valour. Ever since the ancient times valour 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 valour and false. To be incited by mere impetuosity to violent action cannot be called true valour. 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 valour. Those who thus appreciate true valour should in their daily intercourse set gentleness first and aim to win the love and esteem of others. If you affect valour 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 valour 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 his 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 Marine, 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 Navy separately.

Present members specially nominated by the Emperor are:

Lieutenant-General  
H. I. H. Prince Asaka  
Lieutenant-General  
H. I. H. Prince Higashikuni  
Admiral Kichisaburo Nomura  
Admiral Osami Nagano  
General Giichi Nishi  
General Kenkichi Ueda  
General Hisaichi Terauchi  
Admiral Nobumasa Suetsugu  
Admiral Minéo Osumi

**Conscription** The conscription system, first introduced in 1872 and last revised in 1927, demands that all able-bodied citizens of Japan proper between the ages 17 and 40 shall serve either in the army or the navy, when called upon. At present the natives of Taiwan, Chosen, and the South Sea Islands are

exempt from service. In fact, however, the general principle has never been applied, even during the Russo-Japanese War, the conflict having come to an end before the greater majority of those on the second reserve were called to the colours.

The service is divided as follows:-

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

(2) Kobi hei-eki (2nd reserve service), 10 years for the army and 5 years for the navy.

(3) Hoju hei-eki (replenishment reserve service). This is divided

into two categories:—(a) 1st replenishment reserve service, 2 years and 4 months for the army and 1 year for the navy, (b) 2nd replenishment reserve service, 12 years and 4 months for the army and 11 years and 4 months for the navy.

(4) Kokumin hei-eki (national service), 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:

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 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 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 Seinen Kunrenjo (Young Men's Training Institute) 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 technical officers of artillery, engineer and air forces.

Examination for Conscription According to medical examination, conscripts are classified into six grades as mentioned above. The figures for the past 8 years, 1928-1935, were as follows:

	Total Number Examined	Class I	Class II		Class III	Class IV	Class V
			A	B			
1928	568,796	171,744	64,970	119,783	171,758	80,861	680
1929	585,819	175,979	69,372	119,721	178,790	41,075	882
1930	595,505	174,482	69,275	121,951	187,863	40,929	938
1931	619,146	178,355	72,617	124,942	200,268	42,245	724
1932	621,844	174,282	71,556	125,938	207,401	41,951	716
1933	631,099	178,094	72,796	132,681	205,777	40,141	710
1934	641,969	185,432	72,979	135,275	206,810	40,822	651
1935	638,886	188,470	72,883	130,041	201,716	40,108	718

Statistics on height and weight ascertained through the medical examinations for recent 8 years, 1928-1935, are as follows:

	Average Height	Average Weight
1928	1.596 m.	52.689 kg.
1929	1.602 m.	52.823 kg.
1930	1.598 m.	52.727 kg.
1931	1.600 m.	53.007 kg.

	Average Height	Average Weight
1932	1.600 m.	52.841 kg.
1933	1.602 m.	52.916 kg.
1934	1.603 m.	52.994 kg.
1935	1.603 m.	52.950 kg.

The grades of education attained by men examined for conscription in recent 8 years, 1928-1935, were:

	University	Higher School	Middle School	Higher Elementary School	Elementary School	Elementary School (Unfinished)	Uneducated
1928	81	1,209	43,309	265,611	209,413	42,200	5,973
1929	143	3,589	50,684	284,081	205,362	36,408	5,553
1930	493	7,303	65,944	296,829	197,312	31,812	4,812
1931	1,721	11,406	65,608	313,628	192,772	28,913	5,009
1932	3,741	18,138	69,147	324,204	182,064	25,823	4,177
1933	6,616	15,049	70,422	339,677	174,024	21,634	3,677
1934	9,031	16,467	72,622	356,135	165,240	18,802	3,672
1935	10,057	17,031	72,024	358,107	155,851	17,394	3,412

Of those listed above as uneducated 3,463 for 1928, 3,045 for 1929, 2,873 for 1930, 3,090 for 1931, 2,543

for 1932, 2,268 for 1933, 2,433 for 1934 and 2,220 for 1935 were illiterates. The ratio of illiteracy, which



was 4.28 per cent. in 1903, 3.44 in 1911 and 2.17 in 1915, has been decreasing steadily, being 0.88 in 1925, 0.70 in 1927, 0.61 in 1928, 0.38 in 1934 and 0.35 in 1935.

Classified according to occupations of the households from which conscripts come in 1935, farmers head the list with 201,297 or 31.7 per cent. of the total. Details follow:

Farmers	201,297
Fishermen	17,165
Miners	7,533
Factory workers	124,546
Other industrial workers	63,866
Merchants	82,811
Other commercial workers	15,841
Transportation	25,104
Communications	6,255
Officials	15,227
Educators, priests, literary men, etc.	29,820
Miscellaneous	13,950
Unoccupied	20,271
Total	633,886

**Volunteers** The number of volunteers who are from 17 to 20 years of age, regulated by the Military Service Law, Article 7, was 25,891 in 1935 and 13,926 of which were allowed to enter the active service, a decrease of 182 in the number of volunteers and an increase of 1,132 in that of those who passed examination as compared with the previous year.

**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 defence. 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, Korea 490, Manchuria 190, and Formosa 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 Kagoshima, 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 members 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 36,600 men on peace standing and 46,250 on a war footing.

The number of soldiers to be mobilized was steadily increased after the Saigo 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.

### Army Expenditure

The Army expenditure from 1893-94 down to 1934-35 have been as follows:

Year	Running Expenses	Extraordinary Expenses	Total
1893-94 (Just before Sino-Japanese War)	¥ 12,420,000	¥ 2,301,000	¥ 14,721,000
1896-97	32,614,000	30,629,000	53,243,000
1903-04 (Just before Russo-Japanese War)	39,353,000	7,529,000	46,884,000
1906-07 (Just after Russo-Japanese War)	37,835,000	30,045,000	67,870,000
1912-13	80,175,000	23,950,000	104,125,000
1917-18	88,344,000	35,093,000	123,437,000
1923-24	176,224,000	47,704,000	223,927,000
1924-25	179,331,000	27,403,000	206,734,000
1925-26	170,761,000	44,044,000	214,805,000
1926-27	167,561,000	29,380,000	199,941,000
1927-28	174,190,000	43,913,000	218,104,000
1928-29	167,620,000	81,486,000	249,106,000
1929-30	178,898,000	48,356,000	227,255,000
1930-31	174,546,000	26,278,000	200,824,000
1931-32	163,679,000	63,808,000	227,487,000
1932-33	148,266,000	225,309,000	373,575,000
1933-34	166,471,000	296,173,000	462,644,000
1934-35 (Budget)	169,038,000	284,656,000	453,695,000
1935-36 ( " )	179,803,000	313,155,000	492,958,000
1936-37 ( " )	190,900,000	317,400,000	508,310,000

## Army Budget for 1935-1936

The army budget for 1935-1936 reaches ¥492,958,079, exceeding by ¥89,263,000 over that of the previous year. The special demands were ¥116,196,000 for new armaments, the expenses for maintaining troops in Manchuria, etc., the demand for the latter being about ¥26,000,000 more than that of the previous year. Among special items of the expenditure there are ¥16,176,779 for the improvement of Air Corps, ¥2,058,360 for rewards, ¥5,084,000 for the improvement of arms, and ¥2,064,000 for the reconstruction of equipments damaged by natural disasters. (See Chapter VIII, A General Survey of the Budget, 1935-36.) Details follow:

## ORDINARY EXPENDITURES

(In yen)

I Department proper	Total	612,591
Salaries		342,135
Office expenses		270,455
II Military expenses	Total	178,177,285
Salaries		55,834,954
Military offices' and repairs expenses		6,655,463
Miscellaneous payments		16,597,774
Clothes and provisions		54,568,679
Ordnance and horses		49,171,457
Manœuvres		11,350,492
Medical treatments		974,763
For short-term soldiers in active service and privately supported students		536,163
Detention		57,640
Transportations		1,857,028
Attendance		42,687
Secret expenses		250,180
III Contribution to Yasukuni Shrine		12,000
IV Miscellaneous expenses		1,001,599
Total		179,803,775

## EXTRAORDINARY EXPENDITURES

(In yen)

I Buildings and repairs	1,001,803
II Defence replenishment	
Total	116,196,559
Soldiers	16,212
Fortresses	6,680,597
Armaments	109,499,750
III Grounds and buildings	1,122,410

IV Land surveying	311,210
V Reconstruction in the quake-stricken districts	1,878,956
VI Bridges, ranges, etc.	1,742,463
VII Use of land and buildings	69,357
VIII Researches	322,000
IX Map printing	342,743
X Garrisons in China	575,355
XI Temporary grants	103,865
XII Subsidies for automobile manufacture	746,852
XIII Aid for the Ex-service Men Association	250,000
XIV Prevention of anemia of horses	36,000
XV Manchurian Incident	162,359,274
XVI Improvement of Air Corps, etc.	10,176,779
XVII Improvement of arms	5,084,746
XVIII Temporary contribution to the Yasukuni Shrine	45,000
XIX Special increase in salaries	574,979
XX Rewards in connection with the Manchurian Incident	2,058,360
XXI Appliances for military attachés abroad	3,500
XXII Disaster reconstruction	2,064,000
Total	313,155,204

Ordinary expenditures	¥178,803,775
Extraordinary expenditures	313,155,204
Total	492,958,979

## Budget for 1936-1937

Because of the dissolution of the Diet in January, 1936, the 1936-37 budget was not voted on, and the Government has to carry out the Budget of the preceding year in accordance with the Constitution, Article LXXI. The army budget for 1935-36 has been, accordingly, re-adjusted for 1936-37, additional requirements being laid before the special session of the Diet in May, 1936, and voted on without any amendment. The total expenditure for 1936-37 amounts to ¥508,310,000, including the amount of the supplementary budget given below:

## SUPPLEMENTARY ARMY BUDGET.

1936-37 (May 27, 1936)

(In yen)

I Buildings and repairs	300,000
II Defence replenishment	54,938,650
III Grounds and buildings	2,016,976
IV Land surveying	13,790

VI Bridges, ranges, etc.	1,474,465
IX Map printing	49,327
XI Temporary grants	56,650
XIII Aid for the Ex-service Men Association	50,000
XV Manchurian incident	20,914,564
XVII Improvement of arms	17,023,602
XIX Special increase in salaries	9,717
XXIII Extermination of noxious insects	30,000
XXIV Equipments of Army Medical College	2,600
Total	96,920,341

## Administrative Organization

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

The Ministry of War 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 the affairs concerning the personnel of the army. It consists of two sections, the one dealing with appointments, promotion, etc., the other of decorations.

(c) The Bureau of Military Affairs is the real centre 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, prepara-

tion 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 the 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 for 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 War 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 War 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 woollen 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 defence 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 field artillery 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 service, a regiment of telegraphists 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 of officers and men in a division 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 defence 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 gendarmerie 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	
Balloon Corps		(corps) 1
Commissariat		15
Tank Corps		2
Anti-Aircraft Artillery	1	(corps) 1

This force is divided into 17 divisions and 34 brigades and was stationed in December, 1935 as follows:

Imperial Guard Division	
Divisional headquarters	Tokyo
Headquarters of 1st Infantry Guard Brigade	Tokyo
Guard Regiments 1st and 2nd	Tokyo
Headquarters of 2nd Infantry Guard Brigade	Tokyo
Guard Regiments 3rd and 4th	Tokyo
Headquarters of 1st Cavalry Brigade	Narashino
Cavalry Guard Regiment	Tokyo
13th and 14th Cavalry Regiments	Narashino
Headquarters of 4th Heavy Field Artillery Brigade	Tokyo
Artillery Guard Regiment	Tokyo
Heavy Field Artillery Regiment 4th	Shimoshizu
Heavy Field Artillery Regiment 8th	Tokyo
Engineer Guard Battalion; Commissariat Guard Battalion	Tokyo
Railway Regiment 1st	Chiba
Railway Regiment 2nd, Telegraph Regiment 1st	Tokyo
Air Force Regiment 5th	Tachikawa
Balloon Corps	Chiba
1st Division	
Divisional headquarters	Tokyo

Headquarters of 1st Infantry Brigade	Tokyo	Field Artillery Regiment 3rd	Nagoya
Infantry Regiment 1st	Tokyo	Anti-aircraft Artillery Regiment 1st	Hamamatsu
Infantry Regiment 49th	Kofu	Engineer Battalion 3rd	Toyohashi
Headquarters of 2nd Infantry Brigade	Tokyo	Air Force Regiments 1st and 2nd	Gifu
Infantry Regiment 3rd	Tokyo	Air Force Regiment 7th	Hamamatsu
Infantry Regiment 57th	Sakura	Commissariat Battalion 3rd	Nagoya
Headquarters of 2nd Cavalry Brigade	Narashino	4th Division	
Cavalry Regiment 1st	Tokyo	Divisional headquarters	Osaka
Cavalry Regiment 15th and 16th	Narashino	Headquarters of 7th Infantry Brigade	Osaka
Headquarters of Heavy Field Artillery Brigade 3rd	Kohnodai	Infantry Regiment 8th	Osaka
Field Artillery Regiment 1st	Tokyo	Infantry Regiment 70th	Sasayama
Horse Artillery Battalion	Kohnodai	Headquarters of 32nd Infantry Brigade	Wakayama
Heavy Field Artillery Regiments 1st and 7th	Kohnodai	Infantry Regiment 37th	Osaka
Yokosuka Heavy Artillery Regiment	Yokosuka	Infantry Regiment 61st	Wakayama
Engineer Battalion 1st	Tokyo	Cavalry Regiment	Osaka
Commissariat Battalion 1st	Tokyo	Field Artillery Regiment 4th	Shitayama
2nd Division		Miyama Heavy Artillery Regiment Engineers	Miyama
Divisional headquarters	Sendai	Battalion 4th	Takatsuki
Headquarters of 3rd Infantry Brigade	Sendai	Commissariat Battalion 4th	Osaka
Infantry Regiment 4th	Sendai	5th Division	
Infantry Regiment 29th	Wakamatsu	Divisional headquarters	Hiroshima
Headquarters of 15th Infantry Brigade	Takata	Headquarters of 9th Infantry Brigade	Hiroshima
Infantry Regiment 16th	Shibata	Infantry Regiment 11th	Hiroshima
The 3rd Battalion of this regiment is stationed at Muramatsu.		Infantry Regiment 41st	Fukuyama
Infantry Regiment 30th	Takata	Headquarters of 21st Infantry Brigade	Yamaguchi
Cavalry Regiment 2nd	Sendai	Infantry Regiment 21st	Hameda
Field Artillery Regiment 2nd	Sendai	Infantry Regiment 42nd	Yamaguchi
Independent Mountain Artillery Regiment 1st	Takata	Cavalry Regiment 5th	Hiroshima
Engineer Battalion 2nd	Sendai	Field Artillery Regiment 5th	Hiroshima
Commissariat Battalion 2nd	Sendai	Engineer Battalion 5th	Hiroshima
3rd Division		Telegraph Regiment 2nd	Hiroshima
Divisional headquarters	Nagoya	Commissariat Battalion 5th	Hiroshima
Headquarters of 5th Infantry Brigade	Nagoya	6th Division	
Infantry Regiment 6th	Nagoya	Divisional Headquarters	Kumamoto
Infantry Regiment 58th	Gifu	Headquarters of 11th Infantry Brigade	Kumamoto
Headquarters of 29th Infantry Brigade	Shizuoka	Infantry Regiment 18th	Kumamoto
Infantry Regiment 18th	Toyohashi	Infantry Regiment 47th	Oita
Infantry Regiment 34th	Shizuoka	Headquarters of Infantry Brigade 36th	Kagoshima
Headquarters of 4th Cavalry Brigade	Toyohashi	Infantry Regiment 23th	Miyakonojo
Cavalry Regiment 3rd	Nagoya	Infantry Regiment 45th	Kagoshima
Cavalry Regiment 25th and 26th	Toyohashi	Cavalry Regiment 6th	Kumamoto
Headquarters of 1st Heavy Field Artillery Brigade	Mishima	Field Artillery Regiment 5th	Kumamoto
Heavy Field Artillery Regiments 2nd and 3rd.	Mishima	Engineer Battalion 5th	Kumamoto
		Commissariat Battalion 6th	Kumamoto
		7th Division	
		Divisional headquarters	Asahigawa
		Headquarters of 13th Infantry Brigade	Asahigawa
		Infantry Regiment 25th	Sapporo
		Infantry Regiment 26th	Asahigawa

Headquarters of 14th Infantry Brigade	Asahigawa	Headquarters of 22nd Infantry Brigade	Tokushima
Infantry Regiment 27th and 28th	Asahigawa	Infantry Regiment 43rd	Tokushima
Cavalry Regiment 7th	Asahigawa	Infantry Regiment 44th	Kochi
Field Artillery Regiment 7th	Asahigawa	Cavalry Regiment 11th	Zentsuji
Hakodate Heavy Artillery Battalion	Hakodate	Mountain Artillery Regiment 11th	Zentsuji
Engineer Battalion 7th	Asahigawa	Engineer Battalion 11th	Zentsuji
Commissariat Battalion 7th	Asahigawa	Commissariat Battalion 11th	Zentsuji
8th Division		12th Division	
Divisional headquarters	Hirosaki	Divisional headquarters	Kurumé
Headquarters of 4th Infantry Brigade	Hirosaki	Headquarters of 12th Infantry Brigade	Fukuoka
Infantry Regiment 5th	Aomori	Infantry Regiment 14th	Kokura
Infantry Regiment 31st	Hirosaki	Infantry Regiment 24th	Fukuoka
Headquarters of 16th Infantry Brigade	Akita	Headquarters of 24th Infantry Brigade	Kurumé
Infantry Regiment 17th	Akita	Infantry Regiment 46th	Ohmura
Infantry Regiment 32th	Yamagata	Infantry Regiment 48th	Kurumé
Headquarters of 3rd Cavalry Brigade	Morioka	The 3rd Battalion of this regiment is stationed at Saga	
Cavalry Regiment 8th	Hirosaki	Tank Corps 1	Kurumé
Cavalry Regiment 23rd and 14th	Morioka	Cavalry Regiment 12	Kurumé
Field Artillery Regiment 8th	Hirosaki	Headquarters of 2nd Heavy Field Artillery Brigade	Kokura
Engineer Battalion 8th	Morioka	Field Artillery Regiment 24th	Kurumé
Commissariat Battalion	Hirosaki	Independent Mountain Artillery Regiment 3rd	Kurumé
9th Division		Heavy Field Artillery Regiment 5th and 6th	Kokura
Divisional headquarters	Kanazawa	Shimonoseki Heavy Artillery Regiment	Shimonoseki
Headquarters of 6th Infantry Brigade	Kanazawa	Sasebo Heavy Artillery Battalion	Sasebo
Infantry Regiment 7th	Kanazawa	Kechi Heavy Artillery Battalion	Kechi
Infantry Regiment 35th	Toyama	Engineer Battalion 18th	Kurumé
Headquarters of 18th Infantry Brigade	Tsuruga	Flying Air Force Regiment 4th	Tachiarai
Infantry Regiment 19th	Tsuruga	Commissariat Battalion 18th	Kurumé
Infantry Regiment 36th	Sabayé	14th Division	
Cavalry Regiment 9th	Kanazawa	Divisional headquarters	Utsunomiya
Mountain Artillery Regiment 9th	Kanazawa	Headquarters of 27th Infantry Brigade	Utsunomiya
Engineer Battalion 9th	Kanazawa	Infantry Regiment 2nd	Mito
Commissariat Battalion 9th	Kanazawa	Infantry Regiment 50th	Utsunomiya
10th Division		Headquarters of 23th Infantry Brigade	Takasaki
Divisional Headquarters	Himeji	Infantry Regiment 15	Takasaki
Headquarters of 8th Infantry Brigade	Himeji	Infantry Regiment 50th	Matsumoto
Infantry Regiment 39th	Himeji	Cavalry Regiment 18th	Utsunomiya
Infantry Regiment 40th	Tottori	Field Artillery Regiment 20th	Utsunomiya
Headquarters of Infantry Brigade 33rd	Okayama	Engineer Battalion 14th	Mito
Infantry Regiment 10th	Okayama	Commissariat Battalion 14th	Utsunomiya
Infantry Regiment 63rd	Matsuyé	16th Division	
Cavalry Regiment 10th	Himeji	Divisional headquarters	Kyoto
Field Artillery Regiment 10th	Himeji	Headquarters of 19th Infantry Brigade	Kyoto
Engineer Battalion 10th	Okayama	Infantry Regiment 9th	Kyoto
Commissariat Battalion 10th	Himeji		
11th Division			
Divisional headquarters	Zentsuji		
Headquarters of 10th Infantry Brigade	Zentsuji		
Infantry Regiment 12th	Zentsuji		
Infantry Regiment 22nd	Matsuyama		

The 3rd Battalion of this regiment is stationed at Ohtsu	
Infantry Regiment 20th	Fukuchi-
Headquarters of 30th Infantry Brigade	yama
Infantry Regiment 33rd	Tsu
Infantry Regiment 38th	Tau
Cavalry Regiment 20th	Nara
Field Artillery Regiment 22nd	Kyoto
Maizuru Heavy Artillery Battalion	Kyoto
Engineer Battalion 16th	Maizuru
Air Force Regiment 3rd	Kyoto
Commissariat Battalion 16th	Yokkaichi
19th Division	Kyoto
Divisional headquarters	Ranan
Headquarters of 37th Infantry Brigade	Ranan
Infantry Regiment 73rd	Kanko
Infantry Regiment 74th	Ranan
Headquarters of 30th Infantry Brigade	Kanko
Infantry Regiment 75th	Ranan
Infantry Regiment 76th	Kainei
Cavalry Regiment 27th	Ranan
Field Artillery Regiment 25th	Ranan
Engineer Battalion 19th	Kainei
20th Division	Ranan
Divisional headquarters	Ryuzan
Headquarters of 39th Infantry Brigade	Ryuzan
Infantry Regiment 77th	Heijo
Infantry Regiment 78th	Heijo
Headquarters of 40th Infantry Brigade	Ryuzan
Infantry Regiment 79th	Ryuzan
Infantry Regiment 80th	Taiko
The 3rd Battalion of the regiment is stationed at Taiden.	
Cavalry Regiment 28th	Ryuzan
Field Artillery Regiment 26th	Ryuzan
Anti-aircraft Corps of above regiment	Heijo
Heavy Artillery Battalion of Masan	Masan
Engineer Battalion 20th	Ryuzan
Air Force Regiment 6th	Heijo
The Headquarters of special units are distributed as follows:	
Tokyo Garrison Headquarters	Tokyo
Headquarters of Chosen Army	Keijo
Headquarters of Taiwan Army	Taihoku
Headquarters of Taiwan Garrison	Taihoku
1st Taiwan Infantry Regiment 1	Taihoku
2nd Taiwan Infantry Regiment 2	Taihoku

Taiwan Mountain Artillery Battalion	Taihoku
Kiirun Heavy Artillery Battalion	Kiirun
Mako Heavy Artillery Battalion	Mako
Heito 8th Flight Regiment	Heito
Headquarters of Kwantung Army	Ryojun
Headquarters of Independent Garrison	Koshurei
1st Infantry Battalion Independent Garrison	Koshurei
2nd Infantry Battalion Independent Garrison	Mukden
3rd Infantry Battalion Independent Garrison	Tashihchiao
4th Infantry Battalion Independent Garrison	Lienshan-
5th Infantry Battalion Independent Garrison	kwan
6th Infantry Battalion Independent Garrison	Ssupinkai
Ryojun Heavy Artillery Battalion	Ryojun
Headquarters of Japanese Force in China	Tientsin
Japanese Infantry Garrison in Tientsin	Tientsin
Japanese Infantry Garrison in Peiping	Peiping

#### 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. Their sites and divisional attachments are as follows:

Site	Division
(1) Yokosuka	1st
(2) Chichijima (Bonin Is.)	"
(3) Yura	4th
(4) Amamioshima	6th
(5) Hoyo	"
(6) Tsugaru	7th
(7) Shimonoseki	12th
(8) Tsushima	"
(9) Sasebo	"
(10) Nagasaki	"
(11) Iki	12th
(12) Maizuru	16th
(13) Chinkaiwan	Chosen Army
(14) Eikowan	Chosen Army
(15) Kiirun	Taiwan Army
(16) Bokoto	"
(17) Ryojun (Port Arthur)	Kwantung Army

#### OCCUPATION OF SENIOR COMMANDS

(April 1, 1936)

Name and Rank	Command
Lieut.-General Tsuneichi Iwakoshi	Tokyo Garrison
Lieut.-General Kiyoshi Kazuki	Guard Division
Lieut.-General Kyosuke Kawamura	1st Division
Lieut.-General Yasuji Okamura	2nd Division
Lieut.-General Masayoshi Itō	3rd Division
Lieut.-General Yoshitsugu Tatekawa	4th Division
Lieut.-General Katsura Hayashi	5th Division
Lieut.-General Toshio Tani	6th Division
Lieut.-General Kazuo Miyaké	7th Division
Lieut.-General Kumaya Shimomoto	8th Division
Lieut.-General Juko Yamaoka	9th Division
Lieut.-General Kanichiro Tashiro	10th Division
Lieut.-General Yoshishige Shimizu	11th Division
Lieut.-General Shigeji Suyematsu	12th Division
Lieut.-General Tomoo Kodama	14th Division
Lieut.-General Yoshiyuki Suzuki	16th Division
Lieut.-General Mitsuharu Miyaké	19th Division
	20th Division

#### OVERSEAS COMMANDS

Name and Rank	Command
General Kenkichi Ueda	Kwantung Army
Lieut.-General Kuniaki Koiso	Chosen Army
Lieut.-General Heisuke Yanagawa	Taiwan Army
Major-General Hayao Tada	Japanese Garrison in China

#### 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 the authority of the Department of Military Education, of which a full list is given below:

Name	Place
Artillery and Engineering School	Tokyo
Infantry School	Chiba prefecture
Cavalry School	" "
Field Artillery School	" "

Name	Place
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba "
Signallers' School	Tokyo "
Mechanical Transport School	" "
Narashino Military School	Chiba "
Toyama School	Tokyo city
Military Academy	" "
Military Preparatory School	" "
4 Non-Commissioned 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 bureaux of the Ministry of War, of which a full list is given below.

Name	Place
Tokorozawa Flying School	Saitama prefecture
Akeno Flying School	Miyé "
Hamamatsu Flying School	Shizuoka "
Shimoshizu Flying School	Chiba "
Engineering School	Tokyo City
Intendance School	" "
Army Medical School	Tokyo City
Army Veterinary School	" "
Gendarmerie Training School	" "

The Flying School at Tokorozawa is to give 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 is to teach aerial photography, aerial communications and reconnoitering. The Akeno Flying School gives courses to army pilots on the 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 Kaei (1853) with a view to inducing the Shogun's Government to open

Japanese ports to the world. By the 4th year of Ansei (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 Russo-Japanese War, was in possession of 78 ships with a total tonnage of 256,816 tons.

**The Naval Policy** Japan's naval policy was, and is, to maintain a fleet powerful enough to defend the country against any naval force which could be dispatched to the western Pacific by any naval Power of the world. This policy was embodied first in the expansion plan adopted in 1907, including the construction of 8 battleships, 8 battle-cruisers, 21 light cruisers, 64 destroyers, and 32 submarines. As a preliminary to carrying out the plan, it was decided to build 8 battleships, 4 battle-cruisers, 11 light cruisers and a number of destroyers and submarines at a total expenditure of ¥254,000,000. In 1916, the Diet passed the programme to be carried out in the seven years ending 1923. In 1917, the programme was enlarged by a project covering the construction of 2 more battle-cruisers and a number of auxiliary ships in the six years ending 1923. In 1919, this programme was enlarged by a new project covering the construction of 8 capital ships and 85 auxiliary ships at a total expenditure of ¥750,000,000 to be appropriated in the eight years ending 1927. Thus, in 1921, Japan's naval expenditure amounted to about ¥500,000,000 or about one-third of the total amount of the budget.

**The 1919 Programme** The number and kind of ships to be constructed by the 1919 plan were 8 battleships armed with 16-inch guns (Nagato, Mutsu, Tosa, Kaga, etc.)

and 8 battle-cruisers (Amagi, Akagi, etc., etc.), 26 light cruisers, 94 destroyers, and 93 submarines. As a result of the Washington Conference, the construction of these ships was abandoned, the Mutsu and the Nagato being retained on the list, while the Akagi and the Amagi were retained for conversion into plane carriers. (The great earthquake of 1923 made the Amagi unfit for service, and she was replaced by the Kaga).

After the Conference every effort was made to build up a powerful fleet of auxiliary ships to compensate for the deficiency in capital ships, of which Japan was allowed only 9 as against the 15 each of America and Britain. This effort resulted in the establishment of a well balanced fleet of auxiliary ships. The Naval Treaty signed in London in 1930, however, again gave Japan a low ratio in the number and tonnage of eight-inch gun cruisers, and allowed her only 52,700 tons of submarines, in spite of her demand for a minimum of 78,000 tons. This made it necessary further to reinforce the auxiliary fleet.

**The 1931 Plan** In 1931, the First Naval Replenishment Plan was referred to the Diet which passed it almost unanimously. The plan covers the construction of 4 light cruisers of 8,500 tons each, 12 first class destroyers of 1,400 tons each, 9 first class submarines, 1 large mine-layer, 3 smaller mine-layers, 4 torpedo-boats, and 6 mine-sweepers, at a total expenditure of ¥247,080,000 to be appropriated in the 6 years.

**The 1932 Plan** The replenishment plan is accompanied by two other plans, the first of which covers the establishment of 12 naval flying corps on land and an aeronautic arsenal, the improvement and reinforcement of planes carried on plane-

carriers and other ships, and the improvement of arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by 1936. On its completion, the plan is to be followed by another expansion plan covering the establishment of 2 more flying corps on land at a total expenditure of ¥50,000,000. The second plan supplementary to the 1931 Replenishment Plan covers a total expenditure of ¥44,950,000 to be appropriated for the modernization of capital and auxiliary ships, plane-carriers, submarines, and the replacement of guns, etc. When these replenishment programmes are completed, Japan will have 12 Treaty cruisers, 23 light cruisers, 4 plane-carriers, 4 submarine tenders, 6 mine-layers, 8 coast defence ships, 13 gun-boats, 79 first class destroyers, 34 second class destroyers, 33 first class submarines, 38 second class submarines, 4 torpedo-boats, 14 mine-sweepers, 3 training-ships, 1 target ship, 2 surveying ships, 17 transports, and 1 ice-breaker.

The naval authorities referred a second naval replenishment plan to the Ministry of Finance for study on October 31, 1932. The plan calls for a total expenditure of ¥460,000,000 covering the construction of one plane-carrier of 8,000 tons, two 8,500 ton cruisers with 6-inch guns, 14 first class destroyers of 1,400 tons each, six submarines, one mine-layer of 5,000 tons type, a number of torpedo-boats and mine-sweepers, and the establishment of 8 flying corps on land, all for completion in the 4 years ending 1936.

Improvement In 1935 the Second Air Force Squadron was added to the Second Fleet which was composed of the Akagi, aircraft carrier, and 9th destroyer flotilla.

Naval defence on Chinese seas was formerly divided into three sections,

i. e. north China defended by boats under the Ryojun Minor Naval Station, central China defended by the Third Fleet and south China by boats under the Bako Minor Naval Station. These three were united into one in 1935 and is now defended by the Third Fleet which was composed of the 10th and 11th Squadrons and the 5th Destroyer Squadron.

In addition to the naval barrack which had been instituted in 1933 defence corps were organized in 1935 to reinforce the coastal defence (see "The Three Districts", this Chapter).

An air force enlargement plan has been carried out according to the first and second programmes. Kuré and Saeki air corps were completed, and the four corps at Kisarazu, Maizuru, Tomioka (Yokohama) and Shikaya (Kagoshima prefecture) are to be completed by the end of 1936.

In educational line improvements were made by prolonging school years in Naval College, Naval Engineering College and Naval Paymasters' College from 3 years 8 months to 4 years, and a greater number of freshmen were taken into these colleges.

#### The Disarmament Question

London Conference Japan was represented by Admiral Osami Nagano and Matsuzo Nagai, former Japanese Ambassador to Berlin, at the naval disarmament conference at London in 1935. Admiral Nagano advocated the establishment of a common upper limit of naval armaments to be fixed as low as possible and reduction of offensive armaments to assure the principle of "non-menace and non-aggression". But Japan's proposal failed to obtain support from other nations, and so following the final presentation of Japan's formula and the other delegations' rejection of it,

the Japanese delegation informed Viscount Monsell, on January 15, 1936, that it could no longer usefully continue participation in the conference and thus withdrew from it.

#### Naval Expenditure

The naval expenditure from 1893-94 down to 1934-35 have been as follows:

Year	Running Expenses	Extraordinary Expenses	Total
1893-94 (Just before Sino-Japanese War)	¥ 5,141,000	¥ 2,960,000	¥ 8,101,000
1895-97 (Just after Sino-Japanese War)	7,351,000	12,655,000	20,006,000
1903-04 (Just before Russo-Japanese War)	21,530,000	14,538,000	36,118,000
1906-07 (Just after Russo-Japanese War)	27,991,000	33,885,000	61,876,000
1912-13	41,534,000	53,952,000	95,486,000
1917-18	48,528,000	113,906,000	162,434,000
1925-26	122,242,000	106,761,000	229,003,000
1926-27	127,428,000	109,879,000	237,307,000
1927-28	136,545,000	136,992,000	273,537,000
1928-29	143,026,000	125,106,000	268,132,000
1929-30	147,648,000	120,016,000	267,664,000
1930-31	146,888,000	95,147,000	242,035,000
1931-32	138,914,000	88,215,000	227,129,000
1932-33	140,740,000	172,069,000	312,809,000
1933-34	179,027,000	230,948,000	409,975,000
1934-35 (budget)	199,909,000	270,237,000	469,147,000
1935-36 ( .. )	215,917,000	313,765,900	529,683,000
1936-37 ( .. )	236,750,000	313,640,000	550,390,000

#### Navy Budget for 1935-1936

##### ORDINARY EXPENDITURE

(In yen)

I Department proper	
Salaries	317,935
Office expenses	167,640
Total	485,575
II Military expenses	
Salaries	50,647,145
Buildings and repairs	777,303
Miscellaneous expenses	4,580,450
Clothes and food	22,896,526
Construction and repairs of ships	86,961,141
Manœuvres	445,281
Medical treatments	998,759
Naval stations and ports	1,003,511
Construction of warships	40,776,994
Waterways	523,156
Educational expenditures	1,410,938
Aids to seamen's families	922,823
Grants to the mutual aid society	2,141,061
Detention	10,227
Secret services	63,300
Total	214,158,625
III Miscellaneous expenditures	1,273,630
Sum total	215,917,830

##### EXTRAORDINARY EXPENDITURE

(In yen)

I Construction of auxiliary ships	156,768,439
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II Equipments in ports, schools, hospitals and factories	21,676,623
III Equipments of air forces	29,913,787
IV Equipments of warships	59,928,643
V Armaments	22,952,450
VI Buildings and repairs	5,550,000
VII Entrusted repairs	745,129
VIII Drawings and books on vessels	72,026
IX Technical and chemical studies	1,331,000
X Temporary grants	134,156
XI Allotment of the International Waterway Bureau	5,575
XII Repairs in the quake-stricken districts	1,499,210
XIII Dispatch of ships to the northern waters	100,000
XIV Expenses connected with the Manchurian Incident	9,612,051
XV Manœuvres	6,000,000
XVI Drawing weather charts, etc.	170,681
XVII Special increase of salaries	952,495
XVIII Educational armaments	400,000
XIX Investigation on pensions for the wounded	5,000
XX Books	9,390
XXI Relief of fire calamities at Hakodate and recovery of damaged articles	100,000
Total	313,765,604

Ordinary expenditure	¥215,917,830
Extraordinary expenditure	313,765,604
Total	529,683,434

## Budget for 1936-1937

For the same reason as given in the case of the army budget for the 1936-37 fiscal year, the Navy also had to readjust the 1935-36 Budget

to make out the practical budget for 1936-37, the total expenditure of which amounting to ¥550,390,000, including the following supplementary budget:

## SUPPLEMENTARY NAVY BUDGET FOR 1936-1937

(May 27, 1936)

	(In yen)
I Construction of auxiliary ships	309,884
II Equipments in ports, schools, etc.	37,150,452
III Equipments of air forces	7,660,831
IV Equipments of warships	55,348,117
V Armaments	3,271,225
VII Entrusted repairs	4,210,279
VIII Drawings and books	3,703
IX Technical and chemical studies	5,310,000
X Temporary grants	32,965
XVI Drawing weather charts, etc.	6,573
XX Books	41,092
XXIII Manchurian Incident	589,535
XXIV Repairs of a range	70,000
Total	114,004,782

## Administrative Organization

Warships and other vessels organized into fleets and squadrons actually represent what is called the Japanese Navy, and all the organs under the jurisdiction of the Ministry of Marine are intended for the construction, maintenance, control and successful utilization of these vessels. Each naval station and fleet is placed in the charge of a Commander-in-chief, who is responsible for the discipline and education of his men.

**The Minister** The Minister of Marine 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 Marine 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 officers. 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 Wardmasters 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 Communications 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 the 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 the charge of the Yokosuka Naval Station.

2nd Naval District, consisting of the coasts of Wakayama, Osaka, Hyogo, Okayama, Hiroshima, Yamaguchi, Shimané, Tottori, Kyoto, Fukui, Ishikawa, Toyama, Niigata, Yamagata, Akita, Tokushima, Kochi, Ehimé, Kagawa, Oita, Miyazaki, and the eastern part of Fukuoka prefecture, and the adjacent seas, is in the 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 the charge of the Sasebo Naval Station.

The coasts and adjacent seas of the South Sea Islands, now under mandate to Japan, are in the charge of the Yokosuka Naval Station. There are also minor naval stations at Maizuru 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 neighbouring district from attack. In addition to the naval barrack, each naval station or minor naval station has a defence corps, which is responsible for the defence of the neighbouring seas. Where there is no naval barrack, the defence corps is required to take care of the port where it is stationed and to protect the neighbouring 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 neighbouring district from naval and aerial raids.

NUMBER OF CONSCRIPTS ENTERED ACTIVE SERVICE AT THREE NAVAL STATIONS IN 1934-35

Kinds of Service	Yokosuka	Kuré	Sasebo	Total
Seamen	1,901	1,474	1,246	4,621
Flying service	765	295	294	1,354
Stokers	1,445	1,453	973	3,871
Sick-berth attendants	97	94	44	235
Writer's crew	197	135	133	465
Total	4,405	3,456	2,690	10,551

Height and Weight

	Height (In metre)			Weight (In kilogramme)		
	Average	Highest	Shortest	Average	Heaviest	Lightest
Yokosuka	1.636	1.801	1.540	58.6	86.2	48.2
Kuré	1.642	1.880	1.500	58.8	80.5	47.0
Sasebo	1.636	1.800	1.450	57.3	79.0	48.5
Average	1.638	1.827	1.500	58.2	81.9	47.9

NUMBER OF CONSCRIPTS AND VOLUNTEERS TAKEN INTO ACTIVE SERVICE IN THE NAVY

Year	Conscripts	Volunteers	Total
1925	5,694	5,151	10,845
1926	7,056	5,789	12,845
1927	7,979	5,564	13,543
1928	10,281	6,372	16,653
1929	9,920	5,195	15,115
1930	7,524	4,987	12,461
1931	9,781	4,676	14,457
1932	12,050	4,687	16,737
1933	11,525	7,650	19,175
1934	11,015	7,135	18,150

Note: Discrepancy in figures for 1934 conscripts between this and above tables is due to the sick who were sent back to their homes for medical treatment.

Volunteers Examination of naval volunteers was carried out in the first three months of 1935 as usual. The number of volunteers was 55,605, an increase of 2,994 as compared with the previous year, and the number of those who passed examination and actually taken into services was 7,165, an increase of 30 as compared with the previous year.

RESULT OF EXAMINATION OF VOLUNTEERS CLASSIFIED ACCORDING TO SERVICES

Kind of Service	Volunteers		Comparison	Actually Entered Services
	1935	1934		
Seamen	15,694	17,053	-1,359	2,200
Radio	12,418	11,582	+ 836	450
Flying service (general)	1,979	—	+1,979	410
Flying service (preparatory)	7,003	7,445	- 442	240
Flying service (reconnoitering)	2,579	—	+2,579	135
Stokers	10,885	11,398	- 513	2,150
Musicians	698	872	- 174	45
Sick-berth attendants	823	874	- 51	145
Writer's crew	3,526	3,387	+ 139	390
Total	55,605	52,611	+2,994	7,165

NUMBER OF VOLUNTEERS IN THE PAST 5 YEARS

	Seamen	Radio	Flying-service			Stokers	Musicians	Sick-berth attendants	Writer's crew	Total
			General	Preparatory	Reconnoitering					
1931	13,206	12,664	—	6,353	—	14,345	1,035	1,007	3,347	52,462
1932	15,795	12,130	—	7,577	—	14,121	1,334	1,214	3,791	55,962
1933	20,159	12,681	—	11,432	—	14,542	1,096	1,095	3,885	64,890
1934	17,053	11,582	—	7,775	—	11,398	872	874	3,387	52,611
1935	15,694	12,418	1,979	7,003	2,579	10,885	698	823	3,526	55,605

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 Naval Department 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 watch and protection of the rivers and the coast lines of Manchoukuo. The commander is directly under the Emperor, 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 Defence Brigade is quartered at Harbin and is guarding the banks of the Sungari.

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

The Standing Fleets

The standing fleets as reorganized on November 15th, 1935, are as follows:

Combined Fleet

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

1st Fleet

1st Squadron—Haruna, Fuso, Yamashiro, Nagato.  
8th Squadron—Nagara, Jintsu, Sendai.  
1st Destroyer Squadron—Abukuma, 9th, 21st and 30th destroyer flotillas.  
1st Submarine Squadron—Jingei, 18th, 19th and 28th submarine flotillas.  
1st Air Force Squadron—Hosho, Ryujo, and 5th destroyer flotillas.

2nd Fleet

5th Squadron—Myoko, Nachi, and Haguro.  
7th Squadron—Kinukasa and Aoba.  
2nd Destroyer Squadron—Naka, 6th, 8th, 19th and 20th destroyer flotillas.  
2nd Submarine Squadron—Kinu, 12th and 30th submarine flotillas.  
2nd Air Force Squadron—Kaga, and 29th destroyer flotillas.

3rd Fleet

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

Training Squadron

Yakumo, and Iwate

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 Tateyama, 1-½ aeroplane corps at Sasebo, 2½ corps at Omura, 1½ corps at Kuré, 1½ Corps at Saheki and ½ Corps at Ominato, the number of planes belonging to these air corps are unavailable; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, Noto, 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	2,305
Lieutenants to 2nd Sub-Lieutenants, non-executive officers, midshipmen and special service officers	3,955
Warrant officers	1,953
Cadets at school	345
Total	8,802

**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 superdreadnoughts of over 40,000 tons, but those of Sasebo and Maizuru 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 Seiki (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 Tokuyama, 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 Saghalién, Formosa, 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 armour 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. In the Russo-Japanese War, the 6 battleships and 6 armoured cruisers of the Japanese fleet were all built in England, and the officers and men could fire no guns without optical implements made in foreign countries. The Navy of today is independent in every sense of the word.

#### List of Ships

The Navy consisted on September 30, 1935 of the following ships, classified by types with the total tonnage

in each:

Type	Number	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	24	107,255
Aircraft Carriers	5	68,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	15,230
Coast Defence Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	77	93,553
2nd Class Destroyers	30	23,330
1st Class Submarines	34	43,057
2nd Class Submarines	32	25,292
Torpedo Boats	8	2,108
Mine Sweepers	16	9,258
Special Service Ships	21	228,807
Total	301	1,188,250

(Tonnage of ships under construction is not included.)

