

tional life so as to enable the subjects of His Majesty to live each a tranquil and contented life.

We cannot now be satisfied with renovations of governmental organs merely in their mechanical operation. Enforcement of official discipline and reforms in administrative structure have become necessary. The Government therefore intend to carry out such improvements as will adequately meet the needs of the times by taking a far-sighted view of the trend, both internal and external, without being trammelled by old conventionalities.

For a complete realization of the national policies the Government will naturally demand the faithful services of the various departments. While over-hasty actions will be avoided through the wisdom of the people and a thorough understanding of the public sentiments, the Government will take resolute steps in order to achieve what they believe to be right. They will not, oblivious of the future destiny of the country, resort to temporizing measures.

Imperial Diet, 69th Session The 69th Session of the Imperial Diet was convened on May 1, 1936 and closed on the 27th of the same month. Kojiro Tomita of the Minseitō was elected President of the House of Representatives, and the formal opening ceremony was held on the 4th of May in the presence of His Majesty the Emperor, who gave the Imperial Message as follows:

We hereby conduct the ceremony opening the Imperial Diet and so announce to the members of the House of Peers and the House of Representatives.

We rejoice over the fact that the relations of the Imperial Government and foreign nations have been becoming steadily more cordial.

We regret the outbreak of the recent incident in Tokyo. It is expected of Our faithful subjects that they will unite as one, Government and people, civilians and military, in order to promote the development of the national fortunes.

We have ordered the Ministers of State to present to the Imperial Diet the urgent supplementary budget bill and other measures.

It is expected of you that you will deliberate upon them in harmony, thereby fulfilling Our wishes.

The reference to the February 26 Incident in the Imperial Message strongly touched the hearts of members of the Cabinet and both Houses and the session was carried out in a most serious attitude of mind all through the three

weeks. On May 6, Premier Hirota, Foreign Minister Arita, Finance Minister Baba and War Minister Terauchi made speeches on the general policies and what they were planning for the improvement and readjustment of the matters specially coming under their respective jurisdiction. Important points in their speeches related to the strained international relation between Japan and the U.S.S.R., the increase of revenue from taxation and the determination of the authorities to enforce discipline in the Imperial Army. The War Minister gave a full explanation concerning the Feb. 26 Incident to the members of both Houses in a closed meeting on the 7th May and the searching interpellation of Takao Saito of the Minseitō at the general meeting of the House of Representatives on the same day drew the keen attention of the House and members of the Cabinet and caused a sensation among the public, gaining the full support of the press.

Mr. Saito, after calling the attention of the Premier to the difficulty of putting into practice the many-sided propositions made by the new Cabinet for the reform of the political and administrative system or organization, aimed his interpellation at the Minister of War concerning the responsibility of the War Ministry and high officers in connection with the Feb. 26 Incident. First, he sharply criticized the undue direct actions of the military officers to meddle with political affairs apparently against the will of the Emperor Meiji expressed clearly in his Precepts to the Soldiers and Sailors, which said "therefore neither be led astray by current opinions nor meddle in politics, but with single heart fulfil your essential duty of loyalty," and in violation of civil and military laws which prohibit the political activities of military men in active service, pointing to the danger of political activity of military men who are apt to appeal to force and may lead to armed despotism. Secondly, Mr. Saito, referring to the assassination of Premier Inukai or the May 15 Incident in 1932, rebuked the loose measures taken by the military authorities in handling the secret activities of young officers in 1931 and 1932, and the consequent inability to check the recent uprising of soldiers in Tokyo, and asked that the responsibility should be shouldered by military officers of the highest ranks. In the course of his speech, he cited the words of Military Prosecutor Yamamoto who reasonably demanded the death penalty for the three leaders of the May 15 Incident at the Court-

Martial, and lastly, he voiced the demand of the nation for stern measures to be taken against the leaders of the insurgents of February, and demanded that adequate steps should be taken in the education of soldiers in the future to ensure that they should not be led away from their duty to the detriment of the honour of the Japanese Army and the general welfare of the people.

Many important bills awaited the decision of the Diet in this short 69th Session, such as supplementary budgets, the autonomous rice control bill, the rice control law revision bill, the joint unbulled rice storage subsidy bill, the cocoon disposal control bill, the bill to revise the silk manufacturers' guild law, the bill to revise the silk industry law and the important fertilizer control bill, all of these pertaining to the welfare of the agricultural communities, the shipping business control bill, the bill for the establishment of two companies to aid the rehabilitation of the north-eastern districts, the bill for the establishment of a central bank for commercial and industrial guilds, the seditious literature restriction bill, the national mobilization secrets protection bill, and the workers' discharge reserve fund and allowance bill. The supplementary budgets (given in full in the Japan Year Book, 1936, pp. 237-250) passed both Houses without amendment. As to the workers' discharge reserve fund and allowance bill, hot discussions arose from both the sides of capital and labour, but the bill was finally passed after important amendments had been made to make it applicable only to factories and mines with 50 or more workers and to make the discharge allowance less than 3 percent of the wages paid up to the time of discharge. The bills in connection with rice control were presented to the Diet to settle the long debated problems started with the presentation of similar bills which had been laid on the table at the 67th Session in 1935 after a desperate fight between farmers and merchants. This time they just got through both Houses with a conditional clause added to the original. The seditious literature restriction bill passed with important amendments to restrict the scope of its application and changing the name of the law into the seditious literature temporary restriction law. The Houses passed all the 46 bills presented by the Government in addition to the budgetary bills and over 150 memorials and resolutions, with the exception of the national mobilization secrets protection bill which was laid on the table because

of the danger of its restricting the freedom of the people.

For the Renovation of Parliament Among the resolutions of the Houses there were requests for the renovation of the constitution of both Houses and the revision of the election law, and the Government in compliance with these resolutions established on July 15, 1936, the Diet System Investigation Committee and the Election Law Investigation Committee, the former consisting of 43 members including the Premier, Presidents and Vice-presidents of both Houses, some distinguished members of both Houses and some Government officials; and the latter consisting of 46 members similar to the former. Points in question are, in the case of the Lower House, the need of change in the time and duration of the session from the present three months, from the end of December to that of March, to the four months from November to March, the appointment of a standing committee during the time the Diet is not in session, and in the case of the Upper House, a change in the time of office of members so as to bring about a radical change in the constitution of the House of Peers which has remained untouched since 1925.

Important Policies of the Hirota Cabinet The much talked about new policies of the Hirota Cabinet met with difficulties before being finally decided upon. A part of the Government insisted on the separation of the defence policies and the general policies, the greater importance to be placed on the former, while the other part required the realization of numerous political, social and economic measures to fulfil the special mission of the Cabinet and to answer the expectations of the people, who wanted something in the way of a reformation after the precious sacrifice of the Feb. 26 Incident.

Important policies and new measures heaped up on the table of the Cabinet meetings in such numbers that discussion on them became impossible in the limited time of the usual meetings, so after preliminary selection and study, a Cabinet meeting to consider important national policies was held on August 25, 1936, when it decided on and published the following 7 national policies:

- (1) Completion of National Defence;
- (2) Improvement of the Educational System;
- (3) Readjustment of National and Local Tax Systems;
- (4) Stabilization of the Living of the People by a

more effective prevention of natural disasters, completion of health protection, further economic measures for helping villagers and city merchants and manufacturers of small means; (5) Promotion of Industry and Expansion of Foreign Trade by the increase and control of electric power, self-supply of liquid fuel and iron and steel, full supply of materials for the fibre industries, aid and control of foreign trade, encouragement of aviation and sea transportation businesses and encouragement of emigration; (6) Establishment of important policies with regard to the relation of the Empire with Manchoukuo such as the emigration of Japanese to Manchoukuo or the greater investment of the Japanese capital in that country; (7) Improvement or Reformation of the Administrative System.

Formation of the Budget for 1937-38

The budget for 1937-38 was to be formed for the realization of the 7 national policies and as a matter of natural consequence the total figures compiled by the Ministries reached ¥3,400,000,000, including ¥480,000,000 of the Army, and ¥340,000,000 of the Navy extraordinary demands. (A full record of the formation of the budget is given at the end of Chapter VIII, Public Finance.)

New Taxation Plan and its Effect

Since 1931 the deficit in national ways and means had been covered by the floatation of national loans, but it had long been considered improper to rely upon such a negative policy, and Dr. Baba, in his statement on March 9 on the general economic policy of the Hirota Cabinet, disclosed that the expansion of national expenditure was inevitable, to meet which the people might be asked to pay increased taxes rather than subscribe to national loans. This statement suggested a fundamental financial change in the tax system, money interest rates and the floatation of national loans, and the stock markets were thereby greatly disturbed by rumours and Dr. Baba was compelled to publish a milder statement on the following day. But his intention of raising tax rates was unchanged.

The main points of the new taxation plan made known by the Government on September 22, 1936, were (1) to effect a fundamental reform in the national and local tax systems so as to equalize the burden of the people which is unbalanced by locality between tax on fixed property and movable property and between corporations and individuals as explained by the following table:

PER CAPITA TAX BURDEN IN 1936-37

	(In Yen)	
	National Tax	Local surtax on ¥100 National Tax
Average of the whole nation	6.170	152.070
Tokyo Prefecture	22.552	55.360
Kagoshima ..	1.774	424.020
Osaka ..	16.160	78.910
Aomori ..	1.534	466.140

Note: The amount of national tax borne by a person is indicative of his economic power.

(2) to make Japanese subjects of the present day bear the burden by increasing national income from increased and new taxes so as to lessen the burden of posterity as much as possible, and to reform the tax system so that the national treasury may easily extend its helping hand to local treasuries or vice versa.

By the Baba reformation of the tax system the estimated net national revenue from taxes was to increase by ¥197,500,000. The estimated increase of old taxes amounted to ¥337,300,000, while new taxes amounted to ¥80,200,000, making the total of ¥417,500,000, of which ¥220,000,000 was to go to local governments for the readjustment of their finance.

The stock market, which had been scared by the first announcement of Dr. Baba in March, was gradually quieted, and stimulated by prospective inflation and the rising tendency of commodity prices the index number of the price of popular shares rose from 106.6 in August to 116.3 in December. On the contrary, the long term capital market was heavily affected by the new tax system, and the floatation of debentures during the last quarter of 1936 became almost impossible.

The commercial world in general was confused because of the ambiguity of the final outcome of the policies of the Cabinet and was unable to make new contracts, while banking circles raised voices of criticism against the new income tax, stock exchange tax, tax on property, etc.

The rise in prices of commodities which had been expected as usual during the second half of the year and along with the rising tendency of prices the world over was taken advantage of by the Government in November to raise the price of tobacco. The general rise was such that the average index number of prices rose from 159.1 in

June to 173.5 in December. The living cost of the people began to rise accordingly, and the Baba finance became so unpopular that the existence or continuation of the Hirota Cabinet began to be much discussed in the newspapers and leading periodicals.

The unpopularity of the Cabinet was due not only to the Baba financial plan but also to other national policies, such as that of electric power control, together with the seemingly lack of power to put the policies into practice. But the first cause of its weakness lay in the defects of its financial scheme, which overlooked the welfare of the mass of people both in cities and villages.

Advance to the National Control of Economics The financial policy of the Hirota Cabinet advanced to the national control of important economic organs and industrial enterprises. The phrase "Quasi-wartime economic system," which was frequently used by the Financial Minister and journalists in the latter half of the year, well voiced the Government's intention for national economic control. The control cannot be said to be as thorough as that in Fascist countries, but it entered in no small degree into the free commercial and industrial fields in 1936. The first aim of this economic control was the completion of national defence, the second was the remedying of the defects of individualistic capitalism and the third was the establishment of an economic policy of self-sufficiency along with the world tendency of forming economic blocs. From the outset, the Hirota Cabinet took as its first mission the strengthening of national defence although it did not by any means try to destroy the existing capitalistic economic system or reject the old principle of commercial freedom, but it purported to effect a peaceful change in the economic system of Japan, beginning with these enterprises the control of which was an acute necessity for the betterment of the life of the people and the strengthening of defence.

Among the bills which were put by the Government before the 69th session of the Diet and which passed both Houses, were many which aimed at this betterment of the life of the people and the strengthening of defence, for instance, the Rice Control Law, the Cocoon Disposition Control Law, the Important Fertilizers Business Control Law, the Important Commodities of Trade Control Law, the Automobile Manufacturing Business Law, the Revised Industrial Control Law, and the

Navigation Control Law. These laws had been planned by former cabinets so were not the legitimate offspring of the Hirota Cabinet control ideals, but they passed into law because of the Diet's desire to strengthen economic control to meet the quasi-wartime needs.

Sino-Japanese Issue On August 24, 1936 a Chinese mob attacked four Japanese at Chengtu, Szechwan province, killing two newspaper correspondents and seriously injuring the other two. This event aroused the indignation of the whole Japanese nation as similar misdeeds against Japanese subjects in China had become of rather frequent occurrence. Negotiations between the Japanese envoys at Nanking and Chinese Foreign officials were becoming a matter of continuity for the peaceful settlement of these matters.

The Japanese Government and people took the occurrence of these regrettable incidents as a natural outcome of the anti-Japanese education and policy of the Nanking Government. The recurrence of such incidents could not be prevented, the Japanese inferred, by a mere proclamation of the Chinese Government enjoining of Chinese people to behave more friendly toward the Japanese. The Japanese Government seemed rather too cautious, while the public opinion in Japan was strong enough to back the Government in taking any aggressive measures on China. The Nanking Government took a negative attitude all through and, taking advantage of the East Suiyuan issue at the end of the year, communicated to the Japanese representatives that it would be difficult to bring the Nanking negotiation to a successful conclusion so long as the East Suiyuan question was not settled, and assumed an attitude threatening to repudiate all agreements so far reached. The final outcome of all conversations between the representatives of the two Governments, which had extended over three months, was the visit of Ambassador Kawagoe to Mr. Chang Chun, Chinese Minister for Foreign Affairs, on December 3, 1936 when a note embodying points on which agreement had been reached was handed him, and the Nanking parley entered a holiday, both sides publishing statements contradicting each other.

The Sino-Japanese issue in the last three months of 1936 left the final solution to a later occasion. The Japanese press and the people as a whole were not satisfied with the activities of the authorities concerned with the issue.

considering their attitude as disclosing weakness on the part of the Hirota Cabinet and taking, on the other hand, the unfriendly attitude of the Nanking Government so heavily to heart that another crisis between the two nations seemed likely at any moment.

Control of Electric Power Control of electric power in Japan by the Government was included in the items of the seven national policies set out by the Hirota Cabinet as mentioned elsewhere and became one of the most important subjects of discussion in industrial and commercial circles. The plan was representative of the national control of all economic enterprises and the existing electric companies were necessarily opposed to it as against their interests, and the economic world condemned it as being contrary to the principle of commercial freedom and a kind of public robbery of another's property because under the plan it was intended to purchase compulsorily all the facilities and equipments of the companies at a price estimated by the Government. Heading the criticism of the plan the Ministry of Communications, the compiler of the bill, made amendments to the first plan, but the main difficulty lay in the value of the fixed assets of the power companies which were capitalized aggregately at over ¥800,000,000, besides which much doubt was entertained as to the practical result of the control, which aimed at the lowering of the price of electric power. The presentation of the bill to the 70th session of the Diet at the beginning of 1937 was therefore postponed and the question left over for the decision of the present Konoe Cabinet.

Japan-German Agreement In cognizance of the fact that the object of the Communist International, or the so-called Comintern, is the disintegration of existing States recognized by it as Imperialistic or capitalist, and that its interference in the internal affairs of nations not only endangers their internal peace but threatens international peace, and desiring to co-operate for defence against communistic disintegration, Japan and Germany agreed, on November 25, 1936, on a mutual exchange of information concerning the activities of the Comintern, confer upon necessary measures of defence and carry out such measures in close co-operation. When this agreement was announced by the Government the general public received it with a reserved expression of feeling, not so much of dissension at the agreement but at the way it was arrived at, for the Govern-

ment had kept the negotiations so secret that the final result failed to get the full sympathy of the people. Actually there was no fundamental objection from any quarter, any dissatisfaction that was voiced being merely against its sectional nature and proposing that the agreement should have been of a more thorough understanding for mutual help. The matter is handled in the chapter on foreign relations, and it will suffice here to point out the Japanese historical friendly feeling towards the German people. The affinity of the Japanese feeling towards the German people before the world war originated in and was fostered by Germany's tutorship in the medical and military sciences. German philosophers, headed by Kant, have found many followers among the Japanese and their influence, even over the Japanese indigenous religion of Shintolam in its philosophical exposition, has become noticeable in recent years. In musical education, especially in respect to the piano, Japan owes as much to Germany as to Austria, France and other countries. In spite of the Kaiser's outcry at what he termed the "Yellow Peril," the hostility between the two countries around the Chinese question, and, at the time of the World War, the fact that Germany and Japan found themselves on opposite sides, the people of Japan have always cherished an admiration toward the German people for their love of their country, their rare fighting spirit, their scientific ability and their national strength as demonstrated during and after the War.

Question of the Revision of the Administrative System Much talk and discussion took place on the question of the revision of the administrative system of the central and local governments after the formation of the Hirota Cabinet, but it was only on October 23 that it was first introduced to a regular Cabinet meeting. For the improvement of the central governmental system Finance Minister Dr. Baba, Railway Minister Mr. Maeda, Communications Minister Mr. Tanomogi and Education Minister Mr. Hirao, and for that of the local governmental system the Home Minister Mr. Ushio, the Minister of Justice Mr. Hayashi, the Minister of Agriculture and Forestry Mr. Shimada, the Minister of Commerce and Industry Dr. Ogawa and the Minister for Overseas Affairs Mr. Nagata were asked by the Premier Hirota to make joint investigations concerning the economic and administrative relations of

the local governmental system and the fundamentals of the constitution of both houses of the Diet.

The problems of the renovation of the political organs included one regarding the reformation of the legislative organ, and many rumours were heard about the intentions of military circles, for it was said that they were against political parties and any formation of the cabinet by a political party in Japan. Early in November, the Minseito, the Seiyukai and the Social Mass parties held meetings and passed decisions demanding to know the real intention of the Minister of War. Whereupon the War Minister, Lieutenant-general Terauchi, made clear in the Cabinet meeting held on November 6 his ideas on the constitution of the Imperial Diet as follows:

The sole intention of the Ministries of War and Navy is in the establishment of a constitutional government characteristic to Japan in accordance with the special nature of the Japanese national structure, and military circles entertain no idea of minimizing the power of the Imperial Diet in any degree. What they wish is that the Imperial Diet may carry on its functions in accordance with the Constitution of the Japanese Empire so as to rightfully represent the demands and opinions of the people in general. All the political demands of the Army and Navy shall be expressed through the Ministers of War and Navy and no other individuals or officers in responsible positions, and the Imperial Army is by no means responsible for the rumours concerning its intentions on the reformation of the Houses.

On November 16, the four Ministers of State who had been entrusted with the investigation on the reformation of the central governmental system held their third meeting and came to the following decision as to the central organ of control: (1) the new organ may be called the Sōmu Cho or General Board; (2) the present Investigation Bureau, Resources Bureau, Statistics Bureau and Information Commission shall be brought into the new General Board, changing the name of the Information Commission to Information Bureau and that of the Investigation Bureau to Planning Bureau and enlarging their functions; (3) the Legislation Bureau shall remain independent as it is now; (4) the proposed Personnel Bureau and Budget Bureau shall not be established, leaving the responsibility of the budget formation to the existing office and enlarging the offi-

cial forces under the present Chief Secretary of the Cabinet for the management of personnel; (5) the head of the new General Board shall be newly appointed and his official rank shall be the highest rank of Shinnin-Kwan; and (6) the head of the General Board shall be present at Cabinet meetings, but whether he be made a regular member of the Cabinet or not shall remain undecided for the time being. But, when a written bill on the proposed General Bureau was prepared by the Legislation Bureau and put before the fourth meeting of the four Ministers, which was held on December 5, opinions were divided on various important points and the final decision was postponed, with the hope, however, of getting the final bill drawn up before the coming session of the Diet in order that the establishment of the Board may be realized in the fiscal year 1937-38.

On December 11, the five Ministers of State who had been entrusted with the investigation on the renovation of the local governmental system held their fourth meeting and after discussions on the reports of each Minister came to the conclusion that the question of the complete autonomy of the greater cities independent of the prefectural government had to be settled as soon as possible, but in view of the shortness of time for drawing up a bill for all the greater cities in Japan the Tokyo Metropolitan bill only should be prepared and introduced to the coming session of the Diet. As to the revision of the regulations on the constitution of the Imperial Diet they decided to wait for the reports of the investigation commissions Parliamentary Law, the Election Law and the House of Peers Law.

Positive Attitude of Political Parties The 70th session of the Imperial Diet was convened on December 24, 1936, to sit for three months ending with March 25, 1937. The difficulties of the Hirota Cabinet were expected to arise over the Tax Increase Bill, the Electric Power State Management Bill and the Compulsory Education Prolongation Bill and it was felt that the Government must exert itself to overcome the antagonistic forces represented by many members of both Houses. To make the matters worse, there was a dissatisfaction at the foreign policy of the Government in general and a still smouldering complaint at the Government's attitude towards the political parties.

From what transpired at the meetings of the political parties preparatory to the 70th session of the Diet it was

revealed that the parties were going to take a much more positive attitude in the discussions in the coming session of the Diet than they had been wont to do in former sessions. The Imperial edict at the opening of the 69th session called forth the sense of responsibility anew, not only among Governmental circles but also among party men, and the latter began to pay closer attention to the doings of the Hirota Cabinet. They were expected to enter into hot discussions over many drastic measures to be taken by the Government for political, economic and educational renovation discordant, in their eyes, to the present state of national progress, together with evident failures in the handling of international affairs by the Government. In certain circles the view was entertained that the political parties were aiming at the overthrow of the Government during or after the 70th session of the Diet in order to bring about a possible pro-party government under the premiership of, for instance, General Ugaki or General Minami. No matter whether there was any truth in such a surmise it was true that the progressive elements of both leading parties met several times to discuss upon these questions with the aim of bringing about the co-operation of the Minseitō and the Seiyūkai in the fight against the Government. A complete unity of these parties en masse was much doubted, but there was some possibility of it should an emergency arise in the session which might concern the common interest of both parties, although on the other hand, both parties were rather handicapped because of their being represented in the Cabinet.

The 70th Session of the Imperial Diet

The 70th session of the Imperial Diet, convened on December 24, 1936, was of great import to the Hirota Cabinet, which had been formed to cope with the grave state of national and international affairs and the February 26 Incident and which was now to ask the judgement of the nation concerning its plans and administration for the first time, because the 69th session had been a short and extraordinary one. There was a fresh expectation in general for the session because it was to be held for the first time in the new and permanent edifice of the Imperial Diet Building which had been completed in November, 1936.

Before the formal opening of the ses-

sion the political parties held their general meetings and gave voice to what they thought of the general situation and their attitude towards the Government.

The Minseitō published its statement, saying, "The present state of national and international affairs in Japan calls for the fundamental reformation of international policies and administration of national affairs. But what the present Government is doing is far from their promise for the reformation of national administration thus causing a general unrest in the banking and industrial circles and deepening the economic depression among the working classes in urban and country districts alike so that the whole nation is put on the verge of an outbreak of thought confusion, while the foreign policy of the Cabinet has brought about a standstill of diplomacy between the country and Russia, China or Great-Britain, because of its inability to establish a stable diplomatic policy." The Seiyūkai put emphasis on the effective activities of the Imperial Diet as an organ representing the mass of people in answer to the Imperial wish for discussing important matters with the subjects, calling special attention to the new taxation policies of the Government and its wavering diplomatic policy concerning matters pertaining to the welfare of the Oriental countries. The Social Mass party passed decisions on waging war, against the oppression of the Government of the Governmental labour unions, on a movement for the institution of the Trade Union Law and Tenant Law, on free discussion in the Diet, on the Budget, the revision of the tax system, the reformation of the governmental system, the revision of the Election Law and the control of the electric power business, and on the realization of a diplomatic policy in accordance with the wishes of the people, evincing their anti-Fascist political ideas.

The Strength of the Political Parties
The strength of the political parties in the Houses on the day of the opening of the Imperial Diet was as follows:

The House of Peers;	
Princes of the Blood	18
The Kenyūkai	160
The Koseikai	60
The Kayokai	42
The Koyu Club	36
The Dowakai	34
The Doseikai	22
Independents	30
Total	400

The House of Representatives:

The Minseitō	205
The Seiyūkai	171
The Showakai	25
The Kokumin-Domei	12
The Tohokai	9
The Social Mass Party and Local Proletarians	21
Other small groups	18
Independents	4
Vacant seats	1
Total	466

The general atmosphere at the opening of the 70th session of the Diet suggested a strong attitude of the leading political parties against the policies of the Government, especially against the lukewarm Arita diplomacy. But the collision between the House of Representatives and the Hirota Cabinet occurred on January 21 in connection with the interpellation of Mr. Hamada and the answer of Lieutenant-General Terauchi, War Minister.

Mr. Hamada's Interpellation After the ministerial addresses Mr. Kunimatsu Hamada of the Seiyūkai went up to the platform as the second interpellator on the day and first expressed his sympathy towards the Hirota Cabinet which was endeavouring to solve many difficult problems especially complicated in the days following the February 26 Incident and which was trying an adjustment of international relations. Then he spoke of the so-called "propellent power" of the army on the political matters in present Japan, pointing out several talks which had emanated from certain sections of the War Ministry and which had appeared in the press, and the May 15 and February 26 incidents. He took the Fascist idea in the Imperial army in Manchoukuo as a copy of a similar idea in Japan, inferring that there was a despotic or Fascist idea in the undercurrent of the talks and movements of a part of the military circle. He pointed out in particular the revision of the rules pertaining to the personnel who might hold the portfolios of War and Navy Ministers. He condemned the hasty procedure of the Hirota Cabinet in revising the rules so that these portfolios should be assumed only by high officers in active-service, saying that there had been a long fight for extending the sphere of appointment to these positions to the high officers in the first reserve in order that a healthy development of constitutional government might be assured. Mr. Hamada charged it as a concrete example of Fascism in the army, although he understood

that it was partly for the reinforcement of military discipline. Another example of the Fascist tendency of the Hirota Cabinet, Hamada said, was its overlooking of the decision of the House of Representatives, repeated three times, requiring the Government to establish a standing committee of the House for the months in which they did not sit. He turned his point to the question of the huge budget and spent some words on it and then once more he dwelt upon the Fascist ideology among military men and went on to defend political parties against criticism of their former political abuses, proving that for the abuses of the political parties the Government had been partly responsible and exemplifying his statements by quoting abuses in military circles as well, and calling attention to the misunderstanding, as far as he saw it, of some military men on the true function of political parties in the Diet as the representatives of the people. He concluded his interpellation with questions in regard to the foreign policy of the Hirota Cabinet and the diplomatic conditions between Japan and several important countries.

War Minister Lieutenant-General Terauchi said in answer to Mr. Hamada's question that there were some words in his interpellation which seemed to insult military men, and that the use of such words would not help the harmonious understanding between the army and the people in general.

This answer provoked anger on the part of Mr. Hamada who stated that there was no intention of insulting the Army or Navy in his mind and consequently no use of such words, and concluded in the following words: "Let us make investigation of the official shorthand record. If there be any insulting words I will commit 'Hara-kiri,' if not, you do."

Resignation of the Hirota Cabinet
The Hirota Cabinet tendered its resignation en bloc to the Throne on January 23, 1937, after two days extraordinary adjournment of the Diet. The events surrounding the formation of the succeeding Cabinet revealed many facts important to Japan's history of politics and gave valuable suggestions concerning the future of the constitutional government of Japan.

The cause of the resignation of the Hirota Cabinet appeared to be in the apparent dissension between the Cabinet and the political parties and the lack of the Premier's earnestness in pushing his policies because of the weakening support of the military.

Premier Hirota's attitude toward the 70th Session of the Diet was rather negative. Criticism of the diplomatic failure of the Hirota Cabinet in general and the discouraging atmosphere regarding the important bills and budget before the meeting of the Diet was such that it was expected that the political parties would force the resignation of the Government. Both the Minseitō and the Seiyūkai were represented by two members in the Cabinet, yet their attitude towards it became worse with the approach of January 21 when the 70th session of the Diet was to begin its business. Premier Hirota took no measures to better his position, and made no visit to the presidents of the leading parties to get their understanding as to the standpoint of the Government. It is usually understood, in such a case, that the Government is aggressive and disregards the co-operation of the political parties. But it was not so in Hirota's case, for he easily yielded to the adverse situation and handed in his resignation after but two days' deliberation, in spite of all surmises in political circles that there might come either a dissolution of the House of Representatives, or the Government would manage matters so as to get through the 70th Session and resign, if necessary, after the session, and after having made full preparations for the quick succession of a new cabinet.

The hot words exchanged between the War Minister and Mr. Kunimatsu Hamada on January 21 were too insignificant to be the cause of the resignation of the Hirota Cabinet, but the Army was unwilling to discuss matters any further with the party men in the House of Representatives, not because of the alleged insult of Mr. Hamada against them but for the reason that there was a difference of opinion between the Army and members of the House of Representatives in regard to the recognition of the seriousness of the situation which Japan was thrown into judged from the declarations of the leading parties at their general meetings and the move of the party men in the Houses. The Army insisted upon an immediate dissolution of the House of Representatives. Mr. Hamada and his party found no reason for making an apology on what he had said in his interpellation although the general atmosphere among the parties seemed to be towards a compromise.

Opinions were divided among the Cabinet members as to the dissolution of the House of Representatives and Navy Minister Vice-Admiral Osami Na-

gano and Dr. Gotarō Ogawa, Minister of Commerce and Industry, took the trouble to try and arbitrate between the dissenting parties in and out of the Cabinet. Dr. Ogawa belonged to the Minseitō and was anxious to bring the matter to a satisfactory conclusion in order to get the budget passed by the Diet, seeing that parties were not actually opposed to it, and to save his comrades from the blow of dissolution. Vice-Admiral Nagano found no reason for a deadly clash between the Government and the Lower House in the quarrel of the War Minister and Mr. Hamada, and was gravely concerned about the passage of the budget, which was threatened with postponement for at least half a year by the possible dissolution, for the Navy wanted to hasten the completion of its programme with the coming of the first year of freedom from treaty disarmament. The two Ministers had a consultation and the Minister of the Navy called on the Presidents of the Minseitō and Seiyūkai on the night of January 22 and early in the morning of the following day, and got the full understanding of the two Presidents.

But all the efforts of the Ministers proved futile. The Army took a firm stand and handed the resignation of the War Minister Lieutenant-General Terauchi to the Premier by the morning of the 23rd, evincing thereby the uncompromising attitude of the Army on the issue.

Premier Hirota did not give his consent to the asking of the Throne for the dissolution of the Lower House, but, on the contrary, decided on his own accord to give up all measures for maintaining the life of the Cabinet. He probably saw it useless to push the matter any further. He saw that the support of the circles who wanted a quick and drastic renovation of the political and economic systems of Japan had become weak because of their dissatisfaction at his too cautious way of handling important matters. Besides, the movements in political circles, public and secret, had suggested that some schemes for the change of the Government had been going on. As a matter of fact several propositions for the establishment of a new political party continued to appear in the press in preparation for the bringing about of a new Cabinet. On January 23, 1937, Premier Hirota announced his reason of resignation to the effect that since assuming the duties of Premier by Imperial Order in March, 1936, he had done his best for the proper administra-

tion of state affairs, but in spite of all his efforts the difficulty of the political situation had become an unsurmountable obstacle.

On the same day the War Minister published his statement in regard to his stand on the matter. "Mr. Hamada's address in the House is not to be taken as the reason of my resignation. It is true that leading parties have their members in the Cabinet, but in spite of this fact, their declarations and presidents' addresses at their general meetings before the opening of the Diet, the interpellations of their representatives on the 21st of January, and the general atmosphere of the House of Representatives on the same day clearly indicate that there is a great gap between the understanding of Japan's present situation, national and international, by the Army and by the political parties. It is hard, in my opinion, to surmount the difficulties before us by a temporary compromise unless we all come to the right recognition of Japan's real situation. The existing state of affairs leads me to the conclusion that they are against my hope for the strengthening of military discipline, completion of national defence and renovation of state administration."

Ugaki's Failure On January 24, 1937, Mr. Kurahai Yuasa, Grand Keeper of the Imperial Seals, called on the Genro, Prince Kimmochi Saionji, with the Imperial message on the nomination of the new Premier. Mr. Yuasa brought back the Genro's recommendation to the Throne on the same day and it was soon made known that Imperial order for the formation of the next Cabinet had been sent to General Kazushige Ugaki who had been enjoying a quiet life for years at Nagaoka, Shizuoka prefecture, after his retirement from the post of Governor-General of Chosen.

The news surprised those who had been expecting the Imperial order to go to Konoé, Hayashi, or Hiranuma, not with disappointment but rather with much satisfaction in the bold decision of the Genro and other dignitaries nearest to the Throne. But the Army and its sympathizers were surprised at the recommendation which was a great mistake in their eyes.

General Ugaki came up to Tokyo on the 25th and was granted an audience and then began his task, first to get War and Navy Ministers. But he met with strong antagonism from the Army which answered that no high officers were willing to be recommended to the portfolio in spite of the combined efforts of the Chief of the General Staff,

the War Minister and the Inspector-General of Military Education. Ugaki was supported by almost the entire press and majority of people, who sent him thousands of letters and telegrams of encouragement to fight against the adverse situation in which he was quite unexpectedly put. It was impossible for him, however, to choose the War Minister without the recommendation of the three just mentioned because of the regulation that limited the post to a General or Lieutenant-General in active service, the number of these being very small and all of them being under direct control of the Ministry.

Many suggestions were proposed to General Ugaki as extraordinary means of accomplishing his purpose, but he did not like to take any drastic measure in face of the apparent antagonism because of the peace of the country, and after five days' deliberation and negotiations, that is, on the 29th, he gave up his task and asked the pardon of the Throne for his inability to form a Cabinet.

At least a part of the Army was opposed from the beginning to Ugaki's coming into power, in spite of the general support of the press, political circles and economic world.

General Ugaki had long been expected to assume the Premiership some day and when the opportunity came it was found that an unsurmountable obstacle was on his way in the direction that he had worked for most and loved most. The fundamental reason of the Army's opposition was known only to some high officers in the War Ministry and Ugaki himself. But it is probable that there were questions on the wisdom of his becoming the Premier because of the thorough reinforcement of military discipline for which the War Ministry had been working after the February 26 incident of 1936, because of Ugaki's career in the Army and his influence.

The outcome of the five days' efforts surprised the Genro and dignitaries and was most regretful for General Ugaki himself. The event, however, taught the nation of the sincerity and determination of the Army in its efforts for the completion of military discipline and of its deep concern for the political direction of the country, although criticisms were heard in some quarters as to the way in which the Army had acted.

The Birth of the Hayashi Cabinet

Mr. Yuasa was again sent to the Genro, Prince Saionji, who recommended, this time, first, Baron Kiichiro Hiranuma, President of the Privy Council,

and, second, General Senjuro Hayashi. The first candidate declined and General Hayashi was called to the Palace and was ordered to form the Cabinet.

General Hayashi was not apparently opposed by the Army, but its attitude towards the formation of his Cabinet

Premier, Minister for Foreign Affairs and Minister of Education, Minister for Home Affairs, Minister of Finance and Minister for Overseas Affairs, Minister of War, Minister of Navy, Minister of Justice, Minister of Agriculture and Forestry and Minister of Communications, Minister of Commerce and Industry and Minister of Railways,

These gentlemen formally received their portfolio on February 2. But Lieutenant-General Kotaro Nakamura was taken ill a few days afterwards and was succeeded by General Sugiyama who was in the post of the Inspector-General of Military Education. On the tenth of the same month, the portfolio of Communications was assumed by Count Hideo Kodama.

Premier's Statement On February 8, Premier General Hayashi issued a statement. The gist of statement, embodying the platform, follows: In view of the situation prevailing at home and abroad and in accordance with the degree of urgency of each matter, the Cabinet presents its platform as follows:

(1) The Government seek to make manifest the national polity, to elucidate the great principles of worship of the Divine and adoration of the Emperor and to enhance the spirit of oneness of the national religion and political administration in order to deepen the fountain of the advancement of the nation's fortunes.

(2) We seek to observe the articles of the Constitution fixed by Imperial will, to effect sound development of the constitutional politics unique to Japan and to listen to public opinion in order that fair and righteous politics may be carried on.

(3) We seek to pursue a national diplomatic policy based on national unanimity that is calculated to bring about a permanent peace to East Asia and common prosperity among nations in accordance with international justice in order that international relations will be made brighter.

(4) To assure the security of the

was by no means positive. Public sympathy was rather small and his political ability was much doubted. The birth of the Hayashi Cabinet was premature for it consisted of but eight members instead of thirteen. The eight were:

General Senjuro Hayashi
Mr. Kakichi Kwarada
Mr. Toyotaro Yuki
Lieutenant-General Kotaro Nakamura
Vice-Admiral Mitsumasa Yonai
Mr. Suehiko Shiono
Mr. Tatsunosuke Yamazaki
Engineer Vice-Admiral Takuo Godo

Empire, to protect its advance and to realize national policies we seek to complete our national defence and promote productive power of the country in order that the strength of the nation may be cultivated at its very root.

(5) We seek to carry out schemes for systematic development of industry in a manner suitable to economic conditions at home and abroad and to enforce appropriate measures of protection and control, and at the same time to develop the creative power of the people and encourage the spirit of enterprise.

In order that the foregoing aims may be achieved, we must guard against too radical a reform, combat conventionalism and enforce renovation that is suited to the times. Justification needs modification according to the needs of the times. But we must realize the pending renovation of general administration, stabilize the living of the people and remove the causes of uneasiness in the public mind.

The various policies of the Government shall be realized one after another.

The causes of the complicated and troublesome state of affairs in Japan and abroad and the unrest of society are in the neglect of co-operation, stubborn selfishness and rivalry and strife of individual interests. Harmony is most wanted for reasonable settlement of all matters.

The members of the present Cabinet are ready to sacrifice themselves to serve the public free from all factional ideas. In setting out to serve the State under the Great Command, we seek to lay bare our loyal hearts to

take measures directed straight at renovation and thus to fulfill our duty of assisting the Emperor in the administration of the State.

Dissolution of the House of Representatives The 70th Session of the Imperial Diet which had been convened on December, 24, 1936, was closed on March 31, 1937, with the Dissolution of the House of Representatives. The session was a very extraordinary one, for, during its sitting, the Hirota Cabinet resigned and the Hayashi Cabinet came into power, it adjourned three times, at the end of January and in the beginning of February, on account of the change of the Cabinet, and at the end of March it was prolonged for 6 days beginning with the 26th and finally on the last day it met the Dissolution. All through the Cabinet, both old and new, was unsympathetic with the parties in the House of Representatives, while parties, on their part, took a negative and equivocal attitude toward these governments as a whole, although some of their members were brave enough to make attacks on the movement of a part of the Imperial Army or Government's social policies.

The Dissolution was also peculiar. The Diet was closing on March 31 in peace, hurriedly passing resolutions and bills left over to that day, 49 important bills including the budget for 1937-38 being voted already, when it all of a sudden was dissolved to the surprise of the members of the House of Representatives and the general public.

The Government stated concerning the reason of the Dissolution as follows:

To cope with prevailing conditions at home and abroad, surmount the current difficulties and promote the national fortunes, co-operation between the Government and the people in the proper sense is absolutely essential. Thus the Cabinet, though it had just been formed, sought in the present session of the Diet the passage of many bills in all sincerity. The manner in which the Lower House has discussed these bills, however, has been extremely lacking in earnest, with the result that proceedings have been blocked with regard to important bills having the greatest bearing on national defence and stabilization of the living of the people, urgent business held up and doubts aroused as to whether parliamentary discussion could be carried on further in the way required by the seriousness of the prevailing situation.

We therefore saw much reason in the clamour for renovation of the Diet. In the hope of appealing to the just con-

science of the people, submitting to the will of the people and making manifest the principles of the constitutional government of Japan, and at the same time in expectation of sound political awakening on the part of the people and co-operation between them and the Government in surmounting the present serious situation, we have petitioned the Throne for dissolution of the House of Representatives.

The 20th General Election

Results of the General Election in April, 1937 Of the total 122 election districts not one was carried complete by either the Minseitō or the Seiyūkai, the two leading parties. On the contrary, the number of districts in which all the candidates of these parties were defeated was 13 for the Minseitō and 7 for the Seiyūkai, due largely to the rise in the power of the Social Mass Party. The following tables, compiled by the Asahi, show the ups and downs of the political parties at the election:

NUMBER OF VOTES OBTAINED BY PARTIES

Parties	Number of votes	
	In Tokyo	Total
Minseitō	271,697	3,666,067
Seiyūkai	214,301	3,008,832
Social Mass Party	174,808	900,916
Showakai	18,196	404,846
Kokumin-Domei	22,292	281,826
Tohokai	—	212,505
Other small parties	61,097	286,661
Independents	41,365	845,612

SUCCESSFUL CANDIDATES BY PARTIES

Parties	Candidates	Elected	%
Minseitō	266	179	67.3
Seiyūkai	268	175	65.3
Social Mass Party	65	36	55.4
Showakai	25	18	51.4
Kokumin-Domei	20	11	55.0
Tohokai	20	11	55.0
Other small parties	43	7	16.3
Independents	109	29	26.6

DIFFERENCE OF POWER OF PARTIES BEFORE AND AFTER THE ELECTION

Parties	Before and After Election		
	Before the Election	After the Election	Increase (+) or Decrease (-)
Minseitō	206	179	-27
Seiyūkai	172	175	+3
Social Mass Party	19	36	+17
Showakai	24	18	-6
Kokumin-Domei	11	11	—
Tohokai	9	11	+2
Other small parties	4	7	+3
Independents	19	29	+10

NUMBER OF OLD AND NEW MEMBERS OF THE HOUSE OF REPRESENTATIVES

Parties	New	Old	Former	Total
Minseito	21	149	9	179
Seiyukai	31	122	22	175
Social Mass Party	15	19	2	36
Showakai	0	16	2	18
Kokumin-Domei	0	11	0	11
Tohokai	3	8	0	11
Other small parties	2	4	1	7
Independents	9	17	3	29
Total	61	346	39	466

The general election of April 30, 1937, was carried out without a clearer aim than that of the Government, which asked for the "repentance" of the House of Representatives because its behaviour had been unsatisfactory in the eyes of the Cabinet and the election was the outcome of the Dissolution brought about by its behaviour. It was neither a fight between the Government and the parties around important issues nor an election of confidence on Government's policies. In any case, the result of the election were entirely against the Government. The victory of parties whose platforms were decidedly against the Government was overwhelming, and the combined forces of the Minseito and the Seiyukai in the Lower House kept the absolute majority as it was in March. The number of the representatives sent by the Social Mass Party, which was most strongly opposed to the Government's political ideas, was nearly doubled. On the other hand, the number of the rep-

representatives of the Showakai, the ministerial party, was reduced from 24 to 18 and another pro-governmental party the Kokumin-Domei gained nothing, while the independents who were in sympathy with the Government sent but a few members to the new House of Representatives. All the efforts of the Government to turn the results to its benefit were defied. The general election presented the people with a chance of expressing their deep concern with the political affairs of the country and the bustle of the election which had been thought meaningless by many at the outset gave birth to many points suggestive of the future of the Imperial Diet. The first of them was that the voters did not sympathize with the political ideas destructive of the existing parliamentary system, the second was that they showed a strong opposition against the attitude of the Government which seemed to fill the political stage to the exclusion of others, and the third was that they expressed their earnest wish for the renovation of the Diet in the votes that went to the Social Mass Party.

Voting Analysis According to the Local Bureau of the Home Department, which has been investigating the voting at the 20th general election of April 30, 1937, the percentage of absentees increased by 5.4%, being 26.7 against 21.3 at the previous election, and in the comparison of invalid votes, blank votes increased by 2,012 and voting papers on which were written miscellaneous things increased by 3,682, while on the whole the total number of invalid votes decreased by 2,779.

	The 20th General Election (April 30, 1937)	The 19th General Election (February 20, 1936)
Total number of electors on the election day	14,075,010	14,303,780
Number of voters	10,317,756	11,249,663
Absentees	3,757,254	3,054,118
Percentage of absentees	26.7	21.3
Total number of valid votes	10,203,677	11,132,677
" " "spoilt votes	114,040	116,819
Blank votes	13,130	11,118
Voting papers containing miscellaneous written matter.	25,101	21,419
Others	75,809	84,282

Advance of the Social Mass Party One of the most outstanding results of the 20th general election of April 30, 1937, was the advance of the Social Mass Party. The party gained 18 seats

more than it did at the 19th general election of February 20, 1936, and obtained 382,556 more votes. A comparison of the three largest parties at the two general elections follows:

RESULTS OF THE 19TH AND THE 20TH GENERAL ELECTIONS

Parties	19th Election	20th Election	Percentage of Increase (+) or Decrease (-)
Minseito			
No. of persons elected	205	179	- 12.5
No. of votes obtained	4,456,250	3,668,067	- 17.7
Seiyukai			
No. of persons elected	174	175	+ 0.5
No. of votes obtained	4,156,643	3,608,882	- 13.1
Social Mass Party			
No. of persons elected	18	36	+100.0
No. of votes obtained	518,360	900,916	+ 73.8

In many important election districts in Tokyo, Osaka, Kyoto and Kobe, candidates of the Social Mass Party obtained the largest number of votes. It was said that a large number of votes went to the party not only from labourers and farmers but also from well-educated people, small traders and industrialists, and even from Government officials.

Premier's Statement On May 3, Premier General Hayashi published a statement in connection with the result of the 20th general election as follows: Japan's political situation, national and international, is critical to the utmost extent. To surmount the crisis there is no other way than to aim at a radical reform in all directions, discarding conventionalism and yet not overrunning the times. With this conviction the Government worked with the 70th Session of the Imperial Diet and came to realize that the renovation of the constitution of the Diet is one of the important things basic for the reform of all other organs of State, being the first step of realizing the principles of Imperial constitutional government. I humbly asked the Throne for the Dissolution of the House of Representatives after a careful deliberation of these points, apart from the success or failure of the Government's policy in this respect. The 20th general election was carried out fairly. We expect the new representatives of the people to sacrifice their self-interest and to be eager to serve H.I.M. the Emperor in the momentous work of realizing the ideals of the Foundation of the Country in accordance with the principles of the national polity, in helping the progress of our unique constitutional government and in making contributions to the Imperial régime fully versed in the present political situation of Japan. This is what the whole nation expects of them. The Government is determined

to carry on faithfully its policies indispensable at this time with the conviction and expectation stated above. We earnestly require a full co-operation of the people in unison and in sympathy with the intention of the Government.

This statement was received by the public as voicing the Government's determination to carry on its mission in the face of all criticism none of which supported the Government's stand. The unanimous opinion was that the Government would have to retreat in a few months, either before the proposed extraordinary session of the Diet in August or at its beginning when a non-confidence decision would be passed by a unanimous vote.

Resignation of the Hayashi Cabinet In spite of the Premier's statement matters went from bad to worse for the Hayashi Government. Movements for the formation of a new ministerial party all failed, while the much talked about disruption, if there had been any possibility of one, of the existing large parties was checked by the Dissolution and the general election, for these events worked contrary to the hope of the Government for bringing about such a disruption and strengthened the unity of political parties in their common fight against the Hayashi Cabinet.

The general state of political affairs and the trend of public opinion in May tied up Hayashi's hand in trying to get persons for the vacant ministerial chairs. Besides, secret movements for a new cabinet began to be more active, along with the public movements and decisions of leading parties for the downfall of the Hayashi régime.

On May 31, 1937, the resignation of the Hayashi Cabinet en bloc was finally announced. Premier General Hayashi giving his reasons at the last meeting of his Cabinet in the afternoon of that day as follows: As to the politi-

cal situation after the election, my mind was fully expressed in my statement on the third of May. I have endeavoured to make out important policies since, but I regret that there occurred a misunderstanding between the Government and a part of the House of Representatives concerning my action of asking the Throne for the Dissolution of the House at the end of March, although the general public understand, I believe, fully well the plain reason of the action. But this is the most important moment for Japan that requires a complete unity of the Government and the people to cope with the difficulties of the times and to exert all efforts for the advance of the national fortune, allowing no dimension within the country. The Government deeply feels the responsibility in its inability to carry out the important policies, however short its time of office might have been. But I feel this is the time for us to tender our resignation to the Throne, when a foundation for the renewal of the national polity has been laid, and open the way for a new cabinet which may be able to promote Japan's constitutional government in accordance with the fundamentals of our national structure.

Konoé Comes to Power

The public nomination for the new Premier was Prince Fumimaro Konoé, President of the House of Peers. The Imperial wish was the same, for the Genro, Prince Saionji, the President of Privy Council Baron Hiranuma and the Grand Keeper of the Imperial Seals Mr. Yuasa unitedly recommended Konoé to the Throne on the first of June, 1937. Late in the afternoon, Prince

Konoé was granted an audience in the Imperial Palace and received the Imperial Order for the formation of a new cabinet.

Konoé's coming to power was welcomed by all circles in Japan. His family prestige is second to none among the Japanese subjects, his political career as the President of the House of Peers has been brilliant, and his knowledge of and sympathy with the conditions of the people as well as that of military issues is thought to be deep and thorough. He is young, being 46 years old, and has but one defect, that of physical weakness.

The formation of the new cabinet went on smoothly in favourable circumstances. Prince Konoé was successful in the first place in persuading the War and Navy Ministers to stay in their former chairs, then in bringing Dr. Eiichi Baba, Minister of Finance in the Hirota Cabinet, to the chair of Home Minister, and finally in getting Mr. Koki Hirota, the former Premier, for the Foreign Affairs portfolio. According to his policy of forming a cabinet in which all the political forces are represented, Prince Konoé was able to get one Minister from each leading party. Mr. Ryutaro Nagai, Chief Secretary of the Minseitō, to be Minister of Communications, and Mr. Chikuhel Nakajima, one of the four members of the Acting-Presidential Board of the Seiyūkai, to be Minister of Railways.

The Konoé Cabinet was formally inaugurated in the presence of His Majesty the Emperor at the Phoenix Hall of the Imperial Palace, at half past three in the afternoon of the fifth of June, 1937. The 13 members of the Konoé Cabinet were:

Premier,
Minister for Foreign Affairs,
Minister for Home Affairs,
Minister of Finance,
Minister of War,
Minister of Marine,
Minister of Justice,
Minister of Education,
Minister of Agriculture and Forestry,
Minister of Commerce and Industry,

Prince Fumimaro Konoé, President of the House of Peers
Mr. Koki Hirota, M.H.P., former Premier
Dr. Eiichi Baba, M.H.P., former Minister of Finance
Mr. Okinori Kaya, former Vice-Minister of Finance
General Gen Sugiyama, who held the same portfolio in the Hayashi Cabinet
Admiral Mitsumasa Yonai, who held the same portfolio in the Hayashi Cabinet
Mr. Suehiko Shiono, who held the same portfolio in the Hayashi Cabinet
Mr. Eiji Yasui, Governor of Osaka Prefecture
Count Yoriyasu Arima, M.H.P., Chairman of the Board of Trustees of the Central Chest for Co-operative Societies
Mr. Shinji Yoshino, former Vice-Minister of Commerce and Industry

Minister of Communications,
Minister of Railways,
Minister for Overseas Affairs,

Mr. Ryutaro Nagai, M.H.R., Chief-Secretary of the Minseitō
Mr. Chikuhel Nakajima, M.H.R., Member of the Acting-Presidential Board of the Seiyūkai
Mr. Sonyu Ohtani, M.H.P.,

The new Cabinet came into power with the full support of the press, the military circle, the leading political parties and the economic world. It was believed that the Konoé Cabinet intended to make all efforts to overcome the quasi-war time crisis by the united force of the defence services, the bureaucracy and the political parties, keeping harmony with military forces and heeding the wishes of officialdom. The economic policy of the Cabinet was to adjust the international payments of Japan, to establish a concrete programme for the development of productive power in the country and to get a clear prospect of demand and supply and control the relations of the two most effectively.

Birth of a New Party The formation of a party, either entirely new or by the amalgamation of radical elements in the Minseitō and the Seiyūkai or by the supposed disruption of the Seiyūkai, had been much talked about in the last two years. But, the unity of members of these two leading parties was much stronger than was supposed by many, and became much more so after the dissolution of the House of Representatives in March, this year. Therefore, eminent figures in the political world who it had been presumed would assume the presidency of the new party made no move in that direction.

In the meantime, the Seiji Kakushin Kyōgikai or the Political Reform Council began a movement for the formation of a new party, and held, on July 8, a preparative meeting of ten committee men including Genkuro Eto, Katsumaro Akamatsu, Shiro Koiké and Tsunekichi Yamazaki. At the meeting it was decided that the name of the new party should be the Nippon Kakushintō (the Nippon Reform Party), and programmes were prepared for holding the inaugural meeting on the 18th at the Shiba Kyōcho Kalkan (Shiba Hall of the Capital and Labour Harmonizing Council) and for beginning activities with a lecture meeting to be held on the 21st at the Hibiya Public Hall.

The proposed general meeting for the organization of the Party was held as scheduled, when representatives of member bodies gathered together from

all parts of Japan including the four members of the House of Representatives, Genkuro Eto, Katsumaro Akamatsu, Shiro Koiké and Tsunekichi Yamazaki. The meeting passed decisions on the general principle and policies of the party as follows:

General Principle. The Nippon Kakushintō aims at the manifestation of the true Nippon in accordance with the principle of her national polity.

Policies (1) The establishment of a constitutional government and administrative system unique to Japan; (2) the establishment of a national planned economy based on its unification through peace and war times; (3) the unification of industry and economy in Japan and Manchoukuo; (4) the establishment of fundamental readjustment policies for national and local finances; (5) the completion of the provisions for national defence and the programme of national mobilization; (6) the establishment of an international policy in accordance with Imperial Justice; (7) the establishment of an educational system and means in accordance with Japanese principles; (8) the re-establishment and creation of national culture in accordance with Japanese principles; (9) the institution of measures for the elevation of the national physical standard; and (10) the establishment of policies for the relief of poverty-stricken people.

Officials of the party were appointed as follows: Chairman of the General Committee, Genkuro Eto; Chief for the Party Affairs, Katsumaro Akamatsu; General Committee, Shiro Koiké, Tsunekichi Yamazaki, Itcho Sasai, Tatsuo Tsukui, Kyuzo Takayama, Hyozo Kanda, I. Ishibashi and Katsumaro Akamatsu; Chief of the Policy Investigation Council, Itcho Sasai.

The 71st Session of the Imperial Diet

The 71st extraordinary session of the Imperial Diet was convened on 25th of July, 1937, the opening ceremony being honoured by the presence of H. I.M. the Emperor.

The addresses of the Premier, the Minister for Foreign Affairs and the Minister of Finance were delivered at the general meeting of both Houses on

the 27th. The gist of their addresses follow:

Premier Prince Konoe's Address The Premier's administrative address follows:

I desire to elucidate, first of all, the principle which underlies the endeavors of the Government to fulfill its immense responsibilities. This principle is to make all our policies stem from a single source, namely, the spirit of the solemn and superb polity of our Empire. Expression of this spirit means that externally we should, in concert with other Powers, strive to establish true peace firmly in the world in accordance with international justice and to enhance more and more the prestige of our nation abroad and that internally we should define clearly the relationship between Sovereign and subjects and enable each of the people to find his proper place in accordance with social justice, bringing about thereby a steady and healthy advance of the national fortunes. Such, then, is the principle the Government expects to observe in formulating and carrying out its policies along various lines.

It is a source of profound regret that, with the troublesome question with the Soviet Union brought to a peaceful settlement and relations with other Powers increasingly amicable, there has occurred the present incident in China and that the Government has been compelled to make an important decision. I am very grateful, however, that the Government has been accorded the united support of the nation at this critical moment. In sending troops to North China, of course, the Government has no other purpose, as was explained in its recent statement, than to preserve the peace of East Asia. I cannot but hope most fervently that reconsideration and self-discipline on the part of the Government and people of China will make speedily possible a fundamental adjustment of Sino-Japanese relations.

In view of the current circumstances at home and abroad, it is of the most urgent necessity for us to perfect our national defence and develop the economic power of our country. Accordingly, as the basic means of carrying out our national policy, the Government feels imperative need to devise a comprehensive scheme aiming principally at expansion of the nation's productive power, establishment of equilibrium in international accounts and adjustment of supply and demand. Investigations are in progress with a view to formulating a concrete programme based on the conception of

Japan and Manchukuo as a single unit.

Various other plans, including reform of the administrative machinery and the parliamentary system, have been reserved for later consideration. There are a few, of course, that have already been worked out definitely or are under investigation. The Government has definitely decided, for instance, to establish the Ministry of Health and Social Affairs, and the appropriation needed for it is being submitted to the Diet for approval.

As regards education, I am convinced of the great importance of laying down anew foundations of our educational system that will be in accord with the principle of our national polity. But it is extremely difficult to accomplish reform of our educational system in a brief period. The Government intends to appoint an educational council and to continue careful deliberations on the question.

Japan is at present passing through one of those trials that will enable it to rise to greater heights of prosperity and power. To achieve such spectacular progress, or to execute the various attendant reform measures, I believe there is no other way than to have all our people act as one with a firm resolve and the utmost perseverance. Internal friction or rivalry not only will frustrate that purpose but is likely to bring national humiliation upon us. At the time of forming the Cabinet, I thus followed a policy calculated to promote as much as possible the unity and co-operation of the nation.

In consonance with the spirit of national unity, the Government is prepared to carry out reforms where reforms are needed and to go the way that is "new and ever new." It is its intention, moreover, to take up and solve, one by one, those questions that hitherto have been considered difficult of solution.

Mr. Hirota's Speech follows:

It is not necessary for me to expatiate afresh on our national policy, which aims at securing Japan's position as a stabilizing force in East Asia and contributing toward the establishment of true peace throughout the world. In order to carry out this policy we should, first of all, consider the relations between Japan, Manchukuo, China and the Soviet Union.

In surveying the conditions of present-day China, the Government profoundly regret to note that anti-Japanese sentiments and movements have been encouraged and systematically exploited for the purpose of unifying pub-

lic opinion and arousing nationalistic consciousness, and that untoward incidents evidently resulting therefrom are taking place in various quarters in China. At the time of the Chengtu incident last year, the Japanese Government took occasion to ask the Chinese to rectify their attitude toward Japan, which constituted the fundamental obstacle to friendly intercourse between Japan and China, and to invite the Nanking Government to demonstrate its sincerity regarding the concrete questions bound up with amelioration of the relations between the two countries. Unfortunately the negotiations came to an impasse, owing to Chinese recalcitrance. Since then, Sino-Japanese relations have been, frankly speaking, far from satisfactory. Japanese policy in East Asia is directed solely toward realization of the stability of that region through conciliation and co-operation between Japan, Manchukuo and China and by stopping the Communist invasion of the Orient. The Japanese Government therefore earnestly hopes that China will as soon as possible come to have a full understanding and appreciation of our basic policy.