The full individual list of warships at the same date was:

#### BATTLESHIPS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torped tubes
Kongo	29,330	1911	25.0	36(8) 15(16)	12.7(8)	4
Kirishima	29,330	1915	26.0	36(8) 15(16)	12.7(8)	4
Haruna	29,330	1915	26.0	36(8) 15(16)	12.7(8)	4
Fuso	29,330	1915	22.5	36(12) 15(16)	12.7(8)	2
Yamashiro	29,330	1917	22.5	36(12) 15(16)	12.7(8)	2
Isé	29,990	1917	23.0	36(12) 14(18)	12.7(8)	4
Hyuga	29,990	1918	23.0	36(12) 14(18)	12.7(8)	4
Nagato	32,720	1920	23.0	40(8) 14(20)	12.7(8)	6
Mutsu	32,720	1921	23.0	40(8) 14(20)	12.7(8)	6
Total 9	272,070 tons					

#### TRAINING BATTLESHIP

Hiei	19,500	1914	18.0	36(6) 15(16)	12.7(4)	—
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#### 1ST CLASS CRUISERS

Kako	7,100	1926	33.0	20(6)	12(4)	12
Furutaka	7,100	1926	33.0	20(6)	12(4)	12
Kinukasa	7,100	1927	33.0	20(6)	12(4)	12
Aoba	7,100	1927	33.0	20(6)	12(4)	12
Myoko	10,000	1929	33.0	20(10)	12(6)	12
Nachi	10,000	1928	33.0	20(10)	12(6)	12
Ashigara	10,000	1929	33.0	20(10)	12(6)	12
Haguro	10,000	1929	33.0	20(10)	12(6)	12
Takao	9,850	1932	33.0	20(10)	12(4)	8
Atago	9,850	1932	33.0	20(10)	12(4)	8
Chokai	9,850	1932	33.0	20(10)	12(4)	8
Maya	9,850	1932	33.0	20(10)	12(4)	8
Total 12	107,800 tons					

#### 2ND CLASS CRUISERS

Hirato	4,400	1912	25.0	15(8) 8(2)	8(2)	3
Yahagi	4,400	1912	25.0	15(8) 8(2)	8(2)	3

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Tenryu	3,230	1919	31.0	14(4)	8(1)	6
Tatsuta	3,230	1919	31.0	14(4)	8(1)	6
Kuma	5,100	1920	33.0	14(7)	8(2)	8
Tama	5,100	1921	33.0	14(7)	8(2)	8
Kitakami	5,100	1921	33.0	14(7)	8(2)	8
Oi	5,100	1921	33.0	14(7)	8(2)	8
Kiso	5,100	1921	33.0	14(7)	8(2)	8
Nagara	5,170	1922	33.0	14(7)	8(2)	8
Isuzu	5,170	1923	33.0	14(7)	8(2)	8
Natori	5,170	1922	33.0	14(7)	8(2)	8
Yura	5,170	1923	33.0	14(7)	8(2)	8
Kinu	5,170	1922	33.0	14(7)	8(2)	8
Abukuma	5,170	1924	33.0	14(7)	8(2)	8
Naka	5,195	1925	33.0	14(7)	8(2)	8
Sendai	5,195	1924	33.0	14(7)	8(2)	8
Jintsu	5,195	1925	33.0	14(7)	8(2)	8
Yubari	2,890	1923	33.0	14(6)	8(1)	4
Mogami	8,500	1935	33.0	15.5(15)	12.7(8)	12
Mikuma	8,500	1935	33.0	—	12.7(8)	12
Suzuya	8,500	under construction	33.0	—	12.7(8)	12
Kumano	8,500	"	33.0	—	12.7(8)	12
Tone	8,500	"	—	—	—	—
Total 24	107,255 tons (completed ones only)					

## AIRCRAFT CARRIERS

Hosho	7,470	1922	25.0	14(4)	8(2)	—
Kaga	26,900	1923	23.0	20(10)	12(12)	—
Akagi	26,900	1927	28.5	20(10)	12(12)	—
Ryujo	7,100	1933	25.0	—	12.7(12)	—
Soryu	10,050	—	30.0	—	12.7(12)	—
Total 5	68,370 tons (completed ones only)					

## SEAPLANE CARRIERS

Notoro	14,050	1920	12.0	12(2)	8(2)	—
Kamoi	17,000	1922	15.0	14(2)	8(2)	—
Chitosé	—	—	—	—	—	—
Total 3	31,050					

## SUBMARINE TENDERS

Karasaki	9,570	—	12.6	8(1)	8(1)	—
Komabashi	1,125	1914	13.9	8(2)	8(1)	—
Jingei	5,160	1923	16.0	14(4)	8(2)	—
Chogei	5,160	1924	16.0	14(4)	8(2)	—
Taigéi	10,000	1934	20.0	—	12.7(4)	—
Total 5	31,015 tons (completed ones only)					

## MINE LAYERS

Tokiwa	9,240	1899	21.25	20(2)	15(8)	8(1)	—
Katsuriki	1,540	1917	13.0	8(3)	—	—	—
Shirataka	1,345	1929	16.0	—	—	12(3)	—
Itsukushima	1,970	1929	16.0	14(3)	—	8(2)	—
Yaeyama	1,135	1932	20.0	—	—	12(2)	—
Okinosima	4,400	—	20.0	14(4)	—	—	—
Total 6	15,230 tons						

## COAST DEFENCE VESSELS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes		
Asama	9,240	1899	21.25	16(4)	15(12)	8(1)	4	
Yakumo	9,010	1900	16.0	20(4)	15(12)	8(1)	2	
Azuma	8,640	1900	16.0	16(4)	15(12)	8(1)	4	
Izumo	9,180	1900	16.0	20(4)	15(14)	8(1)	2	
Iwaté	9,180	1901	16.0	20(4)	15(14)	8(1)	4	
Kasuga	7,080	1904	20.0	25(1)	20(2)	15(14)	8(1)	4
Tsushima	3,120	1904	20.0	15(6)	8(8)	8(1)	—	
Total 7	55,450 tons							

## GUNBOATS

Yodo	1,320	1908	22.0	—	8(2)	—	2
Ataka	725	1922	16.0	—	12(2)	8(2)	—
Uji	540	1903	13.0	—	8(4)	—	—
Toba	215	1911	15.0	—	8(2)	—	—
Saga	685	1912	15.0	—	12(1)	8(3)	—
Seta	305	1923	16.0	—	—	8(2)	—
Katada	305	1923	16.0	—	—	8(2)	—
Hira	305	1923	16.0	—	—	8(2)	—
Hotsu	305	1923	16.0	—	—	8(2)	—
Atami	170	1929	16.0	—	—	8(1)	—
Futami	170	1930	16.0	—	—	8(1)	—
Total 11	5,045 tons						

## 1ST CLASS DESTROYERS

Urakazé	810	1915	28.0	12(1)	8(4)	—	4
Minekazé	1,215	1920	34.0	12(4)	—	—	6
Sawakazé	1,215	1920	34.0	12(4)	—	—	6
Okikazé	1,215	1920	34.0	12(4)	—	—	6
Shimakazé	1,215	1920	34.0	12(4)	—	—	6
Nadakazé	1,215	1921	34.0	12(4)	—	—	6
Yakazé	1,215	1920	34.0	12(4)	—	—	6
Hakazé	1,215	1920	34.0	12(4)	—	—	6
Shiokazé	1,215	1921	34.0	12(4)	—	—	6
Akikazé	1,215	1921	34.0	12(4)	—	—	6
Yukazé	1,215	1921	34.0	12(4)	—	—	6
Tachikazé	1,215	1921	34.0	12(4)	—	—	6
Hokazé	1,215	1921	34.0	12(4)	—	—	6
Nokazé	1,215	1922	34.0	12(4)	—	—	6
Namikazé	1,215	1922	34.0	12(4)	—	—	6
Numakazé	1,215	1922	34.0	12(4)	—	—	6
Kamikazé	1,270	1922	34.0	12(4)	—	—	6
Asakazé	1,270	1923	34.0	12(4)	—	—	6
Harukazé	1,270	1923	34.0	12(4)	—	—	6
Matsukazé	1,270	1924	34.0	12(4)	—	—	6
Hatakazé	1,270	1924	34.0	12(4)	—	—	6
Oikazé	1,270	1925	34.0	12(4)	—	—	6
Hayaté	1,270	1925	34.0	12(4)	—	—	6
Asanagi	1,270	1924	34.0	12(4)	—	—	6
Yunagi	1,270	1925	34.0	12(4)	—	—	6
Muzuki	1,315	1926	34.0	12(4)	—	—	6
Kisaragi	1,315	1925	34.0	12(4)	—	—	6
Yayoi	1,315	1926	34.0	12(4)	—	—	6
Uzuki	1,315	1926	34.0	12(4)	—	—	6
Satsuki	1,315	1925	34.0	12(4)	—	—	6
Minazuki	1,315	1927	34.0	12(4)	—	—	6
Fumizuki	1,315	1926	34.0	12(4)	—	—	6
Nagatsuki	1,315	1927	34.0	12(4)	—	—	6
Kikuzuki	1,315	1926	34.0	12(4)	—	—	6

## NATIONAL DEFENCE

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetres)	High angle guns (centimetre)	Torpedo tubes
Mikazuki	1,315	1927	34.0	12(4)	—	6
Mochizuki	1,315	1927	34.0	12(4)	—	6
Yuzuki	1,315	1927	34.0	12(4)	—	6
Fubuki	1,700	1928	34.0	12.7(6)	—	9
Shirayuki	1,700	1928	34.0	12.7(6)	—	9
Hatsuyuki	1,700	1928	34.0	12.7(6)	—	9
Murakumo	1,700	1929	34.0	12.7(6)	—	9
Shinonome	1,700	1929	34.0	12.7(6)	—	9
Usugumo	1,700	1928	34.0	12.7(6)	—	9
Shirakumo	1,700	1928	34.0	12.7(6)	—	9
Isonami	1,700	1928	34.0	12.7(6)	—	9
Uranami	1,700	1929	34.0	12.7(6)	—	9
Ayanami	1,700	1930	34.0	12.7(6)	—	9
Shikinami	1,700	1929	34.0	12.7(6)	—	9
Asagiri	1,700	1930	34.0	12.7(6)	—	9
Yugiri	1,700	1930	34.0	12.7(6)	—	9
Amagiri	1,700	1930	34.0	12.7(6)	—	9
Sagiri	1,700	1931	34.0	12.7(6)	—	9
Oboro	1,700	1931	34.0	12.7(6)	—	9
Akebono	1,700	1931	34.0	12.7(6)	—	9
Sazanami	1,700	1932	34.0	12.7(6)	—	9
Ushio	1,700	1931	34.0	12.7(6)	—	9
Akatsuki	1,700	1932	34.0	12.7(6)	—	9
Hibiki	1,700	1933	34.0	12.7(6)	—	9
Ikazuchi	1,700	1932	34.0	12.7(6)	—	9
Inazuma	1,700	1932	34.0	12.7(6)	—	9
Hatsuharu	1,368	1933	34.0	12.7(5)	—	6
Nenohi	1,368	1933	34.0	12.7(5)	—	6
Wakana	1,368	1934	34.0	12.7(5)	—	6
Hatsushimo	1,368	1934	34.0	12.7(5)	—	6
Ariake	1,378	1935	34.0	12.7(5)	—	6
Yugure	1,368	1935	34.0	12.7(5)	—	6
Shiratsuyu	1,368	under construction	34.0	12.7(5)	—	8
Shiguré	1,368	"	34.0	12.7(5)	—	8
Murasamé	1,368	"	34.0	12.7(5)	—	8
Yudachi	1,368	"	34.0	12.7(5)	—	8
Harusamé	1,368	"	34.0	12.7(5)	—	8
Samidaré	1,368	"	34.0	12.7(5)	—	8
Umikazé	1,368	"	34.0	12.7(5)	—	8
Yamakazé	1,368	"	34.0	12.7(5)	—	8
Kawakazé	1,368	"	34.0	12.7(5)	—	8
Suzukazé	—	"	—	—	—	—
Asashio	—	"	—	—	—	—
Total 77	93,553	(completed ones only)				

## 2ND CLASS DESTROYERS

Momo	755	1916	31.5	12(3)	—	6
Kashi	755	1917	31.5	12(3)	—	6
Hinoki	755	1917	31.5	12(3)	—	6
Yanagi	755	1917	31.5	12(3)	—	6
Kaya	770	1920	31.5	12(3)	—	4
Niré	770	1920	31.5	12(3)	—	4
Kuri	770	1920	31.5	12(3)	—	4
Nashi	770	1919	31.5	12(3)	—	4
Také	770	1919	31.5	12(3)	—	4
Kaki	770	1920	31.5	12(3)	—	4
Tsuga	770	1920	31.5	12(3)	—	4
Kiku	770	1920	31.5	12(3)	—	4
Aoi	770	1920	31.5	12(3)	—	4

## LIST OF SHIPS

Name	Tonnage (when afloat)	When completed	Speed (when afloat)	Armament (centimetre)	High angle guns (centimetre)	Torpedo tubes
Hagi	770	1921	31.5	12(3)	—	4
Suzuki	770	1921	31.5	12(3)	—	4
Fuji	770	1921	31.5	12(3)	—	4
Tsuta	770	1921	31.5	12(3)	—	4
Ashi	770	1921	31.5	12(3)	—	4
Hishi	700	1921	31.5	12(3)	—	4
Hasu	770	1922	31.5	12(3)	—	4
Sumiré	770	1923	31.5	12(3)	—	4
Yomogi	770	1922	31.5	12(3)	—	4
Tadé	770	1922	31.5	12(3)	—	4
Wakataké	820	1922	31.5	12(3)	—	4
Kuretaké	820	1922	31.5	12(3)	—	4
Sanaé	820	1923	31.5	12(3)	—	4
Asagao	820	1923	31.5	12(3)	—	4
Yugao	820	1924	31.5	12(3)	—	4
Fuyo	820	1923	31.5	12(3)	—	4
Karukaya	820	1923	31.5	12(3)	—	4
Total 30	23,390 tons					

## 1ST CLASS SUBMARINES

I No. 1	1,955	1926	17.0	14(2)	—	6
I No. 2	1,955	1926	17.0	14(2)	—	6
I No. 3	1,955	1926	17.0	14(2)	—	6
I No. 4	1,955	1929	17.0	14(2)	—	6
I No. 5	1,955	1932	17.0	12(2)	—	6
I No. 6	1,900	under construction	17.0	12(2)	—	6
I No. 7	—	"	—	—	—	—
I No. 21	1,142	1927	14.0	14(1)	—	4
I No. 22	1,142	1927	14.0	14(1)	—	4
I No. 23	1,142	1928	14.0	14(1)	—	4
I No. 24	1,142	1928	14.0	14(1)	—	4
I No. 51	1,390	1924	17.0	12(1)	—	8
I No. 52	1,390	1925	19.0	12(1)	—	8
I No. 53	1,635	1927	19.0	12(1)	—	8
I No. 54	1,635	1927	19.0	12(1)	—	8
I No. 55	1,635	1927	19.0	12(1)	—	8
I No. 56	1,635	1929	19.0	12(1)	—	8
I No. 57	1,635	1929	19.0	12(1)	—	8
I No. 58	1,635	1928	19.0	12(1)	—	8
I No. 59	1,635	1930	19.0	12(1)	—	8
I No. 60	1,635	1929	19.0	12(1)	—	8
I No. 61	1,635	1929	19.0	12(1)	—	6
I No. 62	1,635	1930	19.0	12(1)	—	6
I No. 63	1,635	1928	19.0	12(1)	—	8
I No. 64	1,635	1930	19.0	12(1)	—	6
I No. 65	1,638	1932	19.0	10(1)	—	6
I No. 66	1,638	1932	19.0	10(1)	—	6
I No. 67	1,638	1932	19.0	10(1)	—	6
I No. 68	1,400	1934	20.0	10(1)	—	6
I No. 69	1,400	under construction	20.0	10(1)	—	6
I No. 70	1,400	"	20.0	10(1)	—	6
I No. 71	1,400	"	20.0	12(1)	—	6
I No. 72	—	"	—	—	—	—
I No. 73	—	"	—	—	—	—
Total 34	43,057 tons	(completed ones only)				

## 2ND CLASS SUBMARINES

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main Armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Ro No. 17	735	1921	17.0	8(1)	—	6
Ro No. 18	735	1921	17.0	8(1)	—	6
Ro No. 19	735	1922	17.0	8(1)	—	4
Ro No. 23	735	1923	17.0	8(1)	—	4
Ro No. 24	735	1920	17.0	8(1)	—	4
Ro No. 25	735	1921	17.0	8(1)	—	4
Ro No. 26	746	1923	16.0	8(1)	—	4
Ro No. 27	746	1924	16.0	8(1)	—	4
Ro No. 28	745	1923	16.0	8(1)	—	4
Ro No. 29	655	1923	13.0	10(1)	—	4
Ro No. 30	655	1924	13.0	10(1)	—	4
Ro No. 31	655	1927	13.0	10(1)	—	4
Ro No. 32	655	1924	13.0	10(1)	—	4
Ro No. 33	700	under construction	16.0	8(1)	—	4
Ro No. 34	—	"	—	—	—	—
Ro No. 51	893	1920	17.0	8(1)	—	6
Ro No. 53	893	1921	17.0	8(1)	—	4
Ro No. 54	893	1921	17.0	8(1)	—	6
Ro No. 55	893	1921	17.0	8(1)	—	6
Ro No. 56	893	1922	17.0	8(1)	—	6
Ro No. 57	889	1922	17.0	8(1)	—	4
Ro No. 58	889	1922	17.0	8(1)	—	4
Ro No. 59	889	1923	17.0	8(1)	—	4
Ro No. 60	988	1923	16.0	8(1)	—	6
Ro No. 61	988	1924	16.0	8(1)	—	6
Ro No. 62	988	1924	16.0	8(1)	—	6
Ro No. 63	988	1924	16.0	8(1)	—	6
Ro No. 64	988	1925	16.0	8(1)	—	6
Ro No. 65	988	1926	16.0	8(1)	—	6
Ro No. 66	988	1927	16.0	8(1)	—	6
Ro No. 67	988	1926	16.0	8(1)	—	6
Ro No. 68	988	1925	16.0	8(1)	—	6
Total 32	25,292 tons (completed ones only)					

Note: I and Ro represent first and second letters of the Japanese Alphabet.

## TORPEDO BOATS

Chidori	527	1933	26	12(3)	—	4
Manazuru	527	1934	26	12(3)	—	4
Tomozuru	527	1934	26	12(3)	—	—
Hatsukari	527	1934	26	12(3)	—	—
Odori	527	under construction	26	12(3)	—	—
Hiyodori	527	"	26	12(3)	—	—
Kasasagi	527	"	26	12(3)	—	—
Hayafusa	527	"	26	12(3)	—	—
Total 8	2,108 tons					

## MINE SWEEPERS

No. 1	615	1923	20.0	12(2)	8(1)	—
No. 2	615	1923	20.0	12(2)	8(1)	—
No. 3	615	1925	20.0	12(2)	8(1)	—
No. 4	615	1925	20.0	12(2)	8(1)	—
No. 5	615	1929	20.0	12(2)	8(1)	—
No. 6	615	1929	20.0	12(2)	8(1)	—
No. 7	1,030	1911	24.0	12(1)	8(4)	—
No. 8	1,030	1911	24.0	12(1)	8(4)	—

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main Armaments (centimetre)	High angle guns (centimetre)
No. 9	770	1918	24.0	12(2)	—
No. 10	770	1918	24.0	12(2)	—
No. 13	492	1933	20.0	12(2)	—
No. 14	492	1933	20.0	12(2)	—
No. 15	492	1934	20.0	12(2)	—
No. 16	492	1934	20.0	12(2)	—
No. 17	492	under construction	19.0	12(2)	—
No. 18	492	"	19.0	12(2)	—
Total 16	9,258 tons (completed ones only)				

## SPECIAL SERVICE SHIPS

## Training Ships

Asahi	11,441	1900	18.2	—	—	—	—
Shikishima	11,275	1900	18.6	—	—	—	—
Fuji	9,179	1897	18.25	—	—	—	—

## Target Ships

Settsu	16,180	1912	21.0	—	—	—	—
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## Surveying Ships

Yamato	1,330	—	14.0	—	—	—	—
Koshu	2,080	—	10.3	8(2)	—	—	—

## Transports

Seito	7,542	1906	10.0	—	—	8(2)	—
Suzaki	8,800	1918	14.0	12(2)	—	8(2)	—
Muroto	8,215	1918	12.5	12(2)	—	—	—
Nojima	8,215	1919	12.5	12(2)	—	—	—
Shiretoko	14,050	1920	12.0	12(2)	—	8(2)	—
Erimo	14,050	1920	12.0	12(2)	—	8(2)	—
Sata	14,050	1921	12.0	14(2)	—	8(2)	—
Tsurumi	14,050	1922	12.0	14(2)	—	8(2)	—
Shiriya	14,050	1922	12.0	14(3)	—	8(2)	—
Iro	14,050	1922	12.0	14(2)	—	8(2)	—
Ondo	14,050	1923	12.0	14(3)	—	8(2)	—
Hayatomo	14,050	1924	12.0	14(2)	—	8(2)	—
Naruto	14,050	1924	12.0	14(2)	—	8(2)	—
Mamiya	15,820	1924	14.0	14(2)	—	8(2)	—

## Ice-breaker

Ohtomari	2,330	1921	13.0	8(1)	—	—	—
Total 21	228,807 tons						

## 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 kilometres 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. There are also in use type 15 and type 90.

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 kilometres an hour. The No. 2 of

type 90 is 20 metres long, 30 metres wide, 13 tons in weight, and equipped with motors producing 2,400 h.p. in all. Both of them are superior in capacity to the PN-12 of the American Navy, which has a speed of less than 200 kilometres.

## OCCUPANTS OF SENIOR COMMANDS

(April 1, 1936)

Name and Rank	Command
<b>(1) FLEETS AND SQUADRONS:</b>	
Admiral Sankichi Takahashi	Combined Fleet and 1st Fleet
Vice-Admiral Takayoshi Kato	2nd Fleet
Vice-Admiral Koshiro Oikawa	3rd "
<b>(2) YOKOSUKA NAVAL STATION:</b>	
Vice-Admiral Mitsumasa Yonai	Naval Station
Rear-Admiral Tatsuo Furuichi	Naval Dockyard
Vice-Admiral Kenji Maebara	Naval Aeronautical Arsenal
<b>(3) KURÉ NAVAL STATION:</b>	
Admiral Hisanori Fujita	Naval Station
Vice-Admiral Teijiro Toyoda	Naval Dockyard
<b>(4) SASEBO NAVAL STATION:</b>	
Vice-Admiral Hajimé Matsushita	Naval Station
Rear-Admiral Shigeru Kikuno	Naval Dockyard
<b>(5) MINOR NAVAL STATIONS:</b>	
Vice-Admiral Koichi Shiozawa	Maizuru Minor Station
Rear-Admiral Teijiro Sugisaka	Ominato "
Rear-Admiral Senzo Wada	Mako "
Rear-Admiral Tsugumatsu Inouyé	Chinkai "
Rear-Admiral Hideho Wada	Ryojun "
Vice-Admiral Kichijiro Hamada	Manchoukuo Naval Office
Rear-Admiral Teiryō Araki	Landing Party at Shanghai

## Presidents of Naval Schools

Vice-Admiral Kamesaburo Nakamura	Naval War College
" Manbei Demitsu	Naval College
" Ichiro Kaneda	Naval Engineering College
Surgeon Rear-Admiral Yoshihiro Mukoyama	Naval Medical College
Paymaster Rear-Admiral Juzo Sasaki	Naval Paymasters' College
Rear-Admiral Keigi Tabata	Naval Gunnery School
" Jugoro Arichi	Torpedo School
" Satoshi Furihata	Naval Communications School
Captain Hidehiko Ukita	Submarine School
Rear-Admiral Shiro Koiké	Navigation School
" Hiroshi Kawahara	Naval Mechanists' School

## 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 paymasters) may be promoted to Lieutenant-Commander by special appointment.

The qualifications for subsequent promotion are as follows:

Promotion	Minimum Service in Lower Rank
Commanders—Lieutenant-Commanders	2 years
Captains—Commanders	2 "
Rear-Admirals—Captains	2 "
Vice-Admirals—Rear-Admirals	2 "
Admirals—Vice-Admirals	2 "
	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.

## CHAPTER VIII

## PUBLIC FINANCE

## General Outline

The total revenue and expenditure of the Japanese Government at the beginning of the Meiji Era were maintained around the ¥30,000,000 mark, but in recent years they have reached as high as from ¥1,500,000,000 to ¥1,800,000,000 each (for general accounts only).<sup>1</sup>

**Sources of Income** Early in the Meiji Era the land tax constituted the chief financial source of revenue for the State, consequently the farmers provided by far the greater part of the revenue, and the burden business men and industrialists had to bear for the State was very small. The tax revenue in the first year of Meiji amounted to ¥3,150,000, of which the land tax yielded more than 60 per cent. A tax revision was carried out in 1875 and, in consequence, the Government established various new taxes as direct sources of State income.

The Sino-Japanese and Russo-Japanese wars also brought about noteworthy changes in the State finances, because the necessary funds were raised by the issuance of bonds and the imposition of heavy taxes on people. As the Taisho Era coincided with the World War and post-war prosperity periods it was marked by phenomenal business and industrial expansion and increase in State revenue. During this time it became more than apparent that a thorough readjustment of the tax system was necessary, if the burden

of taxation was to be equitably distributed. A thorough investigation was made, and after much forethought and drawing on experiences of the past the present system was evolved. The yearly tax revenue in recent years has been around ¥900,000,000, which is 60 per cent. of the total State expenditure. The customs tariff, because of its international aspect was harder to arrange and the adoption of a national tariff by Japan instead of a conventional one was only realized after difficult diplomatic negotiations.

Japan has a monopoly system of its own, and though a monopoly differs from a tax in principle it is the same in substance. In Japan proper there is a government monopoly in tobacco, salt and camphor and in the colonies one is enforced in saké, opium, ginseng and other special products. The tobacco monopoly is not different in nature from the excise tax on saké distillation and the revenue accruing from it occupies an important position in government finance. It is thus necessary, to obtain a complete understanding of the financial system of Japan, not to ignore the monopoly.

Bonds form an integral part of the country's finance as well as the State revenue and taxes. Bonds were first issued in Japan in 1870 in the form of foreign loans. The first domestic bonds were issued in 1873 by the Meiji Government for the purpose of raising funds to take over the entire amount of debts of the feudal clans. Subsequent issues of bonds followed the outbreak of the Sino-Japanese and Russo-Japa-

<sup>1</sup> For a detailed historical account of public finances see *The Japan Year Book, 1923, Chapter IX.*

nese wars. The nationalization of the railways caused a further increase in the bond issue and at the end of 1912, the closing year of the Meiji Era, the total debts of the Central Government amounted to ¥2,500,000,000. During, and immediately after the Great War, there was great activity in financial circles and the Government made large issues of bonds for the purpose of obtaining funds for starting or subsidizing various new industries. The expenses of the Siberian Expedition and Japan's participation in the World War on the Allies' side were met by bond issues as emergency funds and later, the money necessary for the reconstruction of Tokyo and other Kwanto districts devastated by the great earthquake and fire of 1923 was also raised by means of domestic and foreign bonds. The Government also had to issue a great number of bonds for readjustment of the so-called Earthquake Bills and for special loan accommodation to banks after the banking crisis of 1927. Japan's national debts have thus mounted to more than ¥6,000,000,000.

**Local Finance** Provincial government finance has moved in line with the Central Government finance. The feudal clans were abolished and replaced by prefectural governments in July, 1871, and the total prefectural finance was only ¥16,000,000 in 1873. The promulgation of the city, town and village administration system in 1888 and that of the prefectural administrative system in 1890 were great events marking the establishment of self-government. Provincial expenditure which amounted to ¥43,000,000 in 1891, had increased to ¥336,000,000 by 1926, the largest increase being in the Taisho Era, when, benefiting from the effects of the war-boom on domestic finance and economy and fol-

lowing the lead and encouragement of the Central Government, the prefectural and other self-governing bodies launched all kinds of enterprises, issuing bonds and increasing local taxes to obtain the necessary funds. In the fiscal year 1927-28 the total revenue of all self-governing bodies amounted to ¥2,247,827,513, although it dwindled in subsequent years, the fiscal year 1932-1933, showing a figure of ¥1,473,451,698.

## 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 inspecting trip to America in 1873, he offered valuable advice to the Government on a financial system and this caused 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 accounts 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 accounts, 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. Mr. Yuko Hamaguchi, Finance Minister of the Katō (Takaki) 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 present number of special accounts is 34 and is as follows: (1) China Cultural Enterprise, (2) Health Insurance, (3) Government Mint, (4) Printing Bureau, (5) Monopoly Bureau, (6) Deposits Bureau, (7) Education Funds, (8) National Loan Readjustment Funds, (9) Public Loans, (10) Indemnity, (11) National Property Readjustment Funds, (12) Education Improvement and Agricultural Village Promotion Funds, (13) Korean Gov-

ernment-General, (14) Korean Railway Stores Funds, (15) Formosan Government-General, (16) Formosan Railway Stores Funds, (17) Kwantung Government, (18) Karafuto Government, (19) South Seas Government, (20) Army Arsenals, (21) Senju Military Cloth Manufactory, (22) Naval Arsenals, (23) Naval Gunpowder Magazines, (24) Naval Fuel Factories, (25) Imperial Universities, (26) Government Colleges, (27) Government Schools and Libraries, (28) Rice Demand and Supply Regulation, (29) Live-Stock Reinsurance, (30) Post Office Life Insurance, (31) Korean Post Office Life Insurance, (32) Postal Annuity Service, (33) Imperial Government Railways, and (34) Communication Enterprises.

### Finance of Sino-Japanese War

The Sino-Japanese War imparted a great impetus to Japanese finance. The war started in June, 1894, and ended in March, 1895. The enormous amount of ¥200,000,000 was needed to pay for it.

Japan got 200,000,000 taels of war indemnity from China as the result of the Shimonoseki Peace Treaty and also 35,000,000 taels as recompense for the retrocession of Liaotung Peninsula. This amount made good the war expenses Japan paid, but immediately after it State finance increased tremendously. The Government appropriated ¥190,000,000 into the general budget for the 1896-97 fiscal year, being double that of the year before. The increase was caused through armament expansion, the management of Formosa (which was the territory ceded by China), expansion of traffic and communications and sundry other enterprises necessary for national development. The Government appropriated for 32 kinds of continuation enterprises ¥180,000,000 in 1895

and of this amount ¥48,000,000 was apportioned for that year only. The majority of continuation enterprises were armament expansion such as ¥47,000,000 for warship construction, ¥38,000,000 for naval ordnance, ¥17,000,000 for army expenses, and ¥14,000,000 for naval construction. These enterprises spread over from

two to nine years. It is necessary to explain the war indemnity special accounts to know the financial expansion. Converted into the Japanese currency, the indemnity totalled ¥372,599,488. Excluding the maintenance funds for the Weihaiwei guard, the indemnity of ¥364,599,656 was used for the following purposes:

All supplementary funds to extraordinary war funds	¥ 78,957,164
Army expansion funds	56,708,638
Navy expansion funds	130,259,887
Establishment of Government Steel Works	579,762
Transferred to general accounts for 1897-98 fiscal year	3,214,484
Transferred to general accounts for 1898-99 fiscal year	12,000,000
Transferred to Imperial Household accounts	20,000,000
Warship and torpedo funds	30,000,000
Educational funds	10,000,000
Balance at the end of 1902-3 fiscal year	3,700,218

### Russo-Japanese War and Post-War Finance

The Russo-Japanese War began in February of 1904 and ended in September of 1905 with the conclusion of the Portsmouth Treaty. Japan spent ¥1,716,000,000 in war expenses (extraordinary war funds special accounts) during the period of one year and four months. In addition, extraordinary expenses spent by various Ministries in connection with the War amounted to ¥238,000,000, thus making an aggregate of ¥1,954,000,000. The war funds were raised by means of taxes to the amount of ¥215,000,000, surplus funds totalling ¥147,000,000, special funds of ¥670,000,000 (an aggregate of ¥430,000,000), and the remainder by floating public loans and obtaining temporary advances totalling ¥1,559,000,000. The Government increased taxes on all the principal items on the tax list and also expanded the spheres of the oil consumption tax and the tobacco monopoly system, thereby raising ¥62,000,000. It also established the textile consumption tax and transit tax and introduced the salt monop-

oly, thereby realizing an income of ¥74,000,000. During the time the War was in progress, four new Divisions were formed with the approval of the Diet. In the 1906-7 fiscal year two more Divisions were established. In consequence, six Divisions were added to the existing 18 Divisions and these constituted the standing army. In the Navy, two warships, the Nisshin and Kasuga, were purchased during the War, and after the War naval expansion was carried out, resulting in the increase of total warship tonnage from 260,000 tons before the War to 513,000 tons in 1908. The railway nationalization bill was approved in the 22nd session of the Imperial Diet and was enforced in 1907. The Government issued ¥476,000,000 bonds for the purpose of nationalization. A considerable increase was made in State expenditure after the War. The 1904-5 fiscal year's expenditure of the general accounts totalling ¥277,000,000 increased to ¥600,000,000 in 1907 and those of the special accounts made a remarkable increase from ¥130,000,000 to ¥678,000,000 during the same period. In tax revenue, the amount of



¥190,000,000 for 1904 doubled by 1907. Cries for financial retrenchment began to be heard. The Saionji Cabinet and the second Katsura Cabinet tried to retrench but without success.

#### Finance during the Taisho Era

A financial retrenchment policy was adopted by the Government early in the Taisho Era. Japan's foreign trade witnessed a marked increase in the excess of imports and its national debts increased heavily. The specie reserve quickly dwindled. How to bring about an equilibrium in the international debit and credit relations formed a source of great concern. A great change was made in Japan's financial and economic conditions by the outbreak of the World War in July, 1914. Japan participated in the War on the Allies' side and sent its expeditionary force to Shantung. The Okuma Cabinet was responsible for Japan's participation. Prior to this, a two-Division increase controversy formed the cause of the downfall of the Saionji Cabinet, but the outbreak of the War solved the problem. Two army divisions were established in Korea. The army readjustment plan, the eight-four squadron programme, naval construction and other wartime expenses contributed to a financial expansion. The Government expenditure for the 1918-19 fiscal year totalled more than ¥1,000,000,000, showing a 40 per cent. gain over the year before. The continuation expenses commencing with the 1918-19 fiscal year totalled more than ¥1,000,000,000. The Government revised taxes, raised the income tax by 15 per cent., alcoholic drink tax by 14 per cent. and beer tax by 20 per cent. and established a wartime profit tax, the result being an increased revenue of ¥68,000,000.

The World War Japanese economic prosperity attained its high-water mark during the World War. A considerable increase was made in the country's visible and invisible foreign trade. An excess of exports over imports in the visible trade for 1915, 1916, 1917 and 1918 recorded an aggregate of ¥1,400,000,000 and that in the invisible trade reached nearly the same amount. This resulted in a remarkable increase of specie. The amount of specie holdings at the end of 1914 was only ¥340,000,000, but this had increased to as much as ¥2,180,000,000 by the end of 1920. The Hara Cabinet which replaced the Terauchi Cabinet in September, 1918, took advantage of the war-time boom to carry out an inflation policy, funds being specially allotted to armament replenishment and to the perfecting of traffic and communication arrangements. In connection with the completion of the eight-eight battle squadron programme, sponsored by the navy, the continuation expenses of ¥408,000,000 for warship construction were increased by ¥750,000,000. National defence expenses involving the army and navy totalled ¥620,000,000, of which ¥242,000,000 was for the army and the rest for the navy. A new appropriation of ¥225,000,000 was added to the existing appropriation of ¥292,000,000 for the telephone enterprise, to be disbursed over eight years commencing 1920; and in the telegraphic enterprises ¥74,000,000 was to be spent in the following seven years. The enormous amount of ¥1,420,000,000 was set aside for railway enterprises, spread over 10 years. The Government expenditure for the 1922-23 fiscal year totalled ¥1,491,000,000. To raise this amount bonds were issued, the sinking fund was suspended and taxes increased. The great financial reaction that

overtook Japan in 1920 and the great Kwanto earthquake and fire of 1923 precipitated Japanese finance and economy into a miserable plight. These incidents virtually formed the causes of the difficulties in national finance and economy which now faced the country.

**Financial Readjustment** The Katō (Tomosaburo) Cabinet carried out a great financial readjustment. The Washington Treaty was ratified in Japan in August, 1922. According to the 1923-24 fiscal year's budget formulated by this Cabinet the basic naval plan was so changed that the Government reduced naval continuation expenses by ¥200,000,000 and was also able to make a cut of ¥70,000,000 in other enterprises. Substantial cuts were made in the income, business, stamp and drug taxes and the oil consumption tax was abolished. The reduction totalled ¥14,000,000. The sinking fund system was restored and ¥42,000,000 was devoted to it. Immediately after the death of Premier Viscount Katō in August, 1923, the great Kwanto earthquake took place. The disbursement of ¥572,000,000 on a six-year programme for earthquake reconstruction work was fixed by the Yamamoto Cabinet that succeeded the Kato Cabinet, and all these expenses were to be raised by bonds. The Yamamoto Cabinet was in existence for only four months and the Kiyoura Cabinet, which succeeded it, had to enforce the plan. The Government raised a £25,000,000 loan in London and a \$150,000,000 loan in New York. These foreign loans totalled ¥550,000,000, and of this ¥350,000,000 was devoted to the conversion of sterling bonds, which matured in February and July, 1925, and the remaining amount was used for earthquake and fire reconstruction.

A financial retrenchment policy was adopted by the Coalition Cabinet headed by Premier Count Takaki Kato of the Kenseikai. The Cabinet was inducted in June, 1924. To begin with, a no-loan policy was adopted by the Cabinet and taxation readjustment was also enforced. An independent Kenseikai Cabinet took the place of the Coalition Cabinet in March, 1925. Thoroughgoing revision was introduced into the income, land, business, inheritance, saké, textile consumption and hemp taxes. The transit, soy sauce, and drug taxes were revised and the capital interest and soft drink taxes were created. A reduction of ¥37,000,000 in taxes was realized for the 1926-27 fiscal year.

#### Finance of the Showa Era

For the first six years of Showa, 1926-32, two Seiyukai and two Minseito Cabinets came into power in turn. The former stands for a traditional inflation policy, while the latter for a deflation policy. Financial retrenchment was carried out by the Minseito Cabinet and the gold embargo was lifted by the Hamaguchi Cabinet (Minseito) on January 11, 1930. Mr. Junnosuke Inouyé, Finance Minister of that Cabinet, adopted a no-loan policy. A noteworthy financial retrenchment was carried out by Mr. Inouyé in the 1930-31 fiscal year's budget and, in spite of a strenuous protest of the army and navy against the retrenchment, he was successful in effecting a saving of ¥35,063,000, of which ¥26,733,000 was the result of reduction of administrative expenses and ¥8,330,000 by the postponement of different enterprises.

The reduction is classified as follows according to various Ministries:

Ministries	Amounts saved in administrative expenses	Expenses saved by postponing enterprises	Total amount saved
	(In ¥1,000)		
Foreign	241	—	241
Home	5,114	1,669	6,783
Finance	1,361	433	1,795
War	6,694	1,164	7,858
Marine	4,731	2,536	7,267
Justice	894	8	903
Education	883	559	1,442
Agriculture and Forestry	1,843	1,638	3,481
Commerce and Industry	237	171	2,502
Overseas	2,347	—	2,347
Total	25,733	8,330	35,063

The Inukai Cabinet that succeeded the Wakatsuki Cabinet on December 16, 1931, decided to adopt the budget drafted by the preceding Cabinet, due to lack of time to formulate a new one. However, the new Cabinet determined not to abolish the Overseas Ministry and other administrative organizations, which were decided on by the Wakatsuki Cabinet, but decided to carry out administrative

readjustment. The sinking fund system was temporarily suspended and the deficient income was to be met by loans.

#### Revenue and Expenditure, 1868 to 1936

The revenue and expenditures from 1868 to March, 1936 are given below:

	General account		Special accounts		Tax Revenue
	Revenue	Expenditure	Revenue	Expenditure	
	(In ¥1,000)				
1st period	33,089	30,505	—	—	3,157
6th period	65,507	62,679	—	—	65,015
1882-83	73,508	73,431	—	—	67,739
1887-88	88,161	79,453	—	—	66,255
1890-91	106,469	82,125	53,404	25,621	69,251
1895-96	118,433	85,317	160,925	106,216	70,848
1900-01	295,855	292,750	120,461	151,038	133,926
1905-06	535,256	420,741	246,981	192,188	251,275
1910-11	672,874	569,154	1,167,642	968,752	317,286
1915-16	708,616	583,270	809,612	657,156	312,745
1920-21	2,000,652	1,359,978	3,043,119	2,265,333	696,257
1925-26	2,071,360	1,524,989	3,236,475	2,663,719	894,809
1926-27	2,056,361	1,578,826	3,047,909	2,451,295	886,999
1927-28	2,062,755	1,765,723	3,447,764	2,832,532	898,673
1928-29	2,005,691	1,814,855	3,541,024	2,844,398	915,910
1929-30	1,826,445	1,736,317	3,724,214	3,063,458	893,505
1930-31	1,596,972	1,557,864	3,549,582	3,052,108	835,041
1931-32	1,531,082	1,476,875	3,191,786	2,691,390	735,504
1932-33	2,045,275	1,950,141	4,199,402	3,622,793	695,837
1933-34	2,331,759	2,254,662	5,456,664	5,117,628	748,566
1934-35 <sup>1</sup>	2,246,981	2,163,003	7,271,077	6,883,589	775,263
1935-36 <sup>2</sup>	2,215,413	2,215,413	8,619,416	8,163,119	828,741

#### Note:

The financial year begins on April 1st and ends on March 31st of the following year. The figures for 1933-34 and the years preceding it represent the settled accounts.

<sup>1</sup> Represent the actual account on July 31, 1933.

<sup>2</sup> Represent the budget.

#### Public Finance in 1934-35

As has been stated in a previous number of the Year Book the Budget Estimates for the fiscal year 1934-35, comprising those for the General Account and Special Accounts, passed the Diet in the 65th Session (December 1933 to March 1934). Of these, the Budget for the General Account was as follows:

Revenue	Yen
Ordinary	1,248,543,592
Extraordinary	893,954,577
Total	2,142,528,079
Expenditure	
Ordinary	1,247,562,234
Extraordinary	894,965,845
Total	2,142,528,079

Recognizing, however, the urgent necessity of taking measures for calamities that frequently occurred in some parts of the country in 1934, the Government submitted the Supplementary Budgets for the reconstruction and relief of these affected districts to the Diet in the 66th Session specially convoked in November

Revenue	Yen
Ordinary	1,249,828,702
Extraordinary	973,947,515
Normal Revenue	64,450,950
Receipts from the Issue of Public Loans	881,108,452
Transfer of Surplus from the Preceding Year	28,388,113
Total	2,223,776,217
Expenditure	
Ordinary	1,255,194,148
Extraordinary	968,582,069
Total	2,223,776,217

As regards the actual results for the above appropriations, Treasury Accounts give the following figures

Actual Revenue	Yen
Ordinary	1,342,930,935
Extraordinary	904,050,670
Normal Revenue	84,410,867
Receipts from the Issue of Public Loans	742,542,445
Transfer of Surplus from the Preceding Year	77,097,858
Total	2,246,981,605

for the purpose, and secured its approval. Of these, the Supplementary Budget for the General Account for the fiscal year 1934-35 was as follows:

Revenue	Yen
Extraordinary	71,002,513
Expenditure	
Ordinary	114,337
Extraordinary	70,888,176
Total	71,002,513

In addition to the above appropriations, there was the following Supplementary Budget approved by the Diet in the 67th Session (December, 1934 to March, 1935):

Revenue	Yen
Ordinary	1,285,200
Extraordinary	8,960,425
Total	10,245,625
Expenditure	
Ordinary	7,517,577
Extraordinary	2,728,048
Total	10,245,625

Including these amounts, the total figures of the Budget for the General Account for the fiscal year 1934-35 were as follows:

as those of Actual Revenue and Expenditure at the end of July, 1935:

Actual Expenditure	
	Yen
Ordinary	1,234,782,544
Extraordinary	938,221,361
Total	2,163,003,905
Excess of Revenue	83,977,700

A comparison of the actual results for the fiscal year 1934-35 with the Budget Estimates for the same year reveals that the receipts from taxes and other normal receipts, totalling ¥1,427,341,802, showed an increase of ¥113,062,150 as against the Budget Estimates. Reflecting favourable economic conditions, the receipts from taxes reached ¥843,183,496, representing an increase of ¥67,920,183 as against the Budget Estimates and a substantial increase of ¥94,616,750 as against the actual result for the preceding fiscal year. Turning to Actual Expenditure, it indicated a decrease of ¥112,893,690 as against ¥2,275,897,595 representing the totals of the Budget Estimates and the appropriations carried forward from the preceding year. This decrease of ¥112,893,690 was made up of ¥79,168,547 carried forward to the fiscal year 1935-36, and of ¥33,725,143 representing the unused part of appropriations in the fiscal year 1934-35. Under the influence of such an increase in tax receipts and other normal receipts and a decrease in expenditure, the proceeds of loans issued for financing expenditure in

	Yen
Revenue	
Ordinary	1,335,587,844
Extraordinary	879,825,965
Normal Revenue	101,174,765
Receipts from the Issue of Public Loans	771,651,200
Transfer of Surplus from the Preceding Year	7,000,000
Total	2,215,413,809
Expenditure	
Ordinary	1,310,302,528
Extraordinary	905,111,281
Total	2,215,413,809

It should be noted that the receipts from the Special Profits Tax have been estimated in the Budget for the General Account for the fiscal

the General Account showed during 1934-35 a decrease of ¥138,566,007 as compared with ¥881,108,452 of the loan programme. It may be noted that the proceeds of loans for covering revenue deficits reached ¥561,699,696, representing a heavy decline of ¥140,491,117, as compared with ¥702,190,813 of the loan programme.

As stated above, the excess of revenue over expenditure reached ¥83,977,700. After, however, allowances are made for appropriations of ¥72,574,207 for the expenditure carried forward to 1935-36, the surplus for 1934-35 were to be reduced to ¥11,403,493. As this surplus included an amount of ¥7,000,000 representing the remainder of the surplus created in 1933-34 after deducting the part of that surplus applied to expenditure for 1934-35, the actual surplus in 1934-35 is ¥4,403,493.

#### Budget for the Fiscal Year 1935-36

The Budget Estimates for the fiscal year 1935-36, comprising those for the General Account and Special Accounts, passed the Diet in the 67th Session (December 1934 to March 1935). Of these, the Budget for the General Account, inclusive of the Supplementary Budget, is balanced at ¥2,215,413,809, as the following table shows:

year 1935-36. This tax is imposed upon corporations and individuals who have, under the influence of the situation, derived larger profits from

their businesses, and continues in force for three fiscal years from 1935-36 to 1937-38. The receipts from this tax are estimated at 30 million yen in the fiscal year 1935-36, and at 41 million yen in the other two fiscal years.

It may also be noted that, in all, Special Accounts number 34 in the fiscal year 1935-36, and their total estimates amount to ¥8,619,416,396 in revenue and to ¥8,163,119,985 in

expenditure. When an attempt is made to unify the General Account and all Special Accounts into one account and to compile one unified Budget after deduction of many duplicated appropriations in the General Account and Special Accounts, the following figures will be given as the unified Budget of the General Account and Special Accounts for the fiscal year 1935-36:

	Revenue (yen)	Expenditure (yen)
Budget for the General Account	2,215,413,809	2,215,413,809
Budget for all Special Accounts	8,619,416,396	8,163,119,985
Total	10,834,830,205	10,378,533,794
Deductions from the above Total	2,820,652,972	2,507,563,558
Remainder, namely, Unified Budget	8,005,177,233	7,870,970,236

The above unified Budget includes an amount of ¥3,453,617,732 for conversions of national loans, a greater part of which will be used for the conversion of Rice Purchase Note. It is expected that the conversions of Rice Purchase Notes will be undertaken on several occasions during the fiscal year 1935-36, and on every such occasion amounts to be devoted

for the purpose are appropriated in revenue and expenditure.

Comparison of the Budget for 1935-36 with the Budget for 1934-35 A. General Account. As shown in the following table, the Budget for the fiscal year 1935-36 shows, in comparison with the preceding fiscal year, a decline of ¥8,362,408 in revenue and expenditure respectively.

	Budget 1935-36 Yen	Budget 1934-35 Yen	Increase (+) or Decrease (-) compared with 1934-35 Yen
Revenue			
Ordinary	1,335,587,844	1,249,828,702	(+) 85,759,142
Extraordinary	879,825,965	973,947,515	(-) 94,121,550
Normal Revenue	101,174,765	64,450,950	(+) 36,723,815
Receipts from the Issue of Public Loans	771,651,200	881,108,452	(-) 109,457,252
Transfer of Surplus from the preceding year	7,000,000	28,388,113	(-) 21,388,113
Total	2,215,413,809	2,223,776,217	(-) 8,362,408
Expenditure			
Ordinary	1,310,302,528	1,255,184,148	(+) 55,118,380
Extraordinary	905,111,281	968,592,069	(-) 63,480,788
Total	2,215,413,809	2,223,776,217	(-) 8,362,408

Note:—For comparison with the Budget for 1935-36, certain adjustments were made in the figures of the Budget for 1934-35.