Today in China not only is such understanding or appreciation absent, but anti-Japanese sentiments have been still more intensified, of which the Lukowkiao incident of the seventh of this month was only the logical consequence. As regards the present incident, the Japanese Government has maintained, as announced in its official statement of July 11, a policy of seeking a settlement on the spot and non-aggravation of the situation. Accordingly, the Government has been doing its best to effect a peaceful local solution, and at the same time to induce the Nanking Government to take proper steps for an early settlement of the question. It is my earnest hope that prompt reconsideration on the part of the Chinese authorities will lead to a faithful execution of the terms of settlement arrived at on the night of July 11. The Governments of the Powers have been informed in detail through our diplomatic representatives of this policy of the Japanese Government, and I believe they understand fully Japan's attitude of patience and self-restraint. On the other hand, there is no knowing what will be the possible repercussions among the Chinese masses, dependent as this is upon what stand the Nanking Government may take. There exists, it must be admitted, the danger of an untoward outbreak at any moment. We have more than once call-

ed the attention of both the Chinese Central Government and the local authorities to the necessity for control of anti-Japanese activities and protection of our nationals in China. In order to insure the safety of our fellow-countrymen, the Japanese Government is prepared to use all available means which may be called for by the development of the situation. Thus, in a word, China holds the key to the settlement of the present incident, as it depends entirely upon what course it may choose to follow. I confidently hope that the Nanking Government will adopt such effective and appropriate measures as will accord with our desire and bring about an early and amicable settlement.

The Government is giving careful consideration to our relations with the Soviet Union. Incidents have continued to occur along the Manchoukuo-Soviet frontier. The most serious case was the recent illicit invasion and occupation of Manchoukuo islands in the Amur, which led to an armed clash of the Japanese-Manchoukuo forces and the Russian forces to restore the status quo ante, in that region. The situation threatened for a time to develop into one of extreme gravity. However, the affair ended, in a peaceful settlement, the Soviet Government agreeing to restore the status quo ante in that region. The Japanese Government is deeply concerned over the state of things on the Manchoukuo-Soviet frontier, which gives rise to frequent friction. What is needed first of all is to take practical steps to prevent these border disputes. For that purpose, we should lose no time in setting up those two commissions for the demarcation of the border line and the settlement of disputes which for some years past have been under consideration and also devise other means of removing the tension all along the frontier. I cannot but urge most strongly upon the Soviet Government to co-operate freely and unreservedly with us in this task for the sake of the peace of East Asia.

Again, it is a matter of no small concern for the Government whether or not our nationals engaged in fishing in the northern waters and those having oil and coal concessions in North Saghalien are to be accorded full guarantees for the legitimate operation of their enterprises. It is our policy never to tolerate the creation of any such circumstances as will in substance destroy those enterprises sanctioned, as they are, by treaty. In short, there remains between Japan and the Soviet Union a number of issues still pending,

the 27th. The gist of their addresses follow:

Premier Prince Konoe's Address The Premier's administrative address follows:

I desire to elucidate, first of all, the principle which underlies the endeavours of the Government to fulfill its immense responsibilities. This principle is to make all our policies stem from a single source, namely, the spirit of the solemn and superb polity of our Empire. Expression of this spirit means that externally we should, in concert with other Powers, strive to establish true peace firmly in the world in accordance with international justice and to enhance more and more the prestige of our nation abroad and that internally we should define clearly the relationship between Sovereign and subjects and enable each of the people to find his proper place in accordance with social justice, bringing about thereby a steady and healthy advance of the national fortunes. Such, then, is the principle the Government expects to observe in formulating and carrying out its policies along various lines.

It is a source of profound regret that, with the troublesome question with the Soviet Union brought to a peaceful settlement and relations with other Powers increasingly amicable, there has occurred the present incident in China and that the Government has been compelled to make an important decision. I am very grateful, however, that the Government has been accorded the united support of the nation at this critical moment. In sending troops to North China, of course, the Government has no other purpose, as was explained in its recent statement, than to preserve the peace of East Asia. I cannot but hope most fervently that reconsideration and self-discipline on the part of the Government and people of China will make speedily possible a fundamental adjustment of Sino-Japanese relations.

In view of the current circumstances at home and abroad, it is of the most urgent necessity for us to perfect our national defence and develop the economic power of our country. Accordingly, as the basic means of carrying out our national policy, the Government feels imperative need to devise a comprehensive scheme aiming principally at expansion of the nation's productive power, establishment of equilibrium in international accounts and adjustment of supply and demand. Investigations are in progress with a view to formulating a concrete programme based on the conception of

Japan and Manchukuo as a single unit.

Various other plans, including reform of the administrative machinery and the parliamentary system, have been reserved for later consideration. There are a few, of course, that have already been worked out definitely and are under investigation. The Government has definitely decided, for instance, to establish the Ministry of Health and Social Affairs, and the appropriation needed for it is being submitted to the Diet for approval.

As regards education, I am convinced of the great importance of laying down anew foundations of our educational system that will be in accord with the principle of our national polity. But it is extremely difficult to accomplish reform of our educational system in a brief period. The Government intends to appoint an educational council and to continue careful deliberations on the question.

Japan is at present passing through one of those trials that will enable it to rise to greater heights of prosperity and power. To achieve such spectacular progress, or to execute the various attendant reform measures, I believe there is no other way than to have all our people act as one with a firm resolve and the utmost perseverance. Internal friction or rivalry not only will frustrate that purpose but is likely to bring national humiliation upon us. At the time of forming the Cabinet, I thus followed a policy calculated to promote as much as possible the unity and co-operation of the nation.

In consonance with the spirit of national unity, the Government is prepared to carry out reforms where reforms are needed and to go the way that is "new and ever new." It is its intention, moreover, to take up and solve, one by one, those questions that hitherto have been considered difficult of solution.

Mr. Hirota's Speech follows:

It is not necessary for me to expatiate afresh on our national policy, which aims at securing Japan's position as a stabilizing force in East Asia and contributing toward the establishment of true peace throughout the world. In order to carry out this policy we should, first of all, consider the relations between Japan, Manchukuo, China and the Soviet Union.

In surveying the conditions of present-day China, the Government profoundly regret to note that anti-Japanese sentiments and movements have been encouraged and systematically exploited for the purpose of unifying pub-

lic opinion and arousing nationalistic consciousness, and that untoward incidents evidently resulting therefrom are taking place in various quarters in China. At the time of the Chengtu incident last year, the Japanese Government took occasion to ask the Chinese to rectify their attitude toward Japan, which constituted the fundamental obstacle to friendly intercourse between Japan and China, and to invite the Nanking Government to demonstrate its sincerity regarding the concrete questions bound up with amelioration of the relations between the two countries. Unfortunately the negotiations came to an impasse, owing to Chinese recalcitrance. Since then, Sino-Japanese relations have been, frankly speaking, far from satisfactory. Japanese policy in East Asia is directed solely toward realization of the stability of that region through conciliation and co-operation between Japan, Manchukuo and China and by stopping the Communist invasion of the Orient. The Japanese Government therefore earnestly hopes that China will as soon as possible come to have a full understanding and appreciation of our basic policy.

Today in China not only is such understanding or appreciation absent, but anti-Japanese sentiments have been still more intensified, of which the Lukow-kiao incident of the seventh of this month was only the logical consequence. As regards the present incident, the Japanese Government has maintained, as announced in its official statement of July 11, a policy of seeking a settlement on the spot and non-aggravation of the situation. Accordingly, the Government has been doing its best to effect a peaceful local solution, and at the same time to induce the Nanking Government to take proper steps for an early settlement of the question. It is my earnest hope that prompt reconsideration on the part of the Chinese authorities will lead to a faithful execution of the terms of settlement arrived at on the night of July 11. The Governments of the Powers have been informed in detail through our diplomatic representatives of this policy of the Japanese Government, and I believe they understand fully Japan's attitude of patience and self-restraint. On the other hand, there is no knowing what will be the possible repercussions among the Chinese masses, dependent as this is upon what stand the Nanking Government may take. There exists, it must be admitted, the danger of an untoward outbreak at any moment. We have more than once called

ed the attention of both the Chinese Central Government and the local authorities to the necessity for control of anti-Japanese activities and protection of our nationals in China. In order to insure the safety of our fellow-countrymen, the Japanese Government is prepared to use all available means which may be called for by the development of the situation. Thus, in a word, China holds the key to the settlement of the present incident, as it depends entirely upon what course it may choose to follow. I confidently hope that the Nanking Government will adopt such effective and appropriate measures as will accord with our desire and bring about an early and amicable settlement.

The Government is giving careful consideration to our relations with the Soviet Union. Incidents have continued to occur along the Manchoukuo-Soviet frontier. The most serious case was the recent illicit invasion and occupation of Manchoukuo islands in the Amur, which led to an armed clash of the Japanese-Manchoukuo forces and the Russian forces to restore the status quo ante, in that region. The situation threatened for a time to develop into one of extreme gravity. However, the affair ended, in a peaceful settlement, the Soviet Government agreeing to restore the status quo ante in that region. The Japanese Government is deeply concerned over the state of things on the Manchoukuo-Soviet frontier, which gives rise to frequent friction. What is needed first of all is to take practical steps to prevent these border disputes. For that purpose, we should lose no time in settling up those two commissions for the demarcation of the border line and the settlement of disputes which for some years past have been under consideration and also devise other means of removing the tension all along the frontier. I cannot but urge most strongly upon the Soviet Government to co-operate freely and unreservedly with us in this task for the sake of the peace of East Asia.

Again, it is a matter of no small concern for the Government whether or not our nationals engaged in fishing in the northern waters and those having oil and coal concessions in North Saghalien are to be accorded full guarantees for the legitimate operation of their enterprises. It is our policy never to tolerate the creation of any such circumstances as will in substance destroy those enterprises sanctioned, as they are, by treaty. In short, there remains between Japan and the Soviet Union a number of issues still pending,

for the solution of which the Government will do its utmost.

As for our relations with Great Britain, I am deeply moved when I say that a short while ago, on behalf of His Majesty the Emperor, His Imperial Highness Prince Chichibu, accompanied by Princess Chichibu, attended the coronation ceremonies of the King and Queen of England, and by their mission they have enhanced the traditional friendship that binds our two nations. It has always been the consistent policy of the Government to promote Anglo-Japanese friendship, and more recently the two Governments have come to an agreement of views regarding the advisability of entering into frank conversations with the object of adjusting the relations of the two countries. We hope to bring about an early attainment of that aim.

Japanese-American relations have been of late really good, being marked by ever-growing amity and goodwill. I am glad to say that the economic mission which visited the United States some weeks ago has by its candid exchange of views with various circles accomplished much toward establishing closer contact between our two nations economically and otherwise.

Last year this country concluded the anti-Comintern agreement with Germany. The Government is striving for an effective application of the said agreement and at the same time for the furtherance of friendly and intimate relations between Japan and Germany.

Now to turn to our trade relations with other countries.

Obviously the expansion of our export trade constitutes not only an indispensable condition of our national existence, but one of the most important means of balancing our international accounts under the present economic circumstances of the country. But as a matter of fact, the foreign Powers, for economic, financial, or other reasons, still continue to maintain commercial barriers of various kinds against Japanese goods. The Government is working for a smooth development of our export trade by concluding such individual agreements with the governments of those countries as may be best suited to their respective circumstances, or by arranging for private agreements to be arrived at between our business interests and those of other countries. I am glad to say that since last spring our trade negotiations with India, Burma, the Netherlands East Indies and Turkey have all been brought to a successful conclusion.

The Government will strive more energetically than ever for the maintenance and furtherance of Japan's commercial interests, and at the same time make all possible endeavours to insure free access to raw materials and natural resources and to promote the freedom of international trade. It is gratifying to note the growth of certain tendencies favourable to restoration of the freedom of trade. I desire to take this opportunity to declare the readiness of the Japanese Government to participate heartily in any international undertaking to convert these tendencies into a reality.

Finance Minister Mr. Okubo Kayu
Address I have the honour of explaining the supplementary budget for 1937-38 and the Government's financial policy. Number 1 of the supplementary budgets for 1937-38 is for expenses for the present North China Incident. It amounts to ¥96,800,000. For immediate use ¥10,000,000 was disbursed for the expenses of the War Ministry from the second reserve of the Treasury, and ¥86,700,000 is to be expended for matters handled by the Ministries of Foreign Affairs (¥700,000), Finance (¥40,800,000), War (¥46,000,000) and Navy (¥2,100,000). To meet the need, the Government is going to float North China Incident Loans in addition to using some reserves of the Treasury. Besides, ¥200,000 is added to the sum from the Special Account for the Chosen Government-General.

In addition to No. 1 of the supplementary budgets for 1937-38, the Government will present to the present Session a second supplementary budget to cover the expenses for the establishment of the Ministry of Health and Social Affairs, institutions for training technical workers, promotion of gold production, completion of the Board of Planning, relief and prevention of natural calamities, enforcement of the Foreign Exchange Control Law, and the increase of the reserve funds in the Treasury.

For the advance of the national fortune we have to take positive measures on important matters in all directions. But at the base of all positive measures there must be a sound development of economic power and the realization of all undertakings will be limited after all to the grade of our national economic power. For a sound development of our economic power and its maintenance it is of first importance to put Japan and Manchoukuo under a united economic programme and to draw a concrete united plan and carry it out for the expansion of productive power,

proper adjustment of international payments and harmonious relations between demand and supply.

For the realization of important measures human power and dexterity in the work are much required, but the first necessity is the abundance of materials. We have to make efforts first to get a sufficient supply of materials, and the present situation of Japan in this line is such that we must develop the productive power in the country and improve the condition of international payments so as to enhance the consuming power of imported materials. For the development of productive power plans have to be established along three lines, to ensure the self supply of necessary provisions in wartime, to increase the production of commodities of which the supply is insufficient in peace-time, and to increase production of commodities which may contribute to better international payments. At the same time selections must be made as to the kinds of production according to their importance and urgency for the present need to make both ends meet in international payments in such a country as Japan which is short of both raw materials and capital.

It is most important to maintain the present exchange rate of the yen for carrying out important national policies and for the stability of national life. In the present condition of our international payments it is but natural that the exchange rate will tend to decline when it is left uncontrolled. With the present state of affairs, a decline of the exchange rate will not only affect Japan's foreign trade badly but will also cause the rise of commodity prices in the country and the lower exchange rate and the rise of prices may counteract each other, carrying matters from bad to worse and threaten the living of the masses, hinder the systematic working of national economy and lay obstacles against the realization of the Government's programmes. A lower exchange rate will neither increase our exports in the face of the difficult international trade relations nor decrease the imports of Japan, which must largely rely upon foreign commodities and materials. It will, on the contrary, augment our burden in international payments. To get safely through the transition period, that is, until our national productive power is properly developed we have to exert ourselves to maintain the present standard of the exchange rate, to improve the condition of international payments and to pro-

mote foreign trade, fully acknowledging the great need of foreign supplies of materials for years to come, and yet restricting unnecessary payments abroad by a careful control of imports and other items of payment.

Consumption of materials is restricted by the productive power and the volume of imports of a nation, and demands must be harmonized with the supply so as not to cause an undue rise of prices and yet keep the balance of international payments. The Government must therefore devise means for a proper control of demand and supply, making a thorough investigation on these matters. Efforts are being made by the Government to draw up united programmes on all the points above mentioned, and a full co-operation of the people concerned is earnestly requested in carrying them out.

The productive power, international payments and demand and supply of Manchoukuo are in a close relation with those of Japan, and for the establishment of our financial and economic schemes Manchoukuo must be considered as one with Japan and the Government will keep in close relations with the Government of that country for the realization of its proposed programmes.

The demands of capital for industrial enterprises in Japan have greatly increased recently, and the paid-up capital and loans of the banks have remarkably increased. In view of an ever increasing tendency of demands for capital the Government will take necessary measures for a smooth movement of capital and keep the interest rates as low as possible. The Bank of Japan has lowered the discount rate of mortgaged bonds and has decided to devise a new means for discounting bills on the security of the debentures of corporations undertaking those enterprises which are important from the national point of view. These measures will work for the good of the Government's bond policy and the general money market.

The rise of price of gold is universal. But the valuation of gold bullion reserved in the Bank of Japan for the issuance of convertible notes is fixed at one yen per 750 mg. of pure gold in accordance with the Coin Law, so the real value of the considerable gold reserve of the Bank is not duly calculated. The Government is going to make a revaluation of the gold reserve in order to get a fund for the control of the exchange rate; but the Government has no intention to effect any

anxiety for the safety of the lives and property of Japanese nationals. The earnest endeavours of the Japanese authorities to localize the affair and prevent further aggravation succeeded in bringing the 29th Army authorities to agree to a peaceful settlement.

On the night of July 10, however, soldiers of the 29th Army, in violation of the agreement, suddenly fired upon Japanese troops, causing considerable casualties. The Chinese have since pushed on warlike preparations by increasing their forces on the front lines; the troops stationed at Siyuan have advanced to the South, while troops of the Central Government have been moved forward. The Chinese have thus not only failed to evince any desire for a peaceful solution, but have gone the length of flatly rejecting all Japan's offers for amicable settlement, thus leaving no room for doubt that the present incident is the outcome of a well-organized agitation for warlike action against Japan.

There is no need of stressing on the

vital importance to Japan and Manchoukuo of the maintenance of peace and order in North China. What is more urgently needed for the peace of East Asia is that the Chinese not only apologize for their most recent lawless actions and manifestations of antagonism to Japan, but give adequate guarantee against a recurrence of such outrages in the future. An important decision has been reached by the Japanese Government at today's Cabinet meeting to take all necessary measures for dispatching military forces to North China.

But, desirous as ever of preserving the peace of East Asia, the Japanese Government has not abandoned its hope that negotiations may yet assure the non-aggravation of the situation, and that prompt reconsideration on the part of China may bring about an amicable solution. The Japanese Government is, of course, prepared to give full consideration to the safeguarding of the rights and interests of the Powers in China.

Political Affairs in 1937 and 1938

The political affairs of the country in the second half of 1937 and the first half of 1938 were almost exclusively concerned with the international developments arising from the China Incident which began on July 7, 1937. The Government, the political parties and the people of Japan were united closely in pressing forward Japan's national policy with regard to the East Asiatic continent by concentrating the national power to the utmost. All the conflicting opinions and movements were promptly set aside before the great task, and the nation was ready for utmost sacrifice both on the war and the home front.

Political Parties The year was one of inertia for all political parties. They had no time to indulge in expositions of their ideas and ideals for the situation called for united action and they were not slow to co-operate with the Government in all important matters, while the radical factions readily changed their views in conformity with the general trend of thought among the people who strongly felt the need for united action on the continent.

At the end of 1936 and the beginning of 1937 the political parties were tending toward a revival of the situation which prevailed before the February 26 affair of 1936, especially in regard

to foreign relations. But events came thick and fast and the political parties could do little to influence their course. There was at first General Ugaki's failure to form a cabinet, followed by the doings of the Hayashi Cabinet which was a going-back to old bureaucracy, and finally the formation of the Konoé Cabinet, which was acclaimed by the whole country. Even the result of the 29th general election in April, 1937, which ended in the victory of the existing political parties against the Hayashi Cabinet failed to give them a full chance for regaining their power. The new parties the birth of which had been much heralded by some groups proved equally unsuccessful. The rightists showed some activities outside the Diet, but could not gain any power, nor could the leftist parties, although one of them was successful in obtaining more seats in the Diet. With the outbreak of the incident most of the political movements of the proletariat parties were completely suppressed by the Government.

The talk of reorganizing the Seiyukai and the Minseitō went on throughout the year, but the preoccupation with the problems relating to the incident has made the realization of this object difficult till now. In the 73rd session of the Diet political parties expressed

strong criticisms on such important bills as the National Mobilization Bill, the Electric Power Bill and the Budget for 1938-39, but these bills were finally passed without material amendment.

Movement of Bureaucrats The failure of the Hirota Cabinet and the Hayashi Cabinet in renovating the administrative system meant the inability of the bureaucratic elements to rise to the national requirements. With the birth of the Konoé Cabinet which was formed in the spirit of a coalition of all the representative political elements in the country, the bureaucrats withdrew from the front ranks and assumed a proper attitude of obedience to and co-operation with the Cabinet.

The submissive attitude of the political parties and the withdrawal of the bureaucrats were the direct outcome of the situation which demanded complete national solidarity in attaining the national goal of defeating the Kuomintang Government and establishing a permanent peace in East Asia and creating a new Japan. National union and national mobilization should be more difficult to achieve today than in the days of the Russo-Japanese War because the country is much greater now than it was 30 years ago, her international relations are much wider and more complicated, her people more educated and her economic system much more complex. But the traditional spirit of patriotism is ever the strongest factor in the Japanese national life and it is as a result of its call that the people have submerged all minor interests and differences of opinions in the greater need of the times.

Governmental Achievement As to the changes of the Hirota and Hayashi cabinets and the formation of the Konoé Cabinet mention has been made in foregoing pages, together with a description of the beginning of the China Affair up to August, 1937.

The attention of the Government since August, 1937, has been centred on planning and putting into effect all the necessary measures for carrying out Japan's purpose in relation to the China Affair, and all such measures have been passed by the Diet with little or no amendment.

In October, 1937, the Government organized the Cabinet Advisory Council by Imperial sanction, to reinforce its power by gathering veteran statesmen and experienced businessmen around the Cabinet. The first 10 members of the new Cabinet Advisory Council who were appointed on October 15, 1937, were as follows:

General Kazushigé Ugaki
General Baron Sadao Araki
Admiral Baron Kiyokazu Abo
Admiral Nobumasa Suetsugu
Chuji Machida of the Minseitō
Yonezō Maeda of the Seiyukai
Kiyoshi Akita, M.H.R.
Baron Seinosuké Go
Seihin Ikeda
Yosukō Matsuoka

Most of the pending problems of improvement in domestic, administrative and social affairs were postponed. In view of the importance of promoting the health and welfare of the people, the Government decided to establish the "Ko-Sei Sho" or a new Department of Health and Social Affairs; and for the purpose of power mobilization the Government presented the Electric Power Control Bill to the 73rd session of the Diet, and succeeded in getting its approval thereto, with some important amendments.

In December, 1937, Dr. Eichi Baba, Minister for Home Affairs, resigned owing to illness and died shortly after in the same month. The portfolio was assumed by Admiral Nobumasa Suetsugu.

In January, May and June, 1938, a thorough reorganization of the Konoé Cabinet took place with the resignation of Koki Hirota, Minister for Foreign Affairs, Okinori Kaya, Minister of Finance, Shinji Yoshino, Minister of Commerce and Industry, Sonyu Otani, Minister for Overseas Affairs, and General Gen Sugiyama, Minister of War, who were replaced by General Kazushigé Ugaki, as Foreign Minister and concurrently Overseas Minister, Seihin Ikeda, as Finance Minister and concurrently Commerce and Industry Minister, Lieutenant-General Seishiro Itagaki, as War Minister, while Marquis Koichi Kido who had assumed the Portfolios of Education and Health and Social Affairs concurrently was released from the responsibility of Education and General Baron Sadao Araki was given the Portfolio of Education.

The important policies of the Government were best explained in the ministerial speeches given at the 72nd and 73rd sessions of the Diet.

The 72nd Session of the Imperial Diet

The 72nd Diet was specially convened at the beginning of September, 1937. It was opened on September 4 in the presence of His Majesty the Emperor and closed on the 9th of the same month after passing the supplementary budget for military operations and other

legislative bills. At the opening ceremony of the session on September 4, His Majesty the Emperor granted the following Imperial Message to the Diet:

"We hereby open the Imperial Diet and address Ourselves to the members of the House of Peers and of the House of Representatives.

"It has been Our constant desire that Our Empire and the Republic of China should work in unison in order to ensure the stability of East Asia, and thus attain the common prosperity of Our respective nations. The Republic of China, however, failing utterly to understand the true intentions of Our Empire, indulged in wilful acts of provocation, giving rise at last to the present state of affairs. This is indeed a source of regret to Us.

"Now in the face of manifold difficulties, Our armed forces are discharging their duty with loyalty and valour, to no other end than that of urging the Republic of China to reflect on its attitude, so that peace may be speedily restored in East Asia.

"It is Our wish, in view of the present extraordinary situation, that Our subjects, united in their faithful service to the State and in their devotion to the Throne, will seek to achieve the purpose of the Empire.

"We have instructed the Ministers of State to introduce to the Imperial Diet the urgent additional budgetary and legislative bills. We command you to strive, in conformity with Our wish, to perform to the fullest measure your appointed task of harmonious deliberation and collaboration."

On September 5, the Prime Minister and other ministers gave addresses to the Diet, explaining the policies and measures of the Government mostly in connection with the present China Affair.

Prime Minister Prince Konoé's Address In his opening address before the Diet, Prince Konoé, after referring to the Imperial message, went on to explain the Government's policy, as follows:

Since the outbreak of the affair in North China on July 7, the fundamental policy of the Japanese Government toward China has been simply and purely to seek the reconsideration of the Chinese Government and the abandonment of its erroneous anti-Japanese

policies, with the view of making a basic readjustment in relations between Japan and China. This policy has never undergone a change; even today it remains the same. The Japanese Government has endeavoured to save the situation by preventing aggravation of the incident and by limiting its scope. This has been repeatedly enunciated.

The Chinese Government not only failed to understand the true motives of the Japanese Government, but have increasingly aroused a spirit of contempt and have offered resistance toward Japan, taking advantage of the patience of our Government. Thus, by the outburst of uncontrolled national sentiment, the situation has fast been aggravated, spreading in scope to Central and South China. And now, our Government, which has been patient to the utmost, has acknowledged the impossibility of settling the incident passively and locally, and has been forced to deal a firm and decisive blow against the Chinese Government in an active and comprehensive manner.

In point of fact, for one country to adopt as its national policy the antagonizing of and the showing of contempt for some particular country, and to make these the underlying principle of national education by implanting such ideas in the minds of the young, is unprecedented in the history of the world. When we consider the outcome of such policies on the part of China, we feel grave concern not only for the future of Sino-Japanese relations, but for the peace of the Orient and consequently for the peace of the entire world. The Japanese Government has repeatedly requested the Chinese Government to reconsider and to change its attitude, but all in vain. This failure of the Chinese Government has finally caused the present affair. We firmly believe that it is in accordance with the right of self-defence as well as with the cause of righteousness and humanity that our country has determined to give a decisive blow to such a Government, so that it may reflect upon the errors of its ways. For the peoples of East Asia, there can be no happiness without a just peace in this part of the world. The Chinese people themselves by no means form the objective of our actions, which objective is directed against the Chinese Government and its army who are carrying out such erroneous, anti-foreign policies. It, therefore, the Chinese Government truly and fully re-examines its attitude and in real sincerity makes endeavours

for the establishment of peace and for the development of culture in the Orient in collaboration with our country, our Empire intends to press no further.

At the present moment the sole measure for the Japanese Empire to adopt is to administer a thoroughgoing blow to the Chinese Army so that it may lose completely its will to fight. And if, at the same time, China fails to realize its mistakes and persists in its stubborn resistance, our Empire is fully prepared for protracted hostilities. Until we accomplish our great mission of establishing peace in the Orient, we must face many serious difficulties, and, in order to overcome them, we must proceed steadily with our task, adhering to the spirit of perseverance and fortitude in one united body.

Now that our Imperial Army and Navy, with their loyal officers and men, are advancing with all dignity in the cause of righteousness, exalting its might far and wide, we are filled with grateful emotion. Simultaneously, we feel highly encouraged to witness the sincere support displayed throughout the length and breadth of the Empire.

The Government is hereby introducing to the Imperial Diet urgent budgetary and legislative measures. In these measures the Government seeks to adopt a financial and economic structure for coping with the present extraordinary situation.

Foreign Minister's Address The following is the gist of the address delivered by Koki Hirota, Minister for Foreign Affairs:

Ever since the beginning of the present affair, the Japanese Government, in pursuance of their policy of local settlement and non-aggravation, have exerted every effort to effect a speedy solution. The Nanking Government, whose prompt reconsideration was invited, failed to manifest a grain of sincerity, but concentrated their armies in North China to challenge Japan, while in the Yangtze Valley and elsewhere in South and Central China they embarked upon an anti-Japanese campaign of the most vicious kind, which not only prevented our nationals in that region from engaging in their peaceful pursuits, but also jeopardized their very existence. In these circumstances, the Japanese Government still desiring to avoid the disturbance of peace as far as possible, ordered the evacuation of all Japanese residents in Hankow and other points along the Yangtze River. Shortly after that, on August 8 at Shanghai, Sub-lieutenant Oyama and Seaman Saito of the Land-

ing Party were murdered at the hands of the Chinese Peace Preservation Corps. Even then, Japan, adhering to a peaceful course, sought to settle the affair through the withdrawal of the Peace Preservation Corps and the removal of all military works that had been erected in violation of the 1932 Truce Agreement. China refused to comply with our demands under one pretext or another, and proceeded, instead, to increase her troops and multiply her military works in the prohibited zone, and finally launched an unwarranted attack upon the Japanese. Thereupon, as a matter of duty our Government dispatched a small naval reinforcement to Shanghai as an emergency measure to insure the protection of our nationals in that city.

In view of these disquieting developments in Shanghai the ambassadors at Nanking of the five Powers—Great Britain, America, France, Germany, and Italy—sent a joint request on August 11 both to Japan and China that the two countries do all in their power to carry out effectively a plan to exclude Shanghai from the scope of any possible hostilities so as to safeguard the lives and property of foreigners therein. Our Government replied through Ambassador Kawagoe to the effect that while Japan was most solicitously concerned over the safety of the lives and property of all foreigners as well as of the Japanese in Shanghai, China should, as the first prerequisite, withdraw outside striking distance her regular troops and the Peace Preservation Corps that were advancing on the Settlement and menacing the Japanese, and remove the military works in the vicinity of the International Settlement, and that Japan would be prepared to restore her forces to their original positions provided China agreed to take the above steps. The Ambassador was also instructed to request the Powers concerned to exert their influence toward including China to execute those urgent and appropriate measures, which, however, were flatly rejected by China. On August 13 the Consuls-General at Shanghai of Great Britain, America and France submitted a certain concrete plan, proposing that Japan and China enter into direct negotiations for the purpose of averting the impending crisis. The text of the proposal was received in Tokyo at midnight, August 13. But in the afternoon of that very day, the Chinese armies, that had been pouring into the Shanghai area, took the offensive, and on the 14th their warplanes

dropped bombs not only on the headquarters of our Landing Party, our warship and our Consulate-General, but also all over the International Settlement. Under the circumstances we could do nothing but abandon all hopes for a peaceful settlement and fight for the protection of our 30,000 nationals in Shanghai. I regret to say that the earnest efforts of the Powers concerned were thus nullified by Chinese outrages.

Shanghai, having been converted into a theatre of hostilities, grave concern was naturally shown by the Powers who had vast amounts of capital invested and large numbers of their nationals residing in the city. Great Britain notified both Japan and China under the date of August 18, that if the governments of the two countries agreed to withdraw their forces mutually and to entrust to foreign authorities the protection of Japanese subjects residing in the International Settlement and on the extra-Settlement roads, the British Government were prepared to undertake the responsibility, provided that other Powers would co-operate. Next day—on the 19th—we were informed by the French Government of their readiness to support the British proposal. The American Government also had previously expressed their hope for the suspension of hostilities in the Shanghai area. Japan, having as great interests in Shanghai as these Powers, is equally solicitous for the peace of the city. But as has been stated above, the actions taken by the Chinese in and around Shanghai are plainly in violation of the Truce Agreement of 1932, in that they illegitimately moved their regular troops into the zone prescribed by that Agreement, and increased both the number and armaments of the Peace Preservation Corps, and in that, relying upon their numerical superiority, they challenged the Landing Party and civilian population of our country. Therefore, in reply to the British proposal our Government explained in detail Japan's successive efforts toward a peaceful solution as well as the truth regarding the lawless Chinese attacks, and stated that the hostilities at Shanghai could not be brought to an end save through the withdrawal of the Chinese regular troops from the prohibited zone, and of the Peace Preservation Corps from the front lines. At the same time, our

sincere hope was expressed that Great Britain as one of the parties to the Truce Agreement would use her good offices to bring about the withdrawal of the Chinese troops outside the prescribed zone. Similar replies were sent to France and America.

As for North China, in fulfilment of regard of the various pledges and agreements, Chinese Central Armies were moved northward to indulge in a series of provocative actions, and large forces began to pour into the province of Chahar. Our Government, therefore, have had to take determined steps to meet the situation.

Thus hostilities have now spread from North to Central China, and Japan finds herself engaged in a major conflict with China on extended fields. I am deeply pained to say that over 50,000 Japanese residents in various parts of China have been forced to evacuate, leaving behind them their huge investments, their business interests acquired through years of arduous toil, and other rights and interests, while not a few of them have been made victims of hostilities. It is also to be regretted that nationals of third countries in China are being subjected to similar trials and tribulations.

It is hardly necessary to say that the basic policy of the Japanese Government aims at the stabilisation of East Asia through conciliation and co-operation between Japan, Manchoukuo, and China for their common prosperity and well-being.

Finance Minister's Address The following is a summary of the Finance Minister Okinori Kaya's address:

I wish to speak on the outlines of the Budget for extraordinary military and naval expenditure as well as of the supplementary budget for the twelfth year of Showa (1937) which have been submitted to the Diet, and on the financial and economic policy of the Government vis-à-vis the aggravation of the China Affair.

As to the expenditure connected with the present affair, your approval was previously given to necessary outlay at the 71st session of the Diet. However, in view of the subsequent developments of the situation, the appropriations that are required to cover the expenditure on the necessary measures are as follows:

Extraordinary military and naval expenditure—Approximately ¥2,022,000,000
In the General Accounts for various Departments—Approximately ¥42,000,000

Of the above-mentioned items, the extraordinary military and naval expenses are those which are required for the conduct of hostilities. Not only because they involve large sums, but also because it is deemed necessary to treat them specially, as is required by their very nature, apart from the general budgetary items, and to deal with the entire period in which they are expended—from now till the termination of the affair—as a single fiscal year, it has been decided to submit a Bill relative to the establishment of a "Special Account for the Extraordinary Military and Naval Expenditure."

As regards the General Accounts for other Departments, such appropriations are submitted for necessary expenditure in consideration of the present situation, as expenses required for foreign affairs, an increase of the fund for the relief of soldiers' families, the encouragement of the activities for the assistance of soldiers, the general mobilization of the national spirit, the enforcement of the law on air defence, emergency measures for rural and fishing villages, and compensation for the loss in importation of ammonium sulphate.

As for the sources of revenue for the above-mentioned expenditure, it is our scheme to employ funds raised by loans for all extraordinary military and naval expenditure, and, for the items in the General Accounts, the unused portion of this year's authorized appropriations as well as the increased amount of ordinary annual revenue resulting from the expenditure. Aside from these, supplementary appropriations have been provided in each Special Account in the overseas possessions for necessary expenditure in respect to the present situation. Furthermore, it has been decided to present a Bill for the purpose of affording the officers and men on the front in the present China affair an exemption or reduction of taxes and postponement of their collection.

As has been explained, the expenditure pertaining to the present affair amount to a large sum; but it is deemed essential for the purpose of chastising the outrageous Chinese forces and to cause prompt reconsideration on the part of the Chinese Government. And in order to fully accomplish these purposes, I believe it necessary to re-adjust our financial and economic structures so as to meet this emergency—that is to say, various measures must be taken primarily with a view to sup-

plying as plentifully as possible necessary materials, capital, and labour to essential industries, such as those connected with national defence requirements. While a liberal flow of capital must be positively promoted so as to cause concentration of materials and labour in those directions, the limited supply of capital, materials, and labour necessitates the discouraging, for the time being, of inaugurating or expanding enterprises for which there is no pressing necessity at this time. Moreover, I deem it important to limit the exportation of materials required due to the present situation and simultaneously to restrict the importation of materials that are relatively unessential, thereby augmenting the capacity to import essential materials and taking measures to meet deficiency in commodity supply at home arising from such import restriction. In conformity with these aims, therefore, it is necessary to make suitable adjustment in finance, industries, trade, capital and foreign exchange, etc.

The Government, therefore, have submitted a Bill purported to effect proper adjustment of capital according to the above-mentioned aims with reference to establishment or capital increases of corporations as well as underwriting of corporate debentures by financial institutions and also loans for financing the establishment or expansion of industrial facilities. The Bill is also designed to enable the Japan Industrial Bank to raise the issue limit of the industrial debentures or to take other measures in order to supply necessary capital for enterprises demanded by the present exigencies.

For similar purposes, the Government, in order to insure an ample supply of materials, which will be particularly necessary on account of the present affair, have decided to present a Bill to forestall impediment to proper functioning of national economy with a view to restricting import and export of certain items of materials, and regulating the demand and supply of goods made thereof. As for the regulation of such capital and materials, it is the policy of the Government to leave the matter to the voluntary adjustment of the business interest concerned.

As I have stated above, the Government will endeavour as far as possible to bring about the adjustment of demand and supply relating to goods and capital. Especially as regards the adjustment between demand for and supply of articles manufactured of im-

ported raw material, the success of our efforts depends largely upon the curtailment of consumption by the people, and I earnestly hope that this curtailment will be practised along all lines so that through the voluntary co-operation of the people the needs of the nation, as a whole, will be satisfied. Since it is possible that the sudden increase of demands owing to the present affair may bring about an exorbitant rise in prices, the Government will take appropriate steps to meet adequately such a situation through proper enforcement of the Anti-Profitting Ordinance. Again, as to the adjustment between goods and capital, the Government are giving careful consideration to the fields of finance, and have adopted a policy to omit as much as possible from the 1938 Budget appropriation items other than those connected with the present affair, and this same policy of retrenchment is being pursued with regard to the disbursements for 1937.

With the increase in the amount of government bond issues, greater care is required in the execution of the bond policy. The Government are planning to devise measures suited to the circumstances by means of the above-mentioned adjustment of capital by law, the utilization of the funds of the Bureau of Deposits and the other government funds, and the sale of government bonds through post offices. But, after all, what is most needed is that the general public, to say nothing of the financial organs, will extend both co-operation and support from the national standpoint in the matter of bond assimilation. Of course, the assimilation of bonds has much to do with the actual condition of the financial world. The Government will see to it that the supply of capital is ample and financial channels are kept clear and unobstructed. The interest rate for government bonds will be maintained at the present level, and the exchange will be kept at the level of 1 shilling 2 pence on London since the firm maintenance of this level is believed essential for insuring the sufficiency of military supplies and the stability of the nation's standard of living.

The 73rd Session of the Imperial Diet

The 73rd session of the Imperial Diet was convened on December 24, 1937 and closed on March 27, 1938. The strength or representation of different organizations and parties in the Diet on the

day of its opening was as follows:

House of Peers:	
Body Represented	Membership
Imperial Princess	17
Kenkyukai)	162
Koseikai	66
Doseikai	23
Dowakai	33
Kayukai	43
Koyukai	34
Others	31
Total	469

Note: Vacancies 5.

House of Representatives:	
Party	Membership
Minseitō	178
Seiyukai	173
The First Room Club	49
Social Mass	36
The Second Room Group	13
Tohokai	11
Others	3
Total	463

Note: Vacancies 3.

During the session discussions were centred round the National Mobilization Bill, the Electric Power Control Bill, and the bills for the increase of taxes. After lively debates and keen deliberations all of these epochmaking bills and 86 other bills, submitted by the Government, were passed by both Houses, amendments being made on the Electric Power Control Bill and 11 others only. Among the 86 bills mentioned above, there were such important ones as those for establishing Governmental companies in North and Central China, for tending the limit for issuance of fiduciary notes, for increasing the production of important minerals, for the readjustment of farm lands, for the revision of the Conscription Law, the Health Insurance Law, the Shop Law, the Pension Law and the Labour Exchange Law, for the establishment of the central funds for pensioned and salaried men. (Explanations on the most important laws adopted by the Diet are given in the chapters concerned in this volume.) Ministerial addresses given on January 22, 1938, before the Houses are given below.

Premier Prince Konoé's Address The gist of the address delivered by Prince Konoé, Premier, was as follows:

Japan's immutable national policy aims at building the edifice of permanent peace for East Asia on the unshakable foundation of close co-opera-

tion between Japan, Manchoukuo and China, and to contribute thereby to the cause of world peace. The adoption some time ago of our determined policy not to deal with the obdurate Kuomintang Government of China, and the exertion of ceaseless efforts towards the cultivation of friendly relations with the Powers, have been both dictated by this policy of the Government. We all rejoice for the sake of world peace that the tripartite Anti-Comintern Agreement between Japan, Germany, and Italy was completed through the participation of Italy last fall.

It is now more than half a year since the commencement of the present conflict. The fields of hostilities have been extended from North China to Central and South China. The valorous and daring operations of the Imperial forces have brought us victory after victory. Nanking, the Chinese Capital, quickly fell into our hands. The situation is developing most favourably for Japan. While this is, of course, due to the August Virtue of our Sovereign, I am profoundly grateful for the loyalty and courage of the officers and men of the Imperial forces at the front and for the ardour and enthusiasm of all our people at home.

Now the Government look forward to the emergence of a new Chinese régime which may really be counted upon to co-operate with Japan, and with such a régime they intend to adjust the Sino-Japanese relations and lend their hands in the rehabilitation of China, and in laying firmly thereby the foundation for a permanent peace of East Asia. There will be no change in Japan's policy to respect the sovereignty and territorial integrity of China and the legitimate rights and interests of third Powers in China.

The mission of Japan as the stabilizing force of East Asia is greater and her obligations have grown heavier than ever. In order to fulfil this mission, and to discharge these obligations of ours, we must certainly be prepared to make hereafter still greater sacrifices than we have made heretofore. But unless we resolve to do this, we only lay in store misfortunes for the future. I believe that to bear such sacrifices is a noble duty that we of the present generation owe to posterity.

It is under a conviction such as this that our Government are striving with all their might to deal with the China Affair and to achieve the end they have in view. And for that they are working for the completion of the plans

for the national mobilization both material and spiritual, and the execution of the various necessary measures. The Government realize the first necessity of replenishing armaments and filling the national treasury, and accordingly, emphasis has been placed on this point in regulating our country's economy and finances. As regards the budget for the coming fiscal year, it has been so compiled as to devote as much money and material as possible to the fulfilment of military requirements, and to curtail as far as possible the general consumption of the goods and funds having to do with military supplies.

In the field of industry, the basic principle of the Government will be laid in the increase of our nation's productive power under the one comprehensive scheme covering Japan, Manchoukuo and China, and efforts are to be exerted toward supplying the articles needed for national defence, promoting all the important industries, and expanding our export trade.

As for our work at the home front, not only will everything be done to keep our officers and men at the front free from all anxieties for those at home, but suitable and effective measures will be taken to provide for the relief of the families of those killed, wounded, or taken ill.

Far distant still is the end of the conflict. We should expect that it will be a long time before a settlement is reached. Ours is indeed a momentous task unparalleled in history. We shall never succeed in accomplishing the task unless all of us show the dauntless spirit of gladly and courageously offering ourselves to our country. Let me assure you that the Government, with patience and perseverance and a resolute will, expect to reach a settlement of the affair.

Foreign Minister's Address Koki Hirota, Minister for Foreign Affairs, said in his address:

Some time ago when the Japanese Government received a proffer of good offices by the German Government to act as an intermediary for bringing about direct negotiations between Japan and China, they proposed, with a view to affording the Nationalist Government a last opportunity for reconsideration, the following four points as the basic conditions for the solution of the affair:

1. China to abandon her pro-Communist and anti-Japanese and anti-Manchoukuo policies to collaborate with Japan and Manchoukuo in their anti-Comintern policy.

2. Establishment of demilitarized zones in the necessary localities, and of a special régime for the said localities.

3. Conclusion of an economic agreement between Japan, China and Manchoukuo.

4. China to pay Japan the necessary indemnities.

The items summarized the minimum requirements which were considered absolutely indispensable by the Japanese Government. It was my earnest hope that the Nationalist Government would sue for peace on the basis of these fundamental conditions. However, that Government, blind to the larger interests of East Asia, and ignoring both our magnanimity and Germany's friendly intention, exhibited no readiness to ask frankly for peace, but only sought to delay the matter and ultimately failed to send a reply that could be regarded in any way as sincere. The Nationalist Government having thus wilfully thrown away the last chance placed at their disposal by the Japanese Government, it became clear that there would be no hope of ever arriving at a solution by waiting indefinitely for any reconsideration on the part of the Nationalist Government. It is because of these circumstances that the Japanese Government issued on the 16th of this month the statement that they would from thenceforward cease to deal with the Nationalist Government. As is made plain in that statement our Government now look forward to the establishment and the growth of a new Chinese régime capable of genuine co-operation with Japan, which it is their intention to assist in the building up of a new and rehabilitated China. I am fully convinced that this is the only way of realizing our ideal of securing the stability of East Asia through Sino-Japanese co-operation.

In Europe and America there are some who are apt to entertain misgivings regarding Japan's intentions as though she were trying to close the Chinese door, and expel the interests of the Powers from China. Let me state explicitly that not only will Japan respect to the fullest extent the rights and interests of the Powers in the occupied areas, but she is prepared, for the purpose of promoting the welfare of the Chinese people, to leave the door wide open to all Powers and to welcome their cultural and economic co-operation there. It is earnestly to be hoped that the Powers, by recognizing the new conditions prevailing in China, and by appreciating the pro-

priety of such Japanese demands for necessary and national adjustments as have been submitted, or may be submitted hereafter, in order to meet these conditions, will co-operate for the establishment of a new order in the Far East.

As regards our relations with Manchoukuo, it is the fundamental principle of our national policy to help that country to achieve a healthy progress as an independent State, maintaining all the while its intimate and inseparable relationship with our own. In accordance with this basic principle our Government decided upon the abolition of the extra-territoriality long enjoyed by Japan and transfer of her administrative rights in the South Manchuria Railway zone. And in the execution of that programme the first treaty was concluded in June, 1936, and the second treaty in November last year, the operation of both of which has proved exceedingly satisfactory. As for the international status of Manchoukuo, because of the various governmental reforms and improvements accomplished through her strenuous efforts exerted with the help of Japan for their materialization, the Powers have come to revise their appraisement of the new State. Italy, first of all, extended formal recognition towards the end of November last, and the mutual extension of formal recognition with the Franco Government of Spain took place in the early days of the following December.

Japan's policy towards the Soviet Union has always been guided by our conviction of the urgent need of placing the relations of the two countries upon a normal footing for the sake of the peace of East Asia. It is in accordance with this policy that we endeavoured within the past year to solve the long pending issue of the revision of the Fishery Treaty; but unfortunately, owing to the attitude of the Soviet authorities, we could do no more than conclude a *modus vivendi* at the year end as in the year before last. I should add, however, that since the Soviet Government are proceeding with the necessary internal preparations for the conclusion of an agreement providing for a revision of the treaty now in force, we are taking steps for the continuance of the negotiation and the signing of the new agreement at the earliest possible date.

This Government attach great importance to a smooth operation of the Japanese concession enterprises in North Saghalien. The Japanese Gov-

ernment will never allow these rights and interests derived from the Soviet-Japanese Basic Treaty to be nullified through unreasonable pressure. Again, the relations between the Soviet Union and China are attracting the special attention of our nation. China concluded in August last a non-aggression pact with the Soviet Union, while members of the Communist International have penetrated all classes of the Chinese, destroying the social order of the country and endangering the stability of East Asia. Japan, ever solicitous for the civilization of East Asia and the welfare of its people, cannot but view the situation with the gravest concern.

In conducting military operations in China, Japan has been exercising special care lest the nationals and the rights and interests of third Powers should suffer. But there have occurred, toward the end of last year the Panay incident and the Ladybird incident, involving Great Britain and the United States. Although their occurrence was entirely unintentional, it was feared for a time that these incidents might lead to an alienation of feeling between Japan and those two countries. By the calm and fair-minded attitude taken by the Governments of both countries and the sincerity of our Government and people, the incidents have been brought in each case to an amicable settlement.

Since the outbreak of the present affair, the United States has always maintained a fair and just attitude, acting on all occasions with such careful regard for the cause of Japanese-American friendship that, despite such mishaps as the Panay incident, the relations of the two countries, I am happy to say, have suffered no impairment. The importance to the conduct of our foreign affairs of American understanding needs scarcely to be mentioned. We shall continue to do our best towards the furtherance of Japanese-American amity and good will.

As regards Great Britain, there has been no change in the policy of the Japanese Government, which aims at the maintenance of the traditional friendship between the two countries. I hope that the British Government and people, grasping fully the importance of Anglo-Japanese relations, will endeavour to comprehend correctly Japan's position in East Asia and to co-operate with Japan for the furtherance of peace and good understanding between the two nations. At the same time, I desire to urge upon our own

people to stand solidly behind this policy of the Government, in view of the seriousness of the general situation.

Japan and Germany have been brought closer together than ever through such auspicious events as the visit of H.I.H. Prince Chichibu who was pleased to make a tour of that country on his way home from England last year, and also the cruise of the H.I.M.S. Ashigara, which included a call at Kiel. Especially do this Government appreciate the friendly and most sympathetic attitude Germany has taken in consonance with the spirit of the German-Japanese Anti-Comintern Agreement. We will strive to strengthen further the co-operation between the two countries.

From the beginning of the present Affair, Italy, understanding our true motives, has collaborated with us along all lines. It is well known to you how consistently and how energetically the Italian Government supported our country in November last year at the Brussels Conference of the Signatory Powers to the Nine Power Treaty. In connection with the question already mentioned of the settlement of the present affair, the Italian Government again manifested their sympathetic concern. This Government are most grateful for these proofs of goodwill on the part of Italy, which had taken actually the same position as Japan in the matter of combatting the Comintern, and joined in the German-Japanese Anti-Comintern Agreement in November last. It is a subject for congratulation from the standpoint of securing world peace that Japan, Germany and Italy have come to join forces under the Anti-Comintern banner. This Government will seek to extend further the effective operation of this agreement in concert with Germany and Italy.

In Spain, the civil war which broke out in July 1936 has developed steadily in favour of the régime under General Franco, which has now succeeded in bringing the greater part of the country under its control, and in consolidating its foundations. Moreover, the Franco Government is identified with the Government of this country in the policy adopted against the Comintern. In the light of these facts we have decided to recognize that Government, and the necessary steps to that end were taken early in December last year.

A survey of our foreign trade shows that there has been in the past year a notable increase, as compared with the preceding year, of more than 35

per cent in value as regards imports and 18 per cent in value as regards exports—the total value of imports and exports together exceeding ¥7,270,000,000, which is an unprecedented sum in the history of our foreign commerce.

Nevertheless, there still remain the economic barriers as heretofore. While endeavouring on the one hand to eliminate these obstacles through diplomatic means by dealing individually with the various countries according to their respective circumstances and the measures employed by them, the Government are exerting on the other hand unremitting efforts to promote our foreign trade by every means available. During the past year trade agreements have been concluded with British India, Burma, and Turkey. There were also signed in December a Treaty of Commerce with Siam and a supplementary agreement to the Italo-Japanese Treaty of Commerce relating to the Italian colonies. Negotiations are now in progress with other countries for the conclusion of the necessary trade agreements, covering both old and new markets.

A boycott of Japanese goods has been initiated in certain countries owing to misleading Chinese propaganda concerning the present affair and to the machinations of the Chinese who reside there in large numbers. However, nowhere has it developed into any serious proportions.

Finance Minister's Address The gist of the address delivered by Okunori Kaya, Minister of Finance before the Houses was as follows:

Budget for 1938-39. In the compilation of the 1938-39 budget the policy has been adopted, in anticipation of prolonged warfare, of concentrating all resources and funds for the satisfaction of military and naval demands and consumption of all materials connected with munitions in any other activity than warfare is to be reduced as far as possible. It has been decided that expenses in all Departments except for items necessary to continue the struggle should be kept strictly within what is absolutely necessary and urgent.

The budget compiled in this manner to cover the fiscal year 1938-39 stands at ¥2,867,000,000 in round figures, both in revenue and expenditure.

Comparing this with the budget for the last fiscal year, from which the amount to be transferred to the provisionally-established special military accounts is deducted, a decrease of ¥40,000,000 is seen in revenue and ¥76,-

000,000 in expenditure.

In the revenue accounts, ordinary revenue will be ¥2,023,000,000 in running income and ¥150,000,000 in provisional income, totalling ¥2,173,000,000. Comparing this with the revised budget for the last fiscal year, an increase of ¥195,000,000 is in running income and a decrease of ¥82,000,000 in provisional income, showing a balance increase of ¥112,000,000, in round figures.

This increase in running revenue is estimated on the basis of increases in incomes from taxes, stamps, Government enterprises and Government property. The expected increase in stamp revenue, for instance, is ¥172,000,000. These increases will be natural increments due to prosperity in the economic world, while the anticipated diminution will be due mainly to reduction in the amount of funds to be transferred from special accounts to the general revenue, about ¥61,000,000. This is owing to the fact that funds will be transferred to the provisional military accounts from the special accounts,—excepting those for the South Seas—and from the State Railways accounts and communications enterprise accounts. No transfers will be made from these special accounts to the general revenue.

The running expenditure will be ¥1,640,000,000 and provisional accounts ¥1,227,000,000. Compared with the revised budget for the last fiscal year this will show an increase of ¥137,000,000 in running expenditure, a decrease of ¥214,000,000 in provisional expenses.

To explain the main features of expenditure estimates, fixed plans will be laid down for expansion of armament. At the same time expenses for fresh enterprises too urged to be postponed have been included.

Fresh expenditure of ¥56,000,000 has been included as necessary for increasing soldiers' relief and subsidy enterprises and other funds called for by the China incident, in addition to funds appropriated by the War and Navy Offices for their own measures toward the same end. Other important appropriations are those for air defense, agricultural and mining development, liquid fuel, training of technicians and experts, civil aviation, etc.

In regard to subsidy for local financial readjustments, ¥100,000,000 is appropriated, as in the last fiscal year.

The State treasury reserves to cover budget excesses and expenses outside the budget, have been increased by ¥37,000,000.

Aside from these items, strenuous

effort has been made to put off or reduce new appropriations generally. At the same time, outright savings and postponement of some ¥141,000,000 in outlays have been made in the running expenses.

It has been decided that deficits in the 1938-39 revenue should be met by bond issues, amounting to ¥694,000,000. In addition a bond issue of ¥166,000,000 is planned to cover expenses in the special accounts of the Korean Government-General, State Railways and communications enterprises. The total amount of bond issue, therefore, will be about ¥860,000,000 which, compared with the public bond issue scheduled in the revised budget for the last fiscal year, shows a decrease of ¥109,000,000.

In regard to the supplementary budget embracing the provisional military special accounts, the actual appropriations will be submitted later.

As to the question of general revision of both the central and local systems of taxation, the Government has been making inquiries and studies, but the outbreak of the China Affair considerably changed the capacity of the people to bear tax increases, necessitating postponement of the scheme. As for partial revision, however, the Government has submitted legislative bills revising the existing tax schedule.

It is intended, on the whole, that most of the provisional military expenses should be covered by public bonds but it is thought only proper that the people should bear part of the burden through tax increases. Thus the Government is now preparing bills for provisional tax increases for presentation to the present session of the Diet.

Economic Situation. As to the economic policy of the Government for coping with the present situation the Government had occasion in both the 71st and 72nd sessions of the Diet to explain and submit various legislative bills, which were approved by you and enforced by us. Fortunately, these measures have yielded good results, due to the understanding and co-operation of the people. Despite the aggravation of the situation since then, I am glad to say things generally are going smoothly in trade, industry, financing, exchange, commodity prices, etc.

At the outset of the China Incident, a certain measure of stringency was seen on the market, but thanks to prompt use of Government funds and various other measures, the tight money situation gradually has improved and financing is now more or less active.

Especially at the end of last year, capital has flowed with a liveliness rare in recent years. Since then the situation has traced a normal curve and the conditions to date are quite favourable. I am certain that there will continue to be a smooth movement of money.

In respect to the loan market, the opportunity likewise has ripened with the recent loosening of money and already floatation of debentures has been decided on in some fields. The Government expects a sound and progressive development of the debenture market.

In order that industrial productivity may be increased for the sake of national defense, the Government has laid particular stress on the proper application of the provisional capital adjustment law and at the same time sought to assure abundant supply of capital to the national defense industries by taking over industrial bonds with Government funds and by other measures. The Government will continue to encourage thrift in order to effect accumulation of capital, and will strive to apply the provisional capital adjustment law in such a way as to render the supply-and-demand relationship harmonious.

Relief of Needy. As a measure to readjust and improve accommodation of small funds to the needy, the Government has decided to present to the present session of the Diet a petty banking bill, a pensions banking bill and a bill revising the mutual financial business law.

Public Bonds. Smooth assimilation of public bonds is extremely important at a time when large amounts of bond issues are necessary, both from the financial and national economic standpoints. The Government is deliberating most carefully on the proper manipulation of the funds in the hands of the Finance Ministry Deposit Bureau and other Government repositories. At the same time it earnestly hopes that various private financing institutions and the people in general will support and co-operate with the Government policy.

The Government intends, on the whole, to continue floating public bonds, the Bank of Japan taking them over so that adjustments may be made in the monetary situation. The sale of public bonds through post offices and of the premium savings bonds inaugurated last year has met with quite encouraging results. The Government, therefore, will issue these bonds from

time to time. It also will strive to encourage the habit of thrift on the part of the people by bank deposits and other means in order to accustom them to the habit of holding public bonds. On the other hand, effort is being made to increase the public bond assimilating capacity of various financing institutions in order that the way might be paved for future issues.

Exchange Rate. Balancing of international payments and maintenance of stability to exchanges are assuredly the primary financial and economic operations. Surveying the exchange situation since the outbreak of the hostilities in China, it is gratifying to note that the Anglo-Japanese one-shilling two-pence level has been kept intact throughout. The Government will continue to keep to that level, and for this purpose it will formulate plans for balancing international payments and for promoting export trade, encouraging the production of gold and will continue to strive for adjusting importation of general commodities, reducing invisible trade balance payments, and economizing in the use of gold.

Commodity Prices. Considering the state of commodity prices under the China Incident, it is seen that no very marked rise is seen. This is due to

the low price tendency overseas and economization of consumption among the people at home.

Hereafter, however, it is to be noted that with the increase of Government funds in circulation in connection with the China Incident and adjustments in import trade the price question will grow more and more important. Thus we see the special need of price-adjustment operations and will take measures to limit consumption, encourage the use of substitute goods and to increase production of general commodities, taking into account the supply-and-demand relationship of munitions and other important articles. In the distribution of these goods, too, various measures will be taken.