B. Special Accounts. The Budget Estimates for the most important Special Accounts for 1935-36,

and comparisons with the Budget for 1934-35 are as follows:

	Budget	Budget	Increase (+) or Decrease (-)
	1935-36	1934-35	compared with 1934-35
	Yen	Yen	Yen
<b>(a) Imperial Government Railways' Special Account.</b>			
Capital Account			
Revenue	144,787,532	113,153,216	(+) 31,634,316
Expenditure	164,611,532	124,760,216	(+) 39,851,316
Stores Account			
Revenue	204,723,000	188,160,000	(+) 16,563,000
Expenditure	204,723,000	188,160,000	(+) 16,563,000
Profit and Loss Account			
Revenue	749,159,887	674,887,604	(+) 74,272,193
Expenditure	647,872,335	611,754,478	(+) 36,117,877
<b>(b) Special Account for Postal, Telegraph and Telephone Services.</b>			
Capital Account			
Revenue	51,368,320	38,871,491	(+) 12,496,829
Expenditure	51,368,320	36,544,478	(+) 14,823,842
Stores Account			
Revenue	43,033,007	35,698,625	(+) 7,334,382
Expenditure	43,033,007	35,698,625	(+) 7,334,382
Working Account			
Revenue	296,010,162	277,818,245	(+) 18,191,917
Expenditure	274,599,780	265,562,122	(+) 9,037,658
<b>(c) Special Accounts for Special Regions.</b>			
<b>(1) Chōsen (Korea)</b>			
Revenue	290,267,414	278,284,452	(+) 11,982,962
Expenditure	290,267,414	274,634,642	(+) 15,632,772
<b>(2) Taiwan (Formosa)</b>			
Revenue	120,136,081	112,916,042	(+) 7,220,039
Expenditure	120,136,081	112,126,514	(+) 8,009,567
<b>(3) Kwantung</b>			
Revenue	24,830,053	23,079,542	(+) 1,750,511
Expenditure	24,830,053	23,079,542	(+) 1,750,511
<b>(4) Karafuto (Japanese Saghalien)</b>			
Revenue	28,703,053	25,929,056	(+) 2,773,997
Expenditure	28,703,053	25,929,056	(+) 2,773,997
<b>(5) Nanyō (Mandated Territories in the Pacific)</b>			
Revenue	5,977,696	5,635,675	(+) 342,021
Expenditure	5,977,696	5,635,675	(+) 342,021

Public Loan Programme The issue of public loans for financing expenditure for the General Account and Special Accounts amounts during 1935-36 to ¥851,651,200, this representing a decline of ¥125,435,788 as

compared with that in the Budget for 1934-35. The public loan programme for the fiscal year 1935-36 and comparisons with that of the preceding year are as follows:

Items	GENERAL ACCOUNT		Increase (+) or Decrease (-) compared with 1934-35
	1935-36	1934-35	
	Yen	Yen	Yen
Loans for reconstruction works necessitated by the earthquake of 1923	7,454,339	12,306,737	(-) 4,852,398
Loans for the improvement of roads	5,574,943	7,285,000	(-) 1,710,057
Loans for the expenditure in connection with the Manchurian incident	170,754,797	159,325,902	(+) 11,428,895
Loans for the covering of revenue deficits	587,867,121	702,190,813	(-) 114,323,692
Total	771,651,200	881,108,452	(-) 109,457,252

Items	SPECIAL ACCOUNTS		Increase (+) or Decrease (-) compared with 1934-35
	1935-36	1934-35	
	Yen	Yen	Yen
Loans for postal, telegraph and telephone services and for reconstruction works necessitated by the earthquake of 1923	14,500,000	15,000,000	(-) 500,000
Loans for the construction and improvement of Government railways	41,500,000	48,000,000	(-) 6,500,000
Loans for public undertakings in Chōsen	24,000,000	29,478,536	(-) 5,478,536
Loans for public undertakings in Karafuto	—	3,500,000	(-) 3,500,000
Total	80,000,000	95,978,536	(-) 15,978,536
Grand Total	851,651,200	977,086,988	(-) 125,435,788

### State Revenue and Expenditure, 1931-32—1935-36

For the purpose of comparison the State revenue and expenditure in recent years are shown below:

Sources of revenue	REVENUE (in yen)				
	1931-32	1932-33	1933-34	1934-35 (Budget)	1935-36 (Budget)
	Yen	Yen	Yen	Yen	Yen
<b>ORDINARY:</b>					
Taxes:					
Land tax	735,504,074	695,837,069	748,566,745	775,263,313	828,741,889
Income tax	63,915,946	58,348,487	58,137,433	58,265,471	57,922,397
Business tax	144,501,197	136,181,821	159,706,682	165,076,524	195,888,036
Business profits tax	27,604	9,416	10,351	—	—
Capital interest tax	37,904,278	35,282,349	40,386,211	44,225,189	50,499,989
Succession tax	14,770,665	14,253,351	14,634,010	14,443,418	14,903,819
Travelling tax	80,169,882	80,216,086	25,594,910	28,781,666	28,983,738
Mining tax	—	—	—	—	—
Tax on the Issue of bank notes	3,751,774	3,054,849	3,557,298	3,296,762	3,903,194
Tax on liquors	8,998,010	18,831,136	—	—	—
Tax on soy	188,798,530	177,895,300	208,865,232	218,571,876	212,562,359
Table water tax	215	—	—	—	—
Sugar excise	3,266,374	3,030,649	3,208,299	3,409,195	3,587,498
Textile consumption tax	77,886,223	72,654,205	72,552,273	74,429,432	78,029,335
Tax on bourses	33,748,169	29,149,519	29,440,821	30,669,690	33,467,822
Customs duties	11,755,934	14,958,443	16,240,841	17,492,343	16,526,126
Tonnage dues	114,274,206	105,875,066	113,962,804	114,273,178	129,955,969
Other taxes	2,285,059	2,146,885	2,299,574	2,328,569	2,511,607
Stamp receipts	—	—	—	—	—
Receipts from Government undertakings and properties:					
Postal, telegraph and telephone services	65,433,562	66,633,502	73,750,059	73,607,645	82,205,016
Forests	472,706,101	466,741,279	495,246,777	256,208,945	276,410,031
Profits of monopoly	229,189,387	243,019,626	261,715,227	—	—
Other receipts from Government undertakings and properties	35,148,501	81,157,804	83,315,780	35,126,571	41,074,606
Receipts from the Special Account for Postal, Telegraph and Telephone Services.	190,461,252	177,906,626	179,266,814	188,155,406	195,711,493
Payment to the Government by the Bank of Japan	17,961,960	14,657,221	20,948,953	32,926,968	39,623,932
Transferred from Special Account for Deposits	—	—	—	78,000,000	78,000,000
	—	—	—	27,073,132	25,298,761
	—	—	—	—	25,364,568



the dissolution of the Diet in January, 1936, and in accordance with the provisions of the Constitution, Article LXXI (See Appendix). The 69th Session of the Diet (May 4-27, 1936) voted on the supplementary budget for 1936-1937 to enable the Government to readjust the last year's budget for the current fiscal year, 1936-1937.

The gist of the explanation given, on May 6, by Dr. Eiichi Baba, Finance Minister, before the House of Representatives and the supplementary budget for 1936-1937 follow:

The budget for the 1936-37 fiscal year becoming unavailing because of the dissolution of the Diet, a working budget was drafted, nearly following the abortive budget, as there was little time for full deliberation. Thus plans realizable within the scope of the abortive budget have been included in the working budget estimates, and those exceeding that limit are included in the supplementary budget estimates.

The total of the working budget and the supplementary budget amounts to more than ¥2,303,300,000, showing an increase of more than ¥25,100,000 as compared with the failing budget. The revenue was estimated after the manner of the failing budget. The expenditure was made to include the appropriations given in the failing budget on principle, and those not included in the failing budget chiefly concern relief for the disasters which took place last year.

The working budget amounts to more than ¥1,940,900,000, and the supplementary budget to more than ¥362,300,000. The appropriations included in the additional budget are those requiring urgent attendance, expenditure concerning the Manchurian incident, appropriations for improvement of military and naval armaments, for financial support of

distressed districts and encouragement of agricultural rehabilitation, for riparian improvements, for furtherance of the liquid-fuel policy, for establishment of a financial organ for smaller industrialists, for promotion of trade, for civil aviation, etc.

Next, the issue of bonds to provide for the expenditure for the present fiscal year amounts to more than ¥702,500,000 in the general account and ¥74,800,000 in the special accounts, totaling more than ¥777,300,000 of which the bonds to supplement the deficit of revenue in the general account amounts to more than ¥511,600,000.

The grave situation which confronts Japan necessitates the execution of many important policies for stabilization of national life as well as for promotion of national fortune. The soaring destiny of Japan not only makes it impossible to suppose a decrease in annual expenditure but calls positively for an increase of new appropriations. It is, therefore, important to have a clear insight quickly into future expenditure and to establish a corresponding revenue policy, thus solidifying the basis of national finances. I consider it right to resort to the issuance of bonds to defray part of this expenditure, but to resort to this recourse permanently is not advisable. In other words, the nation should consider how to cut its own way through this present impasse on its own responsibility and at its own sacrifice. I think that State expenditure should not be left to be shouldered by posterity.

For this purpose, it has become necessary to make a fundamental reform of the taxation system and close examination of the state of Government monopolies, other sources of Government revenue and each special account, thus seeking an increase of the State revenue. It is also considered advisable to estab-

lish local economy firmly in connection with central finances, as most local finances are ill-balanced and the local financial burdens are very great. The reform of the taxation system should be conducted with an eye to the rectification of unequal burdens upon the nation.

However we may not provide for all the expenditure by merely increasing the common revenue. The issuance of a fairly large amount of red-figure bonds will have to be continued. In view of the present economic and financial situation, the smooth absorption of those bonds may not be difficult. The Government has considered it necessary in this connection to adopt appropriate measures such as its currency and low-interest policies which are adapted to the present financial situation, thus facilitating operation of the bond policy as well as contributing to the advance of industry and lessening of financial burden upon the people. In accordance with this policy, the official discount rates of the Bank of Japan have been lowered, and private banks have followed. The Government has considered it necessary to stabilize the financial market by clearly indicating the future standard of interests rates and accordingly has carried out conversion of Government bonds at the lower interest rate of 3½ per cent.

As regards financial improvement, the Government is contemplating appropriate and effective control of financial organs to make them display their public nature. The supply of cheap funds and reduction of the financial burden in agrarian and fishing districts is indispensable, and the Government is going to act accordingly. The establishment of the central bank for minor industrialists will also be materialized by presenting a bill to the present session for this purpose.

THE FIRST SUPPLEMENTARY BUDGET  
FOR 1936-37 (May 27, 1936.)

(in yen)

(Ordinal numbers correspond to those of the Budget for 1935-36 given in full in the Japan Year Book, 1935, pp. 260-276.)

ORDINARY REVENUE

I Taxes	Total	5,652,545
II Stamp receipts		648,901
III From public undertakings and state property		7,507,066
IV From Special Account for Communications		3,000,000
VI Miscellaneous revenue		5,147,915
VII Transferred from Special Account of Funds for Educational Improvement and Agrarian development		297,648
Total		22,254,075

EXTRAORDINARY REVENUE

I Proceeds from the sale of state property	2,310,475
II Miscellaneous revenues	4,360,279
III Payments by public bodies for public construction works	2,974,937
IV Sums received from public bodies for local public works	2,888,125
V For academic researches	3,000
VI Transferred from Special Accounts	3,654,475
XI From the issue of bonds	306,396,896
XIII Transferred from Special Accounts for colonies	17,500,000
Total	340,086,187
Grand Total of Revenue	362,342,262

ORDINARY EXPENDITURE

Department of Foreign Affairs

I Department proper	138,002
II Offices in foreign countries	313,382
IV Miscellaneous expenses	11,384
Total	462,768

Department of Home Affairs

III Department proper	28,591
IV Bureau of Social Affairs	22,201
VII Wounded Soldiers' Hospital	1,092
X Hygiene laboratory	78,200
XII National Leper Asylums	93,447
XIV Prefectural offices	120,118
XV Conscription expenses	749,960
XVI Military relief expenses	463,645
XVII Joint payment for police expenses	4,013,373
XVIII. Grants to social works	670,461

XIX Charges to the State Treasury for health insurance	854,342
Department of Finance	
I Department proper	406
II Cabinet	18,448
IV House of Peers	102,753
V House of Representatives	1,081,162
VI Board of Audit	16,885
VIII Bureau of Repairing and Property Overseeing	500
IX Custom Houses	402,034
X Collecting expenses in Japan proper	499,786
XI Miscellaneous rebates, repayments and compensations	7,473,396
XIV Miscellaneous expenses	81,521
XV State Reserve Fund	2,000,000
Total	11,676,891
Department of War	
II Military expenditure	11,226,635
Department of Navy	
II Military expenditure	20,955,101
Department of Justice	
I Department proper	8,214
II Court expenses	74,677
III Prison expenses	724,303
Total	807,194
Department of Education	
I Department proper	53,428
II Meteorological observatories	127,125
VI Social education	373,000
VII Thoughts guidance	57,753
XI Disbursements for universities and libraries	250,791
Total	842,097
Department of Agriculture and Forestry	
II Forestry expenses	2,256,874
III Experimental stations	2,179,460
V Stud and pasture	179,222
VII Subsidies	311,537
VIII Miscellaneous expenses	18,144
IX Horse Administration Bureau	97,953
Total	2,936,161
Department of Commerce and Industry	
I Department proper	38,651
II Patent Office	22,846
IV Experimental stations and research institutes	8,520
V Direction Stations and Inspection Stations	116,492
VI Subsidies	4,200
Total	190,709
Department of Communications	
I Department proper	83,003

II Communication expenses	10,810
III Electro-technical Laboratory	93,634
VI Light-House Bureau	24,187
V Annuity and Pension	4,880,394
VI Miscellaneous expenses	21,778
Total	5,113,806
Department of Oversea Affairs	
I Department proper	5,881
II Transferred to Special Account of Karafuto Government from the profits of tobacco monopoly	206,375
Total	212,256
Total Ordinary Revenue	61,519,108
EXTRAORDINARY EXPENDITURE	
Department of Foreign Affairs	
I Repairs	300,000
IV Subsidies	250,000
V Protection and overseeing of resident Japanese abroad	14,768
VII Protection of emigrants	191,594
VIII Measures for development of foreign trade	252,274
X Manchurian Incident	23,279
XI Extraordinary diplomatic works	250,000
XIII Relief expenses	1,000,000
XVI Joint Japanese-Manchoukuo Economic Commission	30,000
XVII Investigations abroad	14,000
XVIII Revision of Russo-Japanese Fishery Treaty	8,533
Total	2,334,448
Department of Home Affairs	
I Subsidies	2,967,347
II River improvements	3,456,975
III Harbour improvements	2,964,937
IV Road improvements	8,237,657
VI Aid for improvement of small rivers	14,501
XI Improvements in Hokkaido	2,346,302
XII Buildings and repairs	38,286
XIII. Ise Shrine Construction Office	4,536
XV Extraordinary expenses for shrines	206,500
XXII Investigation and encouragement of sanitary works	173,368
XXV Promotion of public welfare of Loochoo Islands	402,389
XXVI Promotion of public welfare of Oshima Island, Kagoshima prefecture	89,554
XXXV Improvements of local districts	690,533
XLII Travelling expenses of delegates to the International Copyright Conference	77,597
XLVIII Aid to the sand-bank works in the Sanriku districts	5,134

XLIX Rehabilitation works of the Hakodate fire disasters	45,944
LI Expenses for disasters	16,654,536
LIII Culture works of Shinto priests	14,230
LIV Financial aids to poverty-stricken towns and villages	20,050,000
LV Conciliatory works	48,332
LVI Protection and encouragement of immigrants from the Tohoku districts	25,291
LVII Refund of payments made for harbour improvements of Imabari	14,127
Total	58,528,431
Department of Finance	
I Buildings and repairs	4,111,292
II Investigations	1,958,954
III Adjustments of the state property	35,000
VIII. Earthquake reconstruction works	213,616
XV Expenses for the control and utilization plans of natural resources	7,761
XVI Special increase of salaries	5,481
XVII Extraordinary financial and economic adjustment expenses	78,383
XVIII Control of foreign exchange	16,379
XXIII Collection of Special Profits Tax	63,472
XXVIII Expenses incurred for handling extraordinary pension	9,669
XXIX Extraordinary travelling expenses	10,000
XXX Expenses required for moving of Parliament House	214,581
XXXI Expenses required for celebration of the completion of Parliament House	100,000
XXXII Fund for relief of disasters in Hokkaido	52,220
XXXIII Preparation for establishment of Tohoku Special Development Company	50,000
Total	6,926,808
Department of War	
I Buildings and repairs	300,000
II Replenishment of national defence	54,988,650
III Adjustment of land and buildings	2,016,976
IV Surveying	13,700
VI Completion of bridge, ranges, etc.	1,474,465
IX Map printing	49,327
XI Temporary grants	56,650
XIII Aid for Ex-service Men Association	50,000
XV Manchurian Incident	20,914,564
XVII Improvements of arms	17,013,692

XIX Special increase of salaries	9,717
XXIII Extermination of injurious fungi	30,000
XXIV Increase in medical instruments and machinery in the Army Medical School	2,000
Total	96,920,341
Department of Navy	
I Construction of auxiliary ships	309,884
II Equipments in ports, schools, hospitals and factories	37,150,452
III Equipments of air force	7,660,831
IV Completion of warships	55,348,117
V Completion of armaments	3,271,225
VII Entrusted repairs	4,210,279
VIII Drawing and books on vessels	3,769
IX Researches	5,310,000
X Special grants	32,965
XVI Drawing weather charts	6,573
XX Books	41,002
XXIII Grant of rewards in connection with Manchurian Incident	589,595
XXIV Disasters	70,000
Total	114,004,782
Department of Justice	
II Buildings and repairs	340,000
V Special measures for the prevention of thought crimes	31,978
VII Extraordinary prison expenses	84,146
XI Law deliberative board	12,665
XII Renovation of judicial and police systems	234,921
Total	704,237
Department of Education	
I Buildings and repairs	719,931
III Compilation of the history of the Meiji Restoration	7,000
VI Investigations	56,602
VIII Extraordinary travelling expenses	10,000
IX Subsidies	384,935
XI Universities and libraries	398,304
XXI Preservation of national treasures in districts stricken by natural calamities	94,171
XXXIII Refund to loans contracted for building elementary school houses damaged by natural forces	22,667
XXVI Compilation of the history of the Imperial Household system	10,000
XXVII Renovation of education	245,060
Total	1,948,671
Department of Agriculture and Forestry	
I Subsidies for agricultural and fishery enterprises	5,253,313
II Promotion of farm-villages	483,088

III Investigations and researches	345,891	XVIII Economic recovery of small and medium-sized trade	162,770
V Prevention of fungi and contagious diseases of live-stock	18,579	XIX Pan-Pacific Peace Exhibition at Nagoya	100,000
VI River improvements	245,060	XX International Exhibition at Paris	250,000
VII Government afforestation of publicly-owned forests	252,167	XXI Installation of the Central Chest for Co-operative Associations	16,657
XII Supervision of fishery abroad	41,668	XXII Extraordinary investment	2,000,000
XVI Control of game preserves	4,875	Total	5,785,475
XVIII For economic recovery of agrarian villages	2,805,009	Department of Communications	
XXII Development of enterprises in Okinawa prefecture	17,267	I Subsidies and encouragement	1,692,596
XXIV Prevention of damages against the tidal waves in the Sanriku districts	9,940	III Buildings and repairs	17,044
XXV Extraordinary increase in salaries	2,770	IX Machinery and instruments	31,800
XXVII Grants to prefectures where the national forests of the Tohoku prefectures are located	212,240	XV Improvement of agrarian villages through electricity-utilization	122,987
Total	9,945,307	XVI Improvements of vessels, etc.	24,448
Department of Commerce and Industry		XVII Air-routes	635,000
I Encouragement of industries	239,139	XVIII Facilities for inspection of air-crafts	166,381
III Development of foreign trade	18,574	XIX Propaganda for aeronautics	35,000
V Quickening of supplying of liquid fuel	2,650,589	Total	2,725,756
VII Investigations and experiments	30,605	Department of Overseas Affairs	
VIII Buildings and repairs	147,820	II Protection and encouragement of emigration and oversea development	203,472
XI Examination Board of Patent Office	103,581	III Emigration to Manchoukuo	750,606
XII Development of enterprises in Okinawa prefecture	4,730	V Special Accounts for colonies	92,285
XIII Subvention to development of industries in Oshima county of Kagoshima prefecture	2,000	VI Extraordinary increase in salaries	1,535
		Total	1,047,898
		Total of Extraordinary Expenditure	300,823,154
		Total Expenditure	362,342,262

## CONTINUATION EXPENDITURE

(in yen)

Ministry	Items	Total Amount	1936-37 Amount
Home Affairs	River improvements	174,931,760	20,513,096
"	Harbour constructions (Yokohama Tsuchizaki, Onomichi, Maizuru, Yawata.)	18,601,826	4,144,392
"	Road improvement	20,337,657	3,907,657
"	Hokkaido	23,867,194	4,216,270
"	Repairs of shrines	2,875,000	453,600
"	Harbour construction in Okinawa prefecture	1,856,043	219,043
"	Reconstruction of Shimizu port	340,000	150,000
Finance	Buildings and repairs	23,162,653	5,139,564
"	Reconstruction works for damages by earthquakes	12,490,604	1,603,367
Army	Completion of national defence	467,929,248	80,689,661
"	Adjustment of land and buildings	5,621,273	3,283,783
"	Drill grounds, bridges, ranges	11,882,696	1,479,815
"	Armaments improvements	73,723,169	18,069,758
Navy	Naval equipments	41,094,006	39,094,006
Justice	Buildings	2,647,334	332,866
Education	Buildings	1,330,925	774,902

THE SECOND SUPPLEMENTARY BUDGET, 1936-37		EXTRAORDINARY REVENUE	
XI Bonds	1,266,309	II Investigations	71,555
ORDINARY EXPENDITURE		XVII Adjustment of finance and economics	39,404
Department of Foreign Affairs		XXIV Disasters	65,792
I Department proper	13,000	XXXIV Expenses for celebration of the 2,600th anniversary of the accession of the Emperor Jimmu	22,030
Department of Home Affairs		Total	303,791
III Department proper	24,607	Department of Navy	
IV Bureau of Social Affairs	13,655	XX Disasters	85,000
XIV Local prefectures	56,890	Department of Justice	
XVIII Subsidies	220,065	VIII Disasters	69,322
Total	315,417	Department of Education	
Department of Finance		VI Investigations	159,240
I Department proper	6,434	VII Lectures	25,000
II Cabinet expenses	114,317	IX Subsidies	10,000
Total	120,751	XXVIII To invite the 12th international olympic games	100,000
Department of Commerce and Industry		Total	294,240
I Department proper	17,435	Department of Commerce and Industry	
III Mine Supervising Bureau	2,077	XX The International Exposition at Paris	80,000
Total	19,512	XXIII Celebration of the 2,600th anniversary of the accession of the Emperor Jimmu	28,171
Department of Communications		Total	108,171
I Department proper	39,342	Total Extraordinary Expenditure	2,534,467
Department of Overseas Affairs		Grand total of expenditure	3,009,506
I Department proper	7,017	THE THIRD SUPPLEMENTARY BUDGET, 1936-37	
Total Ordinary Revenue	515,039	EXTRAORDINARY REVENUE	
EXTRAORDINARY EXPENDITURE		II Miscellaneous revenue	988,000
Department of Home Affairs		EXTRAORDINARY EXPENDITURE	
I Subsidies	1,382,602	Department of Navy	
XII Buildings and repairs	7,800	VII Entrusted constructions and repairs	988,000
XVIII Special police facilities	227,338	THE FIRST SUPPLEMENTARY BUDGET FOR SPECIAL ACCOUNTS (1936-37)	
ILII Extraordinary travelling expenses	76,113	(in yen)	
LVIII Investigations on local financial and taxation systems	30,000	Ministry	Special Account
Total	1,723,943	Foreign Affairs	Cultural Work for China
Department of Finance		Home Affairs	Health Insurance
I Buildings and repairs	105,000	"	Labour Accident Legal Insurance
		Finance	Mint Bureau
		"	Printing Bureau
		"	Monopoly Bureau
		"	Deposit Bureau
		"	National Property Readjustment
		"	Educational Improvement and Agrarian Villages Economic Development Fund
		"	Kwantung Bureau
		Army	Arsenal
		"	Senju Wollen Manufactory
		Navy	Naval Power Mill

## THE FIRST SUPPLEMENTARY BUDGET FOR SPECIAL ACCOUNTS (1936-37)

(in yen)

Ministry	Special Account	Revenue	Expenditure
Foreign Affairs	Cultural Work for China		741,235
Home Affairs	Health Insurance		2,001,217
"	Labour Accident Legal Insurance		173,678
Finance	Mint Bureau		868,947
"	Printing Bureau	1,912,774	1,066,627
"	Monopoly Bureau		1,343,823
"	Deposit Bureau		2,027,759
"	National Property Readjustment	1,817,430	2,142,505
"	Educational Improvement and Agrarian Villages Economic Development Fund		416,617
"	Kwantung Bureau	4,933,787	4,933,787
Army	Arsenal		12,236
"	Senju Wollen Manufactory		2,236
Navy	Naval Power Mill		12,188



Ministry	Special Account	Revenue	Expenditure
Navy	Naval Fuel House	409,597	895,525
Education	Imperial Universities	1,097,816	1,528,804
"	Imperial Universities Endowment Fund		604,111
"	Government universities	378,304	453,450
"	Schools and libraries	135,172	71,819
Agriculture and Forestry	Rice Trade Control	61,926	103,542
"	Cattle re-insurance		53,736
Communications	Communication business, fund		9,750,758
"	" " necessities	4,171,147	4,171,147
"	Communication business, business	16,513,995	19,427,687
"	Post office Life Insurance	14,251,787	2,353,804
"	Post Office Annuity	9,429,300	421,529
Railways	State Railway, capital account	7,234,160	6,255,018
"	" " necessities	4,957,551	4,957,551
"	" " earnings account	29,835,303	22,601,143
Overseas Affairs	Chosen Government-General	31,295,255	35,469,199
"	Chosen Railway	2,922,750	2,922,750
"	Chosen Post Office Life Insurance	733,323	654,177
"	Taiwan Government-General	17,389,606	17,589,606
"	Taiwan Railway	900,000	900,000
"	Karafuto	4,163,926	4,163,926
"	South Seas Government	964,367	2,094,644

CONTINUATION EXPENDITURE IN SPECIAL ACCOUNTS  
(in yen)

Ministry	Items	Total Amount 1936-37	Amount
Finance	Kwantung Bureau	6,388,500	1,600,000
Education	Imperial Universities (4)	2,044,334	661,714
"	Government Universities	720,748	256,502
Communications	Post office, telegraph and telephone equipments	20,013,960	10,459,898
Railways	Construction and improvement of railways and opening of bus lines	4,048,417,031	149,918,305
Overseas Affairs	Chosen Government-General	546,889,810	32,625,955
"	Taiwan Government-General	135,445,866	10,352,800
"	South Seas Government	2,974,754	695,651

THE SECOND SUPPLEMENTARY BUDGET FOR SPECIAL ACCOUNTS, 1936-37  
(in yen)

Ministry	Items	Revenue	Expenditure
Finance	Bonds	762,000	762,000
"	Kwantung Bureau	182,160	182,160
Education	Imperial universities	15,882	143,218
Overseas Affairs	Chosen Government-General	11,126,407	11,126,407
"	Taiwan Government-General	58,976	58,976
"	Karafuto Government	16,268	16,268
"	South Seas Government	8,594	8,594

CONTINUATION EXPENDITURE IN SPECIAL ACCOUNTS, 1936-37.

Ministry	Items	Total Amount 1936-37	Amount
Education	Imperial Universities	250,051	127,336
Overseas Affairs	Chosen Government-General	662,771,385	38,360,789

Taxes and Duties

The land tax constituted the principal and largest tax of all during the feudal days of the Tokugawa

Shogunate. The revenue then came direct from the tax on the territory under direct control of the Shogun, and that of provincial feudal clans was made independent of the Cen-

tral Government. Centralization of the country's financial system was the chief aim of the Meiji governments, and taxes were imposed by the Central Government to cover the whole country. The land tax was divided into two kinds, that is, payments in cash, and payments in produce such as rice and beans. Land certificates were issued by the Meiji Government in 1872 and in the following year the land tax act was revised and enforced. This brought about a very important and radical change in the payment of the land tax, for it was decreed that tax must be paid in money, payments in kind were abolished. The tax was fixed at 3/1,000 of the legal land value, or the value mentioned in land certificates. In 1875 the urban land tax was fixed at 3/100 of the legal land value. By a tax revision conducted in the same year nine kinds of taxes such as those on saké, soy, ships, cattle trading, silk, hunting, mining, oil pressing and ship anchoring were included in the national taxes and at the same time new taxes on patents, servant employment, carriages, rickshas, palanquins, horse riding, boat excursions, certificate stamps, business corporations, tobacco, weights and measurements and others were introduced. Miscellaneous taxes of the Tokugawa Shogunate numbering 1,553 were abolished. Estimates of tax revenue were formulated for the first time in 1875 and the amount for the year totalled ¥59,000,000, as follows:

TAX REVENUE

Land tax	¥50,345,327
Customs tax	1,718,732
Mine-lot tax	7,430
Government salary tax	92,625
Hokkaido marine products tax	342,526
Saké tax	2,555,594
Tobacco	206,748
Certificate stamp tax	498,228
Legal suit tax	63,714
Ship tax	128,514
Cart tax	213,192
Hunting tax	46,920
Cattle trading tax	90,833
Weights and measurements tax	2,019
Copyright tax	5,198
Open-port tax	2,774
Loochoo Clan's contribution	48,189
Capitalized pension and honours tax	2,075,118
Raw silk, stamp and other taxes	28,913
Ship anchorage tax	23,020
Total	59,194,031

Revision of Tax System The revision of the tax system of the Central Government was followed by a revision of that of the tax system of provincial governments, thereby drawing a clear line of distinction between the two kinds of taxes. It was announced that the provincial governments might levy a land tax, but this must not exceed 20 per cent. of the land tax of the Central Government. The customs duty of Japan originated in commercial treaties concluded by the Tokugawa Shogunate with Foreign Powers several years previous to the Meiji Restoration. Until 1898, the 30th year of Meiji, when the customs tariff was consolidated the regulations regarding customs duties were incomplete though they provided the second largest amount of income. Revenue from the land tax and customs duty for the first 10 years of Meiji was:

	Land tax	Customs revenue (In ¥1,000)
1st period	2,009,013	72,866
2nd "	3,355,965	502,807
3rd "	8,218,969	648,453
4th "	11,340,933	1,071,630
5th "	20,051,917	1,331,560
6th "	60,604,242	1,685,974
7th "	59,412,428	1,498,257
8th "	67,717,946	1,038,103
1876	50,345,327	1,718,732
1877	43,023,425	1,988,667
1878	39,450,551	2,358,653

### 1 Income Tax

The Income Tax Law, first instituted in 1887 under Imperial Ordinance, imposed a tax of from 1 to 3 per cent. on persons whose income from either property or business was ¥800 or more per annum. This law was subjected to a thorough revision in 1899 and was partially altered in 1901, 1905, 1913, and 1918. In 1920 it was subjected to a general revision, and was again revised thoroughly in 1926. The fundamental points are given in the following paragraphs:

**Payers of the Tax** Those coming under the following clauses are under obligation to pay the tax:—

(1) Those who have a domicile or have a temporary residence for one year or over within the territory where the Income Tax Law is in force.

(2) Those who, though not having a domicile or a temporary residence for one year or over within the territory where the Income Tax Law is in force, derive income coming under any of the following items:

(a) When having assets or doing business within the territory where the Law is in force;

(b) When interest on public bonds, debentures, or fixed deposits in banks or deposits of a corresponding nature is received in payment within the territory where the Law is in force;

(c) When receiving from a corporation having a head office or a principal office within the territory where the Law is in force profit, dividend, a share of "excess or surplus income," or bonus incidental to the disposition of the profit or the "excess or surplus income," or gratuitous payment corresponding to such bonus.

The Law is applicable only to Ja-

pan proper and is not in force in Chosen, Taiwan and Karafuto. Even in Japan proper, the Ogasawara Islands and the seven islands of Izu are exempted for the present from the operation of this Law.

**Classification of Incomes** The Income Tax is assessed on the following classes of incomes:

#### Class I

A. Ordinary income of a Corporation. The balance remaining in each accounting period after deducting the gross losses from the gross profits for the said period.

B. Excess profits of a Corporation. When the ordinary income of a corporation for any accounting period exceeds 10% of the average net assets at the end of each month in the said period, that is to say, the average amount of paid-up capital and reserves, any excess over 10% is taxed.

C. Net assets of Corporations at liquidation or amalgamation. In the case of dissolution of a corporation, an excess of the value of remaining assets over the paid-up capital or the invested fund at the time of dissolution; in the case of amalgamation of corporations, an excess of the sum of the paid-up amount for shares and the amount of money, acquired by the shareholders or partners of the amalgamated corporations from the amalgamating corporations or a corporation created as the result of the amalgamation, over the paid-up capital or the invested fund of the amalgamated corporations at the time of amalgamation.

D. Undivided profits of a Family Corporation. Undivided profits in each accounting period of a family corporation, i. e., a corporation with half or more of its capital or invested fund consisting of shares owned by a shareholder or a partner and those who have special relations with

the said shareholder or partner such as his relatives or his employees, provided that such undivided amount comes under either of the following clauses (when there is a conflict between them the one that concerns the greater amount is applied); and the Government decides all questions relating to the scope of the application of these provisions.

(1) Amount retained out of the ordinary income of each accounting period in excess of 3/10 of the ordinary income of the said period.

(2) The sum total of the reserves at the end of each accounting period and the amount retained out of the ordinary income of the said period, exceeding one-half of the amount of the paid-up shares of capital or the invested fund; but that part of the reserves at the end of such accounting period which exceeds one-half of the paid-up shares of capital or the invested fund is deducted from the said total.

E. Income of a Corporation without head office or principal business office in the territory where the Income Tax Law is in force. Income derived from assets owned or business done within the territory where this law is operative by a corporation whose head office or principal business office is not situated within such territory.

#### Class II

A. Interest on public bonds, debentures, fixed bank deposits, or bank deposits of similar nature receivable in places where the Law is in force. This applies also to profit on trust funds employed in loans by a trust company.

B. Distribution of profit or dividends, distribution of surplus money, or bonuses given by way of distributing profits or surplus money or allowances similar in nature to bonuses, as received by those who have

neither domicile nor residence for one year or more in places where the Law is operative from corporations maintaining head or principal business offices in places where the Law is operative.

In the foregoing two cases, the amount received shall constitute the assessable income.

#### Class III

Incomes of individuals not coming under Class II are calculated as follows:

(1) Interest on loans made on a non-business basis and interest on public bonds, debentures and deposits that do not come under Class II—calculated on receipts during the preceding year;

(2) Income from forests—on gross receipts during the preceding year less the necessary disbursements made;

(3) Bonuses or allowances similar in nature to bonuses—receipts during the period between March 1 of the preceding year and the last day of February of that year;

(4) The distribution of interest or profit, or allotments of surplus received from a corporation—receipts during the period between March 1 of the preceding year and the last day of February of that year (in the case of dividends on unregistered shares the actual amount received) less 4/10;

(5) Salaries, allowances, annuities, pensions, retiring pensions and other allowances of a similar nature—actual receipts during the preceding year when such incomes have been received continuously from January 1 of the year, or estimated annual receipts when such incomes have not been received continuously from January 1 of the preceding year;

(6) Incomes other than those enumerated above—gross receipts of

the preceding year less the necessary disbursements made when such incomes have been received from January 1 of the year, or estimated annual receipts when such incomes have been derived from properties, business or professions that have not been practised continuously from January 1 of the preceding year.

When the sum received as repayment from a corporation in consequence of the redemption of shares or in the case of one's retirement from a partnership exceeds the sum actually paid for the said shares or the contribution actually made by the retiring partner, such excess shall be regarded as a dividend of profits from the said corporation.

The following may be deducted as necessary expenses in calculating the assessable incomes of Class III:

Prices paid or expenses incurred in purchasing seeds, silk-worm eggs, manure, feeds for cattle or others, merchandise laid in as stock, raw materials, repair of ground or things, rent, public levy on ground and things or as paid incidental to conducting business, salaries and allowances to employees, and all other necessary disbursements incurred for procuring the incomes. Household and incidental expenses are not to be deducted.

(7) The following revision has been made in this tax:

(a) As regards incomes accruing from trust property, the tax is levied upon the beneficiary considering him as an owner of the trust property.

(b) In case the beneficiary is not specified or not yet in being, the trustee shall be deemed to be the beneficiary and taxed accordingly.

Non-taxable or Free Incomes are non-taxable or free according to the provisions of the Income Tax Law or to provisions of other laws.

Those exempted from taxation by

the Income Tax Law are as follows:

Hokkaido, fu and ken (Prefectures), cities, towns, villages, other public corporations specified by an Order, Shinto and Buddhist temples, and associations incorporated in accordance with Article 34<sup>1</sup> of the Civil Code are exempted from Income Tax. The public corporations specified by the Order as mentioned above are as follows:

Unions of fu and ken (Prefectures); unions of cities, towns and villages; unions of towns and villages; wards or property-owning sections of cities, towns or villages; Hokkaido Local Expenditure; school unions of cities, towns and villages; school districts of cities, towns or villages; irrigation associations; federations of irrigation associations; farms readjustment associations; federations of farms readjustment associations; Hokkaido public works associations; staple commodities producers' associations; federations of staple commodities producers' associations; forestry associations; saké brewers' associations; federations of saké brewers' associations; marine products associations; federations of marine products associations; foreign waters marine products associations; federations of foreign waters marine products associations; stock-breeders' associations; federations of stock-breeders' associations; agricultural associations; chambers of commerce and other public corporations of a corresponding nature. Also, those public corporations in Chosen, Taiwan, Kwanto-shu (Kwantung Province) and Karafuto, which are exempted from income tax by laws or orders of the respective regions.

<sup>1</sup> Judicial persons regarding Shinto religion, other religious sects, charity, science, art and others for public good, organized under sanction of the Minister concerned.

Class III incomes coming under any of the following items are exempted from taxation:

(1) Salaries and allowances of officers and privates of the Army and Navy while engaged in war;

(2) Allowances to widows and orphans and pensions to the sick and wounded;

(3) Money received for traveling or school expenses and legal allowances received for support;

(4) Interest on deposits in the postal savings bank, industrial associations and savings banks;

(5) Occasional incomes derived from undertakings not conducted for profit;

(6) Incomes of aliens as derived from trade, business or profession in places where the Income Tax Law is not in force.

Those who manufacture certain staple commodities that are specified by Imperial Orders are exempted, in accordance with provisions of an Order, from the income tax on the income derived from such manufacturing for the first four years of operation of a factory.

Those exempted from taxation by laws or regulations other than the Income Tax Law:

Persons or corporations exempted from the Tax are:

(1) Industrial associations, federations of industrial associations, the Central League of Industrial Associations, and their federations (Art. 6, Industrial Association Law).

(2) Fishers' associations; federations of fishers' associations (Art. 45, Fishery Law).

(3) Persons engaged in the agricultural warehousing business (Art. 14, Agricultural Warehousing Law).

(4) A corporation with head office or principal business office in Chosen (Korea), Taiwan (Formosa) or Kwanto-shū (Kwantung Province) (Art. 12, Law No. XII, 1920).

(5) Central Chest for Industrial Associations in Japan (Art. 8, Central Chest for Industrial Associations Law).

(6) Housing associations (Art. 16, Housing Associations Law).

(7) Exporters' associations (Art. 33, Exporters' Associations Law).

(8) Associations of producers of staple articles of export and federations of associations of producers of staple articles of export (Art. 38, Associations of Producers of Staple Articles of Export Law).

Items exempted from the Tax are:

(1) Interest on National Bonds (Law No. VII, 1909).

(2) Interest on Savings Bonds (Law No. XIX, 1905).

(3) Money or gifts in kind received in accordance with the Military Relief Law (Art. 17, Military Relief Law).

(4) Income derived from the iron foundry business as specified in the Iron Foundry Encouragement Law (details mentioned in the said Law and the rules pertaining to it).

(5) Incomes derived from industries producing certain important goods specified in the Imperial Ordinance; but such exemption is allowed for the first four years only of operation of a factory (Art. 19, Income Tax Law).

(6) Incomes derived from certain industries in colonies where such industries are exempted from the imposition of the income tax (Art. 7, Law No. XII, 1920).

(7) Interest on Reconstruction Savings Certificates (Art. 6, Reconstruction Savings Certificates Law).

#### Abatement from Incomes

A. Abatement from incomes from service.

Assessable incomes as under Class III are determined after making abatement at the under-mentioned

rates from the earned incomes, i. e. salaries, wages, allowances, annuities, pensions, retirement allowances, bonuses and allowances of similar nature to a bonus ;

(1) When the total income under Class III is less than ¥6,000—2/10 of the income earned by personal service.

(2) When the total income under Class III is less than ¥12,000 provided that the unearned portion exceeds ¥6,000—1/10 of the earned income.

(3) When the total income under Class III is less than ¥12,000 provided that the unearned portion is under ¥6,000—2/10 of that part of the earned income which, if added to the unearned income, amounts to ¥6,000; and 1/10 of the other part of the earned income.

B. Special abatement for aged or juvenile members of the family and disabled or invalid dependants.

Those whose total income is below ¥3,000 (after making deductions as provided for in A in the case of the earned incomes) are allowed abatement at the rate of ¥100 per capita upon their application, if, on March 1st of the year, the head or any members of the family are under 18 years or over 60 or disabled or invalid. The amount remaining after this abatement is made is their assessable income.

C. Abatement of life insurance premium.

Premium paid on a life-policy by a person for the benefit of himself, his family or heir may be deducted in accordance with the Order and on his own application within the limit of ¥200 a year.

#### Minimum Liable to Taxation

A. Class I and II. All income is taxed.

B. Class III. Income under Class III not exceeding ¥1,200 is exempted from taxation, as is also income

when the taxable portion is made less than ¥1,200 as a result of abatements made for the earned income, certain family dependants and life insurance premiums.

#### Tax Rates

##### Class I

A. Ordinary income of a Corporation.

A corporation that has its head office or principal business office within the territory where the Income Tax Law is enforced.....5%

B. Excess profits of a Corporation.

Excess profits of a corporation are divided into three classes with a separate rate for each class :

That portion of the income in excess of 10% and under 20% of the capital.....4%

That portion of the income in excess of 20% and under 30% of the capital .....10%

That portion of the income in excess of 30% of the capital ....20%

C. Net assets of Corporations at liquidation or amalgamation.

Net assets of corporations at liquidation or amalgamation are divided into two classes with separate rates :

The total of reserves and income exempted by law from the income tax .....5%

Others .....10%

D. Undivided profits of a Family Corporation.

In fixing the rate of the tax, an annual income is calculated on the basis of ordinary income of the accounting period. To 10% of the portion under ¥50,000 of such annual income is added, 15% of the portion from ¥50,000 to ¥100,000, 20% of the portion from ¥100,000 to ¥500,000, 25% of the portion from ¥500,000 to ¥1,000,000, and 30% of the portion in excess of ¥1,000,000; and the percentage that the total

bears to the ordinary income is the rate of the tax.

E. Income of a Corporation having no head office or principal business office in the territory where the Income Tax Law is in force....10%

##### Class II

A Interest on public bonds...4%

Other interest .....5%

##### Class III

Income under this class is divided into the following categories and the progressive rates are applied to the respective categories; but income from forests is assessed separately by multiplying the amount obtained by applying the following rates to one-fifth of such income by five.

Income not exceeding	¥1,200	0.8%
Income exceeding	1,200	2
" "	1,500	3
" "	2,000	4
" "	3,000	5
" "	5,000	6.5
" "	7,000	8
" "	10,000	9.5
" "	15,000	11
" "	20,000	13
" "	30,000	15
" "	50,000	17
" "	70,000	19
" "	100,000	21
" "	200,000	23
" "	500,000	25
" "	1,000,000	27
" "	2,000,000	30
" "	3,000,000	33
" "	4,000,000	35

The tax for the head and each of the other members or inmates of the family living together, if any, is determined by applying the rates

1st period  
2nd "  
3rd "  
4th "

Between July 1 and 30 of the current year  
" October 1 " 30 " " "  
" January 1 " 31 of the following year  
" March 1 " 31 " " "

#### Protests and Petitions

(1) Inquiries. In case a person liable to taxation has any objection regarding his taxable income as

to the total of their incomes and then working out the amount thus obtained in proportion to their respective incomes.

The above provision applies also to the incomes of two or more than two members of the family living together but not with the head.

Prevention of Double Taxation In order to avoid double taxation in Class I and Class II income tax, there is a provision which allows the deduction of the amount of the Class II income tax paid by a corporation for each accounting period from the amount of the Class I income tax for the same period and this provision is applied in the same way to the net assets of corporations at liquidation or amalgamation.

#### Time of Payment

##### Class I

Income tax under this class is collected at the end of every accounting period. The tax on the income at liquidation or amalgamation is collected when the liquidation or amalgamation has been effected.

##### Class II

The tax is collected by the payer of the money coming under this class at the time of its payment, and he in turn transmits the tax to the Government by the 10th of the ensuing month.

##### Class III

Income tax under this class is divided into four equal parts which are paid respectively at the following four periods :

notified by the Government, he may within twenty days from the notification apply in writing for an inquiry to the Revenue Superintendent

through the Chief of the Taxation Office, stating the points of objection and attaching documentary evidence.

When the aforesaid application is submitted, the Government gives judgment according to the decision reached by the Committee of Inquiry on Incomes consisting of three tax collectors appointed by the Minister of Finance and those who have been elected by mutual vote from among the members of Incomes Investigation Committees in the prefectures or Hokkaido within the jurisdiction of the Revenue Superintendence Office, one for each prefecture and four for Hokkaido.

(2) Decrease against estimated income. When the actual income of a person liable under paragraphs 5 and 6 of Class III decreases by more than one-half of the estimate, he may apply to the Government for a revision of the amount of his income, but such application should be made before January 31 of the ensuing year. This provision, however, is not applied to decreases brought about by succession, donations or continuation of a business after the amount of income has been determined by the Government.

(3) Petition and suit in the Court of Administrative Litigation. A person who is dissatisfied with the decision of the Committee of Inquiry on Incomes or the revision as defined in the foregoing provision

United States of America	June 8, 1926
Denmark	October 15, 1927
United Kingdom of Great Britain and Northern Ireland	August 10, 1929
Canada	September 21, 1929
France	May 5, 1931
Norway	December 23, 1931
Netherlands	February 8, 1933
Brazil	May 9, 1933

## 2 Land Tax

The land tax has hitherto been levied on the basis of the assessment

may file a petition or bring a suit in the Court of Administrative Litigation.

**Taxation as regards National and Local Loans** In the following cases the interest on the bonds, whether domestic or foreign, is exempted from taxation:

(1) When the Japanese national bonds issued abroad are owned by foreigners;

(2) When domestic Japanese national bonds are owned by foreigners;

(3) When the Japanese national bonds issued abroad are imported into Japan.

In the following cases the interest received within the territory where the Law is in force is taxable:

(1) When the Japanese local bonds issued abroad are imported into Japan;

(2) When domestic Japanese local bonds are owned by foreigners.

**Exemption on the Profits from Foreign Shipping** A foreign person or foreign corporation who has no domicile in this country is exempted from income tax on the profits from shipping of a foreign nationality, provided that the country, to which such shipping belongs, extends similar exemption to the profits of Japanese shipping.

With respect to a reciprocal exemption from income tax on the profits of shipping, agreements were made with the following countries:

of 1873. In view, however, of the fact that after that year there was only a partial revision in the assessed value which, with the progress

of economic conditions, became unadapted to actual circumstances and in many cases caused unfairness in the incidence of taxation, fundamental amendments were effected in 1930 in this tax, whereby the rental value was taken as the basis of tax assessment. At the same time, part of the surplus revenue arising out of the conclusion of the London Naval Treaty was devoted to the reduction of this tax.

**Basis of Assessment** The land tax is imposed on the basis of the rental value of land entered in the cadastre. From 1930 to 1937, it is to be levied according to the rental value assessed during the two years 1926 and 1927, but after that period it will be levied according to a rental value to be amended every ten years. The first amendment will be made in 1938.

**Payers of Tax** All landowners are liable for this tax. In the case of land under mortgage, however, the tax is collected from the mortgagee; and in the case of land under superficies of more than one hundred years, it is collected from the superfiary.

**Rates of Tax** Formerly, the land tax was imposed according to the value of land, and the rates were 2.5% on residential land, 4.5% on rice and other fields and 5.5% on other lands. With the amendment of this tax by which the rental value was taken as the basis of tax assessment, however, the tax is levied on all categories of land at the rate of 3.8% with the exception of 4% in 1931.

**Tax Reduction and Exemption** Reduction is made for a fixed period in the case of developed land (land sold or transferred by the Government under an agreement previously made to the effect that, after the completion of its clearing, it should be sold or transferred in accordance

with Art. XXI, State Property Law, and become taxable land), land under cultivation (land converted from waste, forests, etc., into rice-fields, lots for building purposes, etc.) and land the classification of which was interchanged. Reclaimed land, waste land and land damaged by calamities are exempt from the tax. There is also a regulation providing that petty independent farmers owning rice or other fields within the city, town or village where they are domiciled or within the neighbouring cities, towns or villages, should be exempt from the land tax in cases where the rental value of rice or other fields is under ¥200, including that of the fields owned by other members of their families. The rice or other fields tenanted are, however, not exempted from the land tax.

## 3 Business Profits Tax

The business tax of 1896 was based upon external valuation of a business and the tax burden was not necessarily borne by tax-payers in proportion to their ability. In order to remedy this inequality, the business tax law was thoroughly revised and the Business Profits Tax Law, enacted for the purpose of imposing a tax on the net profits of a business, was promulgated in March, 1926 and put into effect on and after January 1, 1927. The important points of this law are given below:

(1) Persons liable to the Business Profits Tax.

A A commercial corporation with head office, branch office or any business office in the territory where the Business Profits Tax Law is in force.

B A person who engages in any of the following businesses in the territory where the Business Profits Tax Law is in force:

- (1) Sale of goods,
- (2) Banking,
- (3) Mutual loan business (Mujin),
- (4) Money-lending,
- (5) Renting of goods,
- (6) Manufacturing (including the generating and supplying of gas and electricity, and the repairing of articles),
- (7) Transportation (including transportation agencies),
- (8) Warehousing,
- (9) Contracting,
- (10) Printing,
- (11) Publishing,
- (12) Photography,
- (13) Renting assembly rooms,
- (14) Inn-keeping (including boarding-house keeping, but excluding doss-house keeping),
- (15) Restaurant keeping,
- (16) Commission agency (in transactions outside of what are defined as commercial transactions by the Commercial Law),
- (17) Representation (of merchants in the transaction of regular business),
- (18) Commission agency (in commercial transactions defined by the Commercial Law),
- (19) Commission business.