The Government, at the same time, will strive to check hoarding of goods for speculation or profiteering and will, at need, expand the scope of the maximum price limitation regulation at present in force in regard to some commodities.

The essential point in all these endeavours, however, is that the people themselves should resolve to co-operate with the Government for the sake of national welfare.

(As to the diplomatic affairs in 1937 see Chapter VI, "Foreign Relations.")

CHAPTER VI

FOREIGN RELATIONS

(As regards Japan's foreign relations up to 1914 see the Japan Year Book, 1937, pp. 183-187.)

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 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, and, in March, 1917, a secret agreement between Japan and Great Britain provided for the permanent occupation of these islands by Japan in return for her despatch 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 international 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 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.

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 repre-

sented by Admiral Baron Tomosaburo Kato, then Minister of Marine, and the treaty was to remain in force until December 31, 1936.

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) Heijiro 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 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 "Hiéi", 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.

London Conference in 1935 Japan was represented by Admiral Osami Nagano and Matsuzo Nagai, former Japanese Ambassador to Berlin, at the naval disarmament conference convened at London in 1935, in accordance with the London Naval Treaty of 1930, Part V (2). 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 withdraw from it.

In the meantime, the Japanese Government notified the U. S. A. Government their intention to terminate the

Washington Naval Treaty, on December 29, 1935, and all the agreements, except Part IV of the London Naval Treaty, between Japan, Great Britain, U. S. A. and other two nations on the limitation of naval armaments lost force on December 31, 1936.

Following Japan's withdrawal from the London Naval Conference of 1936 because of her inability to agree to qualitative rather than quantitative disarmament, the so-called "Naval Treaty of 1936" was concluded among Great Britain, the United States, France and Italy. The Japanese Government was invited by the British Government to become an adherent to the Treaty, but on June 28, 1937, it notified the British Government that it was unable to do so.

Prior to the Japanese notice and anticipating Japan's refusal to participate in the new treaty, the British Government notified the Governments of Japan and the United States that Britain would maintain a surplus of 40,000 tons in destroyers and transfer 4 ships from the category of "A" class cruisers to that of "B" class cruisers. In reply, the United States announced its intention to apply the escalator clause. To meet the increased tonnages of Britain and America, the Japanese Government decided to maintain a surplus tonnage in destroyers and submarines and notified the British Governments to that effect on August 31. The Japanese notice contained the following three major points:

1. The Imperial Japanese Government acknowledges receipt of the British notice that Britain will maintain a surplus of 40,000 tons in destroyers.

2. The Japanese Government wishes to give notice that Japan will maintain a surplus of a total of 28,657 tons including 11,059 tons in destroyers and 15,598 tons in submarines.

3. The Japanese Government requires the maintenance of a surplus tonnage in submarines in consideration of the fact that the surplus tonnage in destroyers is comparatively small.

On September 3, the Japanese Government notified the Government of the United States to the following effect:

"In view of the fact that the British Government has notified of its intention to maintain a surplus of 40,000 tons in destroyers through the invocation of Article 21 of the London Naval Treaty, the Japanese Government also intends to maintain a surplus tonnage in destroyers and submarines through the exercise of its treaty rights.

"According to the fixed ratio, the

Japanese Government is entitled to the maintenance of a surplus of 28,000 tons in destroyers. As the surplus tonnage in destroyers does not reach these figures, the Japanese Government desires to effect a transfer of tonnage by maintaining a surplus of 15,598 tons in submarines in addition to the surplus of 11,059 tons in destroyers."

Limitation of Use of Submarines A procès-verbal was signed on November 6, concerning the continuance of the provisions in Chapter 4 of the London Naval Treaty which limit the use of submarines. The Japanese Government also participated in the procès-verbal. Other participants include Great Britain, the United States, France and Italy.

Limitation of Gun Calibre. Following Japan's refusal to participate in the London Naval Treaty of 1936, the British Government tried to persuade the Japanese Government to accept the provisions limiting the calibre of guns mounted on capital ships to 14 inches, at the least. The Japanese Government, however, declined to agree to such limitation. On March 27, 1937, Foreign Minister Naotaké Satō handed a note to Sir Robert Clive, the British Ambassador in Tokyo, which read in substance as follows:

"As clarified at the London Naval Conference, the Japanese Government is not in a position to agree to a qualitative limitation of naval armaments which is not accompanied by a quantitative limitation. As no need is recognized for a change in the principle which it set forth at the London Naval Conference, the Japanese Government cannot accept the proposal to limit the gun calibre without limiting the quantity of naval armaments."

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 qualita-

tive 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) the 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.

Relations with 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 1933, Japan served as one of the five permanent members of the Council. Moreover, she 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 elsewhere.

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 sim-

plification 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 Kikujirô 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 30 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:¹

(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 cot-

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

ton year.

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

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

Revision of the Convention According to the proposal of the Japanese Government, which presented on April 24, 1936, for revision of the Japanese-Indian convention, negotiations were opened between Mr. Yonezawa, the Japanese Consul-General at Simla and the Commercial Secretary of the Government of India on July 20. After the commencement of the negotiations the British Government notified the Japanese Government on October 21 of its intention to abrogate the Japanese-Indian convention of July 12, 1934. Consequently the Japanese-Indian negotiations were continued at Delhi and resulted in an agreement.

In regard to the Japanese-Indian agreement which was signed provisionally on April 12 the Japanese Government issued a statement reading as follows:

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

With reference to an adjustment of the relations between Japan and Great Britain, Mr. Shigeru Yoshida, the Japanese Ambassador at London, started his activities in May, 1936, utilizing every occasion available for taking up the question with the British Authorities. As trade relations between the two nations are considered the principal factor responsible for the aggravation of the Anglo-Japanese relations, an Anglo-Japanese trade commission was created to try and adjust any trade differences. The commission held its first meeting on November 4, when, attended by 20 British and Japanese members, an exchange of views took place.

On April 11, 1937, the Keelung affair involving the trouble caused between some sailors belonging to the British Far Eastern Squadron and the police authorities in Keelung, which had been pending since October, 1936, was settled and the seemingly strained situation was greatly eased. To add to the influence brightening the prospects of Anglo-Japanese relations, the coronation of King George VI was held in London in May with Prince Chichibu attending on behalf of the Emperor of Japan, thereby renewing the friendship between the British Royal Family and the Japanese Imperial Family.

The Ladybird Incident On December 12, 1937, British men-of-war the Ladybird, the Bee, the Cricket and the Scarab were by mistake subjected to

gunfire and aerial bombing by Japanese forces in the vicinities of Wuku and Nanking in the course of Japanese attack on Nanking. On December 14, Foreign Minister Koki Hirota presented a note of apologies to Ambassador Sir Robert L. Craigie assuring that the Japanese Government had already taken necessary steps to prevent the recurrence of an incident of such character, that it would, upon the completion of investigations, deal appropriately with those responsible for the incident, and that it was prepared to make necessary indemnification for the losses sustained by the British.

On December 16, the British Government requested the Japanese Government, through Ambassador Craigie, an assurance that the contents of Japanese Foreign Minister's note of December 14 would apply to the attacks upon the British merchant vessels, and stated that the British Government took particular note of the point that those responsible would be suitably dealt with, and desired that the British Government would be informed that measures had been actually taken of a character which would put a definite stop to similar incidents. On December 28, Foreign Minister Hirota handed a reply to the British Ambassador assuring that what was said in the note of December 14 would of course apply to the British merchant vessels, that although it had been established, as a result of thorough investigations, that the incidents had been entirely due to a mistake, the Japanese Government have dealt properly according to law with all those of the Navy including the commander of the flying force, that the higher commanding officer of the Army and the Navy issued strict orders to the forces not to attack any vessels on the Yangtze unless they have been fully identified as those used for military purposes by Chinese, and that the Japanese Government was studying and expected to carry out every possible means of realizing the aims of safeguarding life and property of third nationals.

On December 31 the British Ambassador sent a final note to the Foreign Minister informing the latter that the British Government noted with appreciation the assurances contained in the Japanese note of December 28 and learned with satisfaction that the statements of the Japanese note of December 14 applied to merchant vessels as well as to warships and also that the Japanese Government had taken or was prepared to take the necessary discip-

linary measures to prevent any repetition of such incidents.

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. Circumstances surrounding the matter were 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, 1936. The substance of the agreement is as follows:

The Canadian Government, in accordance with the general policy respecting trade and tariff matters, 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 33 1/3 per cent ad valorem levied on goods the produce or manufacture of Japan under the regulations made by Order in Council P.C. 2108 of July 22, 1935, as modified by Order in Council P. C. 2317 of August 3, 1935.

The Japanese Government 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. 206, 1935 and the proclamation No. 162 of the Department of Finance of Japan of July 20, 1935.

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, under the circumstances explained in the declaration of the Japanese Government, full text of which was given in the Japan Year Book, 1936, pp. 198-200. But the negotiations since succeeded in bringing about a provisional agreement between the two countries on December 26, 1936, and the Government of the Commonwealth of Australia decided to take the following actions as on and from the January 1, 1937, in relation to trade between Australia and

Japan :—

1. The Commonwealth Government will repeal the Statutory Rule No. 92 of 1936 notified in the Commonwealth Gazette on July 8, 1936.

2. The Commonwealth Government will reduce the existing intermediate tariff rates on cotton piece-goods and artificial silk piece-goods admissible under the following items of the Australian Customs Tariff 1933-1936 :—

Cotton piece goods

Tariff item 105 (A) (1) (a)

105 (A) (1) (c)

105 (A) (1) (d)

105 (B)

105 (C)

120 (D) (1)

130 (B) (1)

Artificial silk piece goods

Tariff item 105 (D) (1) (b)

To the following rates, viz. :—

Cotton piece goods

Unbleached 1½ d per square yard

Bleached, 1½ d per square yard

Printed dyed or coloured 2 d per square yard

Artificial silk piece goods

4 d per square yard

3. The Commonwealth Government, in addition to according Japan the benefits of Australian intermediate tariff on cotton piece-goods and artificial silk piece-goods admissible under the aforesaid items of the Australian Customs Tariff, will accord to Japan the benefits of Australian intermediate tariff on cotton piece-goods and artificial silk piece-goods admissible under the items 105 (A) (1) (c), 105 (A) (3) and 105 (A) (4).

4. The Commonwealth Government will exempt from primage duty Japanese cotton piece-goods and artificial silk piece-goods admissible in accordance with the decisions set out in paragraphs (2) and (3).

5. During the period January 1, 1937 to June 30, 1938, the Commonwealth Government will permit importation into Australia of 76,875,000 square yards of Japanese cotton piece-goods (other than calico for bag-making admissible under the tariff item 105 (A) (2) and 76,875,000 square yards of Japanese artificial silk piece-goods at the rate of 51,250,000 square yards for each of the two classes of piece-goods per annum.

Any cotton piece-goods or any artificial piece-goods exported from Japan within the quota allotment during the period ending June 30, 1938, but not arriving in Australia until after that date, will be admitted into Australia

provided they are imported into Australia not later than September 30, 1938.

In answer to the above the Japanese Government decided to take the following actions as on and from the January 1, 1937, in relation to trade between Japan and Australia :—

1. The Japanese Government will cancel the surtax of 50 per cent ad valorem and abolish the licensing system provided in the Imperial Ordinance No. 124, 1936.

2. The Japanese Government will permit importation into Japan from Australia during the period ending June 30, 1938, of not less than 800,000 bales of Australian sheep's wool. Any sheep's wool exported from Australia for which import permission has been accorded during the period ending June 30, 1938, but which does not arrive in Japan until after that date, will be admitted into Japan, provided such wool is imported into Japan not later than September 30, 1938.

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 East Indies constitute one of Japan's most important markets, and since 1932 they had been taking more from this country than from Holland itself, a situation that 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 ¥55,700,000 in 1933, the Japan-Dutch trade conference was 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 abovementioned Dutch Line and the Japanese

shipping interests. In 1934 parties interested in the quota system of cargoes held a conference at Kobé. After the Japan-Dutch Conference, a new Conference was held at Kobé 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 Kobé 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 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 Kobé, 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 50 per cent of incoming cargoes.

The Japanese-Dutch negotiations entered their main stage in the autumn of 1936 and on April 9, 1937 an agreement of opinion was reached between the Japanese and Dutch representatives. Thus after three years' efforts, the negotiations between the two countries were brought to a successful end. It was decided that the new agreement should be signed formally at The Hague as a supplement to the Japanese-Dutch Treaty of Commerce and Navigation of 1931.

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 a 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 prisoners of war taken by the Russians from the Austrian armies) to establish contact with the allied armies in the East. This expedition 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 21, 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 through the good offices of Count Shampel Goto, but no satisfactory results were forthcoming. It was at Pe-

king 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. Karakhan, 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 Shimpéi Goto in this connection, the revised convention was signed on January 24, 1929, 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 50 sen for the rouble, and negotiations continued until April 26, 1931, when a compromise was reach-

ed 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. Karakhan, 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 25 sen, instead of 75 sen ruled by the Vladivostok fishery authorities, per rouble, and the Soviets' bids, which numbered 60, were accepted as valid. The reason that the Japanese interests insisted upon a 32.5 sen rate of exchange is based upon a provision in the Shidéhara-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 60 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-ruble 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. As Japan thought it necessary to revise it, the Foreign Office caused Ambassador Tamékichi 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 Govern-

ment proposed, at the conference held at the Embassy at Moscow, between the councillor Sako and Mr. B. I. Korlovsky, second head of the eastern department of the Foreign Commissariat, to revise the 1929 fishery convention and to extend 1932 Hirota-Karakhan 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 1929 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, 1933, 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 150,000,000. The Soviet side based its calculation on the amount of its investment totalling 411,690,000 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 120,000,000, 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. Benedikt 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. (The Agreement is given in full in the Appendix.)

North Saghalien Oil Concession The North Saghalien Oil Concession contract, based on Article VI of the Japanese-Soviet Basic Treaty, concluded in October, 1925, has proved 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 would have matured at the end of 1936. The North Saghalien Oil Company had been negotiating with the Soviet Government for extension of the term of prospecting since about seven years ago.

Oil Prospecting Rights Negotiations were opened between the president of the Karafuto Petroleum Company and the authorities of the Soviet People's Commissariat for Heavy Industries in the spring of 1936, which resulted in an understanding to extend the term of the Japanese right to prospect the oil resources in the northern half of Saghalien by five years. Documents containing detailed items of the understanding were signed at Moscow on October 10, 1936, between the president of the Japanese company and the Soviet People's Commissar for Heavy Industries.

Revision of Fishery Agreement Although the German-Japanese agreement was directed against the Comintern, with which the Soviet Government declared itself to have nothing to do, and was aimed at the creation of a common German-Japanese front against Communism, the Soviet Government suspected that the pact were directed against the Soviet Union. Out of this suspi-

tion, the Soviet Government went the length of refusing to sign a new fishery agreement with Japan, which had already been initialled. As a result, the Soviet-Japanese situation was greatly aggravated because it became impossible to enforce a new agreement to replace the Soviet-Japanese Fishery Agreement and the Hirota-Karakhan Agreement, both scheduled to expire at the end of 1936. The situation was rectified only by making provisional arrangements for the extension of the terms of the said two agreements by one year.

Official documents embodying the provisional arrangements were signed at Moscow on December 28, 1936, between Mr. Mamoru Shigemitsu, the Japanese Ambassador to the U. S. S. R., and Mr. Stomoniakov, the Soviet Assistant People's Commissar for Foreign Affairs, on December 28. At the end of 1937, Japan was again obliged to conclude a *modus vivendi*, owing to the attitude of the Soviet authorities.

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 interest 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 objected 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 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 had taken every precaution not to aggravate this issue and from 1907, when what is known as the "Gentlemen'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 Suteimi 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 the 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 foreign 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 the treatment accorded the American citizens.

Stimson Idealism 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. Saito, 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 of which is 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 readi-

ly susceptible to adjustment by pacific processes."

American-Japanese Relations in 1936
The diplomatic relations between Japan and the United States have been quite amicable although arguments were exchanged between them regarding the naval question. Apart from the naval question, mention must be made of the fact that the United States raised its tariffs on Japanese cotton cloth. In May, 1936, Congress and industrialist circles in America urged the Japanese Government to control exports of cotton cloth but arrangements in this connection failed to be concluded.

Reference may also be made of the fact that since the autumn of 1936, there have been increasing signs pointing to the possibility of the Japanese salmon-fishing operations off Alaska being made an issue.

The Panay Incident On December 12, 1937, the United States gunboat Panay and three steamers belonging to the Standard Oil Company were sunk by the bombing of the Japanese naval aircraft on the Yangtze River at a point about 26 miles above Nanking in the course of military operation around the Chinese capital.

On December 14, Foreign Minister Koki Hirota sent a note of apology to American Ambassador Joseph C. Grew, in which he informed that the Japanese naval air force, acting upon information that the Chinese troops fleeing from Nanking were going up the river in steamers, took off to pursue them and discovered such vessels at the abovementioned point, and due to poor visibility the aircraft, although they descended to fairly low altitudes, were unable to discern any mark to show that any one of the vessels was an American ship. Consequently the American ships, being taken for Chinese vessels, were bombed and sunk. And in the Note the Foreign Minister stated that the Japanese Government regretted most profoundly that it had caused damages to the American ships and casualties, that the Japanese Government would make indemnifications for all losses and deal appropriately with those responsible for the incident, and that it had already issued strict orders to the authorities on the spot with a view to preventing the recurrence of a similar incident.

On the same day, the Government of the United States, through Ambassador Grew, sent a note to the Foreign Department, which, after describing the circumstances prior to the occurrence of the incident, concluded

that the acts of the Japanese forces in the attack were carried out in complete disregard of the rights of the United States, taking American life and destroying American property, both public and private, and stated that "in these circumstances the Government of the United States requests and expects of the Japanese Government a formally recorded expression of regret and an undertaking to make complete and comprehensive indemnifications, and an assurance that definite and specific steps have been taken which will ensure that hereafter American nationals, interests and property in China will not be subjected to attack by Japanese armed forces or unlawful interference by any Japanese authorities or whatever."

On December 24, the Foreign Minister sent the second note to Ambassador Grew, saying as to "a recorded expression of regret and indemnifications no word needs to be added to what I have said in my aforementioned Note (of December 14). As regards the guarantee for the future the Japanese Navy issued without delay strict orders to exercise the greatest caution in every area where warships and other vessels of America or any other third Power are present, furthermore, rigid orders have been issued to the military, naval and foreign office authorities to pay greater attention to observance of the instructions that have been repeatedly given against infringement of or unwarranted interference with the rights and interests of the United States and other third Powers. Simultaneously, the Japanese Government is studying carefully every possible means of achieving more effectively the above-stated aims, while it has already taken steps to ascertain in still closer contact with American authorities in China the locations of American interests and nationals, and to improve means of communicating intelligence thereof speedily and effectively to the authorities on the spot." Then the note stated that the Commander of the Flying Force concerned had been immediately removed from his post and recalled, and the staff members of the fleet and the commander of the flying squadron and all others responsible had been duly dealt with according to law.

On December 26, Ambassador Grew sent American note in reply to the Foreign Minister's note of December 24, which stated that the Government of the United States observed with satisfaction the promptness with which

the Japanese Government in its note of December 14 admitted responsibility, expressed regret and offered amends, that the American Government regarded the Japanese Government's account as set forth in the Japanese Government's note of December 24, of action taken by it as responsive to the request made by the American Government in its note of December 14, and that with regard to the facts of the origins, causes and circumstances of the incident the Government of the United States relied on the report of findings of the Court of Inquiry of the United States Navy.

As regards the matter of indemnification, the American Ambassador sent to the Japanese Government an official note dated the 21st March listing (1) amount of property losses \$1,945,670.01; (2) death and personal injury indemnification, \$268,337.35, totalling \$2,214,007.36. The Foreign Office requested of the American Embassy an itemized account of the total claims for indemnification which was sent it on the 9th April. Accordingly, after the completion of the necessary procedures by the Japanese Government, Mr. Seijiro Yoshizawa, Director of the Bureau of American Affairs of the Foreign Office, in the name of the Minister for Foreign Affairs, handed on the 22nd April at 5:00 p.m., a check at his office to the foregoing amount of \$2,214,007.36, addressed to the American Secretary of State, Mr. Cordell Hull, to Mr. Eugene Dooman, Counsellor of the American Embassy.

Upon conclusion of this payment, the Panay Affair has been amicably and satisfactorily settled.

German-Japanese Agreement

The Governments of Japan and Germany having decided on the fundamental policy of creating a common front against Communism, detailed negotiations were commenced during the latter part of July 1936, at Berlin between the Japanese Ambassador to Germany and the German authorities. The negotiations resulted in an agreement which was signed provisionally on October 23. After the approval of the Japanese Privy Council had been secured, the anti-Comintern pact was formally signed on November 25 between Viscount Kintomo Mushakoji, the Japanese Ambassador in Berlin, and Colonel von Ribbentrop, the German representative. The pact went into effect simultaneously with the signing.

The conclusion of this agreement with Germany attracted a great deal of pub-

lic attention all over the world as the most important diplomatic step taken by Japan since her withdrawal from the League of Nations in 1933. On November 25, 1936, the Japanese Foreign Office issued a statement announcing the signing of the agreement and explaining its significance as follows:

1. Ever since its establishment, the Communist International, or the so-called Comintern, with its headquarters at Moscow, has been engaged in all sorts of activities, greatly menacing the peace of the world, for the purpose of destroying the national and social structures in every country in pursuance of the fundamental policy of world revolution. At its Seventh Congress, held in the summer of last year, the Comintern decided on a policy of organizing a united front with the Second International to oppose Fascism and imperialism and at the same time made it plain that the future objectives of Comintern activities were to be Japan, Germany and Poland. It further resolved to support the Chinese Communist armies in order to fight Japan. The actual operations subsequently carried on by the Comintern have become extremely ingenious, rendering them all the more dangerous.

As to the extent to which the Comintern interferes with the internal affairs of all countries and exerts a baneful influence on the well-being of nations and the peace of the world, it is only necessary to look at the present disturbances in Spain to realize its magnitude. At least those countries that lodged protests with the Government of the Soviet Union at the time of the Comintern congress certainly have full cognizance of the harmfulness of Comintern activities.

2. The Communist invasion has hitherto been more marked in the Orient, especially in China, than elsewhere. Outer Mongolia and Sinkiang have already suffered from its calamitous effects, and China proper is now being subjected to the depredations of the Communist armies. As a matter of fact, the activities of the Comintern in China have increased notably in vigor since its Seventh Congress.

In Manchoukuo, also the Comintern has been surreptitiously endeavouring through the Manchurian district committee of the Chinese Communist Party to organize cells, to win over and instigate bandits and to direct the raids by partisan troops all over the country.

In Japan, the extreme leftist movement temporarily showed signs of decline after the Manchurian incident, but since the Seventh Congress of the

Comintern it has again become energetic. It has crept into the channels of lawful agitation in conformity with the resolution of that congress and has launched a unified front movement that is intended to be the basis for revival of the Communist movement.

3. The Japanese Government, which, in order to safeguard Japan's immutable national policy and insure national security and to maintain everlasting peace in East Asia, has pursued a clear-cut and consistent policy toward the Comintern, finds it necessary to take more rigorous measures of self-defence against the increased menace set forth above.

The organization and activities of the Comintern being of an international character, any programme of counter-action should necessarily be based on international co-operation. Germany, ever since the establishment of the present régime in 1933, has put into execution drastic anti-Communist policies. Last year at the Seventh Congress of the Comintern, Germany and Japan were selected as the special objectives of Comintern operations. Thus Japan and Germany are placed in similar circumstances vis-à-vis the Comintern. Consequently the Japanese Government, as the first step in its defensive undertaking, conducted negotiations with Germany and concluded an agreement on November 25 to take effect immediately.

4. This agreement, the fundamental object of which is common defense against the destructive operations of the Comintern, contains provisions for the exchange of information regarding Comintern activities, for consultation on, and execution of joint invitations to third Powers. There is, besides, a supplementary protocol stipulating in concrete terms the manner in which the agreement is to be executed.

5. The Japanese Government is desirous of co-operating with as many Powers as possible for the purpose of perfecting its defensive measures against the Comintern menace, but for that purpose alone. It should be pointed out that in connection with, or behind, this agreement there exists no other agreement whatsoever, that the Japanese Government has no intention to form, or join in, any special international bloc for any other purpose and finally that the present agreement is not directed against the Soviet Union or any other specific country. (The text of the agreement is given in Appendix.)

Italo-Japanese Agreement

The friendly relations between Japan and Italy were greatly improved by the avowed intention of the Italian Government to create a consulate-general in Manchoukuo and the decision of the Japanese Government to close its legation in Ethiopia following the annexation of that territory by Italy. Taking advantage of the situation, negotiations were opened between the two Governments concerned during the early part of November, 1936, following the conclusion of the German-Japanese anti-Comintern pact, for the conclusion of an Italo-Japanese agreement.

The negotiations were aimed at the virtual recognition of Manchoukuo by the Italian Government, the creation of a Japanese consulate in Ethiopia and the maintenance and promotion of the economic interests of Japan in that territory. Announcements were issued on December 28, 1936, both in Tokyo and Rome, concerning the Italo-Japanese agreement which took the form of an understanding. In this connection, the authorities of the Japanese Foreign Office issued an informal statement which read as follows:

The Japanese Government have notified the Italian Government that they are prepared to close the legation in Ethiopia and establish in its stead a consulate at Addis-Abeba.

The Italian Government have agreed to respect the commercial and other interests of Japan in Ethiopia and give specially favourable considerations concerning those interests.

In order to meet the development of the situation in Ethiopia, it was deemed appropriate to close the Japanese legation there at proper time and establish in its stead a consulate. The Japanese Government, therefore, instructed their Ambassadors in European countries late in June, 1936 to observe closely the development in Ethiopia and the attitude of the Powers which were members of the League of Nations. Now at last, the step was consummated as a result of negotiations with the Italian Government. The German Government, as was then announced, notified the Italian Government on the 25th of July, 1936, that they would abolish their legation in Ethiopia and set up a consulate-general.

As the Japanese Government decided upon the establishment of a consulate, the Italian Government assured us that they would give their favourable consideration for the protection of our trade and other interests. Accordingly, on

the basis of that assurance, conversations are expected to be opened for the adjustment of trade relations between Japan and Ethiopia.

Italy Helping Japan From the beginning of the China Affair in 1937, Italy, understanding Japan's true motives, had collaborated with Japan along all lines. At the Brussels Conference of the Signatory Powers to the Nine Power Treaty, the Italian Government supported Japan most consistently and energetically. A supplementary agreement to the Italo-Japanese Treaty of Commerce relating to the Italian colonies was signed in 1937.

Tripartite Anti-Comintern Pact Italy which had been taking actually the same position with Japan in the matter of combatting the Comintern, joined in the German-Japanese Anti-Comintern Agreement as it is mentioned in the article "Foreign Relations in 1937" at the end of this chapter.

Japan-Siamese Relation

The Government of Siam notified Japan on November 5, 1936, of its intention to abrogate the Japanese-Siamese commercial treaty with a view to realization of complete equality with other countries and to the restoration of self-government, both legally and financially. In 1937 a new Treaty of Commerce was signed between Japan and Siam.

Japanese-Burmese Commercial Treaty As Burma was scheduled to be separated from India on April 1, 1937, negotiations were opened between representatives of Japan and Burma at New Delhi in December, 1936, for conclusion of a Japanese-Burmese commercial treaty. As a result, a protocol was signed provisionally between Mr. Yonezawa, Japanese Consul General, and the Financial Secretary of the Government of India on March 1, 1937, and the formal signing took place later in London between representatives of Japan and Great Britain.

Japan and Transvaal

The authorities of the Transvaal in South Africa having prohibited the residence of coloured races in the gold-producing district including Johannesburg, the capital of the Transvaal, and having refused to permit coloured races to engage in wholesale business, which is closely related to the export and import trade, Mr. Onita, Japanese Consul at Cape Town, endeavoured to have the unjustified regulation revised and the Japanese claims were accepted by the authorities in their entirety on June 15, 1936, the parliament of South Africa passing a bill dividing the said

regulations, and settling the question.

Japan and Turkey

The Government of Turkey notified the Government of Japan on October 27, 1936, of its intention to abrogate the provisional trade convention between Japan and Turkey which was enforced on January 1, 1935, and the arrangement made between the two countries concerning the enforcement. At the same time, the Turkish Government expressed its readiness to conclude a new treaty. The Turkish note addressed to treaty, and a new treaty was concluded in 1937.

Relations with South and Central America

Anti-Japanese questions have often been heard of in regard to Brazil in South America but none of the questions has ever been brought up between the diplomatic organs of the two countries. But mention must be made of the fact that Brazilian economic mission headed by Mr. Salgado Filho, former Minister of Labour and member of the Lower House at the time, visited Japan in July, 1936, and greatly strengthened the tie of friendship between the nations.

In regard to Paraguay in Central America, it may be noted that about 35 families of Japanese emigrants settled in that country during 1936. Later, a French financial syndicate thought the co-operation of Japan in the industrial development of Paraguay would be of great benefit to that country and negotiations were conducted in this connection and on December 5, 1936, the President of Paraguay issued a decree authorizing the exportation of products of the country to Japan to the amount of 250,000 pesos annually through the French financial syndicate and the entry into Paraguay of a total of 1,000 families of Japanese emigrants within 5 years or no more than 200 families annually.