**Basis of Assessment** The tax is assessed on net profits, viz., in the case of a corporation, the balance remaining in each accounting period after deducting the total losses from the gross profits for the period and, in the case of an individual, the balance remaining after deducting necessary expenses from the gross profits for the preceding year.

#### General and Temporary Exemption

(a) No business profits tax is levied on the profits of the following businesses:

- (1) Dealing in postage and revenue stamps issued by the Government;

(2) Manufacture, repairing and sale of scales, weights and measures;

(3) Sale of minerals mined or extracted by the seller himself;

(4) Publishing under the Newspaper Law;

(5) Business transacted in offices outside of the territory where the Business Profits Tax Law is in force;

(6) Theatrical performances and fisheries when conducted by a corporation;

(7) Sale of, or manufacturing processes carried out on products of agriculture, forestry, live-stock breeding or marine industries; but such sale or manufacture in a place specially prepared for the purpose is not exempted.

(b) Net profits derived from industries producing certain important goods specified by the Imperial Ordinance are exempt from the business profits tax under the provisions of the Ordinance during the first four years of operation of a factory.

**Minimum Net Profits Assessable** The minimum net profits assessable are ¥400 in the case of an individual, but there is no such exemption in the case of a corporation. The rate of the tax follows:

Corporation	3.4 %
Individual	
Less than ¥1,000 of net profit	2.2 %
Exceeding ¥1,000 of net profit	
Fractions less than ¥1,000	2.2 %
Fractions exceeding ¥1,000	2.6 %

The tax has hitherto been levied at the rate of 3.6% on corporation and 2.8% on individuals, but a part of the surplus revenue arising out of the London Naval Treaty was, as previously mentioned, used to reduce the rates. For corporations this reduction was effective from the business year ending on and after April 1, 1932, and for individuals from 1931. The rate for individuals was, however, in 1931 only 2.5% for

fractions less than ¥1,000 and 2.8% for those exceeding ¥1,000.

**Prevention of Double Taxation** In order to avoid the double imposition of supplementary direct national taxes,

(a) in the case of a corporation, the amount of the land tax or the capital interest tax paid by a corporation for each accounting period is deducted from the amount of the business profits tax assessable on the profits of such a corporation for the said period;

(b) in the case of an individual, the amount of the capital interest tax liable to the capital interest tax is deducted from the net profits in calculating the basis of the business profits tax, while the amount of the land tax that has been paid on the land used for the business is also deducted from the amount of the business profits tax assessed on the net profits of the business.

**Time of Payment** In the case of a corporation, the tax is to be paid at the end of each accounting period and semi-annually in the case of an individual.

The first payment is to be made between the 1st and the 31st of August of the year and the second between the 1st and the 30th of November.

**Exemption of Foreign Shipping** Provided their country extends similar exemption to Japanese shipping, foreigners or foreign corporations having no legal domicile in Japan are, after May 11, 1928, not only exempt from the income tax but also from the business profits tax on the earning and profits of their foreign owned shipping. The agreements mentioned above in Section II, of Income Tax, regulate the exemptions from this tax also.

#### 4 Capital Interest Tax

The capital interest tax was put

into force on April 1, 1926, with a view to supplementing, together with the land tax, the business profits tax and the income tax, Japan's primary direct national tax. Thus, one of the defects of our system of taxation, viz., the unfair distribution of the burden of taxation between income from invested capital and that from personal service, has been eliminated. The important points are as follows:

Persons liable to the capital interest tax are the receivers of interest on capital in the territory where the capital interest tax law is in force.

#### Basis of Assessment

##### Class A

Interest on public bonds, on debentures issued by ordinary business corporations or the Central Chest for Industrial Associations in Japan, or on bank deposits; or profits from trust funds employed in loans by a trust company.

##### Class B

Interest on loans made on a non-business basis or on deposits as classified among the incomes under Class III, received during the previous year by a person liable to pay tax on income under Class III; and in this case the income of a former owner is considered to be that of his heir.

**Exemption from Taxation** No capital interest tax is levied on the following capital interest under Class A:

(1) Interest received by persons exempted from Class II income tax under the provisions of the Income Tax Law, etc.

(2) Interest on Savings Bonds or the Reconstruction Savings Certificates.

The rate of the tax is 2% of the amount of capital interest and the time of payment is:

For the capital interest under Class A :  
At the time of payment of such interest.  
For the capital interest under Class B :  
Semi-annually, viz., the first payment between the 1st and 31st of August and the second payment between the 1st and 30th of November.

### 5 Succession Tax

The Succession Tax Law was promulgated in January, 1905, and put into operation on April 1st of the same year. Since then it has been revised several times, the last revision being undertaken in April, 1926. According to this law, when a succession occurs, irrespective of the question whether the place of its occurrence lies within or without the Empire, or whether the predecessor or the heir is or is not a Japanese subject, the tax is imposed upon the descendible property which lies in a place where the aforesaid law is in force. But the kind of descendible property subject to the succession tax and the method of valuation of the property differ according as the predecessor has or has not a domicile in a place where the said law is in force.

The following are taken as descendible property subject to this tax :

A When the predecessor is domiciled in a place where the said law is in force :

(1) Movable or immovable property in a place where the said law is in force ;

(2) Rights existing in respect of immovable property in a place where the said law is in force ;

(3) Property-rights other than those specified in the foregoing two items.

B When the predecessor is not domiciled in a place where the said law is in force :

(1) Movable or immovable property in a place where the said law is in force ;

(2) Rights existing in respect of

immovable property in a place where the said law is in force.

**Exemption** In the following cases the property is exempted from the succession tax :

(1) The value of a property which does not amount to ¥5,000 in the case of succession to the headship of a house is not subject to the succession tax ;

(2) The value of a property which does not amount to ¥1,000 in the case of succession to property is not subject to the succession tax ;

(3) When a succession occurs through death in a battle, or through death caused by wounds or sickness incurred in a battle, of officers and privates of the Army or Navy and others attached thereto, the property of the deceased is not subject to the succession tax ;

(4) When a succession occurs again within five years to the property upon which the tax has been imposed, the amount of succession tax corresponding to the amount of tax previously collected is remitted ;

(5) When a succession occurs again within seven years to the property upon which the tax has been imposed, half the amount of succession tax corresponding to the amount of tax previously collected is remitted.

**The Rate** The succession tax is, after the value of assessment has been classified, imposed by applying the proper rate of tax in the proper degree in each case according to the kinds of successors.

The tax-rates vary, in the case of succession to the headship of a family, from 0.5% to 16% and in the case of succession to property, from 1% to 21%, according to the amount of the property and to the kind of successors.

The lowest rate is applied to an estate under ¥5,000 in the case of succession to the headship of a

family and to a legacy under ¥1,000 in the case of succession to a property, while the highest rate is applied to that portion of an estate or legacy exceeding ¥5,000,000.

With respect to successions occurring in accordance with the laws of a foreign country the tax-rates of the succession to property shall correspondingly apply.

When a donation, over ¥1,000 in value, of other properties than real estate within the territory where this law is in force or vested, is made in the following cases, it is considered to be a legacy and the succession tax applies :

(1) On donations to relatives.

(2) On donations made by the head or a member of the main family to the head or a member of a branch family at or after the time of setting up such branch family.

**The Revision** The following revision has been made in this tax :

(1) When a creator of a trust causes another person to possess the right to get the benefit accruing from the trust, that right shall be deemed to have been given or bequeathed at the time of such transfer, and the new possessor shall be taxed in conformity with the provisions of the Succession Tax Law.

(2) When, in the case stipulated in the preceding paragraph, a beneficiary is not specified or does not exist at the time of creation of the trust, a direct descendant of the creator of the trust is considered to be the beneficiary and the trustee to be an administrator.

(3) The right to receive the benefit from a trust shall be appraised by the Government at its discretion.

### 6 Special Profits Tax

In view of the present economic conditions under which certain branches of industry manifest considerable activity, while other

branches still remain depressed, this tax was intended to be a temporary nature. The law relating to this tax was promulgated on March 30, 1935, and put into effect as from April 1 of the same year. The important points of this Law are summarized as follows :

**Payers of Tax** Those, who have domicile or a temporary residence for one year or more within the territory where this Law is in force, are liable for payment of the Special Profits Tax. Those who, though not coming under the above provision, have assets or are doing business within the territory where this Law is in force are also liable for payment of the Special Profits Tax in respect of only those profits derived from such assets or business.

**Basis of Assessment** The tax is levied on profits derived from the businesses carried on by individuals and corporations, and the assessment is made in the following manner :

(a) Corporations :

In cases where profits realized by corporations in a current accounting period exceed the average profits of the past accounting periods, such excess is taken as the assessable amount of profit. When, however, no profit was realized in any of the past accounting periods, or when the average profits of the past accounting periods are less than 7 per cent. of the average paid-up capital, an amount calculated at the rate of 7 per cent. of the average paid-up capital of the past accounting periods is regarded as the average profits of the past accounting periods.

(b) Individuals :

In cases where the profits of individuals exceed the average profits

Note:—"Current accounting period" means each accounting period ending on and after January 1, 1935, and "past accounting period" means each accounting period that ended within three years dating back from December 31, 1931.

of the years 1929, 1930 and 1931, such excess is taken as the assessable amount of profit. When, however, the average profits of 1929, 1930 and 1931 are less than ¥3,000, or when there is no average profit, the amount of ¥3,000 is regarded as the average profit.

#### Tax Exemption

##### (a) Corporations:

In case the assessable amount of profit is less than ¥1,000 a year, no tax is levied.

##### (b) Individuals:

In case the profits of individuals are less than ¥6,000, no tax is levied. In case the profits of individuals are less than ¥10,000, the amount remaining after deduction of ¥2,000 from the amount exceeding ¥6,000 mentioned above is taken as the assessable amount of profit. In case the assessable profit of individuals whose profits are in excess of ¥10,000 is less than ¥1,000, no tax is levied.

#### Tax Rates

Corporations ..... 10%  
Individuals ..... 8%

When the tax thus calculated exceeds, in the case of corporations, the amount remaining after deduction of ¥1,000 a year from the as-

sessable amount of profit, and exceeds, in the case of individuals, the amount remaining after deduction of ¥1,000 from the assessable amount of profit, a tax equivalent to such excess amount is exempted; provided, however, that this does not apply to cases in which the profits of individuals are less than ¥10,000.

**Period of Tax Imposition** In the case of corporations the Special Profits Tax will remain in force until the expiration of the accounting period which covers December 31, 1937, and in the case of individuals until December 31, 1937.

### 7 Tax on Liquors

**Tax on Saké** According to the law now in force, the tax is imposed upon persons brewing saké, which is divided into five classes, namely, Seishu (refined saké), Dakushu (unrefined or muddy saké), Shirozaké (white saké), Mirin (sweet saké) and Shōchu (distilled saké).

The tax is levied at the following rates for the year commencing on the 1st of October and ending on the 30th of the following September:

1st kind	Dakushu containing not more than 23° of alcohol	¥6 yen per koku
2nd kind	{ Seishu and Shirozaké containing not more than 23° of alcohol	40 yen per koku
	{ Mirin and Shochu containing not more than 30° of alcohol	
3rd kind	{ Shochu containing more than 30° and not more than 45° of alcohol	1.50 yen per koku for each additional 1° over the rate for the 2nd kind, i.e., 40 yen
4th kind	{ Seishu, Dakushu and Shirozaké containing more than 23° of alcohol	1.80 yen per koku for each 1° of alcohol
	{ Mirin containing more than 30° of alcohol	
	{ Shochu containing more than 45° of alcohol	

By the quantity of alcohol in the above table is meant the percentage of alcohol with a specific gravity of 0.7947, contained in the original fluid at the temperature of 15° C. (59° F.).

The number of koku of saké and

the basis of assessment are inspected and assessed when the brewing is finished.

**Beer Tax** The beer tax, created in 1901, is levied upon brewers of beer at the rate of 25 yen per koku on the quantity brewed.

### Tax on Alcohol and Alcoholic Liquors

Upon revision of the saké tax in 1901, the tax on alcohol and alcoholic liquors was separated from the saké tax. It is imposed upon alcohol and alcoholic liquors, except those subject to saké or beer tax, and wine at the rate of 1.80 yen for each per cent. of pure alcohol contained in 1 koku of the original fluid. In no case, however, may the rate of the tax fall below 42 yen per koku.

No tax is levied upon wine or other alcoholic liquors made from fruits of any kind.

### 8 Sugar Excise

Sugar excise, introduced in 1901, is imposed in respect of sugar, molasses and syrups, which are taken delivery of from manufactories, custom-house compounds, bonded warehouses, customs temporary depots and in other places where the storage of foreign goods is permitted by laws and ordinances, for the purpose of domestic consumption. The rates vary from ¥0.9 to ¥9.5 per picul according to the kinds of articles. As a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to the reduction of this tax, the former rates which were from ¥1 to ¥10 were thus reduced. These rates are effective from January 1, 1932.

### 9 Table Water Tax

The table water tax was established in April, 1926, and is levied on the consumption of all kinds of aerated drinks like "citron" or soda water, except those that contain less carbonic acid gas than 5/10,000 of the gross weight, or those that contain more alcohol than 1% of the gross weight. Manufacturers of aerated water are liable to pay the tax.

The rates of the tax are as follows:

Class I Tama-ramuné (Aerated water sold in bottles with round glass stoppers suitable for permanent use)... ¥7 per 1 koku.

Class II Aerated water sold in bottles other than those mentioned above... ¥10 per 1 koku.

Class III Aerated water sold in receptacles other than bottles... 3 yen per 1 kilogramme of carbonic acid gas used.

The tax is ordinarily collected at the time of dispatch of the goods, the manufacturers furnish declarations as to quantities and the Government uses these as the basis of calculating the amount of tax payable; the tax of the preceding month is due by the end of the next month.

### 10 Mining Tax

The mining tax is imposed upon persons holding mining rights under the Mining Law of 1905. The rates of the tax are as follows:

#### I Tax on mining sets:

(a) 30 sen for each 1,000 tsubo per annum in the case of prospecting.

(b) 60 sen for each 1,000 tsubo per annum in the case of mining.

#### II Tax on mining products:

1 per cent. of the value of products (gold, silver, lead and iron ores are exempted from this tax).

### 11 Placer Tax

The placer tax is imposed upon persons engaged in recovering gold-dust. The rates of the tax are as follows:

Alluvial... 30 sen per annum per cho of placer area.

Non-alluvial... 30 sen per annum per 1,000 tsubo of placer area.



### 12 Tax on Bourses

The tax on bourses has hitherto been levied upon bourses according to the amount of transactions carried on in such bourses; but in the revised tax law which came into force in September, 1914, this tax is subdivided into the bourse business tax and bourse tax.

The bourse business tax is levied upon bourses unless they are organized as corporations, at the rate of 15 per cent. of the total sale commissions received by such bourses.

With the revision in April, 1922 of the Bourse Law, the bourse tax was revised as follows:

(1) In respect of marginal bargains carried on at a bourse the bourse tax is levied at the following rates according to the amount of the transaction:

Class I Local loans and company debentures.

A Bargains to be settled within the limit of 7 days . . . . . 0.6/10,000

B Others . . . . . 1/10,000

Class II Negotiable paper.

A Bargains to be settled within the limit of 7 days . . . . . 1.5/10,000

B Others . . . . . 2.5/10,000

Class III Merchandise . . . . . 2.5/10,000

(2) Bargains cancelled are not exempt from the tax.

### 13 Tax on the Issue of Bank Notes

A tax has hitherto been imposed on the issue of convertible bank notes against Government bonds and other specific securities. In June, 1932, however, amendments were made in the Convertible Bank Note Regulations, whereby both the issue against the securities up to the legal

limit of ¥1,000,000,000 and the additional issue over this limit which is not to continue beyond fifteen days have been exempt from the payment of the tax during and after the second half of 1932. Instead of the payment of the tax formerly imposed, a system of payments to the Government by the Bank of Japan has been newly created. For the system of payments to the Government and the tax on the additional issue over the legal limit which is to continue beyond fifteen days, see note on the Bank of Japan in Chapter IX.

### 14 Textiles Consumption Tax

The textiles consumption tax established in 1905 is levied at the rate of 9 per cent. of the value upon persons taking delivery, at the time of such delivery, of textiles from factories, custom-house compounds, bonded warehouses, temporary customs depots and other places where the storage of foreign goods is permitted by laws and ordinances. Formerly the tax was levied at the rate of 10%, but a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to reduce the rate to 9%. Cotton fabrics and other fabrics of low grade defined by law are exempt from the tax.

The above amendment has been effective since December 1, 1931.

### 15 Tonnage Dues

Tonnage dues were introduced in 1899. Vessels entering a Japanese port from a foreign country must pay tonnage dues of 7 sen per registered ton or per ten koku of actual capacity; but by the payment of 21 sen per registered ton or per ten koku, they are for one year exempt from all further tonnage dues at that port.

### 16 Customs Duties

This subject is dealt with in the Chapter on Foreign Trade to which the reader is referred.

#### Stamp Receipts

Taxes and fees belonging to this category at present exceed four-score, chief among them are: the registration tax, stamp duties on legal documents, playing cards tax, shooting license tax, civil suit stamps, examination fees, and charges and dues levied according to the customs law and other regulations connected therewith. Of these, the registration tax is levied, by means of adhesive stamps, on the registration of real estate, ships, the mass of mortgage properties, commerce, lawyers, doctors, veterinary surgeons, mariners, copyrights, industrial patents, mining rights, alluvial mineral rights and fishery rights; and such registrations are charged either with an ad valorem or a fixed duty. The stamp duty is imposed, by means of adhesive or embossed stamps, upon legal documents and books certifying the acquisition, forfeiture and transfer of property, and a graduated or fixed duty applies thereto.

The registration tax was, however, revised by Law No. 63 promulgated on April 24, 1929, and it was decided that the registration of the premises of foreign embassies, legations and consulates in Japan should, upon condition of reciprocal agreements, be exempt from the registration tax.

#### Receipts from Government Enterprises

##### 1 Tobacco Monopoly

In 1876 the Tobacco Regulations were for the first time promulgated and a tax was levied on tobacco;

but in 1898 this tax was abolished and the Leaf-Tobacco Monopoly Law was put into operation. In 1904 with a view to enforcing stricter control by introduction of a complete monopoly system on the one hand and from considerations of financial requirements on the other, the Leaf-Tobacco Monopoly Law was replaced by the Manufactured Tobacco Monopoly Law, which is the law still in force. According to the provisions of this law, the cultivation of leaf-tobacco is permitted to private individuals who have obtained the permission of the Government therefor; the leaf-tobacco gathered by them is taken over by the Government and payment is made according to quantity and quality; it is manufactured at Government factories and the manufactured article is sold at fixed prices by dealers licensed by the Government. Foreign tobacco cannot be imported except by the Government or persons appointed for the purpose by the Government, while tobacco can be exported only by persons who have been specially permitted to do so by the Government.

The wholesale tobacco business was placed under the direct management of the Government on and after July 1, 1931.

##### 2 Salt Monopoly

The Government, from considerations of financial requirements and of the salt supply, issued the Salt Monopoly Law in January, 1905, which came into operation in June of the same year. According to the provisions of this law, salt can only be manufactured by persons licensed by the Government and all salt produced is taken over by the Government at prices varying with its quality. Formerly, the price at which the Government sold it was the cost price plus a fixed rate of profit and

expenses, but as referred to below, no profit is at present added in arriving at the selling price. Salt is sold only by persons licensed by the Government. Foreign and Taiwan salt cannot be imported except by the Government or persons appointed for the purpose by the Government, while for the purpose of exportation, salt is sold by the Government at a specially reduced price and can be exported by anybody. Salt intended for use in industry, agriculture, mining and fishery of some kind receives special treatment and is sold at a specially reduced price. A considerable amount of profit was annually obtained from the salt monopoly up to the financial year 1917-18, but, in and after the financial year 1918-19, the idea of realizing profit was done away with from the view-point of social policy. Further, with a view to controlling the overproduction of salt resulting from the improvement in salt manufacture in Japan proper and the colonies and reducing the salt price, the Government promulgated in April, 1929 the Law regarding the Adjustment of Salt-fields. Thus it prohibited some domestic salt producers from manufacturing salt on two occasions during 1929 and 1930.

### 3 Camphor Monopoly

The Camphor Monopoly Law was first put into force in Formosa only; but the Government issued in June, 1903, and carried into effect in October of the same year, the Crude Camphor and Camphor Oil Monopoly Law to be operative both in Japan proper and Taiwan, which provides that the manufacture of crude camphor and camphor oil shall be confined to those persons who have obtained the permission of the Government therefor, and the article so manufactured shall be taken over

by the Government in return for suitable compensation according to quality. Formerly, the domestic consumption of camphor was confined to a small quantity, and a large portion of the Japanese camphor was exported to Europe and America. The rapid progress in the celluloid industry, however, has caused, of late, an increase in domestic consumption, which has resulted in the absorption of a large quantity of the camphor produced both in Japan proper and Taiwan.

### 4 Railways

From 1872 when the first railway in Japan (Tokyo-Yokohama) was laid as a Government undertaking, till 1905, the total length of railways, State and local lines combined, reached 7,687 kilometres, showing how steadily the railway net had extended throughout the country. The local lines aggregating 5,224 kilometres were distributed among 38 companies. This state of affairs was fraught with grave inconveniences, for even the ownership of trunk lines was divided between the State and private companies. The service lacked system, the work involved unnecessary expense, while the rolling-stock did not admit of common use. These resulted in a high freight tariff, delay in delivery and so forth. The Russo-Japanese War and the opportunity its termination afforded for expanding the State economic undertakings demanded the unification of the railway service in order to have it carried to a state of greater efficiency. In March, 1906, the Nationalization of Railways Law was enacted and the Government effected in the fiscal years 1906 and 1907 the acquisition of 4,540 kilometres of railways belonging to 17 companies. For the State railways that were thus suddenly

expanded, a Special Account was established.

Under the Imperial Railways Special Account Law revised by Law No. 6 of 1909, the receipts and expenditures of the Imperial Railways were set apart, as they are now, as a purely special account and independent of the General Account. The Imperial Railway capital, and funds for materials required for the Imperial Railways, and all moneys to be invested are made the capital of these railways and a special account is established by applying the annual revenue therefrom to the annual expenditure. The amounts required for the construction and improvement of railways are defrayed out of railway profits; and in the event of a deficit, or in case of consolidating or redeeming public or temporary loans chargeable to this account, the Government is authorized to issue, as a charge on the same account, public loans or make temporary loans from other special accounts or other sources. The public and temporary loans above referred to are the public loans already issued to defray expenditure required for carrying on the railway enterprise, the public loans already issued or to be hereafter issued for the consolidation or redemption of the loans last-mentioned, the public loans issued under the provisions of the Railway Nationalization Law, and the debts chargeable under the same Law to the Government which have not yet been completely repaid, all these loans are chargeable to the special account under consideration; and the amount required in each financial year for their redemption or payment of interest thereon is to be transferred to the Special Account for the National Debt Consolidation Fund. The Railway Special Account is subdivided into the Capital Account, the Re-

venue Account, and the Stores Account. The Capital Account has for its revenue the moneys transferred from the railway profit, proceeds of public and temporary loans, proceeds of sale of its property, receipts from materials and structures for railway use, and miscellaneous receipts belonging to it, and for its expenditure the cost of the construction and improvement of railways, redemption of its debts, cost of materials and structures for railway use, and other miscellaneous expenses chargeable to it. The Revenue Account has for its revenue various receipts from the working of railways, charges for the loan of articles forming part of its capital, interest on deposits and miscellaneous receipts belonging to it, and for its expenditure various expenses required for the working of railways, expenses for the upkeep, repair, and replacing of articles forming part of the capital, interest on debts, and miscellaneous expenses chargeable to it. Any balance of the total annual revenue over the total annual expenditure in the Revenue Account forms the profit, while what remains after deducting therefrom the amount to be transferred to the Reserve Account is to be transferred to the Capital Account. The Stores Account has for its capital the capital outlays hitherto expended and those to be expended hereafter and has for its revenue the revenue from the Railway Stores and Workshops and miscellaneous receipts, while expenditure consists of the expenditure on and in the Railway Stores and Workshops and miscellaneous expenses chargeable thereto.

### Public Debts

The Japanese Government issued its first public bonds in London in April, 1870, to the amount of £1,000,000 (¥9,763,000) at a price of

98, bearing interest at 9 per cent., and maturing in 1882. In 1873 a 7 per cent. loan of £2,400,000 was issued at a price of 92.5 to mature in 1897. No other foreign loans were paid at maturity. Prior to the issue of the first bonds, frequent borrowings were made by the Government from wealthy merchants in Osaka and Kyoto. Also to redeem borrowings from France the Tokugawa Shogunate borrowed \$500,000 Mex. from the Oriental Bank, Yokohama, a British institution. The first internal bonds were issued in March, 1873, for the purpose of covering the whole debts inherited from the feudal clans. The amount of issue was ¥10,972,725, followed a little later by another issue of ¥12,422,825. In 1874 capitalized pension bonds were issued to the total amount of ¥16,565,850 and were distributed to those who returned their land to the Government. These bonds were replaced by hereditary pension bonds, which were issued in 1876, to the amount of ¥173,902,900. War debts issues by the Government were in the form of borrowings from the Fifteenth National Bank to the amount of ¥15,000,000 in connection with the Satsuma Rebellion of 1877. At the end of that year the outstanding funded debts of the Government totalled ¥236,000,000, a fairly large amount at that time. In 1878 the Enterprise Bond Act was promulgated and the first bonds of the kind were issued to the amount of ¥12,500,000 with an interest rate of 5 per cent. and issue price of ¥80. Finance Minister Masayoshi Matsukata undertook the readjustment of bonds in 1886 and in October of the same year the Readjustment Bond Act was promulgated. The outstanding funded debts with interest rate of more than 6 per cent. at the beginning of 1886 totalled ¥175,000,000, and this amount was

converted into readjustment bonds for redemption in the next 12 years and the interest rate was lowered to 5 per cent. thereby saving the Government about ¥3,000,000 a year. The national debt of ¥260,000,000 before the outbreak of the Sino-Japanese War (1894) increased to ¥350,000,000 in 1895 and ¥500,000,000 in 1899. A rapid increase was experienced through the Russo-Japanese War and in 1910 the outstanding debts totalled ¥2,600,000,000. This was due to the fact that money used to pay the expenses of the Russo-Japanese War was obtained through bond issues to the amount of ¥1,400,000,000. The taking over in 1906, of 17 of the principal private railways under nationalization was also responsible for a large increase. Bonds worth ¥476,000,000 at 5 per cent. were delivered to the private railway companies in payment for their undertakings being taken over by the government. Bonds during the Russo-Japanese War were frequently issued at home and abroad. In Great Britain and America, Japan issued the 1st 6 per cent. sterling bonds, £10,000,000; the 2nd 6 per cent. sterling bonds, £12,000,000; the first 4.5 per cent. sterling bonds, £30,000,000; and others totalling altogether £82,000,000, or about ¥800,000,000. In connection with Japan's sending of expeditionary forces to Tsingtao and Siberia on the Allies' cause, the Government issued bonds eight times with an aggregate of ¥499,000,000 between 1919 and 1922. Besides, "delivery" bonds of ¥115,000,000 were issued for conferment of war bonus. At the end of the Kiyoura Cabinet foreign loans involving ¥550,000,000 were raised to meet the great earthquake and fire reconstruction work.

After the Russo-Japanese War, the total indebtedness increased slowly until 1910 and then declined

slightly in the years immediately before the World War. The extent of the improvement in the government's credit is evidenced by the fact that in 1910 the government floated a 60-year loan of £11,000,000 in London, and another 60-year loan of 450,000,000 francs in Paris, both bearing interest at 4 per cent. and selling at 95 and 95.5 respectively. These loans were floated for the purpose of retiring domestic loans. From the end of 1913 to the end of 1916, the total debt was decreased by about ¥131,000,000. Then, during the next three years, it increased by more than ¥700,000,000. The large budget deficits of the post-war years are reflected in the virtual doubling of the public debt since 1918. Except 1930-1931 the national debt has been on the increase ever since, amounts outstanding at the end of the fiscal year 1932-1933 reaching ¥7,054,195,552.

According to the report of the Finance Ministry, at the end of the fiscal year 1933-1934, or March 31, 1934, the outstanding amount of national debt reached ¥8,139,038,392, an increase of ¥1,084,843,000 as compared with the preceding year. Besides, there is ¥543,645,000 of rice securities which increased ¥323,281,000 on the preceding year as a result of the promulgation of the Rice Control Law.

In the fiscal year 1934-1935 loans amounting to approximately ¥1,000,000,000 was floated, and at the end of March, 1935 the total amount of national debt reached ¥9,090,454,022, increasing ¥951,415,630 as compared with the previous year.

The table on national debts outstanding March 31, 1935, follows:

AMOUNTS OF NATIONAL DEBTS  
OUTSTANDING

(In ¥1,000)

Internal loans:		
Five per cent. loans		1,851,744
Five per cent. loan (Special)		120,816
Five per cent. loan (Mark "Ko")		396,698
Five per cent. loan ("Onshi")		17,406
Four per cent. loan (1st series)		164,890
Four per cent. loan (2nd series)		94,468
Four per cent. loan		43,817
Five per cent. Exchequer bonds		2,330,761
Four and a half per cent. Exchequer bonds		715,000
Four per cent. Exchequer bonds		2,051,906
Total		7,687,510
External loans:		
4% Sterling loan of 1890 (1st series)		91,337
5% Sterling loan of 1907		222,669
4% Franc loan of 1910		160,990
4% Sterling loan of 1910 (3rd series)		105,429
6½% Gold bonds of 1924		235,522
6% Sterling loan of 1924		224,901
5½% Sterling loan of 1930		122,036
5½% Gold bonds of 1930		142,426
Sterling debenture of the South Manchuria Railway Company		97,630
Total		1,402,943
Grand total		9,090,454
Rice securities		522,390

The particulars of the national debts in 1934-35 are as follows:

GENERAL FEATURES OF THE NATIONAL DEBT IN THE  
FINANCIAL YEAR 1934-35

Kind of Loan	Rate of Interest	Date of Payment of Interest	Years of Issue
Internal Loans:—			
5% Loan { Mark: "Ka" "Ta" "Re" "So" "Tsu" "Ne" "Na" etc. "Sa" "Ki" "Yu" "Me" "Mi" "Hi" etc. }	5%	{ 1st Mar., 1st Sept. (1st Mar., 1st Sept.) 1st June, 1st Dec. }	1906-1933
5% Loan (Mark: "Kō")	6%	June, Dec.	1908, 1909
5% Loan (Special)	"	" "	1906
5% Loan ("Onshi")	"	{ (1st Mar., 1st Sept.) (1st June, 1st Dec.) Mar., Sept. }	1910
4% Loan { 1st Series 2nd Series }	4%	{ 1st June, 1st Dec. 1st Mar., 1st Sept. }	1911, 1913
4% Loan (Mark: "Ho" "He")	"	1st June, 1st Dec.	1910-1912
			1933-1934

Kind of Loan	Rate of Interest	Date of Payment of Interest	Year of Issue
5 „ Exchequer Bonds { Mark: "22nd" "23rd" "24th", etc. }	5 „	{ 1st Mar., 1st Sept. 1st June, 1st Dec. }	1925—1932
4½ „ Exchequer Bonds { Mark: "I" "Ro" "Ha" }	4½ „	{ 1st June, 1st Dec. 1st Mar., 1st Sept. }	1932—1933
4 „ Exchequer Bonds { Mark: "I" "Ro" "Ha" "Ni" "Ho" "He" "To" }	4 „	1st Mar., 1st Sept.	1933—1935
Total	—	—	—
External Loans:—			
4 % Sterling Loan of 1899 (1st Series)	4 %	30th June, 31st Dec.	1899
5 „ Sterling Loan of 1907	5 „	12th Mar., 12th Sept.	1907
4 „ Franc Loan of 1910 (issued in Paris)	4 „	15th May, 15th Nov.	1910
4 „ Sterling Loan of 1910 (3rd Series)	„	1st June, 1st Dec.	„
6½ „ Gold Bonds of 1924 (issued in New York)	6½ „	1st Feb., 1st Aug.	1924
6 „ Sterling Loan of 1924	6 „	10th Jan., 10th July	„
5½ „ Sterling Loan of 1930	5½ „	1st Jan., 1st July	1930
5½ „ Gold Bonds of 1930 (issued in New York)	„	1st May, 1st Nov.	„
Sterling Debentures of the South Manchuria Railway Company }	{ 4½ „	{ 1st Jan., 1st July 15th Jan., 15th July }	{ 1911 1923 }
Total	—	—	—
Grand Total	—	—	—

Kind of Loan	Year of Redemption	Amounts outstanding at the beginning of the year	Amounts of Issue during the year	Amounts of Redemption during the year	Amounts outstanding at the end of the year
Internal Loans:—					
5% Loan { Mark: "Ka" "Ta" "Re" "So" "Tsu" "Ne" "Na" etc. } { Mark: "Sa" "Ki" "Yu" "Me" } { Mark: "Mi" "Hi" etc. }	1938	1,851,738,625	6,250	550	1,851,744,325
5 „ Loan (Mark: "Kō")	1963	396,698,350	—	50	396,698,300
5 „ Loan (Special)	1935	120,816,800	—	50	120,816,750
5 „ Loan ("Onshi")	1967	17,406,700	—	—	17,406,700
4 „ Loan { 1st Series } { 2nd Series }	1969	259,427,900	—	68,250	259,359,650
4 „ Loan (Mark "Ho" "He")	1968	8,145,550	35,671,600	—	43,817,150
5 „ Exchequer Bonds { Mark: "22nd" "23rd" "24th", etc. }	1953	2,330,749,150	—	99,987,425	2,230,761,725
4½ „ Exchequer Bonds { Mark: "I" "Ro" "Ha" }	1946	715,000,000	—	—	715,000,000
4 „ Exchequer Bonds { Mark: "I" "Ro" "Ha" "Ni" "Ho" "He" "To" }	1962	1,024,457,050	1,027,449,100	—	2,051,906,150
Total	—	6,724,440,125	1,063,126,950	100,056,325	7,687,510,750
External Loans:—					
4 % Sterling Loan of 1899 (1st Series)	1953	91,337,747	—	—	91,337,747
5 „ Sterling Loan of 1907	1947	222,670,989	—	1,172	222,669,818
4 „ Franc Loan of 1910 (issued in Paris)	1970	160,996,257	—	6,192	160,990,065
4 „ Sterling Loan of 1910 (3rd Series)	„	105,428,684	—	—	105,428,684
6½ „ Gold Bonds of 1924 (issued in New York)	1954	243,205,233	—	7,682,779	235,522,454
6 „ Sterling Loan of 1924	1959	228,866,533	—	3,964,852	224,901,681
5½ „ Sterling Loan of 1930	1965	122,036,524	—	—	122,036,524
5½ „ Gold Bonds of 1930 (issued in New York)	1965	142,426,000	—	—	142,426,000
Sterling Debentures of the South Manchuria Railway Company	1936 } 1948 }	97,630,000	—	—	97,630,000
Total	—	1,414,598,267	—	11,654,995	1,402,943,272
Grand Total	—	8,139,038,392	1,063,126,950	111,711,319	9,090,454,022

Note: Besides the national debt there were Rice Purchase Notes amounting to ¥522,390,872 on March 31, 1935.

### AMOUNTS OF THE NATIONAL DEBT RAISED, REDEEMED AND OUTSTANDING

Financial Year	Internal Loans			External Loans		Amount outstanding at the End of the Financial Year
	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year	Amount issued	Amount redeemed	
1925—26	600,693,050	437,067,350	*3,519,864,225	—	27,462,595	1,479,312,135
1926—27	537,588,725	346,876,625	3,710,576,325	—	18,122,243	1,461,189,892
1927—28	742,749,325	508,582,175	3,944,473,475	—	7,796,785	1,453,393,107
1928—29	689,146,350	253,649,800	4,379,965,700	—	2,097,749	1,451,295,357
1929—30	558,942,975	426,300,400	4,512,608,275	—	4,446,545	1,446,849,812
1930—31	265,608,800	301,424,775	4,476,792,300	264,463,500	232,287,852	1,479,024,460
1931—32	457,583,700	219,297,800	4,715,078,200	—	6,445,186	1,472,579,274
1932—33	1,096,744,000	148,068,225	5,663,753,975	—	82,137,698	1,390,441,577
1933—34	1,066,062,000	5,375,850	6,724,440,125	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
Grand Total						
Financial Year	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year	Increase (+) or Decrease (—) of amount outstanding compared with the preceding Year	Debt per Head	
1925—26	600,693,050	464,529,945	*4,999,176,360	(+) 669,443,180	57.803	
1926—27	537,588,725	364,998,868	5,171,766,216	(+) 172,589,856	58.945	
1927—28	742,479,325	516,378,960	5,397,866,531	(+) 226,100,365	60.739	
1928—29	689,146,350	255,747,549	5,831,261,057	(+) 433,394,475	64.735	
1929—30	558,942,975	430,746,945	5,959,457,087	(+) 128,196,030	65.263	
1930—31	530,072,300	533,712,627	5,955,816,760	(—) 3,640,327	63.716	
1931—32	457,583,700	225,742,936	6,187,657,474	(+) 231,840,714	65.450	
1932—33	1,096,744,000	230,205,923	7,054,195,552	(+) 866,538,077	73.409	
1933—34	1,105,114,000	20,271,160	8,139,038,392	(+) 1,084,842,840	83.457	
1934—35	1,063,126,950	111,711,319	9,090,454,022	(+) 951,415,630	92.355	

### AMOUNT OF INTERNAL AND EXTERNAL LOANS REDEEMED OUT OF THE NATIONAL DEBT CONSOLIDATION FUND

Financial Year	Internal Loans	External Loans	Total
1925—26	32,880,125	17,699,594	50,579,719
1926—27	48,461,525	18,122,243	66,583,768
1927—28	80,350,375	7,796,784	88,147,159
1928—29	29,247,885	2,097,749	31,345,634
1929—30	97,899,713	4,446,545	101,346,258
1930—31	151,431,835	5,415,233	156,847,068
1931—32	49,952,097	6,445,185	56,397,282
1932—33	8,956,241	23,559,697	32,515,938
1933—34	5,375,850	14,895,310	20,271,160
1934—35	10,068,941	11,654,994	21,723,935

Note: Exclusive of the loans converted.

## JAPANESE EXTERNAL LOANS AND THEIR BANKERS

Kind of Loan	Place of Issue	Issuing Banks
4% Sterling Loan of 1899 (1st Series)	Great Britain	Yokohama Specie Bank Parr's Bank Hongkong and Shanghai Banking Corporation Chartered Bank
5% Sterling Loan of 1907	Great Britain	Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank
4% Franc Loan of 1910 (issued in Paris)	France	N. M. Rothschilds & Sons
4% Sterling Loan of 1910 (3rd Series)	France	Rothschild Frères
6½% Gold Bonds of 1924 (issued in New York)	Great Britain	Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank
6½% Gold Bonds of 1924 (issued in New York)	United States of America	J. P. Morgan & Co. Kuhn, Loeb & Co. National City Company First National Bank of the City of New York
6% Sterling Loan of 1924	Great Britain	J. Henry Schroder & Co. Westminster Bank, Limited Hongkong and Shanghai Banking Corporation Yokohama Specie Bank Baring Brothers & Co., Limited Morgan Grenfell & Co. N. M. Rothschilds & Sons
5½% Sterling Loan of 1930	Great Britain	Westminster Bank, Limited Hongkong & Shanghai Banking Corporation Yokohama Specie Bank Baring Brothers & Co., Limited Morgan Grenfell & Co. N. M. Rothschilds & Sons J. Henry Schroder & Co.
5½% Gold Bonds of 1930 (issued in New York)	United States of America	J. P. Morgan & Co. National City Company Kuhn, Loeb & Co. First National Bank of the City of New York
Sterling Debentures of the South Manchuria Railway Company	Great Britain	Yokohama Specie Bank Industrial Bank of Japan

Kind of Loan	Banks by which the Payment of Principal and Interest will be made	Rate of Exchange at which the Payment will be made
4% Sterling Loan of 1899 (1st Series)	{ London: Yokohama Specie Bank }	—
5% Sterling Loan of 1907	{ London: Yokohama Specie Bank New York: Yokohama Specie Bank Paris: Rothschild Frères }	New York: The payment is to be made at the current rate of exchange on London. Paris: fr. 25.25 per pound sterling.
4% Franc Loan of 1910 (issued in Paris)	{ London: Yokohama Specie Bank Paris: Rothschild Frères Bruxelles: A banker designated by Rothschild Frères Tokyo: Bank of Japan }	London and Bruxelles: The payment is to be made at the current rate of exchange on Paris. Japan: fr. 258 per ¥100

4% Sterling Loan of 1910 (3rd Series)	{ London: Yokohama Specie Bank Paris: Rothschild Frères Switzerland: Swiss Bankverein Tokyo: Bank of Japan }	Paris, Switzerland and Japan: The current rate of exchange on London.
6½% Gold Bonds of 1924 (issued in New York)	{ New York: Yokohama Specie Bank London: Yokohama Specie Bank }	London: \$4.8665 per pound sterling.
6% Sterling Loan of 1924	{ London: Yokohama Specie Bank Tokyo: Bank of Japan }	Japan: The current rate of exchange on London ruling on date of presentation.
5½% Sterling Loan of 1930	{ London: Yokohama Specie Bank New York: Yokohama Specie Bank Switzerland: Swiss Bankverein }	New York: \$4.8665 per pound sterling
5½% Gold Bonds of 1930 (issued in New York)	{ New York: Yokohama Specie Bank London: Yokohama Specie Bank }	London: \$4.8665 per pound sterling
Sterling Debentures of the South Manchuria Railway Company	{ London: Yokohama Specie Bank Switzerland: Swiss Bankverein }	Switzerland: The current rate of exchange on London.

## Provincial Finance

A uniform financial system was adopted in Japan in July, 1871, when prefectural governments were established to take over the power formerly wielded by the clans, which were then to be abolished. Taxes on people formed the largest source of revenue. The total revenue for prefectural taxes in 1873 was only ¥14,800,000, of which taxes on people totalled ¥14,200,000. Public expenses, school expenses and land tax revision expenses were the principal items of expenditure. In July, 1878, regulations were issued by the Central Government, to the effect that a distinction should be made between the expenses of prefectures and other bodies, such as cities, towns and villages, and the budget of each prefecture for the next fiscal year was to be formulated before February and submitted to prefectural assemblies and then to both the Home and Finance Ministries. With the introduction of regulations

concerning cities, towns and villages in 1887, the local self-government system was consolidated and a great change in provincial finance was brought about. The self-government system for prefectural administrations was enforced in 1891, and the expenses of these bodies have considerably expanded as years have gone by. In 1914, when the World War broke out, their revenue totalled ¥374,000,000 and expenditure ¥327,000,000. Enterprises such as road and bridge building, harbour construction, public works and others, were undertaken, and disbursements increased proportionately. Expenditure in 1924 totalled ¥1,300,000,000, and the Kato (Tomosaburo) Cabinet tried to bring about retrenchment in provincial finance, but no success was achieved.

## Local Expenditures

Local expenditures as a whole have been on the decline since 1927, which was the peak, as a result of the

retrenchment policy necessitated by the depression. It has turned, however, to rising tendency in these two or three years as a whole.

### ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS

(Compiled by the Department of Home Affairs)

(In yen)

Financial Year	Prefectures (Dō, Fu & Ken)			Cities			Grand Total
	Rates	Revenue Receipts from other sources	Total	Expenditure	Rates	Revenue Receipts from other sources	
1925-26	252,486,802	234,269,376	486,756,178	409,657,692	112,180,018	600,461,871	712,641,889
1926-27	258,156,885	259,817,356	522,974,241	449,299,623	111,450,604	706,472,845	817,903,449
1927-28	248,820,435	296,848,724	545,669,159	492,214,055	109,081,256	964,380,468	1,093,411,724
1928-29	262,907,747	303,067,833	565,975,580	491,261,230	115,079,602	854,680,992	969,749,594
1929-30	264,801,958	281,123,097	545,925,055	489,489,861	122,789,419	702,604,925	825,894,344
1930-31	246,945,000	293,250,812	540,195,812	478,238,248	118,842,669	777,745,926	896,588,595
1931-32	221,939,715	317,861,600	539,801,315	502,572,907	107,828,291	638,635,659	746,463,960
1932-33	216,238,846	445,301,501	661,540,347	624,808,519	114,401,488	727,830,121	842,231,607
1933-34	220,734,996	273,963,508	494,698,504	494,696,898	133,242,258	675,063,644	808,806,902
1934-35	228,776,332	263,601,764	492,378,096	492,377,997	144,512,165	695,859,493	840,371,658

  

Financial Year	Town and Villages			Grand Total			
	Cities Expenditure	Rates	Revenue Receipts from other sources	Total	Expenditure	Revenue	Expenditure
1925-26	547,623,581	269,295,401	244,147,556	513,442,057	451,914,794	1,712,790,524	1,409,196,067
1926-27	644,418,221	279,233,090	291,891,716	571,127,806	500,279,574	1,912,002,496	1,593,997,417
1927-28	936,314,972	257,255,027	341,491,603	608,746,630	540,777,580	2,247,827,513	1,969,306,607
1928-29	841,725,457	278,728,831	342,453,671	621,192,502	560,821,930	2,156,917,676	1,893,808,617
1929-30	695,547,423	277,877,112	307,330,994	585,208,106	529,609,528	1,956,527,515	1,714,646,814
1930-31	776,350,767	236,613,665	319,862,726	556,476,891	498,147,570	1,993,261,798	1,752,736,575
1931-32	634,459,007	199,883,543	340,561,887	540,445,430	488,937,099	1,826,210,705	1,625,969,013
1932-33	730,335,466	190,413,816	409,724,407	594,158,223	543,723,528	2,097,910,177	1,898,927,513
1933-34	808,197,698	200,785,074	251,186,729	451,921,803	451,746,992	1,754,926,209	1,754,641,083
1934-35	840,114,529	269,169,312	251,206,975	460,376,287	460,139,857	1,793,126,041	1,792,632,383

Note: Since 1933-34 the figures represent the budget estimates.

**Prefectural Finance in 1935-36** In the 1935-36 fiscal year budget, the total revenue of the prefectures amounted to ¥509,858,000, and the average revenue of a prefecture was ¥10,848,000. The increase was ¥17,480,000 in the former and ¥372,000 in the latter. The most important source of revenue was taxes which represented 46 per cent. of the total revenue. The supertax on the direct state tax, which amounted to 24 per cent., subsidies from State Treasury, and prefectural loans are also other important sources.

Of the expenditure which amounted to ¥509,858,000, 22 per cent. was for public works, 22 per cent. for education, 17 per cent. for police and 14 per cent. for various enterprises.

Of the prefectural expenditure, ¥61,602,000 of Tokyo prefecture was the largest, followed by ¥30,057,000 of Osaka, ¥29,694,000 of Hyogo, ¥24,840,000 of Aichi and ¥20,220,000 of Fukuoka. The expenditure of Hokkaido, Kanagawa, Niigata, Toyama, Nagano, Shizuoka, Kyoto and Hiroshima was more than ¥10,000,000 each, while expenditure of most of other prefectures ran between ¥4,000,000 and ¥10,000,000. The expenditure of Nara and Okinawa prefectures was less than ¥4,000,000 respectively.

**Outstanding Debts** Outstanding funded debts of provincial self-governing bodies which at the end of 1897 amounted to ¥89,266,115, stood at ¥2,957,472,000 on March 31, 1934.

Borrowings are mostly for public works, education, hygiene, industrial development, public utility and other enterprises. The list of these outstanding debts on March 31, each year, in ¥1,000, follows:

	Prefectural governments	Cities	Towns and Villages	Others and total
1926	282,474	839,746	115,699	1,267,942
1927	329,326	1,017,515	181,269	1,518,246
1928	379,438	1,258,941	167,541	1,844,434
1929	425,795	1,371,867	212,097	2,060,383
1930	482,412	1,461,953	235,736	2,221,703
1931	534,349	1,540,897	256,305	2,374,415
1932	580,128	1,596,468	312,832	2,535,086
1933	663,839	1,733,761	279,060	2,728,249
1934	777,905	1,811,629	309,143	2,957,472

  

	Prefectural governments	Cities	Towns and Villages	Others and total
1924	193,204	624,844	81,655	924,532
1925	269,117	727,747	95,597	1,119,189

### FOREIGN LOANS OF CITIES

(March 31, 1934)

Cities	Names of Loans	Outstanding amount (In ¥1,000)	Years of issue	Years of redemption
Tokyo	Loans for consolidation of old debts, city improvement	6,215	1906	1916-1936
"	Loans for electric enterprise	60,611	1912	1916-1952
"	Reconstruction Works Loan	93,280	1926-27	1927-1961
Osaka	Harbour Works Loan	2,620	1898-1903	1905-1961
"	Loan for Electric Railways and Waterworks	17,912	1909	1919-1938
Yokohama	Waterworks Loan (2nd Series)	5,888	1909	1924-1953
"	6% Reconstruction Works Loan (dollar)	35,228	1926	1927-1960
Nagoya	Waterworks Loan	2,833	1909	1917-1943
Total		224,590		

### Outline of Budgets of Local Municipalities in 1935

A special point that must be noted in the 1934-35 city, town, and village budgets (which include supplementary budgets) was the increase both in rates collected and in expenditure.

As regards rates they increased in cities by ¥15,000,000 over that of 1933-34 and in towns and villages by over ¥8,000,000. In the instance of major portion of rates in cities and some portion in towns and villages the increase was due to natural increase of rates caused by economic prosperity. In the case of towns and villages the increase was not very large. This may be due to the fact that since about 70 per cent. of rates in them come from the house rates the benefit which the people in these

quarters are reaping from prosperity is comparatively small. It explains further that the foundation of finances of agricultural and fishing villages, which comprise about 80 per cent. of the whole nation, is very weak and is hardly capable of meeting expenditures like those for education, payment of bonds, etc. It explains indeed the extent of poverty to which these people have been driven.

Expenditures of municipalities have a tendency to increase every year. 1935-36 city budgets amounted to ¥850,000,000 and was the largest. It showed an increase of ¥9,700,000 or 1.2 per cent. over that of the year before. The town and village budget in the same year was ¥480,000,000 which showed an increase of ¥16,000,000 or 3.6 per cent. It was the largest since 1928.

The aggregate budget in the last ten years are as follows :

Year	(in ¥1,000)	
	City budget	Town and village budget
1935	849,818	476,561
1934	840,114	460,139
1933	808,197	451,746
1932	590,575	451,982
1931	629,284	487,654
1930	686,578	474,100
1929	746,131	525,577
1928	745,808	505,792
1927	590,222	481,507
1926	671,907	422,920

Expenditure required for general relief work, however, was included in the budgets for three years between 1932 and 1934 so that under ordinary circumstances the 1935-36 budget should have been decreased (aid of the national treasury was drastically decreased). Principal rea-

sons that caused the increase were increase in the number of children of school age, expenses incurred for public works undertaken for reconstruction of damages done to villages by wind, flood, drought, unduly cold climatic conditions, poor results of cocoon raising industry, etc. as well as for taking other counter measures, and increase in expenses for hygiene, buildings, education, etc.

Substance of revenue and expenditure of budgets will be examined below.

City Budget Revenue of cities from rates increased by about ¥15,600,000. Classified according to cities the increase of revenue of six largest cities was by more than ¥10,000,000. Principal items and the increase of rates classified by cities follow :

Items	(in ¥1,000)						Total
	Tokyo	Yokohama	Nagoya	Kyoto	Osaka	Kobe	
Land surtax	900	55	140	83	249	175	1,606
Surtax of business profit tax	866	67	236	160	601	340	2,391
Surtax of income tax	2,188	43	110	70	147	465	3,027
Surtax of house tax	1,389	25	39	252	101	—	1,810
Surtax of miscellaneous taxes	923	52	77	85	35	—	1,458
Total	6,268	248	624	601	1,470	982	10,193

The increase of revenue amounting to ¥7,000,000 which accrued from the increase of surtaxes of income and business profits taxes is due to the natural increase caused by indus-

trial prosperity.

Comparative figures of various revenues in 1934 and 1935 classified according to items follow :

Items	1934-35	1935-36	Increase or decrease in ¥1,000
	in ¥ 1,000	in ¥ 1,000	
Surtax on land	15,532	13,362	2,180
.. on business profits	22,102	18,500	3,602
.. .. income	13,966	10,744	3,221
.. .. mining	172	158	13
.. .. bourses	279	270	9
Special surtax on land	90	75	15
Surtax on houses	48,526	46,013	2,513
.. .. special business profits	3,760	3,613	146
Surtax on miscellaneous taxes	27,268	25,066	2,202
Special rates : Land rates	391	418	- 26
House rates	17,122	16,165	956
Surtax on house rates	108	108	—
Income rates	503	564	61
Others	10,307	9,457	850
Head tax	1	—	1
Total	160,137	144,512	15,625

Revenue arising from sources other than taxes decreased by ¥5,500,000. Though revenue which accrues from charges for uses of facilities owned by the public or fees increased by ¥14,000,000. Varied reductions were made in other items, such as the reduction of ¥8,200,000 in grants from the national treasury on account of

closing of relief works, a decrease in the sum carried from the previous year which amounted to ¥15,000,000 and also a decrease in the sum to be put into special account which amounted to ¥7,000,000.

Classified according to items these revenues are as shown below :

Items	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Revenue arising from property	8,463	8,471	7
Charges for uses of public facilities & fees	218,130	201,715	16,414
Sum given to municipalities for levying national tax	8,187	2,677	5,509
levying prefectural tax	2,796	2,598	197
Grant from National Treasury	14,266	18,850	- 4,584
Aid from National Treasury	10,744	18,959	- 8,214
Aid from prefectures	5,455	4,965	489
Sum carried from previous year	34,495	49,140	- 14,645
Contributions	3,224	2,215	1,009
Municipal bonds	286,225	285,658	567
Payment made to municipalities	6,555	5,925	630
Compensations	4,012	3,833	178
Money transferred	6,381	13,414	- 7,032
Sales of properties	11,718	12,788	- 1,069
Others	74,626	69,634	4,992
Total	690,285	695,850	- 5,574

In expenditure the 1935-36 budgets showed an increase of ¥9,700,000.

Tokyo expanded ¥35,000,000 for bonds which was the largest in this item. Expenses defrayed by other small cities on the same item showed only a slight increase on the previous year. In construction plans of cities smaller cities increased this item of expenditure, but about ¥7,000,000 were reduced in six largest cities. On the other hand, expenditure on education increased by ¥19,000,000. This was due to building new school houses on account of the increased number of children of school age and repairs required for some school houses on account of

damages done to them by natural forces. A sum of ¥9,000,000 increased in public works because of construction of Osaka harbour and various public works undertaken both in Tokyo and Kobe. For extension of waterworks, for establishment of facilities for disposition of night-soil in new wards in Tokyo, for establishment of facilities for disposal of garbage and construction of sanatorium in Tokyo and for repairs of damages done by natural forces to hospitals for infectious diseases in Osaka and Kyoto, etc. these expenses for hygiene increased by ¥17,000,000.

Expenditure classified according to items follows :

Items of expenditure	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Education	122,690	113,855	8,835
Public works	52,997	59,420	- 6,423

Items of expenditure	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Hygiene	103,887	87,103	16,784
Encouragement of industry	9,258	6,278	2,984
Social works	22,818	22,892	79
Electric and gas works	108,187	104,502	3,684
City construction	43,442	48,845	- 5,404
Office expenses	35,635	33,081	2,553
Expenses for conference	2,459	2,156	302
Guard	2,690	2,424	266
Bonds	279,658	320,801	41,142
Various taxes and charges	4,388	4,626	- 237
Reserves and endowment funds	9,354	6,048	3,305
Others	36,401	37,081	- 679
Total	849,816	840,114	9,702

Town and Village Budgets Revenue from town and village rates increased by ¥8,500,000. Of this the increase from house rate was ¥5,700,000. This rate was increased in order to meet the increase in disbursements for education, relief works, bonds for reconstruction works and to make good the deficit caused by decrease in the Government aid for education and relief works. Surtax on business

profits tax, on income tax, on house tax and on miscellaneous taxes increased by ¥3,000,000, which seems to be due to the fact that towns and villages in outlying districts of cities profited from prosperity in cities. The increase appears to have accrued from natural increase of the income of the people. Rates of town and village classified by kinds follow:

Items	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Surtax on land tax	29,746	30,036	- 289
" " business profits tax	8,146	7,321	824
" " income tax	456	379	76
" " mining tax	1,458	1,264	194
Special surtax on land tax	5,055	5,096	- 30
Surtax on house tax	16,542	15,806	736
" " business tax	3,534	3,607	73
" " miscellaneous taxes	27,310	26,163	1,146
Special rates: Land rates	4,930	4,696	234
House rates	119,643	113,961	5,682
Surtax on house rates	86	86	50
Income rates	3	2	1
Others	332	283	48
Commodities paid as head tax evaluated	452	513	- 60
Total revenues	217,711	209,169	8,542

Revenue which came from sources other than rates increased by about ¥8,000,000. Owing to the closing of relief work and reduction of temporary aid for educational works a decrease of about ¥6,600,000 was made in grant and aid from the National Treasury. On the other

hand, a gain of about ¥6,000,000 which rose from the sales of properties, contributions, and expenses for bonds was made. This revenue was appropriated for construction and repairs of school houses or for winding up relief works. An increase of about ¥1,300,000 from charges for uses of

public facilities and various fees was made, and so also another of about ¥2,500,000 from the collection of

loans from landed farmers, etc. Revenue other than rates classified by items follows:

Items	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Revenue arising from property	15,671	15,721	49
Charges for uses of public facilities & fees	19,385	18,105	1,279
Sum given to towns & villages for levying national taxes	2,778	2,724	53
levying prefectural taxes	3,369	3,287	81
Grant from National Treasury	71,965	73,159	- 1,193
Aid from National Treasury	5,693	9,541	- 3,848
Aid from prefectures	14,756	16,327	- 1,570
Sum carried from previous year	21,524	21,052	472
Contributions	10,200	9,124	1,075
Bonds	29,042	25,029	4,013
Others	64,737	57,133	7,604
Total	259,124	251,206	7,917

Expenditure defrayed by towns and villages increased by more than ¥16,000,000 on the previous year. Disbursements defrayed for winding up relief works were large, while reduction of ¥2,000,000 each was made in public works and in installment in endowment funds. On the other hand, increase of expenditure was made in the following items: ¥2,000,000 for education owing to increase of children and for reconstruction of school houses; ¥2,500,000 for social works in order to develop

pawnshop business; ¥1,500,000 for encouragement of industry such as revival of agrarian villages; ¥1,000,000 for hygienic purpose such as extension of waterworks, etc.; ¥1,000,000 as office expenses on account of damages done to some office buildings; ¥4,000,000 for bonds; and ¥1,000,000 for shrines and temples, ¥8,000,000 for national census, ¥800,000 as expenses required for the sales of the Government rice, etc. Expenditure classified according to items follows:

Items of expenditures	1935-36 in ¥ 1,000	1934-35 in ¥ 1,000	Increase or decrease in ¥ 1,000
Education	207,886	205,457	2,378
Public works	31,265	33,162	1,896
Hygiene	17,466	16,503	963
Encouragement of industry	20,082	18,603	1,479
Social works	18,575	16,072	2,503
Electric and gas work	2,561	2,136	425
Townhall, etc.	72,584	71,618	965
Expenses for conference	2,946	2,876	69
Guard	7,989	7,730	258
Bonds	39,189	35,161	4,028
Various taxes and charges	2,450	2,206	243
Reserves and endowment funds	12,955	14,768	- 1,812
Others	40,658	33,843	6,814
Total	476,561	460,139	16,421



### Deposit Bureau of the Department of Finance

**Organization** Although the Deposit Bureau of the Department of Finance has been in existence since 1877, it was only after many changes that the present system was established in 1925. The chief of this 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 funds of the Deposit Bureau also include other deposits, reserves in the Special Account of the Deposit Bureau and surpluses. 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 Funds** It is laid down by law that the funds of the Deposit Bureau are to be invested solely for the benefit of the State and the public in 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 Bureau.

**Committee on Investments** This Committee consists of the following members: The Minister of Finance, as the 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 learned and experienced persons. 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 funds of the Deposit Bureau. 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 funds of the Deposit Bureau. The Minister should present to the Committee, after every fiscal year, a report stating particulars of important matters concerning conditions of investment of the funds of the Deposit Bureau and changes in the funds invested.

**Method of Investment** As mentioned above, the funds of the Deposit Bureau are to be invested for the benefit of the State and the public welfare in a profitable and the 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 or health insurance associations.

(c) The subscription to, under-

writing 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) Loans to banks organized under special laws but not authorized to issue debentures.

(e) The subscription to and purchasing of foreign Government bonds.

(f) 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 funds of the Deposit Bureau is determined, within the limits mentioned above, at the beginning of every fiscal year. The Deposit Bureau gives, at the end of March, 1935, the following figures of investment, classified according to purposes:

Items	(In thousands of yen)	%
National loans	1,717,600	41.23
Loans to the General and Special Accounts	91,154	2.19
Local funds invested	1,820,522	43.70
Special advances	219,476	5.27
Funds held abroad	2,455	0.06
Cash	176,426	4.23
Others	138,420	3.32
Total	4,166,066	100.00

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 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 harbours, 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.

(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, live-stock 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 the earthquake, accommodation to the silk-raising industry, the relief of the employed, 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 the colonies. As to the rate of interest paid on the deposits, it is to be noted that the rate was reduced to 3 per cent. annum for the greater part of postal savings. The postal savings amount to about 72 per cent. of the total amount of the funds of the Deposit Bureau. Other deposits are divided into two classes, namely,

fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 3 per cent. per annum, but the rate on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposits Bureau is 3.5 per cent. The rate on ordinary deposits is in principle 2 per cent. per annum, while that on deposits of corporations other than public corporations is 1 per cent. These rates have been effective since October 1, 1932. On the other hand, the rate for the greater part of the funds advanced before October 1, 1932 remains  $4\frac{1}{2}$  per cent. and that for

the new advances made after that time is  $3\frac{1}{2}$  per cent.; but when advances are made through banks and similar institutions, these intermediate institutions gain  $\frac{1}{10}$  per cent. and the actual borrowers must pay at the rate of  $4\frac{1}{2}$  per cent. for the advances made before October 1, 1932 and  $3\frac{9}{10}$  per cent. for those after that time.

Accounts of the Bureau Assets and liabilities of the Deposits Bureau at the end of 1934-35 fiscal year (March 31, 1935) totalled ¥4,276,703,583 each, showing an increase of ¥202,493,920 over the same period of the year before.

BALANCE SHEET OF THE DEPOSIT BUREAU,  
THE DEPARTMENT OF FINANCE. (At the end of March)

Liabilities	1931 Yen	1932 Yen	1933 Yen	1934 Yen	1935 Yen
<b>Deposits:</b>					
Postal Savings and Postal Transfer System	2,482,412,345	2,773,458,528	2,768,417,482	2,932,106,094	3,073,774,560
Proceeds of Reconstruction Savings Certificates	79,394,330	78,595,740	77,796,365	76,998,065	76,199,345
Surplus fund of Certain Special Accounts of the Government	155,246,415	181,584,268	203,257,488	325,559,868	359,824,716
Others	78,704,425	94,744,295	68,310,972	185,742,496	161,806,548
Reserves	265,663,876	284,549,662	279,224,775	348,641,626	392,884,577
Miscellaneous receipts	160,129,212	166,718,564	243,741,052	204,629,596	212,242,909
Checks payable	276,297	819,725	569,687	581,922	470,929
<b>Total</b>	<b>3,221,826,900</b>	<b>3,579,970,777</b>	<b>3,781,317,772</b>	<b>4,074,209,662</b>	<b>4,276,703,583</b>
<b>Assets.</b>					
Government securities	888,457,406	1,019,753,083	1,137,080,988	1,566,497,555	1,717,600,455
Local government and municipal securities	523,686,859	645,504,831	781,560,024	870,086,594	914,248,574
Debentures of the Hypothec Bank of Japan	402,481,477	507,674,536	418,866,912	396,059,279	358,868,938
Reconstruction Savings Certificates	3,887,147	3,806,682	3,718,225	3,531,918	3,572,327
Debentures of the Industrial Bank of Japan	62,834,300	45,573,500	50,632,416	49,771,950	47,375,460
Debentures of the Hokkaido Colonial Bank	54,162,540	61,635,299	71,569,847	76,998,250	75,236,120
Debentures of Agricultural and Industrial Banks	80,178,315	90,198,259	110,651,311	142,267,962	141,070,357
Debentures of the South Manchuria Railway Co.	6,977,225	6,479,035	11,503,161	8,112,250	7,906,875
Debentures of the Oriental Development Co.	57,844,248	58,163,974	55,907,774	54,377,274	51,687,574
Debentures of the Chosen Industrial Bank	62,440,000	75,200,800	85,214,500	93,243,200	95,710,000
Debentures of the Central Chest for Industrial Associations	41,240,000	41,419,000	59,503,000	64,411,000	84,291,000

	1931 Yen	1932 Yen	1933 Yen	1934 Yen	1935 Yen
3% Conversion Loan Bonds of the Chinese Government	2,245,770	2,245,770	2,245,770	2,245,770	2,245,770
Right to receive the Chinese Government Bonds	8,320,685	8,820,685	8,820,685	8,820,685	8,820,685
Government liability to pay for the principal and interest of the 4% Chinese Government Bonds	22,111,673	20,947,260	19,266,061	17,584,861	15,903,662
Miscellaneous advances	615,960,962	685,789,321	592,478,670	487,667,090	451,637,531
British Treasury Bills	9,393,017	6,985,592	2,532,255	5,359,610	—
Deposits with the Bank of Japan to be held abroad for designated purposes	98,247,382	129,777,544	2,186,965	1,369,350	2,465,280
Deposits with the Bank of Japan to be held at home for designated purposes	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Cash	*150,477,918	*101,277,892	170,554,251	143,702,111	176,426,801
Expenditure	119,884,975	157,718,304	135,724,957	121,002,852	110,636,676
<b>Total</b>	<b>3,221,826,900</b>	<b>3,579,970,777</b>	<b>3,781,317,772</b>	<b>4,074,209,662</b>	<b>4,276,703,583</b>

\* Current deposits with the Bank of Japan.

PROFIT AND LOSS ACCOUNT OF THE DEPOSIT BUREAU,  
THE DEPARTMENT OF FINANCE

Receipts	Yen	Yen	Yen	Yen	Yen
Interest on securities	102,174,097	117,484,736	123,726,883	137,001,976	155,882,795
Interest on advances	27,190,907	28,768,897	28,115,942	22,395,790	11,477,401
Interest on deposits	6,440,179	4,675,742	5,322,668	468,080	463,436
Profits from the sale of securities	399,179	611,889	2,449,793	1,421,408	183,762
Profits from the redemption of securities	355,236	96,298	75,440	101,045	79,424
Premiums on securities	163,207	165,274	172,674	203,176	193,354
Underwriting commission on securities	575,774	—	—	—	—
Commission for the sale or purchase of securities	3,969	3,752	2,294	4,282	3,122
Receipts from the Government for the principal and interest of the 4% Chinese Government Bonds	1,499,093	1,499,093	2,164,417	2,164,417	2,164,417
Transferred from General Account	—	—	1,116,868	3,147,148	2,830,876
Profits from the disposal of the specie held abroad	—	7,911	43,582,149	214,820	7,544,532
Miscellaneous profits	177	28	116	114	610
Payments by officials under the Pension Law	—	312	520	1,148	1,604
<b>Total</b>	<b>128,801,907</b>	<b>153,313,433</b>	<b>206,729,763</b>	<b>167,123,404</b>	<b>180,825,334</b>
<b>Payments.</b>					
Administrative expenses	89,356	99,145	255,212	507,920	560,438
Interest on deposits	112,713,601	117,789,529	127,267,519	112,597,322	102,032,252
Commission paid for the services rendered by the Bank of Japan	183,084	185,938	153,637	144,408	158,843
Losses in investment	74	1,651	40	84	99
Amount transferred to other Government Accounts for Postal Savings Service	6,930,000	9,630,000	9,630,000	9,630,000	10,080,000
Contributions under the Pension Law	—	177	442	658	523
Other payments	—	—	—	—	328
Depreciation	7	30,981,880	63	61	342
Transfers to or supplements by reserves	18,885,785	*5,324,887	69,416,851	44,242,951	67,992,508
<b>Total</b>	<b>188,801,907</b>	<b>153,313,433</b>	<b>206,729,763</b>	<b>167,123,404</b>	<b>180,825,334</b>

\* In 1931-32, supplemented by reserves.

## State Property

State property is defined under Article I of the State Property Law, promulgated by Law No. 43 in April, 1921 as follows:

"The State property under this Law includes the State-owned real estate and movable estate and rights provided in the Imperial Ordinance." The value of State property is shown below:

	General Accounts	Special Accounts	Total
	(In yen)		
1925	4,221,005,238	2,122,681,903	6,343,687,142
1926	4,269,586,429	2,901,230,572	6,570,817,001
1927	4,729,822,213	2,527,426,509	7,257,248,722
1928	4,798,480,264	2,704,931,432	7,503,411,696
1929	4,914,642,478	2,922,347,476	7,836,989,955
1930	5,016,980,596	3,094,405,380	8,111,385,976
1931	5,083,477,781	3,228,063,095	8,311,540,876
1932	4,720,478,566	3,280,922,777	8,000,501,343
1933	4,839,395,128	3,353,423,683	8,192,729,816
1934	5,318,190,353	3,279,857,076	8,598,047,429

The value of State property under the jurisdiction of the colonial Governments on March 31, 1934, was as follows:

Government-General of Korea	¥614,645,787
Government-General of Formosa	294,712,326
Government of Karafuto (Saghalien)	49,187,522
Government of Kwantung	157,074,740
Government of South Sea Mandated Islands	17,165,689
Total	1,132,795,066

**Estate and Rights** The State-owned movable estate and rights are as follows:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate.

(c) Machines 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.

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 provisions of this Law.

**Four Classifications** 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 services 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.

**The Legal Limitation** 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 are 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) State property belonging to the Governments of Chosen, Taiwan, Karafuto, Kwantung, and South Sea Mandated Islands in which the State Property Law has not yet been put into effect.

(c) Public property (Art. 28, State Property Law).

(d) 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, Department of Finance).

The figures given above 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)—(d) above will be much higher than the figures given herein. Paragraph (b) above excludes property in the colonies, but for the purpose of reference this has been added as an appendix to the table of State property. Recognizing that it is expedient to apply the State Property Law to these colonies, the Government is now making preparations therefor, and when this law is put into effect, the property in these regions will be included in the statements. Further, as there prevails an opinion that the value and volume of property mentioned in (c) and (d) should be given in the statements, they will be included therein in the near future.

**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 Departments, the latter under the Minister of Finance. Each Minister administers the State property of his Department; 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 keeping the different Ministers in touch with one another so as to secure the full use of the property.

**The Increasing Tendency** The tendency of State property to increase is indicated in the table of statistics given above, and is due to 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.). Moreover, the revaluation of property made every fifth year causes an increase or decrease in the total value of State property.

**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 the 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 1925-26 to 1935-36 :

Year	Revenue Yen	Expenditure Yen
1925-26	5,271,904	2,202,805
1926-27	5,502,504	2,555,297
1927-28	12,904,110	15,228,282
1928-29	11,373,256	15,918,470
1929-30	9,349,573	9,102,751
1930-31	6,439,664	6,237,805
1931-32	4,870,211	5,963,998
1932-33	4,755,566	5,823,635
1933-34	5,973,512	6,198,998
1934-35	6,259,334	6,259,077
1935-36	5,629,495	5,629,267

The figures for 1934-35 and 1935-36 denote budget estimates.

#### Japan's National Wealth

The national wealth of Japan proper for 1930, the most recent date for this kind of investigation, was estimated at ¥110,188,000,000, according to the Cabinet Statistics Bureau. This included the following:

	(Estimates in thousand yen)
Land	41,091,348
Mines	6,499,651
Ports, harbour and canals	343,143
Bridges	483,000
Trees	6,706,815
Live-stock and poultry	346,356
Buildings	22,843,300
Industrial machines and apparatus	1,809,381
Railways and tramways (street cars)	3,598,138
Vehicles and aeroplanes	650,294
Shipping	2,060,236
Electric and gas supply equipment	1,905,044
Telegraph and telephone equipment	196,102

	(Estimates in thousand yen)
Waterworks equipment	352,779
Property in store:	18,847,310
Household property	12,473,201
Manufactures	5,457,466
Coins and gold and silver bullion	916,643
Miscellaneous	2,250,515
Balance of Japan's foreign credit and debt	191,502
Total	110,188,004

The total is classified into Government property 12 per cent., public property 4 per cent. and private property 84 per cent. Land, buildings, trees and mines combined make a total of 81 per cent. in all. Manufactured goods, railways and tramways, shipping, electric and gas equipment and industrial machines and tools combined make a total of 13 per cent. The remainder is 6 per cent. The national wealth for 1930 per household was ¥8,672 and per one man was ¥1,710. The change of national wealth, investigated by Mr. Hideomi Takahashi, a statistical authority in Japan, follows:

Time of	Year	National wealth (in million yen)
Arrival of "Black Ships"	1851	5,085
Sakuradamon Murder Incident	1860	5,769
Meiji Restoration	1868	6,818
Abolition of feudal clans and establishment of prefectural government	1873	7,317
Satsuma Rebellion	1877	8,571
Promulgation of Imperial Constitution	1889	13,043
Sino-Japanese War	1894	16,667
Russo-Japanese War	1904	22,742
First Year of Taisho Era	1912	37,524
	1921	53,025
	June, 1924	101,975
	March, 1925	105,742

## CHAPTER IX

### BANKING AND THE MONEY MARKET

When the Meiji Government announced that all taxes had to be paid in cash instead of rice, (see Chapter VIII, Taxes) which had been the sole substitute for money in tax payment during the Tokugawa régime, there arose a great demand and consequent shortage of money all over the country. The superseding of feudal clans by prefectural governments had necessitated the issue of bonds by the Meiji Government in order to pension off the daimyō and samurai. Furthermore, the Government had to readjust the inconvertible paper notes so recklessly issued toward the latter stage of the Tokugawa Administration. Such was the position when Shigenobu Okuma (the late Marquis), Minister of Justice, in conjunction with Kaoru Inoué (later Marquis), Vice-Minister of Finance, instructed Hirobumi Ito (the late Prince), who was then visiting New York on his way home from an inspecting tour of England and Germany, to draw up a plan for a financial system for Japan. Ito met New York bankers and listened to their opinions on the adoption of a modern banking system in Japan. The United States at that time had a national banking system, and it was such a national bank system that was recommended to and finally adopted by Japan. The text of the scheme was brought home by Ito and the first difficulty that arose was in connection with the translation of the word "Bank" into Japanese. A new word had to be coined, and though "Ryogayé-ya", money exchange shop, and "Kinko" office to handle gold were

suggested, "Ginko", an office to handle silver, was the final selection on account of the country's decision to adopt the silver standard of currency.

#### National Banks

The Japanese National Bank Act was promulgated in November of the 5th year of Meiji (1872) and this formed the cornerstone of the banking business in Japan. The banks established in accordance with this Act were the First National Bank, Tokyo; the Second National Bank, Yokohama; the Fourth National Bank, Niigata; and the Fifth National Bank, Kagoshima. The First National Bank, founded by Eiichi Shibusawa (the late Viscount), was invested in jointly by the Mitsui-Gumi and Ono-Gumi to the amount of ¥2,000,000 out of the total capitalization of ¥3,000,000. The remaining amount of ¥1,000,000 was offered for public subscription. Due to the lack of knowledge of the people regarding the nature of public subscriptions to shares there is little wonder that only ¥448,000 was subscribed. The bank was opened on August 1, 1873. H. E. Shand, a clerk of the Oriental Bank, a British institution in Yokohama, was engaged by the bank to teach Japanese clerks banking business. With the revision of the National Bank Act in 1876, the number of banks in Japan greatly increased. There were 153 banks with a total capitalization of ¥37,000,000 and with authority to issue notes at the end of 1879. The National Bank Act provided for conversion of the national bank notes

into specie. An amendment was made in 1883 in the Act, by which the privilege of issuing notes was taken away from the national banks and granted exclusively to the newly-created central banking institution, the Bank of Japan, and suitable measures were taken for redemption of the national bank notes. Meanwhile, private banks and bank-like business companies, which did not come within the purview of the National Bank Act had increased in number, until their total number reached 954 in 1884, and there were no general provisions to control such banks and companies. To bring them under one efficient control, the Ordinary Bank Act and Savings Bank Act were promulgated in 1890 and put into 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 charters expired, most of them continued business as ordinary banks, and by February, 1899, national banks ceased to exist, so that there was no longer any difference between the economic functions and legal nature of the former national banks and other ordinary banks, all of which are controlled by general banking law. Ordinary banks are placed under control of the Minister of Finance, whose licence 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 Act with regard to business hours and holidays.

### Bank Act of 1927

Though a few amendments had been made from time to time since its enactment, the greater part of the Bank Act of 1890 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 follow in summary:

(1) Banks as defined in the Banking Act are in principle institutions which carry on the operations of giving as well as receiving credits.

(2) Participation in banking business is confined to joint stock companies having at least the minimum capital<sup>1</sup> prescribed by the Act.

(3) The use of the word "Bank" (Ginko) in the trade name is made compulsory for every bank, and the use of the word is prohibited to businesses not being banks.

(4) Banks are strictly prohibited from engaging in business activities other than those prescribed in the Act.

(5) A bank shall, until the full amount of its capitalization is reached, set aside each time that a dividend is paid on profits 10 per cent. of such profits as a reserve fund.

(6) A strict audit system is established.

(7) Managers or managing-directors while actively engaged as such are not permitted to participate in the management of other companies without sanction of the Minister of Finance.

<sup>1</sup> The minimum paid-up capital for a bank in Tokyo and Osaka must be not less than ¥2,000,000; for towns of more than 10,000 population not less than ¥1,000,000; and for smaller communities not less than ¥500,000.

(8) The Court of Justice shall exercise closer supervision over the liquidation of banks.

(9) 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 in which the Act is in force.

(10) The power of the Minister of Finance respecting the cancellation of business licences 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 Bank Law enacted in 1921 superseded the Savings Bank Act of 1890 and was put into force from June 1, 1922. Certain amendments were made in 1931. The Tokyo Chozo Ginko, or Tokyo Savings Bank, is the only prototype of this kind of bank in Japan. Ten years before the enactment of the law of 1890 concerning savings banks in Japan this bank came into being. As the late Viscount Eichi Shibusawa was a great benefactor of the present banking system of Japan, so also was the late Rokuro Hara, the founder of the Tokyo Chozo. This bank was founded in 1880 with a small capital of ¥20,000.

Essential points of the Savings Bank Law enacted in 1921 follow:

Savings banks are institutions carrying on the following business:

(1) The receiving of deposits at compound interest;

(2) The receiving of sums of less than ¥10 as deposits at one time;

(3) The receiving of deposits periodically or several times during a certain period and the fixing beforehand of the time of repayment; or

(4) The receiving of money periodically or several times during a

certain period under promise to pay a certain amount of money at a certain date. In addition, savings banks are authorized to take up subsidiary business, such as:

(a) The receiving of fixed deposits;

(b) The receiving of valuable articles for custody;

(c) The collection of debts;

(d) The receipt and payment of money as treasurers of public corporations or industrial associations;

(e) The receiving of deposits on demand from public corporations or industrial associations;

(f) The sale on the instalment plan of national bonds, prefectural bonds and debentures of corporations created under special laws; and

(g) The transacting of 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 heading of proper business. A savings bank must be a joint-stock company with a minimum capital of ¥500,000 and must obtain a licence 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 provincial bonds and debentures or stocks approved by the Minister of Finance;

(2) To make loans on pledge of national bonds and other securities referred to above;

(3) To make loans on mortgage of real estate;

(4) To make loans to a depositor up to the amount of his deposits;

(5) To make loans to the amount of his deposits 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 date;

(6) 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;

(7) To make loans redeemable within a period of one year to prefectures, cities, towns and villages;

(8) To make loans redeemable by instalments within a period of two years;

(9) To deposit money with banks or the Deposits Bureau of the Ministry of Finance or the post office;

(10) To deposit money or securities with trust companies in accordance with the Ordinance issued by the Ministry of Finance; and

(11) To purchase bills accepted by banks or trust companies.

Further restrictions on their 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 purchased with the acceptance of such 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 Deposits 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 in the Deposits Bureau of the Ministry of Finance. When a savings bank is unable to meet its liabilities with its assets, the directors are jointly under unlimited liability as regards the deposits received before their registration of resignation, and this liability continues for two years after such registration. The above statements refer to ordinary and savings banks, but there exist in addition special banks which are controlled under special laws.

#### Present Status

In 1933 the number of banks in Japan, including Chosen and Taiwan, was 637 with 4,868 branch offices, with an aggregate paid-up capital of ¥1,681,927,369. Details of the conditions of banks in Japan proper in 1925-1934 follow:

#### BANKS

At the end of each year

(In ¥1,000)

Year	Number	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	1,698	2,896,082	11,089,804	11,710,718	376,973	166,949	9.8%
1926	1,572	2,887,539	11,544,858	12,103,944	378,529	170,060	8.9
1927	1,422	2,872,635	11,557,791	11,593,866	347,988	142,053	10.4
1928	1,157	2,691,148	11,841,235	11,076,440	341,020	135,366	7.7
1929	1,001	2,632,732	12,208,003	11,008,455	338,881	136,256	7.6
1930	892	2,536,949	11,731,161	10,973,123	292,302	123,634	7.3
1931	791	2,453,027	11,156,940	10,995,783	266,518	109,779	6.6
1932	645	2,416,397	11,402,489	10,718,675	236,269	107,535	6.6
1933	621	2,359,724	11,946,907	10,442,889	319,074	101,796	6.4
1934	581	2,312,842	12,585,684	10,147,937	360,178	101,299	6.4

Note: Exclusive of the number of banks in Chosen and Taiwan.

#### ORDINARY BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	1,534	2,386,761	8,662,676	8,781,791	302,195	126,950	9.2%
1926	1,417	2,361,198	9,120,472	9,158,341	298,148	127,950	9.5
1927	1,280	2,344,990	8,969,085	8,124,813	268,281	104,654	8.3
1928	1,028	2,169,603	9,252,891	7,497,428	231,580	96,871	7.1
1929	878	2,155,687	9,237,697	7,856,719	216,792	94,895	6.9
1930	779	2,021,404	8,687,085	6,969,140	189,781	83,377	6.5
1931	650	1,939,482	8,215,128	6,696,228	163,207	71,769	5.7
1932	535	1,898,352	8,254,736	6,545,701	169,426	67,781	5.6
1933	513	1,843,179	8,749,566	6,453,890	176,059	63,082	5.4
1934	481	1,802,172	9,362,213	6,247,150	197,387	62,921	5.4

#### SAVINGS BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Savings Deposits	Deposits Ordinary Deposits	Total
1925	132	89,921	777,548	122,275	899,823
1926	123	96,941	957,919	103,698	1,061,617
1927	112	96,245	1,010,106	85,176	1,095,281
1928	99	88,145	1,153,656	89,373	1,243,029
1929	94	89,645	1,310,787	103,382	1,414,169
1930	89	87,895	1,481,268	50,369	1,531,637
1931	87	90,895	1,601,723	26,130	1,627,853
1932	86	90,395	1,667,464	11,678	1,679,142
1933	84	88,895	1,803,602	8,013	1,811,615
1934	78	84,395	1,851,297	18,377	1,869,674

Year	Loans	Advances Bills accepted	Total	Net Profit	Dividend	Rate of Dividend
1925	154,164	36,828	190,992	13,839	3,671	13.1%
1926	217,815	45,494	263,309	15,543	5,141	10.1
1927	279,816	16,035	295,851	16,393	4,537	10.6
1928	339,751	7,365	347,116	16,375	4,644	11.5
1929	395,583	8,472	404,055	15,417	4,099	10.0

Year	Loans	Advances		Net Profit	Dividend	Rate of Dividend
		Bills accepted	Total			
1930	470,725	4,276	475,001	16,002	6,157	15.0%
1931	463,703	776	464,479	13,147	4,025	9.4
1932	401,887	1,254	403,141	13,775	4,071	9.4
1933	345,503	1,039	346,542	17,288	4,427	9.4
1934	332,685	2,040	334,725	20,548	4,083	8.7

#### DEPOSITS AND LOANS OF THE BANKS THROUGHOUT THE COUNTRY

Published by the Department of Finance  
(at the end of Dec., 1935. In ¥1,000)

Kinds	Special Banks			Saving Banks	Total
	Ordinary Banks				
<b>Deposits</b>					311,673
Public money (At the Bank of Japan)	311,673 (286,615)	—	—	—	(286,615)
Current deposits	184,536	1,201,214	—	—	1,385,750
Special current deposits	146,725	1,887,642	—	—	2,034,367
Deposits at notice	30,982	577,662	—	—	608,644
Fixed deposits	646,627	5,929,258	18,995	—	6,594,880
Other deposits	71,068	274,409	724	—	346,201
Ordinary and special	—	1,836	1,281,147	—	1,282,983
Reserves	—	1,664	743,712	—	745,376
<b>Total</b>	1,391,611	9,873,685	2,044,578	—	13,309,874
Compared with the previous year	+86,857	+519,993	+163,340	—	+770,190
<b>Loans</b>					3,969,779
Loans on bills	260,428	3,709,351	—	—	3,969,779
Loans on bonds	2,175,581	806,734	329,771	—	3,312,086
Overdrafts	45,659	741,738	—	—	787,397
Discounts	1,108,998	863,353	—	—	1,972,351
<b>Total</b>	3,590,666	6,121,176	329,771	—	10,041,613
Compared with the previous year	-23,833	+249,347	-5,417	—	+220,097
Call loans	53,069	380,529	—	—	447,598
<b>Total</b>	3,643,735	6,510,705	329,771	—	10,489,211
Compared with the previous year	-29,835	+271,703	-5,417	—	+236,450
<b>Negotiable papers owned</b>					4,327,126
National bonds (Owned by the Bank of Japan)	1,051,874 (729,269)	2,205,319	1,069,933	—	(729,269)
Prefectural and municipal bonds	24,269	346,847	56,117	—	427,233
Foreign bills	268,076	77,592	—	—	345,668
Debenture bonds	100,925	1,182,746	330,136	—	1,613,807
Stocks	38,344	409,939	131,468	—	579,742
<b>Total</b>	1,483,488	4,222,434	1,587,654	—	7,293,576
Compared with the previous year	+194,173	+350,316	+196,219	—	+740,708
<b>Cash and deposit on the day</b>					943,215
Cash on hand on the day	231,431	635,447	26,337	—	693,215
Deposit on hand	119,103	371,677	209,109	—	699,889
<b>Total</b>	400,534	1,007,124	235,446	—	1,643,104
Compared with the previous year	+1,834	+88,697	+24,397	—	+114,928

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 (Nippon Ginko)

The Bank of Japan, the central bank of the Empire, was founded 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 ¥60,000,000, of which ¥45,000,000 is paid up. The Bank is authorized to issue bank notes against gold and silver coins and bullion and further to issue such notes on security of 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 Bank is also authorized to issue notes against such securities beyond the maximum mentioned above. In case the issue in excess of this limit is to continue beyond 15 days, however, the approval of the Minister of Finance is required, and such issues to be made as from the 16th day are subject to a tax of at least 3 per cent. per annum. 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 payments to the Government under this system are to be effected not later than the last day of August in respect of the first half year and not later than the last day of February of the ensuing year in respect of the second half year, and these payments are counted as losses in computing incomes under the Income Tax Law and net profits under the Business Profits Tax Law. The Advisory Council of the Bank of Japan was also created by Law No. 11 of June 18, 1932 which was put into effect as from July 1 of the same year. Its principal function is to act in consultation with the Governor of the Bank of Japan on the important operations of the Bank. It consists of the Governor of the Bank of Japan as president and not more than five members who are appointed by the Minister of Finance from among persons engaged in finance or industry, or men of learning and experience. Their term of office is three years. 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 accounts, or grant loans for fixed periods on security of Government bonds, Treasury bills and other bonds and shares guaranteed by the Government.

The Bank is, in addition, entrusted with the management of Treasury receipts and disbursements.

On April 7, 1934, there was promulgated the Law concerning Purchase of Gold by the Bank of Japan. According to the provisions of this Law, the Government is authorized, for the purpose of keeping gold in the country, to enable the Bank of Japan to purchase and hold gold as prescribed by the Minister of Finance. The Bank of Japan is required to obtain the approval of the Minister of Finance as to the price of gold to be purchased under this Law. It is also required to apply gold so purchased to the reserves for exchange against the convertible bank notes; provided, however, that this does not apply to the case in which the Government orders the Bank of Japan to transfer the gold purchased by the Bank to the account of the Treasury at the Bank at its purchase price for making payments abroad or for meeting other special requirements. In applying, however, the gold purchased by the Bank to the reserves for exchange against the convertible bank notes, the valuation of such gold is made at the legal rate, that is, at the rate of one yen per 750 milligrammes of fine gold, and as a result, the difference between the amount paid by the Bank of Japan for the gold purchased and the amount obtained by the valuation of the same gold at the legal rate will be loss to the Bank of Japan. The Government, therefore, by way of making compensation for the sum representing

such difference, assumes an obligation to the Bank for an equivalent sum and delivers to the Bank a certificate of indebtedness therefor. This obligation, however, bears no interest and is not in excess of 200 million yen (The limit of obligation was increased from 100 million to 200 million yen by Law No. 4 of March 26, 1935). When the Bank of Japan transfers, in accordance with the order of the Government, the gold purchased by the Bank to the account of the Treasury at its purchase price, the Bank will apparently realize some profit, and the Bank is required to pay to the Government the sum representing such profit. In the case of any profit arising in respect of the gold purchased and held under this Law, the Bank of Japan is also required, as prescribed by the Minister of Finance, to pay to the Government the sum representing such profit. The Government repays the above obligation out of the payments of these two kinds made by the Bank of Japan. As the amount of tax paid by the Bank in respect of the issue of bank notes required for the purchase of gold under this Law becomes loss to the Bank, the Government makes compensation for such loss by delivering to the Bank, as prescribed by the Minister of Finance, the sum representing the tax on such issue. As has been mentioned above, this Law was promulgated on April 7, 1934 and put into effect on the same day, but, when the Government transfers to the Bank of Japan gold actually belonging to the account of the Treasury at the Bank at the time of the coming into operation of this Law, the gold so received by the Bank is considered as having been purchased under this Law.

Among the Governors of the Bank have been the late Baron Shinzen Matsuoka, the late Koichiro Kawa-

da, the late Viscount Yataro Mishima, the late Baron Yanosuké Iwasaki, the late Korekiyo Takahashi, former Minister of Finance, Baron Tatsuo Yamamoto, former Home Minister, the late Junnosuké Inoué, twice Minister of Finance, Otohiko Ichiki, once Minister of Fi-

nance and Hisaakira Hijikata. The present Governor is Yeigo Fukai. The term of governorship is five years, the holder being appointed by the Government. Important figures for the Bank at the end of each year, are:

## THE BANK OF JAPAN

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	60,000	657,011	719,839	10,348	4,500	12.0%
1926	60,000	570,922	609,127	10,358	4,500	12.0
1927	60,000	651,636	915,068	10,357	3,750	10.0
1928	60,000	470,442	879,817	10,366	3,750	10.0
1929	60,000	532,756	701,688	19,815	3,750	10.0
1930	60,000	456,763	779,138	19,865	3,750	10.0
1931	60,000	374,038	989,403	19,761	3,999	10.0
1932	60,000	385,148	819,179	33,256	5,850	13.0
1933	60,000	370,049	880,833	50,379	4,500	10.0
1934	60,000	335,891	946,285	62,811	4,500	10.0

## REPORT OF THE BANK OF JAPAN

FOR THE SECOND HALF OF 1935

Balance Sheet (December 31st, 1935)

	Yen
<b>LIABILITIES</b>	
Notes issued	1,766,555,295.000
Redemption fund for Fractional Government Notes	11,040,000.000
Government deposits	
Current account	103,305,297.693
Other	176,508,630.245
Funds for payment of Mint certificates	870,892.704
Current accounts	112,567,918.960
Remittances	7,067,842.580
Due to other banks	268,755.680
Suspense receipts	72,880,711.870
Reserve for sundry expenditures	16,654,000.000
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	2,902,000.000
Capital subscribed	60,000,000.000
Reserve fund	114,090,000.000
Dividends unpaid	3,301.480
Profit brought forward from last half-year	12,001,413.567
Net profit for the current half year	10,055,807.320
<b>Total</b>	<b>2,466,766,867.099</b>
<b>ASSETS</b>	
Advances to Government, Art. 2, Convertible Bank Notes Regulations	22,000,000.000
Other advances to Government	96,123,584.280
Advances on foreign bills	180,860,309.910
Advances on current accounts	569,580.860
Bills discounted	162,912,578.350
Bills discounted, Law No. 55 of 1927	498,176,143.580
Deposits	34,176,632.600
Government bonds	729,268,759.900



Bullion	Yen	Yen
Gold	273,643,537.360	273,658,081.660
Silver	14,544.800	27,925,332.700
Agencies accounts		9,213,397.040
Agencies accounts, specified		111,503,753.519
Foreign agencies accounts		4,281,674.055
Suspense payments		16,249,637.995
Bank premises		15,000,000.000
Capital unpaid		
Redemption fund for Fractional Government Notes as per contra		11,040,000.000
Cash items on Government account		13,611,117.525
Funds for payment of Mint certificates as per contra		570,892.704
Cash on hand	Yen	
Gold coin	230,422,554.000	259,325,335.420
Others	28,902,831.420	2,466,766,867.099
Total		
<b>PROFIT AND LOSS ACCOUNT</b>		
	Cr.	Yen
To Expenses, taxes, interest, etc.		27,373,428.774
To Balance appropriated:—		
Dividend at the rate of 10 per cent. per annum	Yen	
Reserve fund	2,250,000.000	
Payments to the Government	500,000.000	
Bonus and allowances	6,561,702.340	
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	240,000.000	
Balance carried forward	162,000.000	22,057,220.887
Total	12,343,518.547	49,430,649.561
	Cr.	Yen
By Gross profits for the half-year		37,429,236.094
By Balance brought forward from last half-year		12,001,413.567
Total		49,430,649.661

### Yokohama Specie Bank (Yokohama Shokin Ginko)

The Yokohama Specie Bank was founded in 1879 with an authorized capital of ¥3,000,000 with the object of affording financial facilities for foreign trade. Subsequently, its capital was increased several times and now stands at ¥100,000,000, all paid up by June, 1920. This bank heralded the semi-Government banks in Japan, being established two years before the founding of the Bank of Japan. The money market of Japan as regards foreign trade was almost monopolized by foreign banks such as the Oriental Bank, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, all having branches in Yokohama. Transactions in silver coins were

handled almost exclusively by these foreign banks. A movement for restoring the national right and prestige was then gaining momentum among conservatives in Japan because of a rapid importation of Western material civilization in this country. This movement, coupled with a silver absorption policy, spread throughout the country and this culminated in an announcement by the Government of a plan for the establishment of a bank for the exclusive handling of specie in Japan. Michita Nakamura, an influential business man at that time, supported by Yukichi Fukuzawa, founder of Keio University, successfully persuaded the then Finance Minister Okuma to establish the Yokohama Specie Bank. It was planned that the bank should be capitalized at ¥3,000,000 silver, of

which ¥1,000,000 was to be subscribed by the Government and the remaining ¥2,000,000 offered for public subscription. The shares were over-subscribed to the amount of ¥500,000. The business carried on by the bank consists of:

- (1) Dealing in foreign exchange;
- (2) Dealing in domestic exchange;
- (3) Making loans;
- (4) Receiving deposits of money and the custody of valuable articles;
- (5) Discounting and collection of bills of exchange, promissory notes, and other securities; and
- (6) Exchange of coins.