Japan and Manchoukuo

The Manchurian Incident What is known as the Manchurian Incident broke out with the blasting of a section of the South Manchurian 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.¹

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 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.)

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 Hsiang-hsu representing Manchoukuo.

The official English translation of the 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 neighbourship 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 international 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.

Partial Abolition of Extraterritoriality The basic treaty between Japan and Manchoukuo concerning the partial abolition of Japanese extraterritorial privileges in Manchoukuo, for which preparations had been underway for sometime, having been ratified by the Privy Councils of the two nations, was signed at Hsinking on June 10, 1936, by representatives of the two Governments

concerned. The treaty was announced on June 12 and enforced on July 1.

The second treaty for the same purpose was concluded in November, 1937, and the operation of these treaties has proved satisfactory for both countries.

Relations with China

The Shanghai Affair 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 various and organized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the Minkuo Jipao, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred several untoward actions of the Chinese against the Japanese in the city.

The Japanese residents in Shanghai immediately held a mass meeting and lodged a strong protest with Wu Tieh-cheng, mayor of Shanghai.

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.

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 1 when the former completely drove out the latter from the Chapel 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 2.

Sino-Japanese Issue and the League 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 represen-

tative, on September 22, 1931.

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.

The situation, however, threatened to grow worse 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."

On October 22 the Council proposed to make Japan complete the withdrawal of her troops by November 15 with neutral observers seeing to it that per-

¹ For particulars of the incident see the Japan Year Book, 1933, Chapter VII.

fect 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.

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 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 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.

The League of Nations' Council held its third session to discuss the Sino-Japanese issue on November 16, 1932.

The Resolution of December 10 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 with-

in the railway zone in proportion to 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 Chinese 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 Refutation 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.

Shanghai Armistice 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 roundtable 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.

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 14 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 Lamson 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 Schurz of Germany and Count Poldovani of Italy, arrived in Japan on February 29, 1932 accompanied by a party of their secretaries. The Commissioners left Japan for China on March

11, and spent about four months to make investigations in China and Manchuria.

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 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. The Commissioners failed to recognize the military action taken by Japan on September 18, 1931, as an act of self-defence. The description of the circumstances pertaining to the founding of Manchoukuo was full of prejudiced misrepresentations and the last two chapters containing what they called "principles and conditions of settlement" and "consideration and suggestions to the Council" were practically superfluous, especially after the de jure recognition 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 re-

cognize 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 sanctioned the project, a telegram was despatched 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 thereto; 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 Em-

pire 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 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 despatching 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 Chengde, 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, 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 including the representatives of the Chinese forces to sign a truce on March 31 at Tangku, providing for a demilitarized zone between Peiping and Tien-

sin districts and the Great Wall.

The Manchoukuo authorities, immediately after the pacification of Jehol, started a constructive programme in the province, readjusting finances and mapping out plans for future industrial and economic development for the people of the province.

Exchange of Ambassadors In July, 1934, Japan and China agreed on the exchange of ambassadors, but, due to the subsequent internal problems of China, the matter had been left unrealized. Sino-Japanese relations assumed a sudden turn for the better early in 1935. Taking advantage of this situation, Foreign Minister Koki Hirota made a proposal to the Nanking Government for the promotion of the Japanese Legation in China to the status of an embassy and 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.

Incidents in 1935 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 in 1935. Sun Yung-chin, bandit chieftain, with his followers, was expelled from Jehol Province by Japan-Manchoukuo combined forces to Shunhsia 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 apparent instances of infringement of the Tangku truce pact.

Colonel Takashi Sakai, chief-of-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 the dual policy of Generalissimo Chiang Kai-shek towards Japan, pointing out

these two anti-Japanese incidents. 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 the demands made by Japan.

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 the 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-chin 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 power 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, Suifu and Shansi Provinces are governed by Han Fu-chu and Yen Hsi-shan respectively.

Sino-Japanese Questions in 1936 With reference to Sino-Japanese relations, mention must be made of the fact that the students' movement launched towards the end of 1935 served greatly to intensify the anti-Japanese sentiment throughout China. As a result, many terroristic actions were successively aimed at the Japanese residents and officers in China during 1936, beginning with January 21, 1936, when a police official named Sumida of the Japanese Consulate in Swatow was shot to death with a revolver while en route to his office.

Sino-Japanese Negotiations In view of the frequent anti-Japanese terroristic actions, the authorities of the Japanese Foreign Office and War Department resolved to open important negotiations with the Nanking Government with a view to preventing further aggravation of the situation and adjusting the relations between Japan and China.

The negotiations were commenced between Mr. Shigeru Kawagoe, the Japanese Ambassador to China, and General Chang Chun, the then Chinese Foreign Minister. Carrying the negotiations a step further, Ambassador Kawagoe had an interview with General Chiang Kai-shek, president of the Chinese Executive Yuan, on October 11. The negotiations were centered on the North China question, the specific trade in North China, the control of anti-Japanese activities, the employment of Japanese advisers and the conclusion of a Sino-Japanese anti-Communist agreement.

The Chinese attitude towards the negotiations suddenly changed as a result of the outbreak of the East Suiyuan affair and on December 3 the negotiations in progress for nearly three months had to be discontinued. Two days later, Ambassador Kawagoe withdrew from Nanking to Shanghai.

East Suiyuan Question During the early part of November, 1936, skirmishes began to occur between the Chinese troops in Suiyuan Province and the Inner Mongolian forces in the eastern section of Suiyuan. On November 20, the central publicity headquarters of the Kuomintang, the Chinese Nationalist Party, issued a statement calculated to impress foreign countries that Japan was implicated in the Suiyuan affair, thus attempting to influence the negotiations in progress at the time between Mr. Shigeru Kawagoe, the Japanese Ambassador to China, and General Chiang Kai-shek, president of the Chinese Executive Yuan.

In order to clarify the situation, the Japanese Foreign Office also issued a statement on November 21, which read in substance as follows:

"Japan is always concerned over the conditions prevailing in the adjoining districts of Manchoukuo territory but she has nothing to do with the clash that took place between the Suiyuan troops and the Inner Mongolian forces. It hardly requires mentioning that the Japanese Army, not to say the Japanese Government, is not assisting the Mongols in any way."

Developments Following Sian Affair The Sian affair involving the forcible

detention of General Chiang Kai-shek, president of the Chinese Executive Yuan and concurrently chairman of the National Military Council, by a group of troops under the control of Marshal Chang Hsueh-liang, the erstwhile Mukden warlord, suddenly occurred in the provincial capital of Shensi on December 12 but the Generalissimo returned safely to Nanking. Further, neither the Nanking Government nor the Kuomintang showed any agitation over the occurrence. These facts were taken to prove that the national unity of China had been greatly strengthened and accordingly, it came to be urged in various circles that China should be looked again in her new light.

It happened that the political change in Japan during March brought about the formation of the Hayashi Cabinet in succession to the Hirota Ministry. On March 3, Dr. Naotake Sato who had just returned home with the intention of resigning from the post of Ambassador to France and retiring from active diplomatic service was appointed Foreign Minister of the new Cabinet. Speaking before the House of Peers and the House of Representatives, on March 3 and 11 respectively, Minister Sato set forth his foreign policy, which was well received abroad.

The Chinese interpreted Minister Sato's statements as meaning a revision of the three basic principles enunciated by Mr. Koki Hirota when he was Foreign Minister of the Okada Cabinet for adjusting Sino-Japanese relations. Further, as a result of the plenary session of the Central Executive and Central Supervisory Committees of the Kuomintang, which was held at Nanking in February, 1937, General Chang Chun was replaced by Dr. Wang Chung-hua, former judge of the Permanent Court of International Justice, as Foreign Minister of the Nanking Government. Following his assumption of the office, the new Chinese Foreign Minister emphasized that an adjustment of the relations between China and Japan should be based on the principles of reciprocity and equality.

In the meantime, there appeared increasing signs of a close cooperation between the Nanking Government and the Chinese Communist Army following the Sian affair. The movement launched by radical Chinese organizations for the establishment of a popular front against Japan was also intensified. All these combined to heighten the anti-Japanese sentiment among the Chinese people until finally they commenced to work desperately for placing North

China under the complete control of the Nanking Government besides demanding dissolution of the East Hopei Anti-Communist Autonomous Government.

Under these circumstances, anti-Japanese outrages were repeated by the Chinese. On May 22, a police official of the Japanese Consulate at Swatow was subjected to violence. This caused the authorities of the Japanese Foreign Office to give warning that the sympathetic attitude which the Government and people of Japan had been manifesting towards China might be lost if the Nanking Government did not deal with the anti-Japanese activities in an appropriate manner.

Immediately following the outbreak of the Swatow affair, the Japanese political situation underwent a change with the Hayashi Cabinet being replaced by a new Ministry formed under the Premiership of Prince Fumimaro Konoé, then president of the House of Peers. Ex-Premier Koki Hirota again assumed the portfolio of Foreign Affairs, which was interpreted by the Chinese to signify the revival of the so-called three Hirota principles. For this reason, they again accelerated their anti-Japanese movement and brought about conditions more unfavourable to an adjustment of Sino-Japanese relations.

The North China Incident On Wednesday night, July 7th, a small unit of Japanese troops was engaged in maneuvers on their usual grounds, near Marco Polo Bridge, southwest of Peiping, and in the vicinity of Lukouchiao and Lungwangmiao when suddenly, at 11:40 o'clock the Japanese troops were fired upon by Chinese soldiers from the directions of Lukouchiao and Lungwangmiao. The Japanese were utterly unprepared to return the fire, for they were only 130 strong and had a supply of live ammunition amounting only to one half-cartridge per person, which was being kept by the commanding officer. All that they could do at this critical moment was to halt their maneuvers, concentrate at a spot some distance from the Chinese, and send for help to their headquarters, situated about two and a half miles away in the former British barracks at Fengtai. Reinforcements came quickly, and with the Japanese replying with real shots to the Chinese fire, the first clash occurred.

Matters went from bad to worse, the fight extending finally to the direction of Shanghai on August 13, 1937, and the event developed to a gigantic conflict between the two countries unprecedented in the history of either of them.

Sino-Japanese Conflict in 1937-38

Since the beginning of the Sino-Japanese conflict on July 7, 1937, more than a year has elapsed during which time the issue has developed into major hostilities, the termination of which still remains remote. Japan's desire to co-operate with China in order to bring about the mutual welfare and prosperity of the two great neighbouring peoples has been frustrated by the Kuomintang Government, and she is now engaged in eliminating the obstructionist forces in China so as to make possible the political and social regeneration of that country by assisting the Chinese people according to the principles of Oriental peoples on the basis of Japan's progressive experience of the past 80 years. Japan is confident that she can elevate thereby the cultural and economic levels of East Asia as a whole. But it is extremely regrettable that, in this case as in all others, destruction has had to precede construction.

The Results of One Year's Conflict In the battles which took place during the 12 months between July, 1937 and June, 1938, Japan sacrificed 36,629 men. The number of Chinese troops killed in action and left on the battle fields reached as many as 510,109, and the total number of casualties on the Chinese side is estimated at 1,300,000.

At the end of June, 1938, the battle line on the mainland of China extended 2,250 kilometres along the line which connects Hangchow in Central China, Anking, Tsienshan, Chengyangkwan, Checheng, Kaifeng, and Anpei in Suiyuan Province, 10 times as long as the front at Mukden in the Russo-Japanese War. The area occupied by the Imperial Army covers 1,249,000 square kilometres or one-fifth of the total area of China proper (2,845,000 sq.m.) and twice as large as the total area of the Japanese Empire. The Chinese population in the occupied area is estimated at 130,000,000 or 31 per cent of the total population of China proper which was 418,000,000 according to the latest statistics of the Nanking Government.

War materials captured by the Imperial Army were as follows: 180,406 rifles, 9,583 light and heavy machine guns, 565 pistols, 11,950 Chinese swords, 486 field and other guns, 1,051 trench mortars, 218 heavy guns, 77 highangle guns, 13 tanks, 275 armoured cars and trucks, 3 airplanes, 89 locomotives, 2,171 railway passenger and freight cars, 8 armoured trains and 6,200 other ar-

ticles, 13,332,595 rifle bullets, 20,000 dum-dum bullets, 2,293,003 hand-grenades, 609,679 shells, 1,717,811 trench mortar shells, 208,216 heavy gun shells, 1,000 horses, 2,000 cans of gasoline, and innumerable other articles.

The army air force shot down 175 Chinese planes and destroyed 25 more on the ground up to May 20, 1938.

Naval Activities The entire coast line of China and the China seas are under the control of the Japanese Navy and transportation between Japan and China is completely safeguarded by the Navy. The first attacks on the main fortified cities and Chinese air forces in Central and South China, which was carried out by the Imperial Naval air force on August 14 and 15, 1937, killed the ambition of the Chinese air force to make any material attack on Japanese islands. The Imperial Naval air force has complete command in the air over Central and South China, and are flying over and freely bombing all the fortified cities, fortifications, and other Chinese military facilities, in close co-operation with the Army.

By the activities of the Imperial Navy the Chinese Navy lost 43 ships exceeding 43,000 tons, or more than 60 per cent of its total strength, against the Japanese naval loss of several small chartered boats and a slight damage done to one torpedo-boat and a minesweeper. The 3 ports of Chefoo, Weihaiwei and Tsingtao and the 16 islands and groups of islets along the China coast are occupied by the Imperial Navy.

More than 1,700 Chinese planes were shot down or destroyed on the ground by the naval air force, while 89 Japanese naval planes were lost. The Imperial Navy suffered a total of 1,100 dead.

Support of the People Japanese people are in full co-operation with the Government in carrying on the present task of putting down the antagonism of the Kuomintang Government against Japan's desire for co-operation and to attain the final aim of realizing permanent peace in the Far East by the harmonious and mutual progress of Japan, Manchoukuo and China. The present Konoé Cabinet, which has succeeded in its reorganization in May, 1938, enjoys the full confidence of the people, who are prepared to make any sacrifices when requested by the Government for all the necessary national operations in the emergency.

Japan is blessed with abundant food-stuffs and her entire economic system is so well organized that the national

life is not threatened by any rigorous governmental control of commodities, except in the case of certain classes of goods which are regarded as luxuries, and the people are enjoying a peaceful and quiet life. It is noteworthy that the patriotic ardour of the Japanese in sending off soldiers to the front and their keenest concern over the advance of the Imperial forces in China are as sincere and enthusiastic as in the case of former international wars.

Besides buying Government bonds floated for military expenses in enormous amounts and saving and placing money at the disposal of the Government for appropriate use the people are making large contributions directly to the army and navy. The amount of such cash contributions during the past year reached ¥55,925,000, including ¥36,361,000 to the army and ¥19,564,000 to the navy. Details follow:

Purpose	Amount and Number (Amount in yen)
To the Navy	19,564,000
To the Army	36,561,057
For armament	24,430,251
For wounded soldiers	9,816,344
For the promotion of scientific studies	2,114,460
"Imon Bukuro" (Comfort kits containing presents for soldiers in China) in pieces	2,080,051
Tinfoil (cigarette wrappers) in kan	6,414
Copper and iron (waste) in kan	160
Others in pieces	18,229,961

Note: Tin and waste minerals are to be converted into money for use in helping wounded soldiers. "Others" include pieces of articles not in the "Imon Bukuro," to be given to the soldiers in China.

The Conflict and Japan's Relations with Other Countries As to the complicated diplomatic relations with other countries, the people are supporting the Government's policy of maintaining friendly relations even with those nations which are most unsympathetic to Japan on account of the present conflict. To the nationals of such countries who are living in Japan, and even to those of the country with which she is at war, Japan is showing the sanest attitude. For example, thousands of Chinese are actually enjoying a peaceful life in Japan. They

walk freely about the streets in pursuit of their daily occupations and meet neither insult nor molestation. This contrasts sharply with the humiliating and often barbarous treatment which Japanese residents have had to suffer in some of the most civilized countries of the world over some diplomatic issues in the past and present. Such acts of enmity and hasty criticisms of people or nations come from ignorance and misunderstanding and the Japanese people are well informed of their mission towards China and as to why some nations are unsympathetic towards Japan and the Japanese. On the whole, however, the Japanese people are rather thankful for the more or less friendly attitude of the world towards her, for Japan has been able to maintain satisfactory trade and political relations with all the nations of the world in the past 12 months, just as in the years previous to the present hostilities with the Kuomintang Government. As a matter of fact, Japan has been able to acquire better friends among the nations of the world during the past 2 years, and she believes that she may be able to increase the number of such friendly nations after the present issue with China shall have been settled.

Reconstruction Started The aim of Japan's attack on the forces of the Kuomintang Government is to bring about co-operation between the two great nations, and in the heels of the advance of the Imperial Army and Navy the Chinese districts under Japanese influence, which comprise about one-fifth of the total area of China, are rising in a new hope for better peace with economical and political assistance of Japan.

On December 7, 1937, the Provisional Government of the Chinese Republic was born in Peking, and has been growing steadily since with the aim of establishing a new China under the original Chinese banner of five colours. The old fashioned Chinese politics are entirely discarded and civil administration, financial policies and cultural work are organized and systematized along the lines of modern government. On January 30, 1938 the East Hopei Anti-Communist Autonomous Government was united with the Provisional Government in Peking. The Peking Government now has under its power the public offices of Hopei and Shan-tung, the municipal offices of Peking, Tientsin and Tsingtao, the autonomous provincial governments of Shanxi and Honan, while it was able to assume

control of the customs houses in North China and establish the Provisional Union Bank of China.

As to the districts north of the Great Wall three local governments had been organized in the autumn of 1937, namely, the South Chahar Autonomous Government, the Suiyuan Autonomous Government, and the Federated Mongolian Autonomous Government, and the representatives of these governments met at Kalgan (Changchiakow) on December 22, 1937, and organized the Union Committee of Mongolia, Chahar and Suiyuan, setting up a political wall against the Soviet influence from the north.

In Central China the New Government of the Chinese Republic sprang into being at Nanking on March 26, 1938, under the Five Colour Banner. The financial and economic scheme of the New Government is based on the economic development of Shanghai, and with the co-operation of Japan the preparations and actual work have been started for the establishment of communication facilities, public electric, gas and water enterprises, promotion of mining, fisheries and all branches of industry and public works. The Shanghai Maritime Customs came into the control of the New Government which soon revised the tariff to the benefit of both China herself and foreign countries. Immediately after the occupation of cities in Central China by the Imperial Army, Peace Preservation Committees were formed in local centres, and they are now reorganized into Autonomous Committees, the number of which reached over 40 in June 1938. These committees are actively engaging in rehabilitation, peace preservation and rescue work under the leadership of the New Government. Autonomous Committees were formed in Shanghai on May 23, and in Changan on May 25, 1938, and these cities joined the general movement for the reconstruction of China in co-operation with Japan and Manchoukuo. The provincial government of Chekiang and the municipal office of Hangchow were newly established on June 20, 1938.

Peace has returned along the railway areas, but in remoter districts bandits still menace villages, and the Japanese army is making every effort to exterminate them, just as in the early days of Manchoukuo. The number of Chinese who returned to Nanking by the end of June, 1938, was estimated at 400,000, while the number of Japanese who did so at the end of April numbered 1336, in addition to a

certain number of Japanese soldiers. In Tsingtao peace reigns again and the population assumed pre-incident proportions, with returned Chinese numbering over 400,000 and Japanese 13,692, or an increase of nearly 4,000 over the Japanese population figure prior to the incident. In and around Taiyuan there are Taiyuan-fu and 33 "hsiens" which are controlled by the branch office of Shansi of the Peking Government, and school education is being improved.

Shanghai will be a much more important centre of co-operation between Japan and Central China than it had been in the days prior to the incident, and a thorough survey and planning are being carried out for the construction of a new and extensive city, and a railway of 65 kilometres encircling the new "greater Shanghai" is included in the construction plan.

Railways in North China which total 4,482 kilometres reopened to business, including 2,231 km. in Hopei, 279 km. in Shansi, 280 km. in Chahar, and 465 km. in Suiyuan, the main lines being the Peking-Pootow line, the Peking-Hankow line from Peking to Sinsiang, the Chengting-Taiyuan line, the Tatung-Taiyuan line from Tatung to Shohhsien, and the Tientsin-Pukow line. The great iron bridge across the Yellow River which had been destroyed by the Chinese forces in the fall of 1937 was completely rebuilt by the combined efforts of the Japanese army rail-

way corps and Japanese experts on June 30, 1938.

In Central China, railway lines with an aggregate length of 800 kilometres reopened regular business connecting Shanghai, Nanking and Hangchow.

Marine transportation between Japan and Chinese ports in North and Central China is completely reopened, while civilian air transportation is in operation between Fukuoka-Tsingtao-Peking, Fukushima-Shanghai, and Peking-Dairen. Military air transportation is regularly carried on between other important points in North and Central China not only for military purposes but also for carrying civilian passengers.

Japanese business companies and private bodies are making a thorough survey and study on the actual conditions and resources in North and Central China, the special corps or bands for educating the Chinese people in the areas occupied by the Japanese forces are making efforts to arouse the spirit of the people for co-operation with Japan and the Japanese, medical and economic aids being extended to the villagers. The Japanese Government is helping the new born Chinese governments in Peking, Nanking and other cities in establishing modern methods and systems of administration, and it is also intending to establish a special office for the rehabilitation and improvement of China in all lines of economy, culture, industry and trade.

CHRONICLE OF THE SINO-JAPANESE HOSTILITIES.

July 1937—July 1938

1937:

July 7—North China Incident occurred at Marco Polo Bridge.
 July 15—The Japanese Government decided to despatch Japanese troops to North China.
 July 25—Hostilities began at Langfang.
 July 28—Commander Katsuki notified the Chinese authorities of the Imperial Army's decision to take free action.
 July 29—Japanese troops began operations against the Chinese 29th Army.
 August 8—Japanese troops entered Peking. Japanese residents in the cities on the Yangtze completed evacuation.
 August 9—The Oyama incident occurred in Shanghai.
 August 13—Hostilities began in Shanghai.
 August 14—Commander Hasegawa of the Third Fleet of the Imperial Navy, declared the intention of the Imperial Navy to attack the Chinese forces.

The air force of the Imperial Navy made their first attacks on Chinese military centres in Central China, flying over the China Seas from Japan.
 August 15—The air force of the Imperial Navy carried out the first attacks on Nanking and other military centres and destroyed more than 40 Chinese planes.
 August 19—The Japanese Landing Party occupied a Chinese wharf at Shanghai.
 August 23—The Imperial Army effected a forced landing at Shanghai under cover of and in cooperation with the Navy and Naval Forces.
 August 25—The Imperial Navy in Chinese waters declared the closing of a part of the China coast to the traffic of Chinese vessels.
 August 27—The Imperial Army entered Changchiakow (Kalgan).
 August 31—Woosung was occupied by the Imperial forces.

The air forces of the Imperial Navy made their first attacks on Canton.
 September 1—The Naval air forces attacked Shanghai.
 September 4—Japanese residents evacuated Tsingtao.
 September 5—The entire coast of China was blockaded by the Imperial Navy.
 September 8—The Imperial Army entered Inner Mongolia.
 September 13—Tatung was occupied by the Imperial Army.
 September 19—The Commander of the Third Fleet gave notice of the extension of naval operations in and around Nanking.
 September 24—The Imperial Army entered Paoting.
 The air forces of the Imperial Navy attacked Hankow and Nanchang.
 September 29—The Japanese Naval Landing Party made general advances from North Szechwan Road.
 September 30—Pailingmiao, Inner Mongolia, was occupied by the Imperial Army.
 October 8—Chenting was taken by the Imperial Army.
 October 10—Shihkiachwang fell into the hands of the Imperial Army.
 October 14—Kalgan was occupied by the Imperial Army.
 October 17—Paotow was captured by the Imperial Army.
 October 18—The air forces of the Imperial Navy bombed Hankow and other places and destroyed more than 30 Chinese planes.
 October 26—The Shanghai Race Course and Tachangchen were occupied by the Imperial Army.
 October 27—The North Station, the Chapel sector and Chenjuchen were taken by the Japanese Naval Landing Party.
 October 30—The air forces of the Imperial Army bombed Taiyuan and destroyed 17 Chinese planes.
 November 3—Japanese forces advanced to the south of Soochow Creek.
 November 5—The Imperial Army accomplished a forced landing on the northern coast of Hangchow Gulf, under the protection and in cooperation with the Imperial Navy.
 November 9—Taiyuan was occupied by the Imperial Army.
 Shanghai and Nanshih encircled by Japanese forces.
 November 11—Occupation of Nanhsiang.
 November 13—The air forces of the Imperial Army bombed Sian.
 Linhoehen, Chiating and Kaahan-hsien, were occupied.
 The Japanese Naval Landing Party

look Nanshih.

November 14—Occupation of Taitsang-hsien.
 November 15—Kuoshan-hsien was occupied.
 November 19—Soochow and Kashing (Chiahzing) were taken.
 November 20—The removal of the Nanking Government to Chungching was announced.
 November 23—Occupation of Wusih.
 November 29—Changehow and Kwangteh were captured.
 Kuyung was occupied.
 December 9—The air forces of the Imperial Navy bombed Nanchang, Nanking and other places, and destroyed 25 Chinese planes.
 December 10—General attack on Nanking by the Japanese forces began.
 December 13—The fall of Nanking.
 December 14—The air forces of the Imperial Navy bombed Nanchang and Anching, and destroyed 35 Chinese planes.
 December 22—The Naval air forces bombed Nanchang and Chowkiakow, and destroyed 30 Chinese planes.
 December 24—Occupation of Hangchow.
 December 27—The Imperial Army entered Tsinan.
 1938:
 January 4—The air forces of the Imperial Navy attacked Suchow (Hsuchow), Hankow and the Canton-Hankow railway line, and destroyed 21 Chinese planes.
 January 5—Occupation of Yenchow in Shantung.
 January 10—The Japanese forces landed at Tsingtao.
 January 6, 24, 27—The air forces of the Imperial Navy repeatedly attacked Hankow, Nanchang, Ichang-hsien and the Canton-Hankow railway, and destroyed over 45 Chinese planes.
 February 3—The Imperial Naval Landing Party landed at Chefoo.
 February 9—The Naval air forces made the first attack on Changsha.
 February 18, 21, 25—The Naval air forces attacked Chungching, Hankow, Hengyang, Ichang, Nanchang and railways in South China, and destroyed 90 Chinese planes.
 March 6—The Japanese Naval Landing Party landed at Weihaiwei.
 March 25—The Imperial Army air forces attacked Kweiteh (Kuoite) and destroyed 14 Chinese planes.
 April 3—Occupation of Taierschwang.
 April 13, 29—The Naval air forces bombed Canton and Hankow, and destroyed 66 Chinese planes.
 May 11—Occupation of Amoy by the Im-

perial Navy.

May 18—General attack on Suchow by the Imperial Army began.

May 19—Occupation of Suchow.

May 24—Occupation of Lanfeng.

May 28—Occupation of Kweiteh.

The air forces of the Imperial Navy began attacks on Canton which were repeated for weeks following.

May 31—The Naval air forces bombed Hankow and destroyed 20 Chinese planes.

June 6—Occupation of Kaifeng.

June 13—Occupation of Anching.

June 17—Occupation of Chienshan.

The Naval air forces bombed Hainan Island.

June 25—The Naval air forces attacked Nanchang and destroyed 19 Chinese planes.

July 4—Occupation of Hukow.

The Naval air forces attacked Nanchang and destroyed 51 Chinese planes.

Foreign Relations in 1937 and 1938

The Sino-Japanese negotiations which had been going on for years for adjusting the various impending problems came to an unsatisfactory end toward the close of 1936, and the Sian incident compelled the Nanking Government to come to an understanding with the Communist elements in China. As a result the anti-Japanese attitude of the Nanking Government became accelerated until it led up to the outbreak of North China incident on July 7, 1937. The Soviet-Japanese relation had been threatened by the upsettlement of the fishery issue and the ill-treatment of the Japanese in the Soviet Union, especially after the occurrence of the Kanchatze affair on June 30, 1937. The Lukouchiao incident which occurred on July 7, 1937, instigated the Chinese and Japanese forces into a major warfare and the battle field was extended from North China to Central and South China. With the advance of the hostilities between Japan and China the Powers of the world which had various political and economic relations with China were highly alarmed and met in conferences under the League of Nations, the Nine-Power Pact, etc.

The League of Nations and the Brussels Conference on the Sino-Japanese Conflict. In September, 1937, the Nanking Government appealed to the League of Nations for urgent action in the conflict with Japan. The League Council immediately referred the appeal to the Advisory Committee, and issued an invitation to Japan, which she promptly refused. The League Council passed a decision of condemnation on Japan's action in China as a violation of the Nine-Power Treaty and called a meeting of the signatories of the Nine-Power Treaty.

In consonance with the decisions of the League President Roosevelt made a speech indirectly referring to the Sino-Japanese conflict and putting

blame on Japan, and later the State Department of the United States issued a statement against Japan in regard to the present affair. Great Britain and the United States of America worked in unison in convening a conference of the signatory Powers of the Nine-Power Treaty at Brussels. Japan was invited twice to the meeting but declined to attend, knowing well the unfriendly attitude of the League and the leading Powers toward her in the present situation, and feeling certain that no "just, equitable and realistic solution" of the Sino-Japanese conflict could be expected from the conference. With the refusal of Germany to participate in the Conference and a strong support of Japan's stand by Italy the Brussels Conference could not come to any weighty decisions on the issue and adjourned without coming to any conclusion.

The following are the salient points contained in Japan's reply of October 27, 1937, to the first invitation extended by the Government of Belgium:

The League of Nations, in the report adopted by it on the 6th of this month, has declared, on the basis of the statement made by only one of the two parties to the issue, that the military operations carried on by Japan in China are in violation of the Nine-Power Treaty. The action of Japan in China is a measure of self-defence which she has been compelled to take in the face of China's violent anti-Japanese policy and operations, especially expressed in provocative acts appealing to force of arms; and consequently, the issue is one which lies outside the purview of the Nine-Power Treaty.

The Assembly of the League of Nations has even gone the length of assuring China of its moral support and of recommending its members to abstain from any action that might weaken that country's power of resistance

and add to its difficulties in the present conflict, and also to study how they might individually give aid to China. By this procedure, the League Council deliberately refused to take into account the just intention of the Imperial Government, who propose to bring about a sincere co-operation between Japan and China, to secure an enduring peace in East Asia, and to contribute thereby to the peace of the world. In other words, the method followed by the League is one of encouraging the hostile disposition of one of the parties, and of prolonging the conflict instead of bringing it to an early settlement.

The Royal Belgian Government make in their invitation no mention of the connection between the proposed Conference and the League of Nations. However, in view of the fact that in its resolution, the League of Nations has suggested a meeting of those of its members who are party to the Nine Power Treaty, and that the Government of the United States, who have acquiesced in the request of the Government of Great Britain for the convocation of the conference, have declared, on October 6, their approval of the Resolution, the Imperial Government cannot but conclude that the convocation of the conference is linked to the Resolution of the League of Nations. Now the League of Nations, as mentioned above, has expressed its views casting reflection upon the honour of Japan, and it has adopted a resolution which is incontestably unfriendly towards her.

In these circumstances, the Imperial Government are constrained to believe that a frank and full discussion to bring about a just, equitable and realistic solution of the conflict between Japan and China, cannot be expected from the Powers concerned at the proposed Conference.

Moreover, the present Sino-Japanese conflict arising from the special situation of East Asia has a vital bearing upon the very existence of the two countries. The Imperial Government are firmly convinced that an attempt to seek a solution at a gathering of so many Powers whose interests in East Asia are of varying degrees, or who have practically no interests there at all, will only serve to complicate the situation still further and to put serious obstacles in the path of a just and proper solution.

For these reasons explained above, the Imperial Government regret their inability to accept the invitation of the

Royal Government.

The present conflict has been caused by none other than the Chinese Government who for these many years have been engaged as a matter of national policy in disseminating anti-Japanese sentiment and encouraging anti-Japanese movements in China, and who, in collusion with the communist elements have menaced the peace of East Asia by their virulent agitations against Japan. Consequently, what is most urgently needed for a solution of the conflict is a realization on the part of the Chinese Government of the common responsibility of Japan and China respecting the stability of East Asia, a revision of their attitude, and a change of their policy to that of co-operation between the two countries. What Japan asks of the Powers is that they comprehend fully this need. Their co-operation based upon such comprehension can alone, she believes, contribute effectively toward the stabilization of East Asia.

Great Britain and U.S.A. In general both the United States and Great Britain have shown sympathy with China; but even so, they have been cautious enough not to arouse the sentiment of their people and the Japanese during the months following the Brussels Conference in spite of the unfortunate occurrence of cases prejudicial to the historical friendly relation between Japan and these two Powers. Even when the Panay incident which occurred in December aroused national sentiment in the United States the American Government showed great restraint in its attitude toward Japan refraining from making any drastic demands and recognizing the sincerity of the expression of regret offered by the Japanese Government in connection with the incident.

Great Britain has admittedly larger interests in China than America and the chances of collision between those interests and Japanese military action there were naturally more numerous. In spite of the precautions taken by the Japanese forces, there were the unfortunate incidents in which the British Ambassador to Nanking was injured in August by mistake by the Japanese naval air force, the complicated questions connected with British interests in Shanghai, and the unfortunate bombardment, also by mistake, of British warships by Japanese forces at the siege of Nanking. Although the English newspapers were full of unfair comments on Japan in connection with the present incident, the British au-

thorities have been most careful not to let their people's excitement lead toward a real collision with Japan, and endeavoured to settle matters in a sincere and cordial spirit, reciprocating similar efforts on the part of the Japanese authorities.

The Moscow Government has been in the closest relation with the Nanking Government ever since the outbreak of the incident, and the collaboration between Soviet Russia and China took a tangible expression in the conclusion of a non-aggression pact between them, and newspaper reports give ample evidence of Russia's assistance to China in the present conflict. Other Powers have taken a neutral attitude in general, except Germany and Italy who are giving Japan strong moral support as partners in the Anti-Comintern Agreement.

The Tripartite Agreement against the Comintern Activity The German-Japanese Agreement against the Communist International which had been concluded on November 25, 1936, was reinforced by the participation therein of Italy. The tripartite protocol was made public on November 6, 1937, when the Sino-Japanese conflict was in full swing, and the Nine-Power Conference was in session at Brussels. With the signing of the tripartite protocol the solid front that had been built against the Comintern activities both in Europe and Asia was further strengthened, making the communist bulwarks morally and materially weaker. Some indirect results of the tripartite agreement were the Japanese recognition of the Franco Government in Spain on December 1, 1937, mutual recognition between the Manchoukuo Government and the Franco Government on December 2, and the withdrawal of Italy from the League of Nations on December 11, thereby Italy concluding the dispute with the League regarding her claim on Abyssinia.

The gist of the statement of the Japanese Foreign Office concerning the conclusion of the tripartite protocol published on November 6, 1937, and the English translation of the main clauses of the protocol are given below: (For the original text of the protocol see Appendix.)

At 11.00 o'clock a.m. (7.00 p.m. Tokyo time) today, November 6, a Protocol concerning the participation of Italy in the Japanese-German Agreement against the Communist International has been signed in Rome between the delegates of Japan, Germany and Italy, and has immediately come into effect.

Article 2 of the Agreement against the Communist International, which was concluded in Berlin between Japan and Germany on the 25th November last year, provides that the two countries should jointly invite participation of third Powers in the agreement. It is in accordance with this provision that the participation of Italy has been brought about, the country being as firmly determined as Japan and Germany in opposition against the destructive operations of the Communist International.

Now with the first anniversary of the conclusion of the Japanese-German anti-Comintern agreement close at hand, the significance and efficacy of the agreement are being more and more deeply appreciated everywhere. Today when we have before our own eyes concrete evidence showing that, in the West, the internecine war of more than a year and a half in Spain, and, in the East, the surreptitious activities of the Communist Party and the Anti-Japanese People's Front which are disturbing the stability of East Asia, are both due to nothing other than the machinations of the Communist International, it is really encouraging that the anti-Comintern front formed by Japan and Germany has been further strengthened by the participation of Italy, which had been of late making a spectacular progress under the leadership of Premier Mussolini. This indeed is a matter for sincere congratulation in the interest of peace and civilization of the world.

Protocol between Japan, Germany and Italy The Imperial Government of Japan, the Government of Italy and the Government of Germany, considering that the Communist International is constantly endangering the civilized world in the Orient and the Occident, and disturbing and destroying its peace and order, convinced that only a close collaboration between all the Powers interested in the maintenance of peace and order can check and eliminate that danger, and considering that Italy, a State which, since the establishment of the Fascist régime, has combatted that danger with inflexible determination has decided to range herself against that common enemy along with Japan and Germany, States which on their part are animated by the same spirit of defence against the Communist International, have, in conformity with Article 2 of the Agreement against the Communist International concluded at Berlin on November 25, 1936 between Japan and Ger-

many, agreed as follows:

Article 1

Italy participates in the Agreement against the Communist International and subscribes to the Supplementary Protocol concluded on November, 25, 1936, between Japan and Germany, texts of which are attached to the present Protocol as an annex thereto.

Article 2

The three Powers signatory to the present protocol agree that Italy is to be considered as an original signatory of the agreement and the supplementary protocol mentioned in the preceding Article, the signature of the present protocol being equivalent to signature of the original texts of the agreement and the supplementary protocol.

Article 3

The present protocol shall form an integral part of the agreement and the supplementary protocol above mentioned.

Kanchatze Affair and Fishery Treaty The troubles with the Soviet Union on the Manchoukuo frontier had been increasing for several years past and on June 19, 1937, a unit of Soviet forces crossed over to Kanchatze island in the River Hallungkiang on the side of Manchoukuo and began to construct fortifications, and the Japanese and Manchoukuo forces were obliged to have recourse to arms to drive them out and a Soviet gunboat was sunk in the battle that ensued. The Soviet Government was then fully occupied with the purging of the Red Army promptly withdrew its forces from the point of dispute.

But the Liukouchiao incident occurred half a month later and the development of the Sino-Japanese conflict attracted the attention of the Moscow authorities to the incident in China and the frontier troubles were no more repeated. The Soviet Government started to assist China quite openly during the latter part of 1937, even at the cost of augmenting the ill feeling between the Soviet Union and Japan. The Japanese inhabitants and visitors in Vladivostok, North Kamchatka and other places in Russia began to be increasingly ill-treated and the anti-Japanese attitude began to be revealed unreservedly. The Soviet-Japanese Fishery Agreement which was to be renewed during 1937, failed to be done so on account of the evasive attitude of the Soviet authorities in spite of

earnest efforts on the part of Japan, and the strained diplomatic situation was again repeated in the last quarter of 1937 similar to that at the end of 1936. The renewal of the fishery agreement was put off for yet another year and in the meanwhile certain provisional arrangements were made similar to those of 1936.

Question of Naval Construction Since the end of 1937 a persistent rumour was set afloat in Europe and America concerning Japanese naval construction programme and drew the attention of naval Powers. The Governments of Great Britain, the United States and France sent their notes of enquiry to the Japanese Government on February 5, 1938. Their contents were almost the same and the gist of the British note was as follows:

The Naval Treaties give the British Government a right of escalation in the event of building not in conformity with Treaty limits by a Power not a party thereto. There have for some time been persistent and cumulative reports which, in the absence of explicit assurances from the Japanese Government that they are ill founded, must be deemed to be authentic, that Japan has undertaken or intends to undertake construction of capital ships and cruisers not in conformity with the limits of the Treaties. The British Government have therefore decided that it will be necessary for them to exercise their right of escalation unless the Japanese Government can furnish the aforesaid assurances and can satisfy the British Government that they will not, prior to 1st January 1943 lay down, complete, or acquire any vessel which does not conform to the limits in question without previously informing the British Government of their intention to do so and of the tonnage and the calibre of the largest gun of the vessel or vessels concerned. . . . Should no reply be received by February 20 or should the reply be lacking in the desired information and assurances, the British Government will be compelled to assume that the Japanese Government either are constructing or acquiring or have authorized the construction or acquisition of vessels not in conformity with the limits referred to. The British Government would thereupon be obliged . . . to resume full liberty of action.

The Japanese Government made reply, on February 12, to the note of February 5 the Governments of Great Britain, the United States and France, the main points being as follows:

At the last London Naval conference the Japanese Government proposed, in the earnest desire to bring about a drastic reduction of naval armament, the total abolition of capital ships and aircraft-carriers, which are aggressive in their nature, and at the same time contended that qualitative limitation, if not accompanied by quantitative limitation, would not be calculated to achieve any fair and equitable measure of disarmament. The views of the Japanese Government were not shared by the Governments concerned.

As a result of the non-acceptance by other countries of the reasonable desires of Japan in the matter of disarmament, there is as yet in existence no fair disarmament treaty to which Japan is a party. . . .

The Japanese Government fails to see any logical reasoning in an assumption on the part of the Governments concerned that this Government must be deemed to entertain a scheme of constructing vessels which are not in conformity with the limits provided in the London Naval Treaty of 1936, from the mere fact that it does not dispatch a reply giving the desired information, and is of the opinion that it is not a matter which should concern the Japanese Government if the Governments concerned, on the basis of whatever reason or rumour, should exercise the right of escalation provided in any treaty to which Japan is not a party. Should the Japanese Government hereafter be prepared to agree to some limitation in respect of the tonnage of vessels and the calibre of guns, it would also be prepared to discuss the matter.

On the same day, the Japanese Government issued a statement concerning the question of naval construction. The gist of the statement was as follows:

The fundamental principle of Japan's naval construction has been and still is based on the principle of non-menace and non-aggression. The Japanese Government do not hesitate to declare on this occasion that they simply aim at possessing an armament which is adequate for the defence of their own country, and it is far from their thought to possess an armament which would be likely to be a menace to other countries. At the present moment when there exists no fair and equitable disarmament treaty, it will readily be understood that Japan, trying to ensure the security of her national defence with an armament small in comparison with those of such great naval Powers as Great Britain and the

United States cannot afford to disclose her plans of naval construction in compliance with the desire of those three countries.

Recently Great Britain has, with considerable cause of apprehension to other countries, embarked upon a colossal armament programme, and the United States appears also to be on the point of following a similar course. It cannot be considered fair on the part of the three Powers that, in the face of an expansion of armaments in many countries, they should by their recent Notes desire the disclosure of the extent of the Japanese naval programme and should take up the position that in case Japan should fail to meet with their desire they would dogmatically conclude that Japan must be constructing vessels not in conformity with the limits introduced by treaties to which Japan has never been a party, and that they should make it the reason for their armament expansion. Responsibility for any future development must therefore be borne by the leading naval Powers themselves. Japan would regret it profoundly if these Powers should undertake still more extensive armament construction on such grounds, thereby leaving Japan no alternative but to alter her building plans in order to cope with that construction. As Japan falls behind no Power in the fervent desire for the realization of such fair reductions of naval armament as will contribute to the promotion of peace and amity throughout the world, she hereby desires to assure the nations concerned that she is at all times quite prepared to discuss with them any plan for disarmament which attaches primary importance to quantitative limitation; and she would invite careful consideration of the subject by all who are really devoted to the cause of world peace.

Changkufeng Incident. Another border trouble with the U. S. S. R. occurred at Changkufeng hill of Manchoukuo by the occupation of the hill by Soviet forces on July 12, 1938. Actual hostilities between Japanese and Soviet forces began at the end of July and continued for about 10 days. Despite its numerical inferiority, an unnamed detachment of the Japanese army repulsed attacks by the Soviets and held its position to the last. The Soviets mobilized three divisions of sharpshooters, 200 tanks and sent more than 100 airplanes.

During the 10 days of sustained engagements, a division of Soviet snipers was destroyed and about 100 tanks pul-

out of commission. Without sending up a single machine, the Japanese brought down six Soviet planes. The Japanese casualties totalled 690.

On August 4, Mr. Kensuke Horinouchi, Vice-Minister for Foreign Affairs, invited the Soviet Charge d'Affairs, Mr. Constantin Smetanin to the Foreign Office and made proposals to him for the cessation of hostilities and requested Mr. Smetanin to transmit the same promptly to his home Government and obtain its reply thereto.

At the same time the Japanese Government ordered Ambassador Shigemitsu in Moscow to enter into negotiations with Foreign Commissar Litvinoff for a quick settlement of the matter. At the end of the conversation between them on the night of August 10, 1938, the following agreement was concluded:

1. Both Japanese and Soviet forces shall cease all hostile operations as from noon (Maritime Province time), August 11.

2. Japanese and Soviet forces are to maintain the lines held by them at midnight, August 10.

3. The details of the truce agreement are to be arranged by representatives of the two forces on the spot.

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 concluded convention with the Shogunate.
- 1858—Japanese-American Commercial Treaty signed.

OCCUPATION OF TSUSHIMA BY RUSSIA

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

BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI

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

IMPERIAL SANCTION OF TREATIES

- 1865—Treaties with Britain, France, the Netherlands, Russia and the Unit-

ed States were sanctioned by the Emperor.

TREATY REVISION

- 1871—Prince Iwakura's mission leaved for the United States and Europe.
- 1882—Count Inoue's Negotiations with Britain.
- 1888—Count Okuma's Negotiations.
- " Viscount Aoki's Negotiations.
- 1894—Revised Anglo-Japanese Treaty signed.
- 1897—Similar Treaties concluded with other Powers.

THE PERUVIAN SLAVE SHIP INCIDENT

- 1872—Japanese Government seized Peruvian slaver "Maria Luz" in Yokohama.

EXPEDITION TO TAIWAN

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

EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS

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

BONIN ISLAND PROBLEM

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

CONVENTION OF TIENTSIN

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

NON-ALIENATION OF FUKIEN PROVINCE

- 1869—Japan guaranteed the non-alienation of Fukien province from China.

SINO-JAPANESE WAR

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

ANGLO-JAPANESE ALLIANCE

- 1902—Alliance signed in London.

RUSSO-JAPANESE WAR

- 1904—Japan declared war.
- 1905—Treaty of Portsmouth signed.

JAPANESE-AMERICAN ARBITRATION TREATY

- 1905—Treaty signed in Washington, D. C. on Feb. 11.

PROTECTORATE OF KOREA

- 1905—Protectorate convention concluded.

PEKING TREATY

- 1905—Sino-Japanese convention embodying relevant terms of Portsmouth Treaty signed.

EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA

- 1906—Movement started in California for exclusion of Japanese children from 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 exchanged on Dec. 3 a memorandum with Canada in connection with the immigration problem.

U.S.-JAPAN ARBITRATION TREATY

1908—Treaty concluded on Sep. 12.

JAPAN-AMERICAN ACCORD

1908—Official Notes exchanged regarding the preservation of peace in the Far East.

ANTUNG-MUKDEN RAILWAY ISSUE

1909—An agreement signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.

PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY

1910—Japan refused on Jan. 21 to accept the proposal of Secretary of State Knox of the United States regarding neutralization of the South Manchuria Railway.

RUSSO-JAPANESE AGREEMENT

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

FINAL TREATY REVISION

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

ANNEXATION OF KOREA

1910—Treaty of Annexation concluded.

INTERNATIONAL COPYRIGHT TREATY

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

FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT

1911—An agreement concluded on May 8, regarding patents and copyright in China.

NEW ANGLO-JAPANESE TREATY

1911—Treaty concluded on the basis of the arbitration treaties between Great Britain and the United States.

PUBLICATION OF THE REVISED TREATIES

1911—The United States published revised treaty with Japan on April 5. Great Britain, Spain, and Sweden did likewise on April 6. May 15 and July 13 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada published revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3, and August 26 respectively.

RUSSO-JAPANESE EXTRADITION CONVENTION

1911—Convention concluded on September 13.

ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA

1913—Passage of the so-called Webb Bill.

NANKING INCIDENT

1913—Negotiations regarding the Kunchow, Hankow and Nanking incidents concluded on October 7, the Chinese accepting all the Japanese demands.

MANCHURIA RAILWAY TREATY

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

RECOGNITION OF THE CHINESE REPUBLIC

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

ABOLITION OF FOREIGN SETTLEMENTS IN CHOSŌN

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

THE GREAT WAR

1914—Japan declares war on Germany and Austria.

SINO-JAPANESE PARLEYS

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

SPANISH-JAPANESE TREATY

1915—Ratifications of a commercial treaty

exchanged on July 10.

ANTI-INDEPENDENT PEACE AGREEMENT

1915—Japan participated on Oct. 19 in the agreement of the Allied powers signed in London prohibiting the signatories from concluding a separate peace with Germany.

WARNING TO CHINA

1915—Anticipating disturbances in connection with the apparent designs of Yuan Shih-kai to revive the imperial government in China, Japan issued a warning to China on October 28.

RUSSO-JAPANESE AGREEMENT

1916—The third Russo-Japanese agreement for protection of Japanese and Russian interests in the Far East signed on July 3.

ISHII-LANSING AGREEMENT

1917—Japan and the United States exchanged notes declaring that territorial proximity created 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 concluded on May 16, and its text published by the Japanese Foreign Office on May 30.

SIBERIAN EXPEDITION

1918—Japanese participation announced.

DECLARATION OF THE RENDITION OF SHANTUNG

1919—Count Uchida, the Foreign Minister announced the restoration of complete Chinese sovereignty on May 17.

SIGNING OF THE PEACE TREATIES

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

DEMAND FOR THE EVACUATION OF SIBERIA

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

NIKOLAEVSK AFFAIR

1920—Attack on Japanese consulate launched.

DECLARATION OF SIBERIAN POLICY

1920—Japanese Government issued statement re withdrawal of troops.

ANTI-JAPANESE IMMIGRATION

1920—Revision of regulations by the Immigration Bureau of the United States.

RENEWAL OF THE ANGLO-JAPANESE ALLIANCE

1920—The Japanese and British Governments notified the Secretariat of

the League of Nation on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.

REOPENING OF THE GERMAN EMBASSY IN TOKYO

1920—Dr. Solf arrived in Japan as the first German ambassador after the Great War.

WASHINGTON CONFERENCE

1921—Conference opened with Japan participating.

THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE

1927—Conference opened with Japan participating.

THE LONDON NAVAL DISARMAMENT CONFERENCE

1930—Conference opened with Japan participating.

THE MANCHURIAN INCIDENT

1931—Incident occurred at Mukden.

THE JAPAN-MANCHOUKUO PROTOCOL

1932—Protocol signed whereby Japan extends de jure recognition to the new State.

THE WORLD ECONOMIC CONFERENCE

1933—Conference opened with Japan participating.

THE JAPAN-INDIA TRADE CONFERENCE

1933—Conference held at Simla and New Delhi, India.

1934—New treaty signed at London, on July 12.

MANCHOUKUO ESTABLISHED

1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor. March 1.

THE JAPAN-BRITAIN TRADE CONFERENCE

1934—Conference adjourned on March 14 in failure.

THE JAPAN-DUTCH CONFERENCE

1934—Conference opened at Batavia on June 8 which adjourned on December 21 indefinitely.

TRANSFERENCE OF NORTH MANCHURIA RAILWAY

1935—Transference of North Manchuria Railway by the U.S.S.R. to Manchoukuo formally signed at Tokyo on March 23.

JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS

1935—Became completely effective on March 26.

THE VISIT OF THE EMPEROR OF MANCHOUKUO

1935—The Emperor of Manchoukuo visited Japan and made a formal call upon the Emperor of Japan on

April 6.
SETTLEMENT OF NORTH-CHINA INCIDENT

1935—All demands of the Japanese garrison at Tientsin on various problems relating to North China accepted by the Nanking Government.

WITHDRAWAL FROM THE WASHINGTON NAVAL TREATY

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

JAPAN-GERMAN AGREEMENT

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

SINO-JAPANESE CONFLICT

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

Fall of Nanking on December 13.

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

THE LEAGUE OF NATIONS ON THE CONFLICT

1937—The League of Nations declared Japanese violation of the Nine Power Treaty on October 6, and Japan refuted it promptly.

A conference was convened at Brussels on the Sino-Japanese Conflict, and Japan was invited to the conference. But Japan rejected the invitation on October 27.

THE TRIPARTITE AGREEMENT

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

THE CHANGKUFENG INCIDENT

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

List of the Envoys to and from Foreign Countries

JAPANESE ENVOYS TO FOREIGN COUNTRIES

(July 1, 1938)

Country	Representative	Address
Great Britain	Shigeru Yoshida, Ambassador	Embassy of Japan, 37 Portman Square, London, W.1. England
"	Yoshiaki Miura, Consul-General	Consulate-General of Japan, 15 St., Helen's Place, Bishopsgate, London, E.C. 3. England
France	Dr. Yotaro Sugimura, Ambassador	Ambassade du Japon, 24 rue Greuze, Paris, (16 ^e) France
Germany	Shigenori Tōgō, Ambassador	Ambassade du Japon, Berlin W. 62, Ahornstr., 1, Allemagne
"	Hiroshi Kawamura, Consul-General	Consulat Général du Japon, Hamburg, 1, Amsterdamm, 39, (Europahaus) Allemagne
Italy	Masaaki Hotta, 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.	Mamoru Shigemitsu, Ambassador	Ambassade du Japon, Malaya Nikitskaya 13, Moscou. U.R.S.S.

Country	Representative	Address
The U.S.S.R.	Motoharu Shichida, Consul-General	Consulat Général du Japon, 24 Pekinskaya Ulitsa, Vladivostok, U.R.S.S.
"	Bunichiro Tanaka, Consul-General	Consulat Général du Japon, 3 Ulitsa Imeni Dzerzinskavo, Alexandrovsk-Sakhalinsky, Sakhalin, U.R.S.S.
"	Shigeru Shimada, Consul-General	Consulat Général du Japon, 54 Komsomolskaya Ulitsa, Habarovsky, U.R.S.S.
Turkey	Toshihiko Taketomi, Ambassador	Ambassade du Japon, No. 59, Boulevard Tchankaya, Ankara, Turquie (Boîte Postale No. 357)
Manchoukuo	General Kenkichi Uyeda, Ambassador	Embassy of Japan, Hsinking
"	Ken Tsurumi, Consul-General	Consulate-General of Japan, Harbin
"	Hakuo Shibasaki, Chargé d'Affaires	Consulate-General of Japan, Hsinking
"	Yasujiro Takiyama, Chargé d'Affaires	Consulate-General of Japan, Tsitsihar
"	Denjiro Kato, 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.
"	Kōsaku Mizusawa, Consul-General	Consulate-General of Japan, 1742 Nuuanu Avenue, Honolulu, T.H., U.S.A.
"	Kanzō Shiosaki, Consul-General	Consulate-General of Japan, Postal Telegraph Bldg., 22 Battery St., San Francisco Cal., U.S.A.
"	Kanamé Wakasugi, Consul-General	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, Botafogo, Rio de Janeiro, Brésil
"	Junzō Sakane, Consul-General	Consulat Général du Japon, Avenida Brigadeiro Luiz Antonio 487, São Paulo, Brésil
China	Shigeru Kawagoyé, Ambassador	Embassy of Japan, Peking
"	Tateki Horiuchi, Consul-General	Consulate-General of Japan, Peking
"	Shojiro Otaka, Consul-General	Consulate-General of Japan, Tsingtao
"	Manabu Arino, Consul-General	Consulate-General of Japan, Tsinan
"	Shinrokuro Hidaka, Consul-General	Consulate-General of Japan, Shanghai
"	Yoshitaka Hanawa, Consul-General	Consulate-General of Japan, Nanking
"	—	Consulate-General of Japan, Hankow
"	—	Consulate-General of Japan, Fuchow

Country	Representative	Address
China	—	Consulate-General of Japan, Canton
"	Goro Uchida, Consul-General	Consulate-General of Japan, Amoy
"	—	Consulate-General of Japan, Changchiakow
Switzerland	Eiji Amō, Minister	Légation du Japon, 95 Thunstrasse, Berne, Suisse
"	Uzuhiko Usami, Consul-General	Consulat Général du Japon, 39, Quai, W. Wilson, Genève, Suisse
Spain	Makoto Yano, Minister	Légation du Japon, Villa la Cumbre, San Sebastian, Espagne
Portugal	Ken Yanagisawa, Chargé d'Affaires (ad interim)	Légation du Japon, Praça do Rio de Janeiro 14, Lisbôa, Portugal
Holland	Kazue Kuwajima, Minister	Légation du Japon, 1 Gullana van Stolberglaan, Den Haag, Pays-Bas
Sweden	Shigeru Kuriyama, Minister	Légation du Japon, 25 Standvägen, Stockholm, Suède
Finland	Yujiro Sugishita, Minister	Légation du Japon, 11, B. Parkgatan, Helsingfors, Finlande
Latvia	Shin Sakuma, Minister	Légation du Japon, Jura Alunana ielā 2, dz 2, Riga, Lettonie
Poland	Shūichi Sakoh, Ambassador	Ambassade du Japon, Ulica Bronislawa Pierackiego 10, Varsovie, Pologne
Czechoslovakia	Keinosuke Fujii, Minister	Légation du Japon, Palace "Fenix," č 60-62, Václavské náměstí, Praha-11, Tchécoslovaquie
Austria	Akira Yamaji, Consul-General	Consulat Général du Japon, Wien III, Kōlblgasse 1, Autriche
Rumania	Sho Kurihara, Minister	Légation du Japon, Boulevard Lascar Catargiu 29, Bucarest, Roumanie
Hungary	Hajimé Matsumiya, Minister	Légation du Japon, Hotel Dunapalota, Budapest, Hongrie
Iran	Shōichi Nakayama, Minister	Légation du Japon, Avenue Pahlavi, Téhéran, Iran
Siam	Kuramatsu Muraī, Minister	Legation of Japan, 545 Rajaprarob Road, Makasan, Bangkok, Siam
"	Takaharu Ito, Consul-General	Consulate General of Japan, 545 Rajaprarob Road Makasan, Bangkok, Siam
Canada	Baron Shū Tomii, Minister	Legation of Japan, Victoria Bldg., 140 Wellington St., Ottawa, Ontario, Canada
Mexico	Saichiro Koshida, Minister	Légation du Japon, Calle Colima No. 168, México, D.F., Mexique