The bank also 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 bank has its head office in Yokohama and 33 branches and 7 sub-branches

throughout the world. Its president is Mr. Kenji Kodama. During the Russo-Japanese War the bank undertook the work connected with the floating of foreign loans for the Government. The bank also played an important part in Japan's economic activities in China after the Russo-Japanese War. Japan joined the Four-Power Consortium consisting of Great Britain, Germany, France and the United States in 1912. In 1913 the Yokohama Specie Bank, representing Japanese syndicate banks, concluded a 5 per cent. loan agreement for China as member of the Six-Power Consortium (Japan and Russia added). During the World War the Japanese syndicate banks lent money to Russia, Great Britain and France and underwrote bonds of these Governments. At America's initiative a new consortium was organized by Japan, Great Britain, America and France in 1919 and the Yokohama Specie Bank represented Japan in the consortium.

### THE YOKOHAMA SPECIE BANK

At the end of each year

Year	Authorized Capital	(In ¥1,000)				
		Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	100,000	555,404	312,902	18,388	12,000	12.0%
1926	100,000	489,607	298,942	18,336	12,000	12.0
1927	100,000	508,096	334,895	18,081	10,000	10.0
1928	100,000	492,761	291,162	33,628	10,000	10.0
1929	100,000	645,609	344,700	36,153	13,000	13.0
1930	100,000	654,146	367,527	26,290	10,000	10.0
1931	100,000	547,761	363,185	22,815	10,000	10.0
1932	100,000	644,054	391,925	23,387	10,000	10.0
1933	100,000	558,689	368,864	27,517	10,000	10.0
1934	100,000	551,385	369,274	30,248	10,000	10.0

### ASSETS AND LIABILITIES OF YOKOHAMA SPECIE BANK

FOR THE SECOND HALF OF 1935

Balance Sheet

LIABILITIES	Yen
Capital subscribed	100,000,000
Reserve fund	127,450,000
Redemption fund for loans	3,724,453
Bank notes	3,840,085
Deposits	651,760,676

Current accounts, remittances, due to other banks, etc.	755,522,697
Dividends unpaid	4,690
Profit brought forward from last half-year	9,503,102
Net profit for the current half-year	7,257,834
Total	1,659,063,539
<b>ASSETS</b>	
Cash account	144,315,343
Cash on hand	19,684,697
Deposits in other banks	124,630,646
Bonds and debentures	494,515,173
Loans and discounts	352,354,374
Bullion and foreign money	757,269
Land and buildings	20,379,089
Total	1,659,063,539
<b>DISPOSITION OF PROFIT</b>	
Dividend (10 per cent. per annum)	5,000,000
Reserve fund	1,700,000
Carried forward	10,060,937
Total	16,760,937

### The Hypothec Bank of Japan (Nippon Kwangyo Ginko)

The Hypothec Bank of Japan was created in 1897 for the purpose of making long-term loans at a low interest rate on mortgage of immovable property. Its authorized capital which was ¥40,000,000 till 1920 has been increased very often following mergers with 22 agricultural and industrial banks, so it now stands at ¥111,775,000, of which ¥87,651,062 is paid up. The business of this bank is mainly as follows:

(1) To make on mortgage of immovable property loans redeemable by annual instalments within a period not exceeding 50 years, or at a fixed time within a period not exceeding five years, provided in the latter case the total amount of such loans does not exceed twice the total amount of the paid-up capital and reserve fund. In the case, however, of loans for the fishery industry, they may be made on mortgage of fishery rights. Railway and tramway foundations shall be regarded as immovable property. The amount of loans made on security of residential land or buildings, other than sites or buildings belonging to factory foundations and factories, which

lie in localities where the City Organization Law is in force or on city land to be designated by an Imperial Ordinance or the amount of loans made on pledge of claims secured by these residential land and buildings (including real estate mortgage certificates), and the amount of loans made under the City Planning Law to land re-arrangement associations or federations of such associations shall not exceed one-half of the total amount of the paid-up capital and mortgage debentures issued;

(2) To make loans without security to prefectures, cities, towns, villages and other public corporations organized by law;

(3) To make loans without security, redeemable at a fixed time or by annual instalments in the case of the adjustment of arable land under the law for such adjustments;

(4) To make loans without security, redeemable at a fixed time or by annual instalments to industrial, staple export manufacturers, fishery, forestry, stock-breeding or building associations, or federations of such associations;

(5) To make without security loans redeemable at a fixed time within a period not exceeding five

years or by mutual instalments within a period not exceeding 10 years to a party of at least 10 persons, combined with joint liability, who are engaged in agriculture, industry or fishery in any prefecture where no Agricultural and Industrial Bank exists;

(6) To make without any security loans redeemable at a fixed time or by annual instalments to land re-arrangement associations or federations of such associations in case they apply to borrow for the re-arrangement of land to be undertaken under the City Planning Law or in case they, combined with joint liability, apply to borrow for the same purpose;

(7) With money obtained by the issue of hypothec debentures with premium, to make loans on security of cultivated fields, salt-pans, forests, pastures, fish-farms or fishery rights or on pledge of claims secured by these items (including real estate mortgage certificates);

(8) To take up debentures issued by the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Bank for Co-operative Societies and Chosen Industrial Bank;

(9) To make loans redeemable by annual instalments on security of the claim on loans redeemable by annual instalments that are issued by these agricultural and industrial banks and of the mortgage in security for such loans;

(10) To make on pledge of claims secured by real estate (including real estate mortgage certificates) loans redeemable at a fixed time within a period not exceeding five years, and to buy and sell real estate mortgage certificates;

(11) To take deposits and take custody of gold and silver bullion and negotiable paper, provided that the total amount of deposits other

than the fixed deposits and deposits of prefectures or cities shall not exceed the total amount of the paid-up capital.

Finally, the bank may employ the deposits and the money lying idle in the course of its business in the following manner only:

(a) To purchase with a sum equal to not less than one-fourth of the deposits national bonds or negotiable paper approved by the Minister of Finance or to deposit it in the Deposits Bureau of the Ministry of Finance or in banks approved by the Minister of Finance;

(b) To discount bills or make short-term loans on security of the above-mentioned negotiable paper or agricultural or marine products or industrial manufactures;

(c) To discount bills or grant overdrafts to industrial associations, staple exports manufacturers' associations, fishery associations or federations of such associations;

(d) To make short-term loans to public corporations;

(e) To make short-term loans without security to a party of at least ten persons, combined under joint liability, who are engaged in agriculture, industry or fishery in any prefecture, where no Agricultural and Industrial Bank exists; and

(f) To use fixed deposits as funds for making on security of real estate or fishery rights or on pledge of claims secured by real estate (including real estate mortgage certificates) loans redeemable at a fixed time within a period not exceeding five years.

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 15 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 Bank for Co-operative Societies 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 paid purchase and redeem its mortgage debentures. The present president of the bank is Mr. Mitsuo Ishii.

#### 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
1925	94,000	59,832	765,692	11,209	6,988	10.0%	654,499
1926	94,000	59,089	781,271	11,359	6,988	10.0	683,435
1927	99,000	82,423	816,102	11,819	6,988	10.0	693,451
1928	99,000	89,143	879,808	18,000	7,488	10.0	732,009
1929	100,000	92,314	935,896	19,028	7,588	10.0	752,105
1930	108,750	130,951	1,086,958	20,146	8,100	10.0	853,692
1931	108,750	123,898	1,109,187	20,721	8,463	10.0	896,715
1932	108,750	149,516	1,167,763	20,327	8,463	10.0	915,683
1933	108,750	145,888	1,094,070	19,951	8,463	10.0	852,806
1934	111,775	136,091	1,046,809	20,345	8,514	10.0	797,431

#### Agricultural and Industrial Banks (Noko Ginko)

The Agricultural and Industrial Banks are prefectural financial institutions for accommodating provincials with long-term loans at a low rate of interest on security of immovable property and, being established in every prefecture, 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 established its branches in places where head offices and branches of the latter were in ex-

istence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. Each of these banks has as a general rule for its exclusive business district a prefecture. The business of the Agricultural and Industrial Banks is principally 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. These banks are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an a-

mount 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 Hypo-

the Bank from the total amount of outstanding loans redeemable by annual instalments and at a fixed time. There were 17 of these banks in existence throughout the country at the end of 1934.

#### AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1925	27	95,400	144,714	488,356	13,208	7,590	9.3%	336,648
1926	27	105,400	149,778	539,113	14,747	8,231	9.2	377,454
1927	25	102,400	149,425	617,438	13,701	7,999	9.2	442,984
1928	25	104,400	176,926	686,953	21,043	8,488	9.5	468,890
1929	19	104,400	165,899	705,997	21,551	8,799	9.4	506,409
1930	19	88,900	148,654	651,752	19,337	8,125	9.4	469,797
1931	19	88,900	146,030	669,906	17,386	7,523	9.4	483,554
1932	19	88,900	154,383	699,170	16,773	7,432	9.2	506,129
1933	19	88,900	162,775	672,893	17,659	7,449	9.2	496,673
1934	17	84,500	166,906	622,049	18,586	7,306	9.2	449,395

#### The Industrial Bank of Japan (Nippon Kogyo Ginko)

The Industrial Bank of Japan was founded in April, 1902. Its authorized capital is ¥50,000,000 fully paid up. Its business is as follows:

- (1) To make loans on pledges of national and prefectural bonds and company debentures and shares;
- (2) To subscribe for or underwrite national and prefectural bonds and company debentures;
- (3) To receive deposits of money and accept articles of value for custody;
- (4) To engage in trust business for mortgage debentures;
- (5) To discount bills;
- (6) To engage in the business of bills of exchange and documentary drafts;
- (7) To make loans on security of foundations created as subscribed by law;
- (8) To make on mortgage of ships or ships under construction loans which shall be redeemable by annual instalments within a period

not exceeding 15 years, or at a fixed time within a period not exceeding five years;

(9) To make loans on security of shipbuilding materials or equipment;

(10) To subscribe for or take up shares which have been approved by the Minister of State concerned;

(11) To subscribe for national or provincial bonds and company debentures, or to act as agent for receiving these instalments payable by general subscribers or paying principal and interest and dividends;

(12) To make call loans for a fixed term on security of sites and buildings belonging to factories or of residential land or buildings lying in localities where the City Organization Law is in force or in city land to be designated by Imperial Ordinance, provided, however, that the total amount of such loans shall not exceed two-thirds of the amount of paid-up capital; and

(13) To purchase national or provincial loans or company debentures and shares or gold and silver

bullion with available money which the bank may employ for the purpose.

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 provincial bonds, company debentures, 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 approval of the Minister of Finance, issue debentures irrespectively of the above-mentioned restriction. The bank played an important part in overseas investment. The first of this kind was that in public utilities and loans to private enterprises in Korea in 1906. The bank also became active in investments in China, not only making di-

rect investments, but also indirectly through the Toa Industrial Development Company, Chunichi Industrial Development Company and Chukwa Exchange Bank. One of the most notable investments of the bank was its "political" loans to China in 1918. Loans also were made to Japan's industrial developments in the South Seas. The bank underwrote loans for the Russian and French Governments and also subscribed for shares of the Franco-Japanese Bank and Chukwa Exchange Bank, Peiping, in connection with the establishment of these institutions. The bank features in engaging in trust business in mortgage debentures. Through financial accommodation of the Deposits Bureau of the Ministry of Finance, the bank lent, for industrial rehabilitation, the first-aid loans to districts devastated by the Kanto earthquake and fire. Mr. Toyotaro Yuki is president.

#### 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	Debentures
1925	50,000	64,411	283,816	182,598	5,413	4,000	8.0%	286,269
1926	50,000	44,025	282,269	192,003	7,279	4,000	8.0	271,875
1927	50,000	45,891	308,700	174,372	6,195	3,000	6.0	248,498
1928	50,000	49,987	325,085	167,014	6,709	3,000	6.0	273,003
1929	50,000	44,988	380,630	163,492	6,765	3,000	6.0	278,675
1930	50,000	46,858	455,336	165,011	6,491	3,000	6.0	333,803
1931	50,000	52,978	486,003	176,992	6,547	3,000	6.0	343,350
1932	50,000	56,047	476,090	199,982	6,633	3,000	6.0	404,041
1933	50,000	59,236	408,177	254,645	7,800	3,000	6.0	323,840
1934	50,000	59,756	369,429	260,085	7,810	3,000	6.0	290,393

#### The Hokkaido Colonial Bank (Hokkaido Takushoku Ginko)

The Hokkaido Colonial Bank was established with the object of supplying capital for enterprises for colonizing and developing Hokkaido and Karafuto (the Japanese 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 amount outstanding of the 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 also 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 COLONIAL BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of dividend	Debentures
1925	20,000	45,933	167,330	2,373	1,250	10.0%	106,474
1926	20,000	49,348	171,572	2,759	1,250	10.0	98,649
1927	20,000	55,054	180,499	3,162	1,125	9.0	115,943
1928	20,000	66,106	178,071	3,318	1,125	9.0	103,238
1929	20,000	73,571	178,779	3,360	1,125	9.0	96,938
1930	20,000	75,056	188,282	3,391	1,125	9.0	102,753
1931	20,000	69,759	187,341	2,932	1,000	8.0	102,716
1932	20,000	79,463	215,705	2,687	938	7.5	124,252
1933	20,000	89,089	217,620	2,411	875	7.0	122,909
1934	20,000	102,823	212,216	2,443	875	7.0	114,491

#### The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September, 1899, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War. It was capitalized at ¥5,000,000, when it opened. The bank was brought into being largely through efforts of the then Minister of Finance Masayoshi Matsukata, and was given the privilege of issuing notes for circulation in the island. In 1910 its capital was increased to ¥10,000,000, which was doubly increased in 1918. The bank served as the most influential financing organ not only for the island's principal industries such as rice, sugar, camphor, tea, coal and gold, but contributed a great deal toward Japanese industrial development in South Seas countries and business

activities in South China. Its reckless business expansion during the World War resulted in a tie-up of a large amount of loans, when the financial panic of 1920 took place. After 1922 the business sphere was narrowed. The great earthquake and fire of 1923 caused the collection of loans difficult. The bank wrote off ¥28,600,000 of its bad assets for the first half of 1925 and partially made good the loss by means of its reserves. In addition, it carried out a reduction of capital by ¥15,000,000. This was not enough. A bill providing for financial aid to the bank was adopted by the Diet and, consequently, the bank was accorded financial accommodation by the Bank of Japan. In November of the same year it further cut its capital by ¥30,000,000. Mr. Jiro Yasuda is its president.

## THE BANK OF TAIWAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	45,000	134,380	670,859	1,136	986	5.0%
1926	45,000	92,806	666,457	2,400	1,971	5.0
1927	15,000	75,375	540,732	—	—	—
1928	15,000	76,090	285,911	—	—	—
1929	15,000	71,678	282,215	—	—	—
1930	15,000	73,661	273,243	859	—	—
1931	15,000	73,920	261,642	858	—	—
1932	15,000	95,070	245,538	1,065	395	3.0
1933	15,000	101,457	227,944	1,296	395	3.0
1934	15,000	112,610	214,891	1,443	395	3.0

The Bank of Chosen  
(Chosen Ginko)

The Bank of Korea was established in October, 1909, and its name was 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 took over the assets and liabilities of the Bank of Korea, following the transfer of the assets and liabilities of the Dai-Ichi (First) Bank. The bank is authorized to issue bank notes. In 1917 the bank's notes given sole right of legal tender in the Kwantung Leased Territory and along the South Manchuria Railway, and the limit of its guaranteed note issue was increased to

¥50,000,000. The bank greatly increased its activities during the World War and expanded its business sphere to Japan proper, where it commenced foreign exchange business. The financial reaction following the World War caused it to narrow its business activities. It wrote off frozen assets to the amount of ¥36,000,000 for the first half of 1925 and halved its capital to ¥40,000,000. The bank borrowed a large amount of money from the Bank of Japan after 1920 on 10 years' repayment. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Korea to the Minister of Finance.

## THE BANK OF CHOSEN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1925	40,000	132,736	356,674	706	587	2.5%
1926	40,000	135,871	369,776	1,597	1,175	5.0
1927	40,000	197,713	315,915	1,382	940	4.0
1928	40,000	149,919	319,408	1,585	940	4.0
1929	40,000	151,150	314,723	1,865	940	4.0
1930	40,000	98,785	266,554	1,828	940	4.0
1931	40,400	111,462	297,400	1,835	940	4.0
1932	40,000	193,932	337,468	1,849	940	4.0
1933	40,000	215,105	354,508	1,853	940	4.0
1934	40,000	228,193	420,533	1,847	940	4.0

## Trust Business

It was about 1906 that companies bearing the title of trust companies were first established in Japan, and, since that time the number of these institutions has steadily increased. This has been especially due to the unusual economic activity resulting from the World War and promotion of various new enterprises. The Government laid the projected Trust Law and Trust Business Law before the 45th session of the Imperial Diet and secured its approval. These two laws were effective on and after January 1, 1923. The gist of the Trust Business Law is as follows:

(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 a licence from the Minister of Finance.

(2) Though the proper function of trust companies is not definitely laid down in law, it is clear that they are expected to act as trustees for the benefit of other parties, i.e., they must, with the intention of faithful managers, administer or dispose of the right of property established or transferred by the beneficiary for the benefit of the beneficiary or a third party. The properties that a trust company can accept in trust are limited to the following items: 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) Business which trust companies can carry on as incidental to their main business are limited to the following:

(a) Reception of deposits for safe custody;

(b) Giving guarantees for debts;

(c) Acting as an intermediary in the sale of immovable properties;

(d) Acting as an intermediary in the loans of either money or immovable properties;

(e) Floatation of bonds, debentures or stocks, and receipts of payment from the subscribers;

(f) Payment of principal and interest or dividends of bonds, debentures or stocks;

(g) Execution of a will concerning property;

(h) Auditing;

(i) Acting as agents for the following matters: Acquisition or disposition of properties; Acquisition and liquidation of properties; Collection of claims; Performance of obligations.

Of the above, the guaranteeing of debts is subject to necessary limitation to be specified by Imperial Ordinance.

(5) Trust companies are forbidden to engage in any business other than those mentioned above, excepting business connected with secured 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 a certain limit is to be observed by the companies in using their own funds for the purpose of investment. These, together with other provisions for control, are intended to protect the interest 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 secured debentures. Consequently, a revision was effected in this respect in the Secured Debenture Trust Law. Ordinary banks were formerly disqualified from carrying on a general trust business, but this privilege was allowed to the Bank of Taiwan, the Industrial Bank of Japan and the Hokkaido Colonial Bank. It being deemed necessary to confine the operation of these special banks in the particular line to business connected with secured debentures only,

necessary revisions have been made in the laws relating to these banks.

Trust companies established under the provisions of the above-mentioned trust laws numbered 33 and had an aggregate nominal capital of ¥282,000,000 at the end of December, 1934. Before the enactment of the law there were about 500 "trust" companies, most of which were eliminated with the enactment. Details concerning the trust companies in this country are given below:

## TRUST COMPANIES

At the End of Nov.	Number of Offices	Number of Branch Offices	Authorized Capital	Paid-up Capital	Reserve Funds	Net Profit	Dividend
1930	37	14	¥293,500,000	¥82,700,000	¥19,654,873	¥14,700,688	¥3,295,581
1931	37	14	288,500,000	81,450,000	23,202,866	14,856,542	3,387,781
1932	37	14	288,500,000	81,450,000	25,849,983	15,464,612	3,428,578
1933	36	15	287,000,000	82,075,075	29,536,346	18,019,885	3,689,200
1934	33	15	282,000,000	78,336,575	34,180,490	20,984,787	3,674,498

## ASSETS

(In ¥1,000)

## Companies' Own Account

At the end of each year	Un-paid Capital	Advances	Deposits	Securities	Pre-miscellaneous	Guarantees	Miscellaneous Assets	Losses	Cash in Hand	Branches Accounts	Total
1930	210,800	29,307	8,164	61,917	13,098	10,262	3,572	434	1,373	3,815	342,742
1931	207,050	30,660	8,519	60,584	13,190	7,767	1,780	745	1,416	5,706	337,417
1932	207,050	33,658	8,902	59,315	13,757	8,403	3,294	867	1,547	5,490	342,303
1933	204,924	31,206	9,101	67,935	13,292	8,616	3,471	1,239	1,982	5,020	346,786
1934	203,668	35,695	8,887	71,988	12,618	7,597	1,871	289	1,338	4,903	348,849

## Trust Account

	Securities	Advances	Deposits	Movable and Real Estate	Miscellaneous Assets	Cash in Hand	Branches Accounts	Total
1930	460,232	886,431	43,192	30,307	5,640	3,355	148,492	1,577,649
1931	478,479	877,754	50,986	32,409	30,394	4,740	167,490	1,642,312
1932	486,303	876,081	50,278	36,226	7,946	3,997	167,582	1,628,411
1933	568,901	923,807	47,529	40,565	30,758	4,188	149,541	1,765,289
1934	739,418	896,288	54,960	40,648	31,443	3,813	232,853	2,058,923

## LIABILITIES

## Companies' Own Account

	Authorized Capital	Reserve Funds	Guarantees	Miscellaneous Liabilities	Net Profit	Branches Accounts	Total
1930	293,500	19,655	10,262	8,238	7,272	3,815	342,742
1931	288,500	23,203	7,767	7,145	6,930	3,872	337,417
1932	288,500	25,850	8,403	5,879	8,180	5,491	342,303
1933	287,000	29,536	8,616	7,076	9,538	5,020	346,786
1934	282,000	34,180	7,597	9,612	10,557	4,903	348,849

## 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	Lease of Land in Trust	Branches Accounts	Total
1930	1,178,749	7,051	198,870	16,589	27,896	2	—	148,492	1,577,649
1931	1,231,851	7,816	189,800	16,087	29,256	2	—	167,490	1,642,312
1932	1,226,005	9,858	183,009	11,794	30,143	2	—	167,602	1,628,411
1933	1,378,375	11,641	183,867	9,314	32,536	15	—	146,541	1,765,289
1934	1,570,191	8,962	205,824	9,013	32,556	14	—	232,353	2,058,923

## TRUST ACCOUNTS

At the end of 1935

(In ¥ 1,000)

Assets	Liabilities
Investments	Money in trust
Government bonds	Trust fund other than money in trust
Other securities	Securities in trust
Loans	Real estates in trust
Deposits with banks and cash on hand	Others
Total including others	Total
944,514	1,737,995
277,034	9,255
667,480	255,231
935,778	32,473
46,115	6,056
2,040,976	2,041,011

Mutual Loan Companies  
(Mujin Kaisha)

In addition to the banking institutions, there are at present 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. In order, however, to enable these societies to perform the function of a financial institution for lower classes and to extend their business operations, fundamental amendments were made in the law in 1931. According to the provisions of the Mutual Loan Company Law, put into effect on and after July 1, 1931, the business of the companies is to make the subscribers pay money in instal-

ments during a fixed period and then to distribute it, in lots, among the subscribers, by drawings, bid-dings or some similar means, the number of such lots and the sum of money to be thus distributed being previously fixed. Each company must have a nominal capital of more than ¥30,000 and a paid-up capital of more than ¥15,000. 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. At the end of 1933 there were 376 Mujin companies with an aggregate of ¥38,325,000 in authorized capital and ¥18,581,000 in paid-up capital. Details bearing upon the status of these companies are found in the following table:

## MUTUAL LOAN COMPANIES

Year	Number of Company	Number of Branch	ASSETS			Total, including others
			Unpaid Capital	Money yet to be paid in instalments	Loans	
			(In ¥1,000)			
1929	260	134	18,214	47,745	31,789	129,279
1930	264	141	18,580	56,512	36,769	149,162
1931	267	149	18,702	60,912	42,284	163,406
1932	274	158	19,393	71,933	41,728	177,911
1933	276	147	19,744	67,616	44,271	188,071

  

Year	Authorized capital	LIABILITIES		Total, including others
		Reserves	Net profit	
		(In ¥1,000)		
1929	34,372	6,713	2,154	129,279
1930	36,121	7,868	2,193	149,162
1931	36,400	8,827	1,998	163,406
1932	37,665	9,557	1,922	177,911
1933	38,325	9,554	2,051	188,071

## Co-operative Credit Associations

Credit Associations acquired a legal standing under a new system as defined by the so-called Co-operative 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 Minister of Agriculture and Forestry. The actual number of these associations was 721 at the end of December, 1934.

Year	Money paid	Loans	Savings	Total B/S
1930	¥63,361,120	¥136,199,660	163,279,668	269,463,423
1931	61,496,440	143,046,052	165,351,942	272,554,757
1932	58,789,865	138,832,405	160,223,203	271,284,152
1933	56,493,820	158,026,038	177,376,436	292,271,078

## Central Chest for Co-operative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federa-

tions of Co-operative Associations and of individual Co-operative Associations and for bringing them into close touch with the central money market, the Central Chest for Co-operative Associations was established by law on April 5, 1923.

Its capital at present amounts to ¥30,700,000, of which ¥15,000,000 is invested by the Government and the remainder, ¥15,700,000, by the Co-operative Associations throughout the country. The Associations that participated in the investment amounted to more than 80 per cent. of the total number existing. The principal business of the Central Chest for Co-operative 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 Co-operative Associations or Co-operative Associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to the Federations of Co-operative Associations or Co-operative 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, Federations of Co-operative Associations or Co-operative Associations;

(4) To undertake exchange business for Federations of Co-operative Associations or Co-operative Associations;

(5) To receive money as deposits from Federations of Co-operative Associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for Federations of Co-operative Associations or Co-operative Associations; and

(7) To buy and sell on a consignment basis securities for Federations of Co-operative Associations or Co-operative Associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and Minister of Finance. The assets and liabilities of these associations follow:

March of	ASSETS				Total, including others
	Unpaid investment	Loans made	Deposits in banks <sup>1</sup>	Securities	
	(In ¥1,000)				
1930	4,459	47,535	31,587	14,018	100,283
1931	2,614	78,774	23,149	13,183	120,880
1932	1,159	93,298	16,908	11,823	127,891
1933	381	127,332	40,145	18,493	192,073
1934	14	150,970	30,532	57,216	245,786

Year	LIABILITIES				Total, including others
	Investment by Government	Investment by others	Co-operative debentures	Fixed deposits	
	(In ¥1,000)				
1930	15,000	15,700	24,210	36,291	100,283
1931	15,000	15,700	41,240	35,661	120,880
1932	15,000	15,700	41,419	32,447	127,891
1933	15,000	15,700	59,503	59,624	192,073
1934	15,000	15,700	64,411	84,454	245,785

## The Big Six

In the commercial banking world, of non-governmental banks there are six which stand out from all the others in importance, these are the Mitsui, Mitsubishi, Dai-Ichi, Sumi-

tomo, Yasuda and Sanwa, the last named was created by the amalgamation of three banks, i. e. Konoike, Yamaguchi and the 34th in December, 1933. A table of comparative statistics at the end of 1935 follows; figures are in ¥1,000:

	Mitsui	Mitsubishi	Daiichi	Sumitomo	Yasuda	Sanwa
Authorized capital	100,000	100,000	57,500	70,000	150,000	107,200
Paid-up capital	60,000	62,500	57,500	50,000	92,750	72,000
Reserves	52,200	46,000	68,500	36,500	66,500	25,510
Deposits	795,233	780,607	913,436	952,297	832,562	1,114,970
Loans and discounts	481,396	335,802	510,281	555,572	618,711	793,279
Foreign bills purchased	49,039	33,080	14,350	15,591	5,128	3,680
Profit for half year	13,123	11,550	8,404	9,066	9,010	5,357
Total B/S	1,009,062	910,284	1,086,454	1,121,999	1,098,165	1,307,752

## FOREIGN BANKS WITH BRANCHES IN JAPAN

Name	Nationality	Number of Branches in Japan	Places of Branches in Japan
Hongkong & Shanghai Banking Corporation	Great Britain	3	Kobé, Yokohama, Tokyo
Chartered Bank of India, Australia & China	"	2	Yokohama, Kobé
National City Bank of New York	U. S. A.	4	Kobé, Yokohama, Tokyo, Osaka
Banque Franco-Japonaise	France	2	Tokyo, Kobé
Nederlandsche Handel-Maatschappij	Holland	1	Kobé
Nederlandsch-Indische Handelsbank	"	2	Kobé, Tokyo
Bank of China	China	1	Osaka

## 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 business men 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. The

first president of the institution was the late Viscount Shibusawa and the present holder of that office is Mr. Hirozo Mori, Vice-president of Yasuda Bank. In June, 1934, there were 43 clearing houses in Japan. The total of bills cleared at the clearing-houses throughout the country in the year 1933 reached 36,785,658 bills and ¥66,771,199,000, which are pretty near to the records of 1928 and 1929. As compared with the preceding year the number of bills increased by 2,645,000 (7.7%), while the amount gained was ¥14,073,000,000 (26.7%). The amount of clearings in Tokyo and Osaka and All-Japan were as follows:

## BILLS CLEARED AT THE CLEARING-HOUSES THROUGHOUT THE COUNTRY

Year	Tokyo		Osaka		Total (Others included)	
	Number of Bills	Amount	Number of Bills	Amount	Number of Bills	Amount
1923	10,532	¥30,715,120	8,511	¥23,993,188	28,791	¥68,058,429
1924	11,463	30,739,301	9,298	26,830,403	31,499	73,956,977
1925	13,041	37,320,256	9,519	27,577,761	34,274	83,338,905
1926	14,307	39,460,447	10,279	28,386,749	37,622	88,792,558

Year	Number of Bills	Amount	Number of Bills	Amount	Number of Bills	Amount
1927	12,517	27,327,475	9,303	20,130,091	34,387	62,556,120
1928	13,117	31,126,238	10,009	21,684,265	36,944	68,502,995
1929	13,525	25,070,553	10,300	22,374,043	38,388	63,343,632
1930	12,721	21,366,617	9,725	17,880,665	36,146	61,376,234
1931	12,408	21,503,184	9,280	14,482,147	34,631	46,022,042
1932	12,646	26,562,718	9,471	15,624,537	34,387	52,751,946
1933	13,577	31,549,888	10,412	22,175,225	37,296	66,871,808
1934	14,253	25,338,571	9,547	24,439,933	37,739	64,376,620
1935	15,153	25,512,016	10,472	22,668,248	40,563	63,800,502

## 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 same as at present, which has been enforced since October 1, 1932. The maximum amount one could deposit was at first ¥500. In the first year of enforcement the amount totalled ¥15,224 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 Communications. (See Chapter VIII.)

The number of depositors and amount of savings since 1925 have been as follows:

March 31,	Number	Amount
1925	30,236,806	¥1,131,250,271
1926	31,549,983	1,166,998,703

March 31,	Number	Total Amount
1927	32,410,752	1,253,589,935
1928	34,425,812	1,636,255,042
1929	36,485,875	1,863,703,742
1930	37,968,850	2,201,245,552
1931	38,257,981	2,497,154,253
1932	39,066,040	2,815,868,019
1933	39,833,438	2,772,004,751
1934	41,625,306	2,919,345,286
1935	43,908,510	3,062,750,943
1936	46,568,533	3,232,947,127

## Currency System

**Coinage** The present coinage system is based on the Coinage Law, issued in 1897, which established the gold monometallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.75 grammes) 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 1000  
 Bronze coins copper 950 tin 40 zinc 10
- (b) Weights  
 Gold coins:

Denominations	Weights Grammes
20-yen pieces	16.6666
10-yen pieces	8.3333
5-yen pieces	4.1666

Subsidiary coins:

Denominations	Weights Grammes
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 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 dwindled in consequence of the minting of new subsidiary coins to displace the notes, the latter coming down, by the end of December, 1934, to ¥11,160,000, consisting of ¥5,482,000 50-sen notes, ¥1,111,500 20-sen notes and ¥4,566,500 10-sen notes.

**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, however, made in the law in June, 1932, and put into effect on and after July 1. 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 paragraph, issue bank-notes to the amount of ¥1,000,000,000 against Government bonds, Treasury notes 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, however, 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 Formosa and Korea**  
 As regards the currency system of Formosa, up to October, 1908, recognition was given to the circulation at the market price in gold of the silver yen, similar to that in circulation in Japan proper until the revision of the Coinage Law in 1897; but the exchange of silver was brought to a conclusion at the end of April, 1909, and in the same month of 1911, the Coinage Law of the Empire was brought into operation in the island, so that the system in Formosa is now absolutely identical with that in force in Japan

proper. The Bank of Taiwan issued, at first, bank-notes convertible into silver yen, but these notes were, upon the reform of the currency system, withdrawn from circulation by April, 1909. In June, 1904, the bank was allowed to issue bank-notes convertible into gold coins, holding as conversion reserve gold and silver coins and bullion to the same amount as that of notes issued. It may further issue notes to the amount of ¥20,000,000 on security of reliable securities. Should it be necessary to issue notes over and above the amounts just mentioned, the permission of the Government must be obtained and an issue-tax of not less than five per cent. must be paid in respect of the excess issue.

The currency system of Korea 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, a radical reform of the system was started, the coinage regulations were 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 (1910), with the object of unifying the coinage of Korea with that of the Empire, the minting of coins under the Coinage Regulation was suspended and the circulation of Japanese coins was encouraged; the old Korean coins in circulation steadily diminished. The Imperial Coinage Law was put in force in April, 1918 in Korea and the use of the old Korean coins as legal tender was permitted till the end of 1909 only, the Government undertaking to exchange them during the five subsequent years. The use of "Yo-sen" (bronze pieces), however, was left free for the time being in consideration of economic conditions in Korea. 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 bullion and the Bank of Japan's convertible notes, the bank is authorized to issue notes up to the limit of ¥50,000,000 on the security of exchequer bills and other reliable bills or trade bills.

AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

Year	Balance brought over from the preceding year	Notes issued			Balance
		Amount newly issued	Total	Amount withdrawn	
1925	¥1,662,315,226	¥5,016,400,463	¥6,678,715,689	¥5,046,931,730	¥1,631,783,959
1926	1,631,783,959	5,298,896,428	6,930,680,387	5,360,472,219	1,569,708,168
1927	1,569,708,168	7,406,086,253	8,975,794,421	7,298,403,979	1,682,390,441
1928	1,682,390,441	5,822,380,203	7,511,770,644	5,772,674,342	1,739,096,302
1929	1,739,096,302	5,684,181,253	7,423,277,555	5,781,425,719	1,641,851,836
1930	1,641,851,836	5,459,304,965	7,101,246,801	5,664,951,204	1,436,295,597
1931	1,436,295,597	4,835,679,182	6,271,974,689	4,941,399,373	1,330,575,316
1932	1,330,575,316	5,021,876,744	6,352,452,060	4,926,293,103	1,426,158,957
1933	1,426,158,957	4,526,876,038	5,953,034,995	4,408,237,301	1,544,797,694
1934	1,544,797,694	4,868,410,704	6,403,208,398	4,775,859,229	1,627,349,168
1935	1,627,349,168	—	—	—	1,766,555,295

## AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

Year	Specie Reserve Gold Coin and Bullion	Public Loan Bonds	Reserve		Total	Amount of Reserve for Every 100 yen of Notes Issued	
			Security Reserve Other Securities	Total		Specie	Security
1925	¥1,056,995,745	¥70,820,000	¥504,465,214	¥574,785,214	¥1,631,783,959	¥64.78	¥35.22
1926	1,058,181,915	156,480,000	355,096,253	511,576,253	1,567,708,168	67.41	32.59
1927	1,062,737,375	183,431,952	481,221,114	619,653,065	1,682,390,441	63.17	36.83
1928	1,061,636,335	97,920,000	579,539,917	677,459,917	1,739,006,302	61.05	38.95
1929	1,072,273,100	161,804,691	407,774,045	569,578,736	1,641,851,836	65.31	34.69
1930	825,998,295	186,862,565	473,434,647	610,297,212	1,435,295,507	57.51	42.49
1931	469,549,450	180,831,861	680,194,005	861,025,866	1,830,575,316	35.29	64.71
1932	425,068,190	539,854,243	461,236,524	1,001,099,767	1,426,158,957	29.81	70.19
1933	425,069,230	597,074,267	522,654,197	1,119,725,454	1,544,797,694	27.62	72.48
1934	466,338,825	631,786,391	529,224,451	1,161,010,843	1,627,349,168	28.66	71.34

## COINS TURNED OUT BY THE MINT

Year	Gold Coins				Silver Coins			Total
	20-yen Pieces	10-yen Pieces	5-yen Pieces	Total	50-sen Pieces	20-sen Pieces	10-sen Pieces	
1925	¥ —	¥ —	¥ —	¥ —	¥ 23,904,000	¥ —	¥ —	¥23,904,000
1926	—	—	—	—	16,286,000	—	—	16,286,000
1927	1,238,860	—	280,000	1,518,860	—	—	—	—
1928	—	—	—	—	19,296,000	—	—	19,296,000
1929	—	—	—	—	6,284,000	—	—	6,284,000
1930	216,600,660	—	4,000,910	220,601,570	220,000	—	—	220,000
1931	152,063,700	—	362,099	152,425,799	1,000,000	—	—	1,000,000
1932	29,836,580	—	—	29,836,580	1,800,000	—	—	1,800,000
1933	—	—	—	—	21,240,000	—	—	21,240,000
1934	—	—	—	—	11,760,000	—	—	11,760,000

## Nickel Coins

Year	Nickel Coins		Total	Bronze	Grand Total
	10-sen Pieces	5-sen Pieces			
1925	¥ 5,447,500	¥ —	¥ 5,447,500	¥ 18,100	¥ 29,369,600
1926	5,867,500	—	5,867,500	—	22,153,500
1927	3,605,000	—	3,605,000	265,000	5,388,860
1928	4,145,000	—	4,145,000	—	23,441,000
1929	1,000,000	—	1,000,000	30,000	7,314,000
1930	—	—	—	50,000	220,371,570
1931	—	—	—	250,000	153,675,790
1932	1,800,000	400,000	2,200,000	340,000	34,176,580
1933	1,457,000	640,000	2,097,000	400,000	23,737,000
1934	3,582,999	1,559,999	5,442,998	1,000,000	18,202,998

## COINS TURNED OUT AND MELTED DOWN BY THE MINT

Year	Turned out		Melted down		Balance
	Turned out in the year	Sum total since 1871	Melted down in the year	Sum total since 1871	
1925	29,369,600.000	1,649,511,848.140	13,190,000.000	149,252,069.910	1,500,279,778.230
1926	22,153,500.000	1,671,665,348.140	11,464,393.210	160,716,463.120	1,510,968,886.020
1927	5,388,383.000	1,677,054,208.140	2,590,391.950	163,306,855.070	1,513,767,353.070
1928	23,441,000.000	1,700,495,208.140	9,826,806.000	173,133,661.070	1,527,361,547.070
1929	7,314,000.000	1,707,809,208.140	2,454,750.000	175,588,411.070	1,532,340,797.070
1930	220,371,570.000	1,928,680,778.140	3,034,250.000	178,622,661.070	1,750,078,117.070
1931	153,675,790.000	2,082,356,568.140	7,748,876.000	186,371,537.070	1,895,005,031.070
1932	34,176,580.000	2,116,533,148.140	5,878,027.840	192,249,564.910	1,924,303,533.230
1933	23,737,001.200	2,140,270,149.340	3,149,725.000	195,399,289.910	1,944,890,859.430
1934	18,202,998.800	2,158,473,184.140	6,225,025.000	203,624,314.910	1,954,868,833.230

General Survey of Economic  
Conditions in 1934

In 1934, the general movement of economic conditions in Japan assumed an upward tendency. Stimulated by the trend of low interest rates and easy money arising out of the pursuit of opportune policies in regard to finance and exchange as well as the practical application of the appropriate monetary policy, a greater advance was achieved in her economic structure which had already been placed on an improved foundation and precipitately strengthened through rationalisation undertaken during many years. Improvement was made in the conditions of supply and demand of commodities. Industrial activity continued to expand. Foreign trade made greater strides. Equilibrium was maintained in the balance of our international payments. In particular, with the restoration of peace and order and the establishment of economic and cultural facilities in Manchoukuo the economic relations between Japan and Manchoukuo was greatly promoted. There were world developments and domestic problems that promised to cramp or restrict the economic progress of Japan. It should, however, be noted that they were not so powerful as to prevent the economic progress of the country, only giving it some chance for further improvement.

Government funds made available for undertakings designed to remedy the situation, for military affairs, and for expenditure in connection with the Manchurian Incident were continuously distributed in large amounts on the market. Industries in general were so far placed on a more profitable basis, and this was specially marked in that branch of industry which benefited most from

the influence of the situation. So conspicuous had become the tendency toward the growth of bank deposits and the decline in credit requirements that banks and other financial institutions found themselves supplied with excess funds at extraordinary high levels, and the downward movement of both long and short-term interest rates was further accelerated, and this trend of lower rates spread to all branches of the credit structure. Such conditions in the money market occasioned a considerable briskness in the issue market, where there were observed substantial issues of company debentures at low interest. The adjustment of high interest debentures and debts also made remarkable progress, and through reduction of the burden of interest borne by various industrial concerns, resulted not only in their position being greatly strengthened, but also in the growth in yields produced from their operations. Thus, the general situation developed so favourably to the industrial field that new establishments of enterprises were started, while existing ones were expanded.

Foreign trade, supported by the continuation of industrial activity, registered a marked expansion both in exports and imports. In spite of the erection by other countries of high trade barriers in the form of the raising of tariffs and import restrictions, the export trade succeeded in finding new outlets in Manchoukuo, Central and South America, and Africa, and increased considerably in volume as well as in value. A substantial growth was also shown in the import trade owing largely to the rise in the prices of raw materials, the increased demand for raw materials created by improved industrial conditions at home, and the growth of imports from foreign markets arising out of

the requirements of trade coordination by such markets. As regards the invisible trade, the receipts in connection with shipping, profits from undertakings abroad, emigrants' remittances, and receipts from foreigners in Japan reached a substantial amount, so that the excess of ordinary receipts over payments was in a position to counterbalance the excess of imports on merchandise account. On the side of extraordinary receipts and payments on account of the invisible trade, capital movements in and out of the country were well regulated by the system of foreign exchange control which was constantly functioning satisfactorily. Under the circumstances, the debits and credits on account of international payments were on the whole balanced. Thus, the year 1934, during which no great change has taken place in world monetary conditions, has witnessed the most stabilized yen exchange since the re-imposition of the gold embargo in 1931.

Such favourable economic conditions were sufficiently reflected in the growth of industrial production and various business transactions, and in the meantime domestic commodity prices remained stable at almost the same level as that of the preceding year. This may be accounted for partly by the maintenance of equilibrium in supply and demand of commodities and stability in foreign exchange rates, but mainly by the appropriate monetary policy as pursued by the Government. Various financial institutions, with plentiful idle funds, proceeded with the purchase of securities, and especially, of Government bonds, while the Government still followed the policy of requiring the Bank of Japan first to take up Government bonds and then to make sales of its holdings in response to the requirements of

the market. Such was the situation that, in spite of a huge volume of Government bond issues, the capacity of the money market to absorb these bonds was by no means weakened and no indication of currency inflation was discernible.

In the second half of the year the rate of expansion in foreign trade slightly slowed down, the question of a tax increase and other factors resulted temporarily in a sharp decline in share prices, and the slump in cocoon prices and damage sustained by a number of calamities caused depressed conditions in farming communities to be more acute. Whereupon, the Government was obliged to deal with the situation by submitting to the Diet specially convoked in November a Supplementary Budget in which appropriations for emergency relief measures were made. As a whole, however, Japan's economy not only maintained favourable conditions that continued from the preceding year, but made further progress during the year.

**Money Market** The monetary position of the country maintained an easy tendency throughout 1934, except that in August short-term interest rates slightly tightened. Since the commencement of the year the volume of bank deposits increased, while credits declined. Improvements in industrial conditions facilitated repayment of bank credits previously granted, and conversions of company debentures was successfully carried out. Under the circumstances, money continued easy, and the rate for overnight call money touched, about the middle of May, the lowest level of the year at 2.01% in Tokyo. Banks and other financial institutions with excess funds sought investments in securities, and especially, in Government bonds, and there was a substantial advance in

the prices of Government bonds and other securities. With the resultant decline in yields on securities, however, banking institutions whose interest charges on deposits had already become comparatively heavy had to suffer a recession in earnings. Recognizing the necessity of adjusting their own rates to prevailing monetary conditions, the associate banks in Tokyo and Osaka effected in June reductions in the rates of interest on fixed deposits with the B class banks to a minimum of 4%, followed by successive reductions by banks in different parts of the country. In trust companies reductions were also made in respect of dividend payments to beneficiaries. The issue market which, influenced by such lower interest rates, manifested marked activity in the first half of the year saw large issues of local government loans and company debentures, a greater part of which consisted of conversion issues. The rate at which these issues were made also gradually moved downward and debentures of certain leading companies, such as the South Manchuria Railway Company, were issued at 4.3%. It will, therefore, be found that these conversion operations extremely eased the burden of interest borne by various industrial concerns.

In the field of short-term investments the strong demand for funds was created in July and August for seasonal purposes and for such other purposes as calls and repayments in respect of debentures, while there was a decrease in Government funds distributed on the market. This resulted in interest rates being somewhat tightened, bringing the rate for overnight call money to the level of 3.47% at the end of August. But the trend of lower money rates was unchanged, such rates as the discount rates for ordinary commercial bills weakening to 5.11%. Sub-

sequently, a succession of calamities in rural communities and the problem on the creation of the Special Profits Tax combined to bring about a cautious sentiment in financial circles. Credit requirements declined. The issue market was somewhat dull. The absorption of Government bonds in the market was slightly reduced. These factors, together with the necessity of cash repayment of Rice Purchase Notes, induced the rate for overnight call money to decline gradually, bringing it to 2.74% in October. The rate at the year-end was 3.65%. Thus, extremely quiet conditions prevailed at the turn of the year.

With respect to the movement of the rates of the Bank of Japan and other interest rates, it is to be noted that the official discount rates of the Bank of Japan have remained unchanged since July, 1933. In ordinary banks, however, the associate banks in Tokyo and Osaka reduced on June 25, 1934, the rates of interest on fixed deposits with the B class banks from 4.2 to 4% and the rate on petty current deposits from 2.92 to 2.56%. These rate reductions were followed by reductions by associate banks in different parts of the country. The discount rates for ordinary commercial bills in Tokyo, ranging in January from 4.38 to 6.57%, remained between 4.38 and 6.21% in March. Subsequently, the rates did not show any wide fluctuations. The rate for overnight call money, which remained in January between 2.19 and 2.92% in Tokyo and 2.19 and 2.56% in Osaka, moved downward, touching in May the lowest level of the year at 2.01% in Tokyo and 2.19% in Osaka. In August it ranged from 2.56 to 3.47% in Tokyo and from 2.56 to 3.65% in Osaka, but from September onward it gradually weakened, remaining in October between 2.37 and

2.47% in Tokyo and 2.56 and 2.92% in Osaka. Under the influence of seasonal movements of funds, it again rose at the year-end, ranging from 2.37 to 3.65% in Tokyo and 2.56 to 3.29% in Osaka. The highest level in Tokyo and Osaka during the year was 3.65% and the lowest was 2.01%.

**Returns of the Bank of Japan** As regards the business of the Bank of Japan, the coming into operation, as from April 7, 1934, of the Law concerning Purchase of Gold by the Bank of Japan brought about an increase in its specie reserve. Private deposits with the Bank showed in 1934 a slight decline as against the preceding year. The monthly average remained for the most within 100 million yen, a maximum being 109 million in June and a minimum 66 million in November. The total volume of deposits on December 31 was 104 million, this being 16 million below the corresponding figure a year ago.

The volume of advances by the Bank of Japan, which showed a contraction in January, 1934, increased in February to 723 million yen in monthly average. As, however, foreign exchange banks, taking advantage of monetary ease, were able to obtain their credit requirements from banks other than the Bank of Japan, the figure declined gradually, reaching 625 million in June. The increased demand for funds by private concerns for seasonal purposes and for foreign exchange transactions brought the monthly average up to 783 million in August. From September to December the figure showed a decline, remaining at the level of 700 million. On December 31, the volume of advances totalled 877 million, representing an increase of 21 million over the corresponding figure in 1933.

Under the influence of the growth

in Government revenues and disbursements, the issue and repayment of national loans, and the movement of the funds of the Deposit Bureau of the Department of Finance, Government current deposits with the Bank of Japan was subjected to wide fluctuations during 1934, remaining in monthly average between a maximum of 279 million yen and a minimum of 144 million. Owing largely to the considerable amount of Government disbursements at the year-end, the volume of deposits declined to 121 million on December 31, but this represented an increase of 12 million as compared with the previous year.

Although there were large issues of national loans in 1934, the issue of Bank notes showed only a slight increase as against the preceding year due largely to the fact that the Bank of Japan made sales of its holdings of Government bonds occasionally. The monthly average of the issue, remaining at the level of 1,200 million yen from January to February, declined to the 1,100 million level between March and November. It rose to 1,345 million in December. The aggregate issue on December 31 was 1,627 million, an increase of 82 million over the corresponding figure in 1933.

**Movements of Funds of Banks and Trust Companies** Reflecting a relaxation in the money market and improvements in industrial conditions, deposits in banks throughout the country, excluding the Bank of Japan, showed an increasing tendency from the beginning of 1934, the monthly aggregate of deposits indicating a substantial growth as against the corresponding months of the preceding year. On January 31, the volume of deposits remained at the lowest figure of the year of 11,149 million yen, but increased to 11,942 million on June 30. After de-

clining to 11,768 million on September 30, it again turned upward, reaching 12,202 million on December 31, this representing the highest figure of the year and an increase of 693 million as compared with the previous year.

During 1934 improved industrial conditions and large conversions of company debentures combined to facilitate the repayment of advances previously made, while the demand for fresh funds continued slack, and there was in 1934 a substantial decline in the monthly volume of advances as compared with the previous year. The volume that stood at 9,656 million yen on January 31 rose to 9,687 million on February 28, this representing the highest record of the year. Subsequently, however, it gradually declined, touching on September 30 the lowest figure of the year at 9,154 million. It had since increased again, amounting on December 31 to 9,306 million, this being 279 million below the corresponding figure a year ago.

Cash deposits in trust companies throughout the country, reflecting conditions in the money market, continued to increase from the beginning of 1934, and showed a remarkable increase as against the preceding year. The volume of deposits, which remained at the lowest figure of the year, i.e. 1,404 million yen on January 31, rose to 1,497 million on June 30, and to 1,574 million on December 31. The December figure, representing the highest record of the year, was 187 million over the corresponding figure a year ago.

**National and Local Loans and Company Debentures** The issue of national loans, excluding Treasury Bills and Rice Purchase Notes, amounted during 1934 to 942 million yen, a decline of 354 million as against the preceding year. The repayment of 113 million, representing an increase

of 90 million above the preceding year, resulted in a net increase of 829 million in the national debt.

There was no outstanding amount of Treasury Bills at the beginning of the year, but subsequently issues were made to the amount of 110 million yen in May and 60 million in July. It may be noted that repayment of two such issues was effected within the year, namely, 110 million in July and 60 million in August, and no outstanding amount existed at the year-end.

The issue of Rice Purchase Notes and their repayment were repeated almost each month in 1934. The total issue amounted to 1,372 million yen and the repayment to 1,174 million. These figures show, in comparison with the preceding year, an increase of 634 million in issues and of 636 million in repayments.

Taking advantage of the trend of lower money rates and the expansion of activity in the issue market, conversions of local loans made remarkable progress in 1934. The total issues of local loans, including fresh and conversion issues, amounted during the year to 752 million yen, representing a decline of 109 million as compared with the preceding year. The repayment reached 641 million, an increase of 23 million over the figure of the preceding year.

Reflecting improvements in industrial conditions and lower money rates, the issue market displayed considerable activity, and the issue of company debentures during 1934 reached 1,812 million yen, an increase of 223 million over the figure of the preceding year. The repayment totalled 1,726 million, a decline of 114 million as compared with the preceding year. It should be noted that the greater part of company debenture issues during the year represented the issues for conversions.

**Bank Mergers** As a result of en-

couragement by the Government and efforts of bankers concerned, steady progress was made in mergers of banks. Banks that participated in mergers numbered 38, of which those newly established by mergers reached 6 and those that absorbed other banks reached 11. The number of institutions passing out of existence in consequence of mergers thus reached 21 during 1934.

**Bill Clearings** During the first few months of 1934, bill clearings showed more than seasonal increases. In January the aggregate of bill clearings was maintained at 4,611 million yen. The substantial growth of financial dealings arising out of the expansion of activity in the issue market, combined with a sharp increase in sales of shares in the stock market, brought bill clearings up to the aggregate of 6,403 million in March, this being the record figure of the year. Subsequently, however, many banks continued purchases of Government bonds by refraining from granting short-term credits, and dealings in securities and other business transactions also gradually declined. Under the circumstances, bill clearings remained between 5,100 million and 5,700 million from April to August, and at the level of 4,800 million from September onward. At the end of the year, however, the figure rose to 6,115 million largely in response to seasonal influences. The total clearings amounted during 1934 to 64,376 million, representing a decline of 2,495 million as compared with the preceding year.

**Foreign Exchange** During 1934, the yen exchange, though remaining weak, has been most stabilized since the re-imposition of the gold embargo in 1931. The rate on London remained at 1s. 2½d. between January and March, at 1s. 2¼d. between April and October and at 1s. 2d. between November and December.

With respect to the rate on New York, it is to be noted that the rate fluctuated within a narrow range according as Anglo-American exchange fluctuated. It remained between the highest quotation of \$30½ and the lowest of \$28½, being generally maintained at the level of \$29 throughout the year.

#### Economic Conditions in 1935

**Money Market** The flight of capital has been and is being strictly prevented through the operation of exchange control as well as the issue of additional "red-letter" bonds floated to meet the deficit of national finance. The result was the appearance of an unprecedented low interest rate, which is reflected on the interest rates of the Bank of Japan and other banks in Tokyo and Osaka and on the conditions for the issue of debentures.

But this phenomenon of easy money and low interest rate has come to a standstill in the latter part of 1935. Loans of banks, which had been steadily decreasing, began to increase remarkably in the latter months of 1935. According to an investigation of accounts of banks in the country, the aggregate loans at the end of 1935 showed an increase of ¥236,000,000, as compared with the previous year. The rise in price of principal commodities, a great increase of business transactions and the enhanced demand for money in the stock market and for industrial expansion, all these had to do with the swelling of loans. The principal reason, however, seems to lie in the new demand for funds in the industrial world which had gone through with the readjustment of old loans in the past three years of inflation.

Another change to be noticed in this connection was the strong tone in the call loan market. The low in-

terest rate obliged banking corporations to rationalize their business and most banks have reduced the amount of cash on hand to the minimum, and applied the surplus money in such a manner as to get the maximum yield of profits, and, consequently, the call money market naturally became tightened. The bond floating market which was very active at one time became very dull. During the 12 months of 1935 the amount of debentures floated in Japan, exclusive of State bonds, decreased by ¥912,000,000, or more than 35 per cent., as compared with the corresponding period of the year before. Most of the high interest bearing bonds had already been replaced by new ones, while the activities in the bond market had reached its apex in 1934.

As long as exchange control exists and the issue of "red-letter" bonds continues, the cause for easy money will not be eradicated. The tendency of the increase of loans may not be checked to any great extent. In spite of that the tendency of low interest rate appeared to have reached the bottom. Not to speak of the level of call money rate to rise, any possibility for interest rate to decline was unthinkable. The situation was well explained by the issuing conditions of debentures, for even the second or third class debentures demanded 4.3 per cent., and issues at a lower rate were considered almost impossible. Again, the movement for the levelling up of interest rate for deposits in local banks was successful and most banks paid an interest of 4 per cent. But the interest rate of the A class banks on fixed deposits in Tokyo and Osaka did not fall below 3.7 per cent. and the dividend of trust companies was kept at 4.2 per cent.

The policy of bringing about low interest rate which had been pursued in a very positive way both by the Government and the Bank of Japan during 1933 and 1934 was suspended and after 1934 it has been left to take its own course. At the end of 1935 the official interest rate of the Government and the Bank of Japan was serving as an obstacle to low rate of interest. For instance, there were the 4 per cent. bonds. Unless a change be made in the interest rate, even first class debentures can not be floated at a rate lower than 4.3 per cent. Again as long as the interest rate on postal savings is kept at 3 per cent. it is difficult to lower the interest rate of fixed deposits in the banks. The whole situation of the money market at the end of 1935 suggested that the time had arrived for the Government and the Bank of Japan to do away with the policy of non-interference in one form or another.

**Bond Issue** According to the investigation of the Economic Research Committee of the Tokyo Clearing House, public confidence in the national finance and currency in 1935 was pretty well maintained. This was proved by the steady market price of bonds and the stabilized exchange rate. For the floatation of bonds it was necessary to limit its amount below the total savings of the people with due deduction for investments put into industries. Investigation from this point of view showed that the accumulations of money in the form of bank deposits, trust money, postal savings, savings transfer account, reserve fund for payment of insurance companies, reserve funds of post office insurance, etc. was on the increase toward the end of 1935 as the following table shows:

DEPOSITS IN BANKS, TRUST COMPANIES  
AND THE DEPOSITS BUREAU OF THE  
DEPARTMENT OF FINANCE.

(At the end of each term. In ¥ 1,000,000)

		Total	Increase
Second half,	1931	14,068	—
First half,	1932	14,252	184
Second half,	1932	14,650	398
First half,	1933	15,200	540
Second half,	1933	15,645	445
First half,	1934	16,329	684
Second half,	1934	16,698	369
First half,	1935	17,201	503
Second half,	1935	17,847	646

Aggregate sum obtained by the addition of various reserve funds of insurance companies and Post Office Life Insurance to the above is as follows:

		Total	Increase
Second half,	1931	16,322	—
Second half,	1932	17,140	818
Second half,	1933	18,391	1,251
Second half,	1934	19,782	1,391
Second half,	1935	20,931	1,149

At the same time the amount of capital which was absorbed by industrial enterprises had also shown a tendency to increase. During the first half of 1934 the sum invested in bonds and debentures markedly increased. From the second half of the same year other loans for investment have been added. The latter noticeably increased during the second half of 1935 and since then the rate of increase of the capacity of the principal finance corporations for investment has slackened.

CAPITAL ABSORBED BY VARIOUS  
INDUSTRIES

1. Capital absorbed as loans.

Second half of each year	Amount (in million yen)	Increase or Decrease
1931	12,470	—
1932	12,098	-372
1933	11,482	-616
1934	11,067	-415
1935	11,932	865

2. Capital absorbed as bonds, debentures, etc.  
(Total of debentures and the paid-up capital outstanding)

Second half of each year	Amount (in million yen)	Increase or Decrease
1931	15,813	—
1932	15,828	15
1933	16,387	559
1934	17,607	1,220
1935	18,910	1,303

Funds Still Available for Further Investment. (Money left after the deduction of the loaned capital from the aggregate sum of savings given in the second table. Figures for the second half, 1935 are estimated amounts.)

Second half of each year	Amount	Increase or Decrease
1931	3,852	—
1932	5,042	1,190
1933	6,959	1,917
1934	8,695	1,736
1935	9,539	844

On the other hand, finance organs, in order to make good the decrease of profits, prefer more profitable shares and foreign securities to Government bonds. Lastly, the question of investment in Manchoukuo must be accounted for. During the past four years, 1932-1935, the amount invested in Manchoukuo totalled ¥827,328,000 which consists of ¥97,400,000 for Manchoukuo Government bonds, ¥523,233,000 for debentures and ¥206,695,000 for shares. Japan's trade with Manchoukuo during the same period has always been favourable to her, excess of exports from Japan in the four years being more than ¥570,000,000, making a good compensation for the outflow of funds just mentioned. Prospects are that Japan's investments in Manchoukuo will ever be on the increase and when they are converted into fixed capital it would become a heavy burden on the money market in Japan and a serious drawback for the successful issue of Government bonds.

At the New Year's Dinner of the Clearing Houses held on January 31, 1936, Governor Fukai of the Bank of Japan spoke as follows:

The 4 per cent. bonds sold by the Bank of Japan in January, 1936, amounts to more than ¥140,000,000 and exceeds the amount sold in the same month of the previous year by ¥50,000,000. Last year the 4 per cent. bonds which the Bank of Japan accepted amounted to ¥750,000,000 of which ¥702,000,000 was sold. The 4½ and 4 per cent. bonds which the Bank of Japan accepted since 1932 amounted to ¥2,760,000,000 and ¥2,630,000,000 of which was sold out. The money which is thus drawn to the Government is disbursed and circulated in the market and the surplus money left over after meeting the actual demand there comes back again by the consumption of more bonds, and in this manner the harmony between the bond and currency policies is being maintained.

Lately there have occurred changes in the demand and supply relation of short term loans and its interest rate has risen. But there was no change in the long term loan market and a low interest rate was maintained. Last year, conferences were held in various local places for lowering the stipulated interest rate, and the tendency of low interest rate has thus pervaded further. Low interest rate has contributed a great deal to the expansion of industrial enterprises. But it has to be kept at the rate satisfactory both to depositors and borrowers for a smooth economic development, and as to the advisability of enforcing lower interest it depends upon the future development of general economic conditions.

Savings and Capital Investment At the end of 1935 the total deposits in ordinary and savings banks in the whole country reached ¥11,918,000,000

an increase of ¥683,000,000 as compared with the previous year. The postal savings at the end of 1935 was ¥3,202,788,000, an increase of ¥168,758,000 as compared with 1934. Money entrusted with the trust companies amounted at the end of 1935 to ¥1,737,995,000, which showed an increase of ¥163,171,000 as compared with 1934.

In 1935 the total capital invested in new companies and the expansion plans of the old ones amounted to ¥1,426,912,000, an increase of ¥92,460,000 as compared with the previous year. Besides, the rise of the index number of the production of principal commodities, a greater movement of railway freight and the rise of the index number of employment suggest the swing of prosperity in industrial and commercial circles in the year under consideration. In agrarian villages, the efforts made both by the Government and people in the past three years to overcome the depression are being repaid by the rise in prices of rice and cocoons.

Foreign Trade In the latter half of 1934 and at the beginning of 1935 some people surmised the future of economics of the country with pessimism. At that time there were an unrest in various gold standard countries, political crisis in Europe, the halting of the controlled economic policy in the U. S. A., etc., while in Japan itself the tendency of exports to increase became slackened which, coupled with the payment for foreign bonds, threw a shadow over the prospect on the balance of the international payment of the country. High cost of production, cheaper price of manufactured articles, overproduction in certain industries and bad crops in the previous year presented factors unfavourable to the economic world. But the actual outcome for the year 1935 proved

more encouraging.

The reasons for the unexpectedly favourable results in 1935 were in the prosperous foreign trade and the high price of agricultural productions. So far no improvement has been made in the obstacles placed in Japan's foreign trade and there is even a tendency in some countries to take stricter measures to bar out Japanese goods. But Government measures and clever efforts of the people concerned succeeded in overriding these obstacles and both in the

total volume of the foreign trade and in its balance it has made the best record since the World War. In view of this though payments may slightly exceed receipts in the invisible foreign trade the balance of the international payment would show an improvement as compared with the previous year. Yen exchange, too, apart from the influence of the exchange rate between Great Britain and America and seasonal fluctuations was steady.

#### CIRCULATION OF PAPER NOTES AND BANK NOTES

End of	Petty Government notes	Bank of Japan notes	Bank of Chosen notes	Bank of Taiwan notes	Total
	(In ¥1,000)				
1912	—	443,837	25,550	20,414	489,802
1917	19,825	796,594	67,364	33,512	917,297
1926	14,433	1,541,645	110,936	45,640	1,715,715
1927	13,189	1,640,653	124,527	53,602	1,831,971
1928	12,437	1,665,897	132,444	55,713	1,866,541
1929	12,085	1,591,400	118,702	49,241	1,771,428
1930	11,630	1,418,891	90,615	39,904	1,556,090
1931	11,430	1,312,035	100,910	44,414	1,468,859
1932	11,330	1,373,819	124,622	52,619	1,562,241
1933	11,230	1,470,463	143,176	48,904	1,678,897
1934	11,160	1,538,133	192,457	62,653	1,804,460
1935	11,040	1,607,879	220,777	70,190	1,909,878

#### TREND OF EXCHANGE RATES WITH ENGLAND AND THE UNITED STATES

		London (1 yen = 2 s. 0.532 d.)			Yokohama Specie Bank		
		Tokyo open market			Yokohama Specie Bank		
	High	Low	Average	High	Low	Average	
	s.d.	s.d.	s.d.	s.d.	s.d.	s.d.	
1933	1/-3½	1/-1½	1/-2.534	1/-1½	1/-2	1/-2.409	
1934	1/-2½	1/-1½	1/-2.143	1/-2½	1/-2	1/-2.065	
1935	1/-2½	1/-1½	1/-2½	1/-2	1/-2	1/-2	
1935 Jan.	1/-1½	1/-1½	1/-1.952	1/-2	1/-2	1/-2	
Feb.	1/-2	1/-1½	1/-1.981	1/-2	1/-2	1/-2	
Mar.	1/-2½	1/-2½	1/-2.071	1/-2	1/-2	1/-2	
Apr.	1/-2½	1/-2½	1/-2.076	1/-2	1/-2	1/-2	
May	1/-2½	1/-2½	1/-2.109	1/-2	1/-2	1/-2	
Jun.	1/-2½	1/-2½	1/-2.099	1/-2	1/-2	1/-2	
Jul.	1/-2½	1/-2½	1/-2.100	1/-2	1/-2	1/-2	
Aug.	1/-2½	1/-2½	1/-2.157	1/-2	1/-2	1/-2	
Sep.	1/-2½	1/-2½	1/-2.190	1/-2	1/-2	1/-2	
Oct.	1/-2½	1/-2	1/-2.027	1/-2	1/-2	1/-2	
Nov.	1/-2½	1/-1½	1/-1.980	1/-2	1/-2	1/-2	
Dec.	1/-2	1/-1½	1/-1.993	1/-2	1/-2	1/-2	
1936 Jan.	1/-2½	1/-2	1/-2.001	1/-2	1/-2	1/-2	
Feb.	1/-2	1/-1½	1/-1.986	1/-2	1/-2	1/-2	

		New York (100 yen = †84.396 dollars)			Yokohama Specie Bank		
		Tokyo open Market			Yokohama Specie Bank		
	High	Low	Average	High	Low	Average	
	\$	\$	\$	\$	\$	\$	
1933	31½	20½	25.373	31½	20½	25.227	
1934	31½	23½	29.640	31½	23½	29.511	
1935	28½	28½	28½	29½	27½	28.570	
1935 Jan.	28½	28½	28.448	28½	28½	28.407	
Feb.	28½	28½	28.408	28½	28½	28.391	
Mar.	28½	27½	27.995	28½	27½	27.890	
Apr.	28½	28½	28.367	28½	28	28.255	
May	29½	28½	28.708	28½	28½	28.518	
Jun.	29	28½	28.955	29½	28½	28.815	
Jul.	29½	29	29.144	29	28½	28.967	
Aug.	29½	29½	29.317	29½	29	29.050	
Sep.	29½	28½	28.953	29	28½	28.760	
Oct.	28½	28½	28.644	28½	28½	28.562	
Nov.	28½	28½	28.651	28½	28½	28.603	
Dec.	28½	28½	28.729	28½	28½	28.625	
1936 Jan.	29½	28½	28.981	29½	28½	28.896	
Feb.	29½	28½	29.071	29½	28½	29.011	

† Old parity \$ 49.846 per ¥ 100.

#### INTEREST RATES ON DEPOSITS

Fixed by the agreement of Tokyo Associated Banks (April 10, 1936)

	"A" class banks	"B" class banks
Fixed deposits	Less than 3.3% p.a.	Less than 3.6% p.a.
Current account	Less than 1 rin per diem	Less than 2 rin per diem
Special current account	Less than 5 rin per diem	Less than 6 rin per diem
Deposits at notice	Less than 6 rin per diem	Less than 7 rin per diem
Other deposits	Less than 6 rin per diem	Less than 7 rin per diem

#### INTEREST RATES AT THE BANK OF JAPAN

Date of change	Commercial bills discount	Discount of bills with Government bonds as collaterals	Discount of bills with other collaterals	Overdrafts
Nov. 19, 1919	8.03%	8.03%	8.76%	9.13%
Apr. 19, 1925	7.30	7.30	8.03	8.40
Oct. 4, 1926	6.57	6.57	7.30	7.67
Mar. 9, 1927	5.84	6.21	6.57	7.30
Oct. 10, 1927	5.43	5.84	6.21	6.94
Oct. 7, 1930	5.11	5.48	5.84	6.57
Oct. 6, 1931	5.84	6.21	6.57	7.30
Nov. 5, 1931	6.57	6.94	7.30	8.03
Mar. 12, 1932	5.84	6.21	6.57	7.30
June 8, 1932	5.11	5.48	5.84	6.57
Aug. 18, 1932	4.38	4.75	5.11	5.48
July 3, 1933	3.65	4.02	4.38	5.11
July 3, 1935	3.65	4.01	4.38	5.11
April 7, 1936	3.23	3.65	4.01	4.74

Note: To convert rin per ¥ 100 per diem into a percentage multiply by .365, and for sen per ¥ 100 per diem multiply by 3.65.

## INTEREST RATES AT THE YOKOHAMA SPECIE BANK

(Compiled by Yokohama Specie Bank)

Year	Overdrafts			Discount of bills			Fixed deposits			Current deposit		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
	(In per cent.)											
1925	8.9	7.3	8.5	9.6	7.3	9.1	6.0	6.0	6.0	2.2	2.2	2.2
1926	8.8	7.3	8.3	9.3	7.1	9.0	6.0	6.0	6.0	2.2	2.2	2.2
1927	8.1	7.2	8.1	8.6	6.6	8.5	5.5	5.5	5.5	1.8	1.8	1.8
1928	7.7	6.6	7.7	8.1	5.6	7.5	5.0	5.0	5.0	1.5	1.5	1.5
1929	7.7	5.8	7.3	7.7	6.6	6.7	5.0	4.5	4.5	1.5	1.1	1.7
1930	7.3	6.6	6.9	6.9	6.2	6.6	4.5	4.5	4.5	1.1	1.1	1.1
1931	7.3	6.2	6.9	7.7	4.0	6.7	4.7	4.2	4.3	1.1	0.7	0.9
1932	7.3	6.2	6.9	6.6	5.1	6.2	4.7	4.2	4.5	1.1	0.7	0.9
1933	7.6	5.1	6.0	6.3	4.3	5.6	4.2	3.7	3.9	0.7	0.7	0.7
1934	6.6	4.2	5.5	6.7	3.3	5.4	3.7	3.7	3.7	0.7	0.7	0.7

## AVERAGE INTEREST RATES THROUGHOUT JAPAN

Year	Loans	Overdrafts	Discount of bills			Fixed deposits	Current deposits	Savings deposits
			(In per cent.)					
1925	10.2	11.0	10.6	6.8	3.4	4.9		
1926	10.7	10.8	10.2	6.8	3.4	4.9		
1927	10.4	10.2	9.9	6.3	2.9	5.0		
1928	9.9	8.9	9.1	5.8	2.5	4.5		
1929	9.6	9.3	8.5	5.3	2.0	4.5		
1930	9.7	9.3	8.8	5.3	2.0	4.6		
1931	9.4	9.4	8.9	5.2	1.9	4.4		
1932	9.3	9.2	8.7	5.1	1.8	4.3		
1933	8.9	8.8	8.2	4.7	1.6	4.0		
1934	8.6	8.2	7.5	4.4	1.3	3.6		

## RATES OF FOREIGN EXCHANGE

Year	London (per 1 yen)			Paris (per 1 yen)			Hamburg (per 1 yen)		
	High-est	Low-est	Ave- rage	High-est	Low-est	Ave- rage	High-est	Low-est	Average
	s. d.			Francs			Marks		
1925	1.09.6	1.07.3	1.08.3	12.07	6.97	8.58	1.82	1.59	1.71
1926	2.00.2	1.09.6	1.11.2	23.15	11.17	14.68	2.05	1.81	1.71
1927	2.00.3	1.10.4	1.11.4	12.55	11.50	12.04	2.06	1.91	1.90
1928	1.11.2	1.10.6	1.11.0	12.15	11.35	11.76	2.00	1.85	1.94
1929	2.00.1	1.09.7	1.10.8	12.40	11.05	11.67	2.03	1.82	1.92
1930	2.00.4	2.00.2	2.00.4	12.60	12.45	12.56	2.06	2.04	2.06
1931	3.00.3	2.00.4	2.02.5	12.60	12.10	12.52	2.20	2.00	2.06
1932	2.01.5	1.02.8	1.07.1	9.36	5.02	7.06	1.55	0.82	1.25
1933	1.02.9	1.02.0	1.02.4	5.35	4.62	5.07	0.88	0.75	0.83
1934	1.02.1	1.02.0	1.02.5	4.95	4.30	4.48	0.81	0.70	0.74
1935	1.02.1	1.01.9	1.02.0	4.41	4.15	4.32	0.72	0.68	0.70

## Bombay (per 100 yen)

Year	Rupees			San Francisco and New York		
	High-est	Low-est	Average	High-est	Low-est	Average
	(\$)					
1925	119.00	107.00	112.76	43.63	38.63	40.93
1926	136.50	117.50	129.33	48.88	43.63	47.00
1927	135.50	124.75	130.44	49.12	45.75	47.55
1928	131.50	122.50	127.09	48.07	44.85	46.57
1929	134.25	121.25	127.62	49.12	43.87	46.19
1930	138.00	134.00	136.57	49.50	49.13	49.49
1931	198.75	136.00	147.71	49.50	49.50	49.50
1932	140.00	80.25	105.09	37.00	20.00	28.09
1933	81.50	77.50	79.60	31.25	20.25	25.22
1934	79.00	76.50	77.75	30.35	28.50	29.50
1935	—	—	—	28.81	28.06	28.43

Year	Hong Kong (per 100 dollars)			Shanghai (per 100 yen)		
	High-est	Low-est	Average	High-est	Low-est	Average
	Yen			Taels		
1925	152.00	130.50	140.76	57.25	49.00	53.06
1926	136.00	92.50	115.41	57.00	56.25	68.33
1927	110.75	99.00	105.47	81.50	70.50	75.00
1928	114.50	104.50	109.13	75.00	65.50	71.18
1929	111.75	86.00	104.19	93.50	70.00	77.62
1930	85.00	55.50	69.95	142.00	93.50	117.75
1931	60.25	45.50	50.60	176.00	126.00	155.51
1932	116.00	68.00	99.19	110.00	66.00	85.53
	(yen per 100 silver dollar)					
1933	124.25	105.50	116.24	112.50	97.25	105.50
1934	151.00	116.50	132.01	132.50	104.25	116.50
1935	—	—	—	146.00	102.50	124.25

## Note:

This table shows the rates of exchange at which the bills on demand were bought during the years mentioned above.

The figures up to 1931 represent the quotations of the Yokohama Specie Bank and those for 1932 represent the market rates of telegraphic transfers of the Bank of Japan.

## Capital Flight Prevention Law

The outflow of capital from the country that started at the time when the money market remained extremely easy after the return to the gold standard in January, 1930 began to assume heavy proportions from July, 1931, according as speculation in exchange and investment in securities in foreign currencies, both made in anticipation of the depreciation of the yen, became more active. In particular, side by side with the general advocacy of the re-imposition of the gold embargo that had prevailed in the country since Great Britain went off the gold standard in September, 1931, purchases of foreign currencies went on, resulting in considerable shipments of gold abroad. Facing this aggravation of the situation, the Government was obliged to impose again an embargo on the export of gold in December, 1931. The re-imposition of the gold embargo thus effected caused the external value of the yen to deviate, as a natural result, from gold value and to depreciate sharply. With the commencement of 1932, however, the downward movement of the yen exchange somewhat slowed down, and speculation in exchange declined to

a remarkable extent. But a sharp decline in the prices of Japanese bonds in foreign markets resulting from loss of confidence led to active investments in profitable securities in foreign currencies, thus causing the outflow of capital to be much heavier. In view of these developments, the Government, in order to control the movements of capital in and out of the country and to maintain the external value of the yen, submitted to the Diet in the 62nd session a bill for the prevention of the flight of capital. The Capital Flight Prevention Law that had thus passed the Diet and the Ordinances of the Department of Finance issued in accordance with the Law were put into operation as from July 1, 1932, and have been effective until the Foreign Exchange Control Law came into operation in May, 1933. This Law, the principal object of which was to prevent the flight of capital, was analogous to foreign exchange control laws now in force in other countries, but was entirely different in its object and the extent of control. It vested the Government with authority to prohibit or restrict transactions or acts likely to create the flight of capital. The scope of transactions or acts coming under



this Law and the manner of control were, however, provided for in detail in the Ordinances of the Department of Finance issued in accordance with the Law. The contents of the Ordinances may be summarized as follows:

1. Scope of transactions or acts.

Unless permission of the Minister of Finance has been obtained, the following transactions or acts are not permitted:

(a) Remittances to foreign countries or the purchase of foreign currencies or foreign exchange to be made with the object of transferring capital to foreign countries, with the exception of remittances to Kwantung Province or to the South Manchuria Railway's leased districts to be made for investment in these territories.

(b) The purchase of foreign currency securities (public bonds, company debentures and shares, expressed in foreign currencies), with the exception of the purchase of foreign currency securities which were in existence on July 1, 1932 (the date of the coming into operation of the Capital Flight Prevention Law) and of foreign currency securities imported after such date under licence from the Minister of Finance and the purchase by foreigners of foreign currency securities with the funds which they hold abroad.

(c) The import of foreign currency securities, with the exception of the import, for the purpose of obtaining payment, of securities of which the place of payment is in Japan, within three months prior to the date of maturity or after such date.

(d) Conclusion, for whose account soever, of a contract of deposits or loans expressed in foreign currencies.

(e) The issue of company debentures expressed in foreign currencies.

2. Report and examination of transactions or acts.

Persons engaged in foreign exchange business, dealers in securities, and other persons are under obligation to present the following reports to the Government in respect of matters relating to transactions or acts prescribed by the Ordinances. The Government may, in case of necessity, make examinations of their books and other documents.

(a) Persons engaged in foreign exchange business are required to present, within the following month, a detailed statement of sales and purchases of foreign exchange, forward exchange contracts, remittances to foreign countries, collections of money from abroad, and letters of credit issued.

(b) Dealers in securities are required to present, within the following month, a detailed statement for each month of sales and purchases of foreign currency securities or of their brokerage business.

(c) Persons holding on July 1, 1932 foreign currencies, foreign exchange, deposits or loans expressed in foreign currencies, or foreign currency securities and those holding company debentures and deposits and loans from others, expressed in foreign currencies, are required to report, not later than July 31, 1932, the amount of their holdings and other details.

(d) Persons who acquire or liquidate, on and after July 1, 1932, claims expressed in foreign currencies as mentioned in (c) above or those who incur or are freed of obligations expressed in foreign currencies are required to report the amounts thereof and other details within the following month.

3. Order respecting the compulsory disposal of assets expressed in foreign currencies.

The Government is authorized to

require persons in possession of foreign currencies, foreign exchange, or securities or other claims expressed in foreign currencies to sell them to the Bank of Japan or to others to be designated by the Government.

4. Penal provisions.

As in the case of legislation in different countries of the world, the principle of severe punishment has been adopted in applying penal provisions to acts of violation specified in the Ordinances. Thus, persons contravening the prohibitions or restrictions of transactions or acts as prescribed in the Ordinances are liable to punishment by penal servitude or imprisonment for a term not exceeding 3 years or to a fine not exceeding 10 thousand yen (or not exceeding three times the value involved in the transaction in question in case three times the value of said transactions exceeds 10 thousand

yen), and persons not presenting reports or refusing the examination of books and other documents are liable to imprisonment for not more than 6 months or a fine of not more than 5 thousand yen.

5. Impress of stamp on foreign currency securities.

Foreign currency securities which were in existence in this country on July 1, 1932 and which have been reported within a period as specified by the Ordinances and those imported subsequently under licence from the Minister of Finance may be presented by the owner or other party at interest to the Bank of Japan, and impressed with stamp. This system has been created for the purpose of certifying that such securities as referred to above would, after being impressed with stamp, be the objects of sale and purchase in the country.

## CHAPTER X

## HOME TRADE AND COMMERCE

## Development of Business Houses

**Origin of Tokyo Chamber of Commerce** The Yedo (Tokyo) City Assembly was the predecessor of the present Tokyo Chamber of Commerce and Industry, and dates back 133 years. It was Lord Etchu-no-Kami Matsudaira, the then Vice-Premier (Roju) of the Shogunate Government, who advanced a plan to organize a public business body to accommodate merchants with funds and to carry out relief enterprises in cases of calamity, and the Assembly was organized. It lasted till the end of the Shogunate régime and the reserve funds it then held were turned over to the Meiji Government. The work was renewed by the Tokyo Chamber of Commerce which was organized in 1871 and is now known as the Tokyo Chamber of Commerce and Industry. The late Viscount Eiichi Shibusawa was the first President of the Chamber and served in that capacity for 30 years, until his resignation in 1902.

**International Chamber of Commerce** Japan first attended the plenary conference of the International Chamber in 1923 in London, when Mr. Raita Fujiyama, then president of the Tokyo Chamber and All-Japan Chamber was the representative. The present chairman of the Japanese Committee of the International Chamber of Commerce is Mr. Manzo Kushida, chairman of the board of directors of the Mitsubishi Interests, and Baron Seinosuké Goh holds the dual position of president of the Tokyo Chamber of Commerce and Industry, and of the Japan Economic

## Federation.

**Business Companies** The Mitsui-Gumi, Ono-Gumi, Shimada-Gumi and several other business concerns were founded early in the Meiji Era, but the system and management of these concerns were primitive and the companies were quite different from business companies in the modern sense of the term. The Meiji Government encouraged the development of the country's foreign trade and this resulted in an accumulation of capital and growth of modern businesses in large cities and ports. So-called trading companies and exchange companies were established under Government encouragement and financial help in such cities and towns as Tokyo, Saikyo (Kyoto), Osaka, Yokohama, Kobé, Niigata, Tsuruga and Otsu. These institutions were the precursors of the joint-stock companies of later years though for a time, with the abolition of the Trade and Commerce Commissioner in July, 1871, they ceased to exist. During the period of their non-existence the Government tried to disseminate a knowledge of commerce and industry by distributing books written by the late Mr. Genichiro Fukuchi and the late Viscount Shibusawa. As a result of the establishment of national banks following the revision of the National Bank Act in 1876 and also stimulated by the situation following the Satsuma Rebellion of 1877, joint-stock companies of various natures were established. The Tokyo Marine Insurance Company, Tokyo Horse Tramcar Company, Japan Railway Company, Osaka Spinning Company,

Yokohama Specie Bank and other concerns were created one after the other. At the end of 1882 the number of trading concerns in the country was 968, but at the end of 1886 it had decreased to 315, due to a business depression. After the establishment of the convertible note system in 1896 business concerns began to increase once more and a great many concerns such as shipbuilding, machine manufacturing, weaving, mining, electricity, gas, paper milling, oil refining etc., were founded. With the promulgation of the Commercial Code in 1889 business concerns acquired a legal standing and in 1892 a revision was made in the laws concerning companies, bills and bankruptcy. A thoroughgoing revision was introduced into the Code in 1899. Regulations concerning debenture flotations were issued at the same time.

Business was greatly stimulated by the Sino-Japanese War, Russo-Japanese War and the World War, and wide expansions took place at these times. Before the World War, the fostering of new business was a feature of this country but business expansion and enlargement by merger characterized the situation during the World War. Large concerns absorbed small concerns until joint-stock companies with capitalization of ¥5,000,000 each accounted for 65 per cent of the total number of these companies after the War. The increase in size and concentration of capital gave rise to the monopolistic tendency of a limited number of large business concerns wielding great power. For example, in electric power circles the so-called "Big Five" electric power concerns, namely, the Tokyo Electric Light Company, Toho Electric Power Company, Daido Electric Power Company, Nippon Electric Power Company, and Ujigawa Electric Com-

pany absorbed many small companies and now control 66 per cent. of Japan's total power of 2,240,000 kilowatts generated by 62 concerns. In the spinning business, the two largest companies, that is, the Kanegafuchi Spinning Company and Toyo Spinning Company control 14 and 13 affiliated concerns respectively. This monopolistic trend has become more pronounced since the 1927 panic in banking circles. The Big Six ordinary banks, namely, the Dai-ichi, Mitsui, Mitsubishi, Sumitomo, Yasuda and Sanwa Banks handle nearly 41 per cent. of the total deposits in all kinds of banks in Japan. In life insurance circles also, the five largest concerns, namely, the Nippon Life, Chiyoda Life, Meiji Life, First Mutual Life and Teikoku life have more than 45 per cent. of the total life insurance contracts in Japan. This tendency has naturally solidified the foundations of big business houses such as the Mitsui, Mitsubishi, Sumitomo and Yasuda. For instance, the Mitsui interests now control 120 subsidiary and affiliated concerns, with a total capitalization of about ¥1,600,000,000, or 15 per cent. of all capital invested in business.

**Formation of Cartels** The formation of cartels by various kinds of industries is a feature of recent years. The first curtailment of production in Japanese industry was carried out for eight days and nights per month for three months, commencing June 15, 1890, by the Japan Spinners' Association (founded in 1882). Such a practice was observed by many other industries after the Russo-Japanese War and the World War. Leading cartels in Japan are, the Coal Mining Association, Electro-Copper Joint Sales Office, Steel Manufacturers' Society, Pig Iron Joint Association, Steel Traders' Association, Super-Phos-

phatic Fertilizer Traders' Association, Japan Paper Mill Association, Joint Foreign-Style Paper Sales Guild, Joint Pulp Sales Company, Japan Portland Cement Association, Japan Spinners' Association, Spun Silk Association, Rayon Sales Association, Woollen Industry Society, Central Silk Association, Sugar Producers' Association, Japan Flour Association, Beer Sales Agreement, Joint Ice Sales Guild, Canned Crab Marine Product Association and many others.

#### Trade and Industry in 1935

**Corporate Earnings** According to the Oriental Economist, 118 representative corporations show that for the first half of 1935 their average ratio of net earnings (to the average paid-up capital) was 18%, an increase of 1.4% (from 16.6%) over the first half of 1934. As the average paid-up capital also increased appreciably, the increase in net earnings must have been remarkable. As compared with the last half of 1934, however, the 1935 first half was about on a par with respect of profit ratio.

Of industries, the highest ratio of profit was registered by rayon (35.3%), followed by spinning (32.2%), shipping (31.1%), and sugar manufacturing (30.7%). Lowest earnings were made by real estate (6.5%), rubber plantation (7.7%), ship-building (9.5%), stock or commodity exchanges (9.6%), electric railways (9.8%).

Industries suffering a contraction in earnings were spinning, rayon, woollen manufacturing, iron and steel making, cement, glass, confectionery, and stock and commodity exchanges. In particular, rayon's profit ratio declined to 35.3% for the 1935 first half, from 55.3% for the 1934 first half. During the same

period, glass making declined to 37.7% (from 70.8%), and iron and steel to 41.1% (from 50.8%), these being the more conspicuous cases. The following industries continued earning expansion: filatures, sugar manufacture, flour milling, breweries, ship-building, metal and coal mining, petroleum, hides and leather, electric utilities, the gas utility, ocean transportation, transportation other than ocean, electric railways, etc. Ocean shipping stood out in the pace of earning expansion: to 31.1% (from 25.1%); while flour-milling rose to 26.6% (from 20.1%).

For the following industries the ratio of earnings remained stationary: paper making and chemicals, machinery, electric railways, and real estate.

In the first half of 1935 when analyzed from their earnings was an appreciably poor showing made by textiles and the heavy industries, particularly, iron and steel. These were the industries that were quickest to benefit from the gold suspension, but their earnings during the term suffered a shrinkage from over-production apprehensions, owing to rapid additions and improvements in manufacturing facilities as well as to the rising cost of raw materials in face of a lower market for finished products. Nevertheless, in view of their still comfortable earnings as indicated by their highest ratio, the decline in profit ratio seems to suggest their return to a more normal position. With foodstuffs, mining, and public utilities, wherein post-gold recovery was less sharply curved than in other lines, earnings continued to tend upward without any abrupt setback.

Earnings of 126 companies in key industries for the second half of 1935 were responsible for an average ratio of profits at 21.4%. This compares with 23.3% for the last half

of 1934, a dip of 1.9%; and with 22.3% for the first half of 1935, off 0.9%. Taken together with the conditions in the first half, the above fact demonstrates that the tendency to larger profit earnings reached the peak of the current movement during the first half, and came to a halt during the second half of 1935, largely due to increase in average paid-up capital at a better rate.

During the second half of 1935, the same set of industries was earning as good rates as in the first half. Glass making scored 34.5%, sugar manufacture 34.3%, iron and steel 33.2%, spinning 31.3%, and rayon 30.4%. Ship-building, earning 8%, was the only industry in the "below-10% class." As compared with the second half of 1934, as in the first half, an appreciable decline in earnings rate was shown by the following industries: iron and steel, 33.2% (from 54.4%); rayon, 30.4% (from 51.5%); glass making, 34.5% (from 56.0%). Fisheries in this half year suffered a decline to 18.9% (from 33.1%), for the first time in many years. Profit expansion was particularly marked for flour-milling at 27.4% (from 21.6%), sugar manufacture 34.3% (28.9%), petroleum 17.8% (10.6%), etc.

Mining and public utilities were

still rising. Rubber plantation continued to work off. The showing was different according to the various branches of manufacture. While the tendency was again upward in machinery-making, ship-building, hemp manufacture, chemicals, ceramics (brick-making), flour-milling, sugar manufacture, tanning, etc., the opposite trend was still visible in steel, spinning, rayon, and glass-making. Woollen manufacture, cement, and breweries, which declined in the first half, recovered in the second half, to levels higher than during the corresponding period of the previous year.

**Volume of Production** The production of industries in 1934 increased remarkably as compared with the previous year. As to the production of 1935 statistics on the real volume and its value are not yet available, but the index numbers taken in various quarters show the production of 1935 to be still greater. The Ministry of Commerce and Industry indices give 143.3 for 1935's general average as against 129.1 for 1934. All the index numbers by kinds have risen except silk, which has dropped from 101.7 for 1934 to 97.6 for 1935 in raw silk and from 118.3 to 112.3 in silk textiles.

#### COMPANIES CLASSIFIED ACCORDING TO THE BRANCHES OF ENTERPRISE

(Compiled by the Ministry of Commerce and Industry)

(Amount in yen)

	Agricultural		Industrial		Commercial	
	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital
<b>1929</b>						
Joint-stock Com.	333	98,308,882	6,844	5,037,521,382	8,592	4,282,707,598
Joint-stock and limited partnership	3	912,000	12	3,060,750	22	2,848,774
Limited partnership	298	13,327,665	7,340	199,054,811	11,421	641,427,301
Unlimited partnership	179	12,925,840	2,427	128,931,179	4,446	982,708,740
<b>Total</b>	<b>813</b>	<b>125,474,387</b>	<b>16,623</b>	<b>5,398,568,122</b>	<b>24,481</b>	<b>5,909,692,413</b>
<b>1930</b>						
Joint-stock Com.	332	106,060,134	6,823	5,161,894,985	8,849	4,330,535,638
Joint-stock and limited partnership	1	25,000	13	3,190,250	25	3,787,374



### FACTORIES

(Compiled by the Ministry of Commerce and Industry)

End of	No. of Factories Worked by Motors	Factories Worked by Motors					
		Steam		Gas	Petroleum	Water	
		Engines H.P.	Turbines H.P.			Turbines H.P.	Pelton's H.P.
1924	87,141	477,561	760,311	55,030	12,818	595,062	245,242
1925	88,221	461,629	696,552	58,581	15,746	683,948	119,631
1926	41,514	535,834	1,160,279	57,617	21,277	871,403	225,821
1927	43,726	493,190	1,639,139	33,276	26,920	1,153,213	253,854
1928	46,247	617,837	1,683,786	30,893	30,474	1,345,445	375,562
1929	48,822	377,283	1,567,690	20,956	25,113	2,038,347	555,803
1930	51,407	309,742	1,475,504	17,543	27,811	2,310,865	527,424
1931	53,442	323,623	1,753,431	16,459	32,873	2,415,288	533,713
1932	55,453	213,916	1,863,302	16,759	43,146	2,785,866	519,080
1933	61,203	189,781	2,087,009	17,606	55,896	2,992,158	523,744
1934	68,306	222,000	2,259,487	46,618	61,237	2,724,606	537,146

End of	Factories Worked by Motors		No. of Factories not Worked by Motors	Total No. of Factories	No. of Operatives Employed		
	Water Japanese H.P.	Electric Motors H.P.			Male	Female	Total
1924	7,445	1,485,674	11,253	49,394	659,788	929,525	1,789,618
1925	11,531	1,767,163	10,940	49,161	552,554	955,827	1,808,381
1926	5,598	1,794,644	10,392	51,906	693,834	981,361	1,875,195
1927	5,292	2,148,961	9,954	53,680	923,201	975,671	1,898,872
1928	5,410	2,300,761	9,701	55,948	948,876	987,373	1,936,249
1929	12,162	4,930,951	11,065	59,887	855,187	969,835	1,825,022
1930	8,086	3,859,560	10,827	62,234	796,282	887,281	1,683,563
1931	7,231	3,263,337	10,994	64,436	775,236	886,266	1,661,502
1932	6,150	2,922,149	10,865	67,318	846,807	887,204	1,733,511
1933	5,420	3,054,478	10,737	71,940	967,659	933,432	1,901,091
1934	5,652	3,346,770	12,005	80,311	1,147,097	1,016,356	2,163,453

### OUTSTANDING AMOUNT OF BANK AND CORPORATION BONDS (At the end of the year)

Compiled by the Bank of Japan  
(In yen)

	Internal Bonds			
	1927	1928	1929	1930
Bank Bonds				
Hypothec Debentures	693,451,060	732,008,760	779,866,269	833,011,110
Savings Bonds	606,060	477,975	—	—
Reconstruction Savings Certificates	72,938,265	82,210,295	81,414,350	80,878,490
Debentures of the Industrial Bank of Japan	238,868,531	262,873,876	268,210,000	323,048,000
Debentures of the Hokkaido Colonial Bank	113,623,280	101,018,170	94,632,300	100,635,300
Debentures of Agricultural & Industrial Banks	442,983,557	468,889,777	475,633,187	468,054,037
Debentures of the Chosen Industrial Bank	173,445,000	177,223,000	199,685,000	242,158,000
Total	1,735,415,753	1,824,701,853	1,899,491,067	2,067,584,937
Corporation Bonds				
Railway & Tramway	447,476,860	541,519,860	577,715,360	617,869,160
Shipping & Shipbuilding	141,500,000	197,350,000	193,600,000	192,650,000
Mining & Metallurgy	45,800,000	52,175,000	50,275,500	48,855,000
Electric & Gas Works	580,032,500	753,529,000	852,171,500	935,327,000
Spinning & Weaving	115,930,000	112,890,000	150,010,000	151,136,750

### FACTORIES, BONDS

	Internal Bonds			
	1927	1928	1929	1930
Manufacturing Commercial, etc.	308,417,844	372,370,172	373,614,570	366,875,589
Total	1,841,059,754	2,217,674,082	2,381,097,756	2,508,020,739
Total Internal Bonds	3,576,475,507	4,042,375,935	4,280,583,853	4,575,605,676
External Bonds				
Bank Bonds				
Debentures of the Industrial Bank of Japan	10,129,308	10,129,308	10,129,307	10,129,307
Debentures of the Hokkaido Colonial Bank	2,320,100	2,220,100	2,120,100	12,149,407
Total	12,449,408	12,349,408	12,249,407	2,020,100
Corporations Bonds				
Railway & Tramway	39,052,000	39,052,000	39,052,000	39,052,000
Electric & Gas Works	228,982,708	344,977,069	340,819,952	333,196,867
Commercial, etc.	34,948,532	74,065,582	73,802,249	71,468,765
Total	302,983,240	458,094,651	453,174,201	443,717,632
Total External Bonds	315,432,648	470,444,006	465,423,608	455,867,039
Grand Total	3,891,908,155	4,512,819,941	4,746,012,461	5,031,472,715

	Internal Bonds			
	1931	1932	1933	1934
Bank Bonds				
Hypothec Debentures	896,654,260	915,516,950	851,232,600	796,272,160
Savings Bonds	—	—	—	—
Reconstruction Savings Certificates	79,933,490	79,165,075	78,412,995	77,654,600
Debentures of the Industrial Bank of Japan	333,093,500	333,630,000	313,162,250	287,261,750
Debentures of the Hokkaido Colonial Bank	100,699,400	122,323,100	122,777,800	114,428,920
Debentures of Agricultural & Industrial Banks	483,659,032	504,394,163	490,977,457	447,763,752
Debentures of the Chosen Industrial Bank	247,553,000	260,992,800	253,482,000	244,955,700
Total	2,141,597,682	2,276,027,088	2,110,044,602	1,968,336,882
Corporation Bonds				
Railway & Tramway	655,778,510	734,854,860	780,471,210	962,281,860
Shipping & Shipbuilding	182,350,000	119,350,000	103,140,000	66,250,000
Mining & Metallurgy	47,855,000	47,125,000	37,405,000	32,689,500
Electric & Gas Works	966,687,500	952,429,500	997,626,000	1,105,725,000
Spinning & Weaving	136,495,350	134,745,350	139,685,350	158,445,350
Manufacturing	380,891,150	382,817,100	320,400,470	279,405,800
Commercial, etc.	199,937,860	211,367,578	204,866,852	214,868,828
Total	2,569,995,370	2,582,609,388	2,583,594,882	2,819,666,338
Total Internal Bonds	4,711,593,052	4,858,726,476	4,693,639,484	4,788,003,220
External Bonds				
Bank Bonds				
Debentures of the Industrial Bank of Japan	10,129,307	10,107,633	—	—
Debentures of the Hokkaido Colonial Bank	1,920,100	1,820,100	—	—
Total	12,049,407	11,927,733	—	—
Corporation Bonds				
Railway & Tramway	39,052,000	39,052,000	—	—
Electric & Gas Works	334,808,491	349,234,823	319,573,722	297,361,982
Commercial, etc.	70,001,376	67,557,065	63,543,059	58,520,035
Total	493,861,867	455,843,888	383,116,781	355,882,017
Total External Bonds	505,911,274	467,771,621	383,116,781	355,882,017
Grand Total	5,217,504,326	5,326,498,097	5,076,756,265	5,143,885,237

## IMPORTS OF FOREIGN CAPITAL INTO JAPAN

(Compiled by the Ministry of Finance)

Year	National bonds issued abroad	Domestic bonds abroad	Provincial bonds issued abroad	Debentures issued abroad	Total	Comparison with the preceding year
			(In ¥1,000)			
1925	1,500,215	8,712	124,627	331,557	1,965,113	+104,028
1926	1,477,868	9,687	220,223	347,634	2,055,413	+ 90,300
1927	1,460,232	14,768	257,640	315,500	2,048,140	- 7,273
1928	1,458,092	31,307	254,163	470,406	2,209,029	+160,889
1929	1,446,894	31,779	245,666	465,623	2,189,963	- 19,065
1930	1,567,325	84,178	245,173	455,867	2,352,544	+162,580
1931	1,477,334	59,181	240,697	505,964	2,283,177	- 69,367
1932	1,398,296	51,423	235,502	467,821	2,153,047	-130,129
1933	1,421,211	50,019	230,984	383,116	2,085,331	- 67,716
1934	1,408,303	49,751	226,472	356,020	2,040,546	- 44,784

## EXTERNAL LOANS OF PRIVATE COMPANIES

(Compiled by the Ministry of Finance)

Companies	Year of Issue	Rate of Interest	Issue Price	Amount of Issue (Yen)	Amount outstanding at the end of 1934 (Yen)
Outstanding Issue		%			
Oriental Development Co., Ltd	Mar., 1923	6.0	92.0	\$ 19,900,000 (39,919,400)	\$ 14,116,000 (28,316,696)
Do	Nov., 1928	5.5	90.0	\$ 19,900,000 (39,919,400)	\$ 15,056,500 (30,203,339)
Nippon Electric Power Co., Ltd.	Jan., 1928	6.5	94.0	\$ 9,000,000 (18,054,000)	\$ 7,227,000 (14,497,362)
Daidō Electric Power Co., Ltd.	Aug., 1924	7.0	91.5	\$ 15,000,000 (30,090,000)	\$ 8,627,000 (17,446,182)
Do	July, 1925	6.5	86.0	\$ 13,500,000 (27,081,000)	\$ 8,243,500 (16,536,451)
Tokyo Electric Light Co., Ltd.	June, 1928	6.0	90.5	\$ 70,000,000 (140,420,000)	\$ 59,399,000 (119,154,304)
Do	June, 1928	6.0	90.0	£ 4,500,000 (45,938,500)	£ 3,221,400 (32,234,628)
Do	Dec., 1927	6.5	93½	\$ 7,650,000 (15,345,000)	\$ 6,830,000 (12,667,080)
(Shinyetsu Electric Power Co. Ltd.) } Ujigawa Electric Power Co., Ltd.	Mar., 1925	7.0	91.0	\$ 14,000,000 (28,084,000)	\$ 8,445,000 (16,840,670)
Toho Electric Power Co., Ltd.	Mar., 1925	7.0	90.5	\$ 15,000,000 (30,090,000)	\$ 7,375,000 (14,593,650)
Do	July, 1925	5.0	97.0	£ 300,000 (2,928,900)	£ 194,112 (1,995,115)
Taiwan Electric Power Co., Ltd.	July, 1931	5.5	93½	\$ 22,800,000 (45,736,800)	\$ 22,690,000 (45,516,140)
Total	—	—	—	(461,602,900)	(356,082,617)

## Stock and Produce Exchanges

**Tokyo Stock Exchange** The exchange system in Japan dates back to an early period of the Tokugawa era, but it was then confined mostly to deals in rice. Exchange houses in this country are of three kinds, namely, stocks, rice and other com-

modities. There are 29 exchange houses devoted to dealings in securities, either exclusively or in combination with other commodities. The exchanges here are more on the European continental plan than those of either England or America, and are subject to strict control by the Ministry of Commerce and Industry

or other supervising authorities of the Government. Such controlling authority is empowered to interfere in the business of an exchange when it is considered that the exchange is abusing its privileges or acting in an irregular way.

The Tokyo Stock Exchange was established in 1878 after the Satsuma Rebellion, when the issue of public bonds was rapidly increasing and the country's business was beginning to get active because of the successive establishment of national banks and concerns conducting business analogous to the banking business. Under the auspices of Viscount Eiichi Shibusawa and other influential business men of the day the Tokyo Stock Exchange was established at Kabuto-cho, Nihombashi-ku. Kabuto-cho has become a synonymous term for the exchange, as Wall Street is to the New York Stock Exchange. The initial capital was ¥200,000. When the exchange was established the scope of business was limited mostly to new and old pension bonds, Tokyo Stock Exchange shares, First National Bank shares and Tokyo Rice and Produce Exchange shares. The goodwill claimed by a licensed broker attached to the Exchange was very small, a striking contrast with the ¥200,000 to ¥500,000 demanded in recent years for a seat. As security for good faith a licensed broker was required to deposit ¥100 with the Exchange, to-day the broker has to deposit ¥150,000, and this not with the Exchange but with the Ministry of Commerce and Industry. The number of futures dealt in, as registered on the exchange, was in 1882, 3,601 shares, which number had increased to 3,572,110 shares for 57 different securities by 1897, after the Sino-Japanese War; to 12,013,120 shares for 106 varieties by 1907, after the Russo-Japanese War; and

to 37,274,040 shares for 300 listed securities by 1920, after the World War. The Osaka Stock Exchange was founded in July in 1878, two months later than the Tokyo Stock Exchange. After 1882 the Government adopted a policy of restricting speculative transactions and the stock exchange business was hard hit, but in later years a more generous policy regarding the establishment of bourses was adopted and, consequently, the number of rice and produce exchanges, which was only 13 at the end of 1892, had increased to 83 by the end of 1894. There were three stock exchanges only at the end of 1892, but 37 at the end of 1896. With a rapid increase in business prosperity after the Sino-Japanese War enthusiasm for speculation increased and many exchanges with a small capitalization cropped up. The same was observed after the Russo-Japanese War and during the World War boom. The great World War stock boom lasted till about the middle of March, 1920, when a financial reaction took place in Japan. Before the World War, 12,588,000 shares valued at ¥1,340,000,000, in 1907 was the largest number dealt in, but in 1915 the deals amounted to 19,560,000 shares with an aggregate of ¥1,670,000,000, and a further gain to 40,870,000 shares totalling ¥6,185,000,000 was made in 1919. The March deals in 1920 amounted to 6,570,000 shares with an aggregate of ¥1,150,000,000. In line with activity in securities there was heavy dealing in commodities, and a sharp increase in the price of rice following speculative dealings caused a serious social situation. The spot rice price of ¥10 per koku in the autumn of 1914 had gone up to ¥20 in 1917, and in September of that year the Government issued an anti-profiteering act for the prevention of high prices in rice and other

staple commodities, but the rapidly rising prices could not be checked. In August of 1917 the rice price went up to as high as ¥40 per koku. This finally resulted in the outbreak of a big rice riot throughout Japan, following which a heavy reaction took place in stock and commodities prices. The price of the Tokyo Stock Exchange Company's shares, the leading issue of all, attained the height of ¥549.90 in March, 1920, but fell to as low as ¥274 on April 14. This heralded a panicky decline of prices and, consequently, the Tokyo Stock Exchange had to partially suspend business from April 14 to May 10. The exchange borrowed ¥40,000,000 from the Bank of Japan through 16 banks and advanced money to brokers to allow them to effect out-of-the-market compromises.

**Prices of Shares in 1935** The stock market in 1935, as was the case with the preceding year, saw in its first half certain movements unrelated to other lines of economic activity; but in the second half the market again came in step with the general trend of business. The first half year of 1935, though featured by no sharp falls as in the previous year, registered no rally worth mentioning. In

fact, a downward trend persisted at a steady though moderate pace until July. But it turned to rise in August and continued the tendency to February, 1936, when the "February 26 Affair" disturbed the market.

#### INDEX NUMBERS OF SHARES

(Prices in 1921 taken as 100)

(Compiled by the Tokyo Stock Exchange)

	Shares in General	Quantity	Principal Shares	Amount of Shares (in ¥1,000,000)
1935 Jan.	115.0	46.4	118.4	18,752
Feb.	112.6	62.1	116.8	18,609
March	113.1	57.7	124.3	19,126
April	112.9	49.0	120.5	18,967
May	112.3	48.3	116.5	19,227
June	106.3	49.8	112.4	18,621
July	105.9	38.8	112.3	18,487
Aug.	110.5	58.5	113.5	18,654
Sept.	119.7	75.3	121.7	19,638
Oct.	122.8	52.0	127.3	20,326
Nov.	124.5	59.6	129.7	20,403
Dec.	127.2	55.4	133.9	20,668
1936 Jan.	129.1	51.1	128.2	20,712
Feb.	133.4	59.0	129.7	21,270
March	124.7	62.5	110.1	20,972

The yields of stocks and debentures have kept a downward tendency in 1935, the average yield of leading stocks shrinking to 4.60% in December as against 4.87% of the same month of the previous year.

#### INDEX NUMBER OF PRICE OF SHARES

(Compiled by the Tokyo Stock Exchange)

(1921=100)

Kind	1932	1933	1934	1935	1936 (March)
Utilities	72	91	118	156	156
Banking and insurance	157	155	168	173	175
Mining	91	154	139	122	123
Spinning	73	79	75	72	74
Manufacturing	63	71	74	74	72
Commercial undertakings	38	37	37	38	40
Shipping and Miscellaneous					
Transportations	41	47	54	59	64
Miscellaneous	140	103	154	148	163
Exchanges	150	146	115	130	103
All kinds	97.9	116	119	127	124

#### BOURSES

(Department of Commerce and Industry Figures)

#### JOINT-STOCK COMPANIES

Year	Number of Companies	At the End of Year		
		Number of Brokers	Authorized Capital	Paid-up
1925	32	1,098	¥187,652,200	¥90,170,700
1926	34	1,137	187,852,200	97,120,700
1927	34	1,089	187,852,200	97,120,700
1928	34	937	187,852,200	97,678,200
1929	34	923	188,902,200	98,203,200
1930	32	863	188,902,200	98,103,200
1931	31	838	188,902,200	98,103,200
1932	31	861	188,802,200	105,628,200
1933	29	918	188,802,200	105,745,200
1934	26	914	141,402,200	108,237,200

Year	Receipts		Expenses		Total
	Fees	Others	Tax on Bourses	Others	
1925	¥13,490,407	¥6,471,345	¥19,961,752	¥2,088,317	¥7,475,419
1926	17,077,364	7,573,039	24,650,403	2,567,386	8,790,945
1927	12,356,186	6,308,842	18,665,028	1,849,807	7,400,705
1928	11,378,712	6,513,665	17,892,377	1,731,680	7,938,353
1929	9,808,216	5,370,184	15,178,400	1,460,014	7,227,333
1930	9,953,828	5,078,418	15,032,246	1,540,853	6,947,566
1931	11,718,041	5,699,828	17,417,869	1,775,125	8,206,440
1932	13,700,918	6,236,902	19,937,822	2,076,346	9,068,952
1933	18,856,435	6,963,927	25,820,362	2,840,617	11,651,349
1934	—	—	24,199,170	—	12,176,330

Year	Net Profit Sum		Loss Sum	Dividend
	Net Profit	Loss		
1925	¥12,486,333	—	—	¥10,489,547
1926	15,865,406	—	—	12,156,434
1927	11,294,632	—	¥5,948	9,136,450
1928	9,954,024	—	30,309	8,452,468
1929	7,951,304	—	—	6,462,306
1930	8,087,621	—	—	6,423,218
1931	9,230,713	—	2,941	6,642,108
1932	10,924,830	—	19,284	7,997,109
1933	14,197,632	—	24,195	9,639,337
1934	12,026,918	—	28,612	7,920,831
			4,078	

#### ASSOCIATIONS

Year	Number of Associations	At the End of Year		Reserve Funds
		Number of Members	Contribution Amount	
1925	3	120	¥405,500	¥56,327
1926	3	112	405,500	125,626
1927	4	120	443,500	323,378
1928	5	142	459,830	377,449
1929	5	128	527,560	438,702
1930	5	120	530,740	478,157
1931	5	111	530,740	514,926
1932	6	183	559,270	593,564
1933	6	187	562,950	732,537
1934	6	188	563,550	905,423

Year	Receipts		Expenses	
	Fees	Others	Total	Total
1925	¥166,506	¥23,344	¥189,850	¥112,111
1926	346,737	44,580	391,317	204,103
1927	269,631	52,096	321,727	189,717

Year	Fees	Receipts Others	Total	Expenses
1928	219,159	60,007	279,166	168,820
1929	185,142	61,039	226,181	164,447
1930	144,832	58,575	201,407	127,878
1931	196,730	55,405	192,135	134,469
1932	239,024	73,875	312,599	162,681
1933	816,933	76,023	398,916	161,044
1934	—	—	306,459	157,353

AMOUNT OF SHARES, BONDS AND PRINCIPAL COMMODITIES  
TRANSACTIONED AT THE BOURSES

Year	Number of Bourses	Shares		Short Term	
		Long Term Amount of Sales	Amount of Deliveries	Amount of Sales	Amount of Deliveries
		Shares	Shares	Shares	Shares
1925	11	64,074,910	7,687,100	61,275,890	10,815,640
1926	11	72,708,490	10,313,760	94,256,830	11,878,350
1927	11	51,162,160	7,946,110	76,998,030	10,195,310
1928	11	37,159,940	7,332,900	66,810,640	9,617,310
1929	11	27,968,480	5,473,340	82,303,490	12,311,620
1930	11	35,512,680	4,219,690	96,078,300	14,773,330
1931	11	30,360,080	4,013,940	139,008,640	16,941,130
1932	11	45,236,900	6,857,770	165,252,540	22,829,120
1933	11	57,275,810	11,316,750	216,429,210	26,872,090
1934	11	62,291,090	11,932,120	198,729,330	23,041,310

Year	Number of Bourses	Bonds		Number of Bourses	Rice	
		Long Term Amount of Sales	Amount of Deliveries		Amount of Sales	Amount of Deliveries
		Yen	Yen		Hectolitres	Hectolitres
1925	1	42,080,000 fr. 7,290,000	3,225,000 fr. 1,450,000	25	409,500,739	2,207,204
1926	2	179,726,000 fr. 3,550,000	37,301,000	25	327,429,399	2,713,261
1927	2	126,774,000 fr. 44,200,000	16,335,000 fr. 11,475,000	28	317,627,783	1,635,605
1928	2	448,051,000 fr. 145,975,000	108,247,000 fr. 48,810,000	27	320,872,792	2,248,033
1929	2	349,410,000 fr. 107,185,000	76,305,000 fr. 23,920,000	26	324,978,355	1,767,910
1930	2	295,639,000 fr. 45,980,000	33,410,000 fr. 11,070,000	25	398,580,769	1,616,303
1931	2	793,835,000 fr. 239,770,000	166,950,000 fr. 84,620,000	25	369,669,508	2,176,046
1932	2	740,755,000 fr. 279,210,000	148,845,000 fr. 39,420,000	24	400,031,293	3,061,235
1933	2	536,870,000 fr. 624,970,000	126,190,000 fr. 87,760,000	24	224,276,342	2,248,032
1934	2	412,995,000 fr. 513,240,000	99,730,000 fr. 65,830,000	24	198,615,902	1,842,333

Year	Number of Bourses	Raw Silk		Number of Bourses	Cotton Yarn	
		Amount of Sales	Amount of Deliveries		Amount of Sales	Amount of Deliveries
		Kg.	Kg.		Bales	Bales
1925	1	13,251,620	399,000	3	8,788,980	40,845
1926	1	21,662,580	580,800	3	13,145,095	48,575
1927	1	18,733,140	285,000	3	12,103,260	79,015
1928	1	15,516,840	749,400	3	10,878,320	61,430
1929	2	11,967,940	322,900	3	7,817,150	47,900
1930	2	29,641,596	480,000	3	10,048,140	54,530
1931	2	44,030,220	2,328,000	3	8,162,960	20,870
1932	2	41,077,140	1,250,400	3	10,482,050	58,000
1933	2	44,379,840	652,800	3	9,338,060	28,625
1934	2	48,118,800	1,020,000	3	8,010,060	42,170

PRICES OF PRINCIPAL BONDS AND SHARES IN TOKYO

(Compiled by the Bank of Japan)

Year	5% Loan (Mark: "Ko")			4% Loan (1st series)		
	Face value	Highest	Lowest	Face value	Highest	Lowest
1925	¥100.00	¥86.70	¥88.00	¥100.00	¥75.60	¥72.35
1926	100.00	87.55	86.40	100.00	76.90	73.85
1927	100.00	93.60	88.30	100.00	79.90	74.30
1928	100.00	98.00	89.30	100.00	90.00	76.70
1929	100.00	96.30	90.60	100.00	83.90	77.00
1930	100.00	92.90	86.95	100.00	80.00	75.50
1931	100.00	98.35	86.15	100.00	84.60	72.60
1932	100.00	99.50	82.50	100.00	90.00	73.60
1933	100.00	104.10	94.70	100.00	100.40	82.60
1934	100.00	106.50	101.90	100.00	99.50	98.35
1935	100.00	105.60	102.50	100.00	99.10	98.60

Year	Bank of Japan Shares			Yokohama Specie Bank Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1925	¥200.00	¥735.00	¥640.00	¥100.00	¥199.00	¥169.60
1926	200.00	820.00	735.00	100.00	200.30	185.30
1927	200.00	790.00	660.00	100.00	206.00	178.50
1928	200.00	723.00	631.00	100.00	234.50	198.00
1929	200.00	648.00	539.00	100.00	217.00	186.20
1930	200.00	580.00	743.00	100.00	203.00	139.50
1931	200.00	554.00	475.00	100.00	180.00	141.00
1932	200.00	535.00	475.00	100.00	187.50	137.00
1933	200.00	554.00	485.00	100.00	200.50	160.00
1934	200.00	545.00	509.00	100.00	206.70	194.80
1935	200.00	566.00	495.50	100.00	213.00	201.50

Year	Industrial Bank of Japan Shares			South Manchuria Railway Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1925	¥50.00	¥32.20	¥44.00	¥100.00	¥125.30	¥110.50
1926	50.00	51.00	46.60	100.00	130.50	122.60
1927	50.00	47.20	30.40	100.00	135.00	120.00
1928	50.00	42.30	33.10	100.00	145.20	129.20
1929	50.00	39.80	32.90	50.00	71.70	63.50
1930	50.00	85.30	18.80	50.00	72.60	49.70
1931	50.00	30.70	23.40	50.00	63.90	45.30
1932	50.00	47.20	24.30	50.00	67.60	48.30
1933	50.00	50.20	35.00	50.00	74.00	54.00
1934	50.00	53.40	48.20	50.00	70.00	61.00
1935	50.00	54.60	51.00	50.00	67.00	53.50

Year	Nippon Yusen Kaisha Shares			Osaka Shosen Kaisha Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1925	¥50.00	¥91.00	¥67.50	¥50.00	¥56.50	¥42.20
1926	50.00	83.80	74.00	50.00	53.50	49.40
1927	50.00	82.30	65.10	50.00	54.20	43.00
1928	50.00	72.30	66.20	50.00	49.50	43.30
1929	50.00	69.70	55.20	50.00	45.30	37.50
1930	50.00	57.40	25.20	50.00	36.00	17.80
1931	50.00	45.00	29.30	50.00	30.50	18.60
1932	50.00	58.50	28.80	50.00	48.50	19.80
1933	50.00	57.20	41.00	50.00	48.80	28.00
1934	50.00	59.30	45.50	50.00	52.90	43.50
1935	50.00	79.90	50.60	50.00	61.30	43.30



## HOME TRADE AND COMMERCE

Year	Tokyo Electric Light Company Shares			Kanegafuchi Cotton Spinning Company Shares		
	Paid-up ¥50.00	Highest ¥72.70	Lowest ¥50.00	Paid-up ¥50.00	Highest ¥385.00	Lowest ¥221.50
1925	50.00	65.50	50.00	50.00	278.50	246.10
1926	50.00	58.70	46.40	50.00	267.50	215.00
1927	50.00	57.00	50.20	50.00	280.50	245.00
1928	50.00	53.90	39.50	50.00	274.50	225.50
1929	50.00	41.90	15.50	50.00	221.50	119.00
1930	50.00	24.70	14.00	50.00	220.50	138.90
1931	50.00	24.80	12.70	50.00	273.90	184.60
1932	50.00	33.90	13.40	50.00	267.90	168.10
1933	50.00	43.40	30.80	50.00	245.70	216.10
1934	50.00	59.30	57.60	50.00	225.10	202.50

  

Year	Meiji Life Insurance Company Shares			Nippon Oil Company Shares		
	Paid-up ¥100.00	Highest ¥1,650.00	Lowest ¥ 506.00	Paid-up ¥50.00	Highest ¥101.50	Lowest ¥83.50
1925	100.00	2,320.00	1,510.00	50.00	99.30	65.00
1926	100.00	2,136.00	1,600.00	50.00	70.30	46.20
1927	100.00	2,055.00	1,620.00	50.00	68.40	56.00
1928	100.00	2,005.00	1,680.00	50.00	68.30	40.00
1929	100.00	1,680.00	1,160.00	50.00	44.10	20.40
1930	100.00	1,700.00	1,280.00	50.00	44.00	27.80
1931	100.00	1,570.00	1,035.00	50.00	58.60	36.60
1932	100.00	1,300.00	1,100.00	50.00	66.50	47.10
1933	100.00	1,150.00	860.00	50.00	53.80	35.50
1934	100.00	1,010.00	815.00	50.00	51.60	37.60

  

Year	Keihin Electric Tramway Company Shares			Tokyo Stock Exchange Shares		
	Paid-up ¥50.00	Highest ¥69.80	Lowest ¥62.20	Paid-up ¥50.00	Highest ¥184.50	Lowest ¥111.00
1925	50.00	76.60	64.00	50.00	209.00	166.00
1926	50.00	72.70	51.60	50.00	200.00	140.00
1927	50.00	61.20	54.20	50.00	204.50	169.00
1928	50.00	56.30	50.40	50.00	168.00	111.00
1929	50.00	52.70	28.00	50.00	121.00	96.80
1930	50.00	41.50	34.00	50.00	169.50	104.50
1931	50.00	40.80	31.80	50.00	209.00	129.50
1932	50.00	39.50	31.30	50.00	218.00	123.00
1933	50.00	41.50	33.10	50.00	168.50	114.50
1934	50.00	37.00	33.00	50.00	162.70	125.10

Note:—The highest and lowest prices of the 5% and 4% loans represent flat prices. Figures for 1935 are liable to future revision.

## YIELDS OF STOCKS AND DEBENTURES

(Prepared by Hypothec Bank of Japan)

Year	Leading stocks 65 kinds		Bonds and debentures				
	Average yields (1914 July=100)	Index numbers	Gov't bonds	Municipal bonds	Hypothec Bank deb.	Agr. and Ind. Bank deb.	Corporate deb. (20)
1914	7.43%	100	—	—	—	—	—
1919	7.51	104	—	—	—	—	—
1921	9.41	131	6.13%	7.30%	7.38%	8.41%	8.21%
1922	8.87	123	6.26	7.30	7.66	8.37	8.41
1923	8.72	121	6.11	7.37	7.84	8.59	8.74
1924	8.68	121	6.17	7.67	8.05	8.77	8.97

## PRODUCTIONS

Year	Leading stocks 65 kinds		Bonds and debentures				
	Average yields (1914 July=100)	Index numbers	Gov't bonds	Municipal bonds	Hypothec Bank deb.	Agr. and Ind. Bank deb.	Corporate deb. (20)
1925	7.80%	108	6.03%	7.26%	7.32%	8.35%	8.17%
1926	6.99	97	5.90	6.82	7.13	7.64	7.70
1927	7.13	99	5.67	6.50	6.79	7.43	7.45
1928	6.17	86	5.16	5.87	6.14	6.86	6.79
1929	6.85	95	5.08	5.88	5.98	6.43	6.43
1930	8.10	113	5.37	6.09	6.17	6.43	6.54
1931	6.82	95	5.40	5.91	5.87	6.29	6.49
1932	6.01	83	5.59	6.07	6.00	6.44	6.84
1933 June	5.48	73	4.87	5.35	5.33	5.78	5.95
December	5.11	68	4.65	5.14	4.94	5.23	5.64
1934 June	4.97	66	4.44	4.92	4.93	5.10	5.43
December	4.87	66	4.59	4.87	4.62	5.10	5.27
1935 June	4.72	63	4.49	4.77	4.54	4.76	5.08
December	4.60	61	4.45	4.63	4.54	4.60	4.73
1936 May	4.27	57	3.93	4.33	4.30	4.32	4.39

## AGRICULTURAL AND INDUSTRIAL PRODUCTIONS IN JAPAN PROPER

1931—1933

(In ¥1,000)

	1931	1932	1933
Agricultural products	1,199,964	1,615,548	1,865,800
Horticultural products			
Fruits, vegetables, etc.	231,382	237,444	276,375
Tobacco-leaf, rape-seed, etc.	77,131	78,890	97,345
Cocoons, tea and others	320,180	339,829	548,137
Domestic animals	170,882	169,317	192,016
Forestry products	199,153	205,446	248,115
Marine products; fish, etc.	246,231	240,873	290,939
Marine products; manure, oil.	130,708	130,662	156,294
Mine products	436,595	512,737	804,552
Textiles	2,195,562	2,551,285	3,271,999
Ceramic products	196,349	220,209	286,531
Foodstuffs	808,784	859,411	976,131
Metal industry products	307,996	400,527	562,008
Machines	443,341	543,841	805,115
Chemicals	722,377	839,693	1,115,490
Wooden manufactures	237,338	242,197	278,789
Other industrial products	345,401	401,217	480,292
Tobacco	83,062	84,133	90,714
Total	8,353,036	9,674,126	12,331,591
Index number (1926=100)	85.7	100.1	123.0

## TOTAL VALUE OF PRODUCTS OF ALL FACTORIES

IN JAPAN IN 1934

Production of Factories where more than five operatives are employed ("Factories Statistics" Published by the Ministry of Commerce and Industry)

(In ¥1,000)

	1933	1934
Spinning and textile products	2,914,155	3,167,755
Metallic products	878,691	1,496,793
Machinery and instruments	888,195	1,159,167

	1933	1934
Ceramic products	220,743	251,961
Chemical products	1,288,088	1,480,783
Lumber and wood work	189,520	228,800
Printing and binding	181,588	203,843
Foodstuff industry	1,017,037	1,046,340
Miscellaneous industries	293,348	354,613
Total value	7,871,364	9,390,080

Production of Minor Factories There are many industries in Japan which are engaged in by innumerable minor factories where less than 5 persons are employed and which do not come under the control of the Factory Law. Accordingly, most of the industrial statistics given in the following chapters are of factories where more than

5 persons are employed. The Ministry of Commerce and Industry gives statistics on more than 20 kinds of industry in which the largest numbers of such minor factories are engaged. The following table includes most of them, the production of which alone reaches more than one-tenth of the total production given above.

VALUE OF INDUSTRIAL PRODUCTION IN FACTORIES WHERE LESS THAN 5 PERSONS ARE EMPLOYED IN 1934

	(in Yen)		
	Production of the factories where more than 5 persons are employed	Production of all factories	Production of the factories where less than 5 persons are employed
Cotton tissues	607,032,344	816,861,880	269,329,536
Silk tissue, and cotton and silk mixtures	229,610,088	600,870,682	371,260,574
Hemp tissue, and hemp and cloth mixtures	16,708,485	18,515,326	1,806,841
Woolen fabrics and mixtures	183,071,439	264,131,170	81,059,731
Knitted goods	76,981,874	85,632,898	8,651,524
Ceramics:			
Tablewares	21,861,854	54,001,915	32,140,062
Furnitures	2,633,894	15,573,166	12,939,772
Insulator	5,614,218	6,166,129	551,911
Toys	538,260	2,981,099	2,442,839
Others and Total	46,466,345	92,363,691	45,897,846
Roof tiles	4,706,137	23,932,629	19,226,492
Lacquerwares	1,421,402	36,311,759	34,890,357
Leather and manufactures	18,231,192	68,841,443	50,610,251
Starch	6,466,427	12,044,734	5,578,307
Bamboo articles	2,022,900	10,277,317	8,254,917
Wood work	87,741,358	178,661,703	90,920,345
Cane-work	737,053	2,100,777	1,368,724
Wicker-work	327,799	2,446,389	2,118,590
Brushes	4,385,028	6,809,577	2,424,549
Japanese mats	152,410	13,007,497	12,945,087
Other mats and hanamushiro	2,420,505	8,018,029	5,597,524
Straw and wood-shaving plaits	1,556,684	6,123,916	4,567,232
Total	1,290,038,970	2,246,541,897	956,502,927

INDEX NUMBER OF INDUSTRIAL PRODUCT

	According to the Ministry of Commerce and Industry (Average of 1931-1933=100)	According to the Mitsubishi Keizai Kenkyujo (economics research institute) (1930=100) (on 26 principal commodities)
1930	94.2	100.0
1931	91.1	102.4
1932	97.2	107.9
1933	112.5	124.1
1934	127.4	135.0
1935	141.0	—

NUMBER OF APPLICATIONS AND GRANTS FOR PATENTS, DESIGNS, ETC. ACCORDING TO NATIONALITIES, IN 1934

(Compiled by the Patent Bureau, Department of Commerce and Industry)

Nationalities	Patents		Designs		Trade Marks	
	Appli-cations	Grants	Appli-cations	Grants	Appli-cations	Grants
Japanese	12,822	3,743	9,566	4,026	25,484	12,575
British	194	109	14	12	140	146
U. S. A.	364	205	9	6	200	161
German	787	383	7	8	243	162
French	127	43	9	—	57	46
Italian	38	18	1	—	3	3
Dutch	35	15	—	4	69	153
Swiss	135	68	—	—	43	45
Swedish	68	24	—	—	7	5
Norwegian	11	4	—	—	7	4
Austrian	19	12	—	—	4	1
Hungarian	7	10	—	—	1	—
Chinese	—	—	3	—	4	3
Spanish	15	4	—	—	—	—
Belgian	8	5	—	—	3	1
Danish	13	6	—	—	2	3
Russian	1	—	—	—	1	—
Australian	7	—	—	—	1	—
Canadian	1	1	—	—	2	1
Poles	3	8	—	—	1	—
Czechoslovakian	21	7	—	—	3	7
Others	43	8	2	1	11	5
Total Foreigners	1,900	930	45	26	802	753
Grand total	14,722	4,673	9,611	4,052	26,286	13,328

Nationalities	Utility Models		Total	Grants
	Appli-cations	Grants		
Japanese	34,557	13,978	82,429	34,322
British	34	26	382	295
U. S. A.	121	99	694	471
German	182	120	1,219	668
French	13	8	206	97
Italian	4	5	44	26
Dutch	2	2	106	179
Swiss	9	7	187	120
Swedish	2	1	77	30
Norwegian	—	—	18	8
Austrian	9	1	32	14
Hungarian	—	—	8	10
Chinese	—	—	7	3
Spanish	1	—	16	4
Belgian	1	1	12	7
Danish	—	—	20	9
Russian	—	—	2	—
Australian	1	—	9	—
Canadian	—	—	3	2
Poles	—	—	4	8
Czechoslovakian	—	—	24	14
Others	3	2	59	16
Total Foreigners	382	272	3,129	1,981
Grand total	34,939	14,250	85,553	36,303

## Commodity Prices

Commodity Prices Commodity prices in 1935 continued an upward course, as in the previous year, from the record low of 1931, until they so recovered as to attain the levels of 1928-29. As shown in the appended table, the wholesale price index numbers indicated the general level for 1935 at 97, an advance of more than 1 over the previous year.

In 1935, however, the upward movement of prices did not trace an unbroken straight course as in the previous year. The index number of 98 for January was kept to March; but from that point on, a downward movement set in, until a low of 95 was reached in July. This was followed by an upturn which finally raised the October figure to 100, equalling the high for the early part of 1927. The index numbers for November and December, though lingering at lower points, still held to the 98.5 point line.

According to classes of commodities, the group to exert the most determinative influence upon the declining course of prices in the first half year or in the period March-June, was cereals. The steep fall in June was due to falling prices in this group, combined with a heavy drop in the prices of metals. Of this group the commodities subject to sharpest reductions were beans and wheat. The heavy price recession in beans, a strong factor in forcing down the general level, was occasioned by what is known as "the fad for special products of Manchuria." For the wheat groups, recessive movements took place after March in the form of reaction. In June the price of wheat lost strength, reflecting weak markets abroad, and

further experienced sharp falls in consequence of favourable reports of abundant wheat crops for the same year. The metallurgical group was also feeble in June, in consequence of falling quotations abroad, especially sharp drops appearing in antimony and copper.

But, the cereal group wheat and flour steadily rose through the four consecutive months of July, August, September, and October. These rises were not only reactionary movements, but owed much to the damage caused by storms and floods as well as to the clearing up of adverse elements in the wheat markets abroad; all these factors combining to boost prices. At the close of October the index of flour rose level with the record high at the end of 1928. Of the group including textiles and their raw materials, the prices of raw silk and habutayé advanced, as a matter of common knowledge, on the strength of reduced production of cocoons in 1935, and the business betterment in the United States. The index price of raw silk at the end of October was the highest since July, 1933. Advances in the price of rayon of the group for raw materials for textile fabrics, and in the prices of metals, were accounted for by the war between Italy and Ethiopia. This influence was particularly noticeable in steel products, which saw sharp advances in price, although the market had been heavily slumped by over-supply from the beginning of the year to July.

From the above it will be clear that while price movement in 1935 was affected to no small degree by conditions outside the country, the general trend of internal prices continued firm.

## COMMODITY PRICES

## INDEX NUMBER OF PRICES

(Compiled by the Ministry of Commerce and Industry)

Comparison of Wholesale and Retail Prices

(Base on December, 1929=100)

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1930 { Wholesale	98	97	95	94	92	88	85	85	83	80	79	78
{ Retail	99	98	96	96	95	92	89	89	88	84	82	82
1931 { Wholesale	77	78	78	77	75	74	74	73	71	69	69	73
{ Retail	83	83	82	83	81	78	78	79	78	77	76	77
1932 { Wholesale	78	79	78	76	74	73	74	80	85	87	93	97
{ Retail	80	80	80	79	77	75	75	77	80	81	83	86
1933 { Wholesale	98	95	94	93	94	95	95	95	97	97	96	94
{ Retail	89	87	87	87	86	85	85	86	87	88	88	88
1934 { Wholesale	95	96	95	95	95	95	95	96	98	99	98	98
{ Retail	88	88	89	89	89	86	87	89	89	91	89	89
1935 { Wholesale	98	98	98	97	96	96	95	95	98	100	100	99
{ Retail	90	90	89	90	89	89	90	91	92	92	92	93

## WHOLESALE PRICE OF PRINCIPAL TRADE GOODS

(Base on December, 1929=100)

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1930 { Export	98	97	93	91	87	79	77	79	78	76	76	77
{ Import	97	95	93	92	91	88	85	85	83	80	79	77
1931 { Export	76	77	76	74	70	70	72	69	66	63	64	67
{ Import	76	76	77	76	75	73	73	71	69	68	68	73
1932 { Export	72	74	73	70	68	66	68	80	86	84	91	94
{ Import	79	80	80	78	77	77	78	86	93	97	104	106
1933 { Export	92	89	88	88	91	95	95	95	97	95	93	90
{ Import	109	106	107	105	106	107	107	106	107	107	106	105
1934 { Export	91	92	92	91	92	93	92	92	95	95	95	95
{ Import	106	107	106	106	106	107	107	108	110	110	107	107
1935 { Export	94.8	94.6	93.1	92.4	92.8	91.5	90.7	90.9	92.8	97.1	97.4	95.6
{ Import	108.9	108.4	107.4	107.7	107.8	106.4	105.3	105.7	107.2	110.3	109.8	109.0

## WHOLESALE PRICES ACCORDING TO KINDS

(Base on December, 1929=100)

	1930											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	98	98	97	96	94	92	92	92	89	81	78	77
Fibre goods	97	96	93	92	88	78	73	75	75	72	72	72
Metal articles	98	96	94	92	89	88	86	84	82	80	80	79
Building materials	99	96	94	93	93	91	89	87	86	85	84	83
Industrial chemicals	99	98	98	97	97	95	93	91	90	90	88	86
Fertilizers	99	97	95	95	91	88	87	85	81	76	71	69
Fuel	99	98	97	95	94	93	91	90	88	87	86	86
Miscellaneous	98	98	97	96	93	92	89	87	85	84	84	83
Average	98	97	95	94	92	88	85	85	83	80	79	78

	1931											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	76	76	76	75	75	74	74	74	72	71	72	75
Fibre goods	72	74	75	72	67	68	70	66	62	58	59	63
Metal articles	77	76	76	76	74	73	72	71	69	68	67	73
Building materials	83	84	87	88	85	84	83	83	83	82	80	83

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Industrial chemicals	85	84	82	81	81	81	80	78	77	76	75	77
Fertilizers	70	70	73	75	74	72	70	67	64	63	64	72
Fuel	86	85	84	83	82	81	80	79	79	79	79	80
Miscellaneous	82	82	81	81	80	77	77	75	73	72	73	77
Average	77	78	78	77	75	74	74	73	71	69	69	73

1932

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	79	80	79	77	75	75	76	79	83	82	87	91
Fibre goods	70	71	70	64	61	60	63	77	84	84	92	95
Metal articles	79	79	80	78	78	78	79	85	95	103	114	114
Building materials	85	85	85	84	82	82	81	83	87	91	92	97
Industrial chemicals	78	80	81	81	79	78	78	78	80	84	91	104
Fertilizers	82	84	83	77	73	70	68	77	86	86	95	100
Fuel	81	81	81	80	79	77	76	76	79	80	82	86
Miscellaneous	84	86	86	86	85	84	83	86	91	96	100	104
Average	78	79	78	76	74	73	74	80	85	87	93	97

1933

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	92	89	87	87	88	87	87	86	87	87	88	87
Fibre goods	92	84	82	82	86	92	93	94	93	96	93	90
Metal articles	119	118	121	115	113	112	113	111	112	114	111	108
Building materials	101	100	98	95	94	94	95	97	98	98	98	98
Industrial chemicals	112	115	114	113	112	111	110	108	108	105	104	102
Fertilizers	99	95	90	89	87	90	87	85	86	87	88	88
Fuel	90	91	91	91	90	90	91	90	91	91	92	93
Miscellaneous	110	110	108	107	106	106	108	108	108	111	111	110
Average	98	95	94	93	94	95	95	95	97	97	96	94

1934

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	86	87	87	87	88	86	85	88	90	93	93	93
Fibre goods	91	93	93	92	91	94	93	93	93	92	91	92
Metal articles	108	108	109	110	110	110	111	112	122	123	115	113
Building materials	98	98	99	100	100	100	100	101	105	106	105	104
Industrial chemicals	101	99	96	95	94	92	91	90	89	89	94	89
Fertilizers	88	89	88	88	88	85	84	87	88	89	88	89
Fuel	98	98	98	92	92	92	93	93	94	95	95	95
Miscellaneous	110	112	112	111	111	110	112	113	114	114	112	111
Average	95	96	95	95	95	95	95	96	98	99	98	98

1935

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	94.4	97.6	97.8	95.4	95.6	94.2	93.8	96.2	100.7	102.4	101.7	101.7
Fibre goods	92.9	92.7	90.4	89.8	91.3	89.0	89.7	89.6	96.7	94.7	95.5	99.1
Metal articles	111.4	108.1	108.4	109.6	107.8	104.9	102.7	103.5	107.8	112.9	107.8	104.8
Building materials	101.7	100.6	100.2	99.9	98.8	98.3	98.2	97.5	98.7	99.3	99.3	99.1
Industrial chemicals	89.0	88.7	87.3	88.0	85.7	84.7	82.0	80.3	78.3	78.0	76.7	77.0
Fertilizers	90.5	96.0	96.8	98.5	93.5	96.3	92.0	91.3	96.0	100.5	100.8	100.8
Fuel	95.0	94.7	94.3	94.4	93.8	93.4	93.2	92.7	93.4	94.1	94.0	94.0
Miscellaneous	110.9	111.0	110.0	109.3	107.1	107.4	106.2	106.2	106.2	108.4	109.3	108.8
Average	97.9	98.3	97.6	97.3	96.9	95.3	94.8	95.3	97.5	100.1	99.6	99.0

## RETAIL PRICES ACCORDING TO KINDS

1930

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	99.2	98.8	97.5	97.1	95.9	93.3	91.3	91.3	90.0	85.3	82.1	82.7
Clothes and accessories	98.4	95.9	93.5	92.3	90.8	87.4	83.3	81.5	81.0	79.5	79.4	78.4
Fuel	93.3	99.4	98.7	95.9	95.1	95.1	94.0	93.0	92.0	91.3	91.1	90.6
Building materials	97.6	96.0	94.3	92.1	90.9	89.7	88.4	84.9	83.6	82.6	82.1	81.8
Miscellaneous	98.8	97.8	96.6	95.1	93.7	92.3	90.1	88.9	87.7	85.1	84.7	83.9
Average	98.9	98.0	96.4	95.5	94.9	91.9	89.3	88.7	87.7	84.4	82.4	82.4

1931

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	83.7	84.2	83.1	84.3	82.7	78.8	79.5	80.9	79.7	79.0	77.3	79.1
Clothes and accessories	77.6	75.9	77.0	77.1	75.2	73.0	73.2	72.0	70.8	67.9	67.9	69.3
Fuel	90.0	89.6	89.0	88.4	86.7	86.1	84.7	84.7	84.7	84.6	84.7	84.9
Building materials	81.3	81.8	83.0	86.3	84.7	82.3	81.1	80.7	80.1	79.0	77.4	81.3
Miscellaneous	83.1	82.6	79.4	79.7	78.8	77.4	76.6	76.0	75.6	74.9	73.8	73.7
Average	82.6	82.7	81.9	82.8	81.2	78.2	78.4	78.9	77.9	76.7	75.6	77.1

1932

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	82.0	82.4	81.3	80.8	79.8	77.2	78.0	79.7	81.8	82.4	84.3	85.4
Clothes and accessories	71.6	72.0	72.6	70.6	68.6	66.8	66.4	67.7	75.6	76.0	78.7	81.7
Fuel	86.0	85.4	84.6	84.1	82.4	81.3	80.3	80.1	81.3	82.0	82.9	84.4
Building materials	83.4	85.1	85.9	84.1	81.3	79.1	78.7	79.0	84.9	88.3	94.1	98.3
Miscellaneous	75.2	75.0	77.0	77.1	75.6	74.7	74.1	74.2	75.7	77.3	80.9	83.3
Average	79.6	80.1	79.6	78.3	77.4	75.2	75.4	76.7	80.1	81.0	83.4	85.9

1933

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	89.3	87.0	86.9	87.3	87.4	85.0	85.5	85.6	86.5	86.9	87.7	86.6
Clothes and accessories	82.8	80.8	79.7	78.9	79.3	80.9	81.8	82.6	86.0	87.7	87.1	86.3
Fuel	87.6	88.0	87.7	87.0	87.4	87.0	86.4	87.0	87.7	89.0	90.4	91.0
Building materials	107.9	106.4	104.4	100.3	96.6	95.0	95.0	96.1	99.3	102.3	101.1	99.7
Miscellaneous	87.8	89.0	88.8	87.2	84.9	83.4	83.0	82.8	82.9	84.0	84.2	83.8
Average	88.9	87.3	86.9	86.5	86.1	84.8	85.2	85.6	87.1	88.0	88.4	87.5

1934

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	87.7	87.9	88.3	89.0	88.5	83.5	85.1	87.3	87.5	88.9	87.5	88.1
Clothes and accessories	85.6	86.4	86.2	86.2	86.4	87.7	87.8	88.0	88.4	88.6	88.0	87.4
Fuel	90.7	90.3	90.9	90.3	90.1	89.6	89.4	89.9	90.7	91.7	91.9	91.6
Building materials	99.7	99.9	101.6	102.6	102.1	102.3	104.9	106.3	108.4	117.0	110.0	107.1
Miscellaneous	83.3	83.4	83.4	83.2	82.7	82.9	83.4	84.1	84.8	88.0	86.6	85.3
Average	87.9	88.2	88.6	88.9	88.6	86.1	87.2	88.7	89.1	90.9	89.4	89.3

1935

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	89.2	89.5	88.6	89.9	91.0	89.1	92.0	92.3	94.4	94.6	94.1	95.8
Clothes and accessories	86.6	85.9	86.8	86.2	87.9	86.7	86.5	86.2	86.6	88.0	88.7	88.1
Fuel	91.6	91.1	90.9	90.7	90.1	89.9	89.9	90.1	90.3	90.7	90.9	90.9
Building materials	104.9	102.9	103.0	102.4	99.6	98.0	97.1	97.7	98.0	101.0	98.7	97.6
Miscellaneous	84.9	83.9	83.7	84.6	83.9	83.6	82.9	82.8	82.9	84.2	84.2	84.0
Average	89.5	89.5	88.9	89.6	90.1	88.8	90.3	90.4	91.7	92.4	92.2	92.9

Commercial and Industrial Bodies  
 Important Commodities Guilds At the end of 1934 there were 805 Important Commodities Guilds representing 113 kinds of enterprises in Japan, a loss of 13 in number and a gain of 2 in kind as compared with the previous