Country	Representative	Address
Mexico	—	Consulat Général du Japon, Calle Colima No. 168, México, D.F., Mexique
Peru	Masamoto Kitada, Minister	Légation du Japon, Avenida Arequipa 610, Lima, Pérou
Chile	Tetsuichiro Miyake, Minister	Légation du Japon Avenida Pedro de Valdivia 522, Santiago, Chili
Argentine	Iwataro Uchiyama, Minister	Légation du Japon, Calle Reconquista 336, Buenos Aires, Argentine
Afghanistan	Kazuo Moriya, Minister	Légation du Japon, Kaboul, Afghanistan
Cuba	—	Légation du Japon, Avenida de Bélgica entre Avenida de los Aliados y Victoria, Altura de Al- mendares, Habana, Cuba
Colombia	Kiyoshi Yamagata, Minister	Légation du Japon, Edificio de Banco de la Repub- lica, Bogota, Colombie
Vénézuéla		Légation du Japon, Avenida de los Caobos, Plaza Mohedano, Caracas, Vénézuéla
Egypt	Masayuki Yokoyama, Minister	Légation du Japon, No. 6 Rue Hadika Garden City: Le Caire, Egypte
Union of South Africa	Kenichi Okada, Minister	Legation of Japan, Prudential House, Pretorius St., Pretoria, Union of South Africa (P. O. Box. 1225, Pretoria)
Singapore	Issaku Okamoto, Consul-General	Consulate-General of Japan, Union Bldg., Collyer Quay, Singapore, Straits Settlements
Hong-Kong	Toyokazu Nakamura, Consul- General	Consulate-General of Japan, Prince's Bldg., 5, Ice House St., Hong-Kong
Philippines	Kiyoshi Uchiyama, Consul-General	Consulate-General of Japan, Willson Bldg., 143 Juan Luna, Binondo, Manila, P.I.
Dutch East Indies	Kintaro Mase, Consul-General	Consulate-General of Japan, Scottweg 23, Batavia-Centrum, Java
British India	Tanichiro Yoshida, Consul-General	Consulate-General of Japan, No. 5 Esplanade Mansions, Government Place East, Calcutta, British India
French Indo-China	Ushio Munemura, Consul-General	Consulat Général du Japon, 76 Boulevard Carnot, Hanof, Tonkin, Indochine
Australia	Toraō Wakamatsu, Consul-General	Consulate-General of Japan, Grace Bldg., 77 York St., Sydney, New South Wales, Australia
New Zealand	Kiichi Gunshi, Consul-General	Consulate-General of Japan, Colonial Mutual Building, Wellington, New Zealand

FOREIGN ENVOYS TO JAPAN

(July 30, 1938)

Country	Representative	Address in Tokyo
Afghanistan	Habibullah Khan Tarzi, Minister	7 Aoba-cho, Shibuya-ku
Germany	General Eugen Ott, Ambassador	14, 1-chomé, Nagatacho, Kojimachi-ku
The U.S.A.	Joseph Clark Grew, Ambassador	1 Enokizaka-machi, Akasaka-ku
Argentine	Eduardo Racedo, Minister	67 Shinsaka-machi, Akasaka-ku
Belgium	Le Baron de Bassompierre, Ambassador	33 Shimoniban-cho, Kojimachi-ku
Bolivia	Colonel Angel Ayoroa, Minister	7 Aoba-cho, Shibuya-ku
Brazil	Pedro Leão Velloso, Ambassador	2, 3-chomé, Omoté-cho, Akasaka-ku
Canada	R. Randolph Bruce, Minister	16, 3-chomé, Omoté-cho, Akasaka-ku
Chile	Martin Figueroa, Minister	7, 1-chomé, Shirokané Dai-machi, Shiba-ku
Colombia	Leopoldo Borda Roldan, Chargé d'Affaires	Yusen Kaisha Building, Marunouchi, Kojimachi-ku
Cuba	—	Osaka Building, Uchisaiwai-cho, Kojimachi-ku
Denmark	Baron Rudolph Bertouch-Lehn, Minister	52, Hikawa-cho, Akasaka-ku
Egypte	Abdel Wahab Daoud Bey, Minister	331, 3-chomé, Kamiosaki, Shinagawa-ku
Spain	Francisco José Del Castillo, Chargé d'Affaires	2, 1-chomé, Ichibeí-cho, Azabu-ku
Finland	Hugo Valvanne, Minister	62 Tansu-machi, Azabu-ku
France	Charles Arsène-Henry, Ambassador	33 Fujimi-cho, Azabu-ku
Great Britain	Sir Robert Craigie, Ambassador	1 Goban-cho, Kojimachi-ku
Iran	—	55 Zaimoku-cho, Azabu-ku
Italy	Giacinto Auriti, Ambassador	28, 1-chomé, Mita, Shiba-ku
Manchoukuo	Yuan Chen-Tuo, Ambassador	50 Sakurada-cho, Azabu-ku
Mexico	Général Francisco J. Aguililar, Minister	21, 2-chomé, Nagata-cho, Kojimachi-ku
Norway	Finn Koren, Minister	17 Aoyama Takagi-cho, Akasaka-ku
Holland	Général J.C. Pabst, Minister	1 Sakaé-cho, Shiba-ku
Peru	—	2, Hiroo-cho, Azabu-ku
Poland	Thaddée de Romer, Ambassador	9 Mita-Tsuna-machi, Shiba-ku
Portugal	Dr. Thomaz Ribeiro de Mello, Minister	1 Sannen-cho, Kojimachi-ku
Rumania	Georges G. Stoicesco, Minister	55 Zaimoku-cho, Azabu-ku
Slam	Phya Sri Sena, Minister	2 Dai-machi, Akasaka-ku
Sweden	Widar Bagge, Minister	63 Zaimoku-cho, Azabu-ku
Switzerland	Walter Thurnheer, Minister	1 Shimoniban-cho, Kojimachi-ku
Czechoslovakia	Frantisek Havlicek, Minister	22 Kasumi-cho, Azabu-ku
Turkey	R. Husrev Gerece, Ambassador	47 Kamiyama-cho, Shibuya-ku
The U.S.S.R.	Mikhail Slavoutski, Ambassador	1 Mamiana-cho, Azabu-ku

Japanese consulates are established in the following places:

Country	Situation of Consulates	Country	Situation of Consulates
Canada	Ottawa, Vancouver	U. S. S. R.	Novosivirsk
Great Britain	Liverpool	U. S. S. R.	Petropavlovsk
France	Marseilles	Manchoukuo	Manchuli
Belgium	Antwerp	Manchoukuo	Chinchow
Belgium	Anvers	Manchoukuo	Antung
Sweden	Stockholm	Manchoukuo	Chengchiatun
U. S. S. R.	Blagovestchensk	Manchoukuo	Hailoerh
			Yingkou
			Chifeng
			Chengte

Country	Situation of Consulates	Country	Situation of Consulates
China	Chefoo	Denmark	Tokyo, Yokohama, Kobé, Nagasaki, Osaka.
China	Hangchow	Spain	Yokohama, Kobé.
China	Soochow	U. S. A.	Tokyo, Yokohama, Nagoya, Kobé, Nagasaki, Taihoku, Keijo, Dairen
China	Wuhu	France	Yokohama, Kobé, Dairen, Nagasaki, Tansui, Keijo.
China	Chengchow	Great Britain	Tokyo, Yokohama, Osaka, Kobé, Shimonoseki, Nagasaki, Tansui, Keijo, Dairen, Jinsen, Hakodate, Otaru.
China	Kiukiang	Finland	Kobé, Yokohama, Dairen.
China	Ichang	Greece	Yokohama, Kobé, Osaka.
China	Shasi	Italy	Kobé, Yokohama, Nagasaki, Taihoku, Dairen.
China	Changsha	Mexico	Yokohama, Kobé.
China	Chungking	Norway	Tokyo, Yokohama, Kobé, Shimonoseki, Nagasaki, Tansui, Dairen.
China	Paotow	Holland	Tokyo, Nagoya, Yokohama, Kobé, Nagasaki, Taihoku, Keijo, Dairen, Shimonoseki.
China	Swatow	Panama	Yokohama, Osaka.
China	Yunnan	Peru	Yokohama, Kobé.
Cochin China	Saigon	Portugal	Tokyo, Kobé, Nagoya, Kyoto, Osaka, Moji, Shimonoseki, Nagasaki.
Siam	Bangkok	U. S. S. R.	Hakodate, Keijo, Tsuruga, Dairen.
Burma	Rangoon	Sweden	Yokohama, Osaka, Kobé, Shimonoseki, Moji, Nagasaki, Dairen.
Java	Sourabaya	Switzerland	Tokyo.
Sumatra	Medan	Venezuela	Kobé, Tokyo, Yokohama.
India	Bombay	Poland	Osaka, Tokyo, Yokohama.
Ceylon	Colombo	Czechoslovakia	Yokohama, Tokyo, Osaka, Kobé, Dairen.
Philippines	Davao	Siam	Osaka, Kobé, Nagoya, Yokohama.
Egypt	Port Said	Handuras	Kobé.
Egypt	Alexandria	Salvador	Tokyo.
Union of South Africa	Cape Town	Latvia	Tokyo.
British East Africa	Mombasa	Dominica	Kobé, Yokohama.
U. S. A.	Los Angeles	Guatemala	Tokyo, Yokohama, Kobé.
U. S. A.	Portland	Turkey	Osaka, Yokohama, Tokyo.
U. S. A.	Chicago	Uruguay	Kobé, Yokohama.
U. S. A.	Seattle	Rumania	Osaka.
U. S. A.	New Orleans	Luxemburg	Tokyo.
Cuba	Havana	Egypt	Tokyo.
Panama	Panama	Yugoslavia	Osaka.
Salvador	San Salvador	Haiti	Kobé.
Mexico	Mazatlan	Albania	Osaka.
Argentine	Buenos Aires	Paraguay	Tokyo, Yokohama.
Peru	Lima	Lithuania	Tokyo.
Brazil	São Paulo	Esthonia	Dairen.
Brazil	Rio de Janeiro	Manchoukuo	Moji, Niigata, Osaka, Shingishu.
Brazil	Belén		
Brazil	Santos		

The following foreign consulates are registered.

Country	Situation of Consulates
Germany	Yokohama, Kobé, Dairen, Osaka.
Argentine	Yokohama, Kobé, Osaka, Nagoya, Tokyo.
Austria	Tokyo.
Belgium	Yokohama, Kobé, Keijo, Dairen, Osaka.
Bolivia	Yokohama, Osaka, Kobé, Tokyo.
Brazil	Kobé, Yokohama, Nagasaki.
Chile	Tokyo, Kobé, Yokohama.
Colombia	Yokohama.
Cuba	Kobé.

CHAPTER VII

NATIONAL DEFENCE¹The 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 Mononobe clans, subjected the unruly tribes of the land and ascended the Imperial Throne to rule over the whole country. During this period the military system has undergone frequent changes in accordance with those in the state of society. In ancient times the rule was that the Emperor should take personal command of the forces; and although the military authority was sometimes delegated to the Empress or to the Prince Imperial, it was scarcely ever entrusted to a subject. In the middle ages, when the civil and military institutions were framed after the Chinese model, the Six Guards were founded, the Right and Left Horse Bureaux established, and other organizations, such as that of the Coast Guards, created. The military system was thus completed, but, habituated to a prolonged state of peace, the Imperial Court gradually lost its administrative 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 Kaèi, the decline of the Tokugawa Shogunate and the new aspect of foreign relations even threatened to impair our national dignity, causing no small an-

xiety to Our August Grandfather, the Emperor Ninko, and Our August Father, the Emperor Koméi, a fact which We recall with awe and gratitude. When in youth We succeeded to the Imperial Throne, the Shogun returned into Our hands the administrative power, and all the feudal lords their fiefs; thus, in a few years, Our entire realm was unified and the ancient régime restored. Due as this was to the meritorious services of Our loyal officers and wise councillors, civil and military, and to the abiding influence of Our Ancestors' benevolence towards the people, yet it must also be attributed to Our subjects' true sense of loyalty and their conviction of the importance of "Great Righteousness." In consideration of these things, being desirous of reconstructing Our military system and of enhancing the glory of Our Empire, We have in the course of the last fifteen years established the present system of the Army and Navy. The supreme command of Our forces is in Our hands, and although We may entrust subordinate commands to Our subjects, yet the ultimate authority We Ourselves shall hold and never delegate to any subject. It is Our will that this principle be carefully handed down to posterity and that the Emperor always retain the supreme civil and military power, so that the disgrace of the middle and succeeding ages may never be repeated. Soldiers and Sailors, We are your supreme Commander-in-Chief. Our relations with you will be most intimate when We rely upon you as Our limbs and you look up to Us as your head. Whether We are able to 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 serving under them. On the other hand, superiors should never treat their inferiors with contempt or arrogance. Except when official duty requires them to be strict and severe, superiors should treat their inferiors with consideration, making kindness their chief aim, so that all grades may unite in their service to the Emperor. If you, Soldiers and Sailors, neglect to observe propriety, treating your superiors with disrespect and your inferiors with harshness, and thus cause harmonious 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

¹ Note: The Imperial Army and Navy are fundamentally reorganized since July, 1937, and all matters connected with the changes are kept secret as a matter of course. We cannot help, therefore, to give here only what was known before the present wartime reorganizations.

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 ourself 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 world. The Council may meet 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 Sankichi Takahashi
Admiral Hisanori Fujita
General Hisalchi Terauchi
Admiral Nobumasa Suetsugu
Admiral Minéno Ōsumi
Lieutenant-General
Kolaro Nakamura

The Military Service System The system of compulsory military service in Japan is by no means a new one. It was established for the first time at the political innovation of Taika (646 A.D.). And the underwent a number of changes in course of time. It was improved greatly by the Taihoréi promulgated by the Mommu Tenno in the year 701 A.D. According to this law the whole country was divided into several military districts to facilitate the operation of the law and one-third of the youth in each district was compulsorily enlisted for military discipline.

The number of the trained men in Japan in those days is said to have reached more than 100,000. A long period of peace then ensued, with the result that the law gradually dropped out of practice, giving room to the emergence of a division of people into two classes; namely, warriors on the one hand and farmers on the other.

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

The fundamental aspects of the Japanese military service system are that it is based upon the unique nature of the Japanese policy and that the people, though the system is called compulsory so far as nomenclature goes, are not only willing, but deem it the highest honour, to serve in the army and the navy. All Japanese men, between 17 and 40 (except those who are disabled or those who have been imprisoned for six years or more) are required to serve.

The service is divided as follows:

(1) Jobi hēi-eki (standing service).

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 pri-

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

(3) Hoju hēi-eki (replenishment reserve service). This is divided into two categories:—(a) First Supplementary Untrained Reservists, 2 years and 4 months for the army and 1 year for the navy. (b) Second Supplementary Untrained Reservists, 12 years and 4 months for the army and 11 years and 4 months for the Navy.

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

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

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

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

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

The term of active service for graduates of middle schools and higher grade schools who have received full discipli-

inary 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 month's 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, 1928-1936, 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	39,861	680
1929	585,819	175,979	69,372	119,721	178,790	41,075	882
1930	595,505	174,482	69,275	121,961	187,863	40,989	938
1931	619,146	178,355	72,617	124,942	200,263	42,245	724
1932	621,844	174,282	71,556	125,938	207,401	41,951	710
1933	631,099	178,994	72,796	132,681	205,777	40,141	710
1934	641,969	185,432	72,979	135,275	206,810	40,822	651
1935	633,886	188,470	72,833	130,041	201,716	40,108	718
1936	630,802	195,832	73,722	134,744	186,610	34,316	578

Statistics on height and weight ascertained through the medical examinations for recent 8 years, 1928-1936, are as follows :

	Average Height	Average Weight
1928	1.596 m.	52.639 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.	52.816 kg.
1934	1.603 m.	52.994 kg.
1935	1.603 m.	52.950 kg.
1936	1.603 m.	53.176 kg.

The grades of education attained by men examined for conscription in recent 8 years, 1928-1936, were :

	University	Higher School	Middle School	Higher Elementary School and Young People's School	Elementary School	Elementary School (Unfinished)	Uneducated
1928	81	1,209	43,309	266,811	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	4,012
1931	1,721	11,406	65,698	313,628	192,772	28,913	5,009
1932	3,741	13,188	69,147	324,204	182,064	25,323	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	72,034	358,107	155,851	17,394	3,412
1936	10,285	17,155	70,992	373,823	140,910	14,591	3,046

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, 2,220 for 1935 and 2,044 for 1936 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, 0.35 in 1935 and 0.32 in 1936.

Classified according to occupations of

the households from which conscripts come in 1936, farmers head the list with 196,419 or 31.1 per cent of the total. Details follow :

Farmers	196,419
Fishermen	17,512
Miners	8,659
Industrial workers	192,348
Commercial workers	95,807
Transportation	24,486

Communications	5,807
Officials	16,698
Educators, priests, literary men, etc.	30,436
Miscellaneous	14,117
Unoccupied	26,454
Total	630,802

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 13,925 of which were allowed to enter the active service, a decrease of 183 in the number of volunteers and an increase of 1,332 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; there 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 Kago-shima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January, 1873, the Government adopted a conscription system, by which 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 36,000 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) was 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.

Year	Army Expenditure		
	Running Expenses	Extraordinary Expenses (In yen)	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	453,694,000
1935-36 (")	179,803,000	313,155,000	492,958,000
1936-37 (")	190,900,000	317,400,000	508,310,000
1937-38 (")	217,804,071	510,161,269	727,965,340
1938-39 (")	165,783,439	398,810,750	564,594,189

Note: For details of 1938-39 budget see Chapter VIII Public Finance, Budget for 1934-39, where the military expenditure in relation to the Sino-Japanese hostilities is given also.

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

Army Expenditure

The Army expenditure from 1893-94 down to 1937-38 have been as follows:

Year	Army Expenditure		
	Running Expenses	Extraordinary Expenses (In yen)	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	453,694,000
1935-36 (")	179,803,000	313,155,000	492,958,000
1936-37 (")	190,900,000	317,400,000	508,310,000
1937-38 (")	217,804,071	510,161,269	727,965,340
1938-39 (")	165,783,439	398,810,750	564,594,189

observed by the soldiers, morals and discipline among the men, the drafting of men and horses to various units, the conscription system, etc.

(d) The Replenishment Bureau is divided into two sections, one for mobilization and the other for co-ordination, and is responsible for the establishment and improvement of the mobilization system, preparation and co-ordination of war supplies, improvement of military transportation, etc.

(e) The Arms and Ordnance Bureau consists of the section for rifles and guns and the section for various supplies. It is in 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 con-

sists 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 Hôjjo.

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

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

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

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

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

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

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

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

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

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

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

are attached one to each of the divisions.

Japan has 30 artillery regiments and 10 battalions, namely 15 regiments of field artillery, 1 battalion of horse artillery, 4 regiments and 1 battalion of mountain artillery, and 8 regiments of heavy field artillery. A field artillery regiment is divided into 3 battalions, and a battalion into 3 companies. On peace strength a field artillery regiment consists of only 6 batteries each equipped with four guns. In addition there are 3 regiments and 8 battalions of heavy artillery, which are responsible for the 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	—
		(corps)
Balloon Corps		1
Commissariat		15
Tank Corps		2
		(corps)
Anti-Aircraft Artillery	1	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 Regiments 4th	Shimoshizu
Heavy Field Artillery Regiments 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
Infantry Regiment 1st	Tokyo
Infantry Regiment 49th	Kofu
Headquarters of 2nd Infantry Brigade	Tokyo
Infantry Regiment 3rd	Tokyo
Infantry Regiment 57th	Sakura
Headquarters of 2nd Cavalry Brigade	Narashino
Cavalry Regiment 1st	Tokyo
Cavalry Regiment 15th and 16th	Narashino
Headquarters of Heavy Field Artillery Brigade 3rd	Kohnodal
Field Artillery Regiment 1st	Tokyo
Horse Artillery Battalion	Kohnodal
Heavy Field Artillery Regiment 1st and 7th	Kohnodal
Yokosuka Heavy Artillery Regiment	Yokosuka
Engineer Battalion 1st	Tokyo
Commissariat Battalion 1st	Tokyo

2nd Division

Divisional headquarters	Sendai
Headquarters of 3rd Infantry Brigade	Sendai
Infantry Regiment 4th	Sendai
Infantry Regiment 29th	Wakamatsu
Headquarters of 15th Infantry Brigade	Takata
Infantry Regiment 16th	Shibata
The 3rd Battalion of this regiment is stationed at Muramatsu.	
Infantry Regiment 30th	Takata
Cavalry Regiment 2nd	Sendai
Field Artillery Regiment 2nd	Sendai
Independent Mountain Artillery Regiment 1st	Takata
Engineer Battalion 2nd	Sendai
Commissariat Battalion 2nd	Sendai

3rd Division

Divisional headquarters	Nagoya
Headquarters of 5th Infantry Brigade	Nagoya
Infantry Regiment 6th	Nagoya
Infantry Regiment 68th	Gifu
Headquarters of 29th Infantry Brigade	Shizuoka
Infantry Regiment 18th	Toyohashi
Infantry Regiment 34th	Shizuoka
Headquarters of 4th Cavalry Brigade	Toyohashi
Cavalry Regiment 3rd	Nagoya
Cavalry Regiment 25th and 26th	Toyohashi
Headquarters of 1st Heavy Field Artillery Brigade	Mishima
Heavy Field Artillery Regiments 2nd and 3rd.	Mishima
Field Artillery Regiment 3rd	Nagoya
Anti-aircraft Artillery Regiment 1st	Hamamatsu
Engineer Battalion 3rd	Toyohashi
Air Force Regiments 1st and 2nd	Gifu
Air Force Regiment 7th	Hamamatsu
Commissariat Battalion 3rd	Nagoya

4th Division

Divisional headquarters	Osaka
Headquarters of 7th Infantry Brigade	Osaka
Infantry Regiment 8th	Osaka
Infantry Regiment 70th	Sasayama
Headquarters of 32nd Infantry Brigade	Wakayama
Infantry Regiment 37th	Osaka
Infantry Regiment 61st	Wakayama
Cavalry Regiment	Osaka

Field Artillery Regiment 4th	Shitayama
Miyama Heavy Artillery Regiment Engineers	Miyama
Battalion 4th	Takatsuki
Commissariat Battalion 4th	Osaka
5th Division	
Divisional headquarters	Hiroshima
Headquarters of 9th Infantry Brigade	Hiroshima
Infantry Regiment 11th	Hiroshima
Infantry Regiment 41st	Fukuyama
Headquarters of 21st Infantry Brigade	Yamaguchi
Infantry Regiment 21st	Hamada
Infantry Regiment 42nd	Yamaguchi
Cavalry Regiment 5th	Hiroshima
Field Artillery Regiment 5th	Hiroshima
Engineer Battalion 5th	Hiroshima
Telegraph Regiment 2nd	Hiroshima
Commissariat Battalion 5th	Hiroshima
6th Division	
Divisional Headquarters	Kumamoto
Headquarters of 11th Infantry Brigade	Kumamoto
Infantry Regiment 13th	Kumamoto
Infantry Regiment 47th	Oita
Headquarters of Infantry Brigade 35th	Kagoshima
Infantry Regiment 23th	Miyakonojo
Infantry Regiment 45th	Kogoshima
Cavalry Regiment 6th	Kumamoto
Field Artillery Regiment 6th	Kumamoto
Engineer Battalion 6th	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
Infantry Regiment 27th and 28th	Asahigawa
Cavalry Regiment 7th	Asahigawa
Field Artillery Regiment 7th	Asahigawa
Hakodate Heavy Artillery Battalion	Hakodate
Engineer Battalion 7th	Asahigawa
Commissariat Battalion 7th	Asahigawa
8th Division	
Divisional headquarters	Hirosaki

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 2 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	—
		(corps)
Balloon Corps	1	1
Commissariat	—	15
Tank Corps	—	2
		(corps)
Anti-Aircraft Artillery	1	1

This force is divided into 17 divisions and 34 brigades 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 Regiments 4th	Shimoshizu
Heavy Field Artillery Regiments 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
Infantry Regiment 1st	Tokyo
Infantry Regiment 49th	Kofu
Headquarters of 2nd Infantry Brigade	Tokyo
Infantry Regiment 3rd	Tokyo
Infantry Regiment 57th	Sakura
Headquarters of 2nd Cavalry Brigade	Narashino
Cavalry Regiment 1st	Tokyo
Cavalry Regiment 15th and 16th	Narashino
Headquarters of Heavy Field Artillery Brigade	3rd
	Kohnodai
Field Artillery Regiment 1st	Tokyo
Horse Artillery Battalion	Kohnodai
Heavy Field Artillery Regiment 1st and 7th	Kohnodai
Yokosuka Heavy Artillery Regiment	Yokosuka
Engineer Battalion 1st	Tokyo
Commissariat Battalion 1st	Tokyo

2nd Division

Divisional headquarters	Sendai
Headquarters of 3rd Infantry Brigade	Sendai
Infantry Regiment 4th	Sendai
Infantry Regiment 29th	Wakamatsu
Headquarters of 15th Infantry Brigade	Takata
Infantry Regiment 16th	Shibata
The 3rd Battalion of this regiment is stationed at Muramatsu.	
Infantry Regiment 30th	Takata
Cavalry Regiment 2nd	Sendai
Field Artillery Regiment 2nd	Sendai
Independent Mountain Artillery Regiment 1st	Takata
Engineer Battalion 2nd	Sendai
Commissariat Battalion 2nd	Sendai

3rd Division

Divisional headquarters	Nagoya
Headquarters of 5th Infantry Brigade	Nagoya
Infantry Regiment 6th	Nagoya
Infantry Regiment 68th	Gifu
Headquarters of 29th Infantry Brigade	Shizuoka
Infantry Regiment 18th	Toyohashi
Infantry Regiment 34th	Shizuoka
Headquarters of 4th Cavalry Brigade	Toyohashi
Cavalry Regiment 3rd	Nagoya
Cavalry Regiment 25th and 26th	Toyohashi
Headquarters of 1st Heavy Field Artillery Brigade	Mishima
Heavy Field Artillery Regiments 2nd and 3rd.	Mishima
Field Artillery Regiment 3rd	Nagoya
Anti-aircraft Artillery Regiment 1st	Hamamatsu
Engineer Battalion 3rd	Toyohashi
Air Force Regiments 1st and 2nd	Gifu
Air Force Regiment 7th	Hamamatsu
Commissariat Battalion 3rd	Nagoya

4th Division

Divisional headquarters	Osaka
Headquarters of 7th Infantry Brigade	Osaka
Infantry Regiment 8th	Osaka
Infantry Regiment 70th	Sasayama
Headquarters of 32nd Infantry Brigade	Wakayama
Infantry Regiment 37th	Osaka
Infantry Regiment 61st	Wakayama
Cavalry Regiment	Osaka

Field Artillery Regiment 4th	Shitayama
Miyama Heavy Artillery Regiment Engineers	Miyama
Battalion 4th	Takatsuki
Commissariat Battalion 4th	Osaka

5th Division

Divisional headquarters	Hiroshima
Headquarters of 9th Infantry Brigade	Hiroshima
Infantry Regiment 11th	Hiroshima
Infantry Regiment 41st	Fukuyama
Headquarters of 21st Infantry Brigade	Yamaguchi
Infantry Regiment 21st	Hamada
Infantry Regiment 42nd	Yamaguchi
Cavalry Regiment 5th	Hiroshima
Field Artillery Regiment 5th	Hiroshima
Engineer Battalion 5th	Hiroshima
Telegraph Regiment 2nd	Hiroshima
Commissariat Battalion 5th	Hiroshima

6th Division

Divisional Headquarters	Kumamoto
Headquarters of 11th Infantry Brigade	Kumamoto
Infantry Regiment 13th	Kumamoto
Infantry Regiment 47th	Oita
Headquarters of Infantry Brigade 36th	Kagoshima
Infantry Regiment 23th	Miyakonojo
Infantry Regiment 45th	Kogoshima
Cavalry Regiment 6th	Kumamoto
Field Artillery Regiment 6th	Kumamoto
Engineer Battalion 6th	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
Infantry Regiment 27th and 28th	Asahigawa
Cavalry Regiment 7th	Asahigawa
Field Artillery Regiment 7th	Asahigawa
Hakodate Heavy Artillery Battalion	Hakodate
Engineer Battalion 7th	Arahigawa
Commissariat Battalion 7th	Asahigawa

8th Division

Divisional headquarters	Hirosaki
-------------------------	----------

Headquarters of 4th Infantry Brigade	Hirosaki	Cavalry Regiment 11th	Zentsuji
Infantry Regiment 5th	Aomori	Mountain Artillery Regiment 11th	Zentsuji
Infantry Regiment 31st	Hirosaki	Engineer Battalion 11th	Zentsuji
Headquarters of 16th Infantry Brigade	Akita	Commissariat Battalion 11th	Zentsuji
Infantry Regiment 17th	Akita	12th Division	
Infantry Regiment 32nd	Yamagata	Divisional headquarters	Kurumé
Headquarters of 3rd Cavalry Brigade	Morioka	Headquarters of 12th Infantry Brigade	Fukuoka
Cavalry Regiment 8th	Hirosaki	Infantry Regiment 14th	Kokura
Cavalry Regiment 23rd and 14th	Morioka	Infantry Regiment 24th	Fukuoka
Field Artillery Regiment 8th	Hirosaki	Headquarters of 24th Infantry Brigade	Kurumé
Engineer Battalion 8th	Morioka	Infantry Regiment 46th	Ohmura
Commissariat Battalion	Hirosaki	Infantry Regiment 48th	Kurumé
9th Division		The 3rd Battalion of this regiment is stationed at Saga	
Divisional headquarters	Kanazawa	Tank Corps 1	Kurumé
Headquarters of 6th Infantry Brigade	Kanazawa	Cavalry Regiment 12th	Kurumé
Infantry Regiment 7th	Kanazawa	Headquarters of 2nd Heavy Field Artillery Brigade	Kokura
Infantry Regiment 35th	Toyama	Field Artillery Regiment 24th	Kurumé
Headquarters of 18th Infantry Brigade	Tsuruga	Independent Mountain Artillery Regiment 3rd	Kurumé
Infantry Regiment 19th	Tsuruga	Heavy Field Artillery Regiment 5th and 6th	Kokura
Infantry Regiment 36th	Sabayé	Shimonoseki Heavy Artillery Regiment	Shimonoseki
Cavalry Regiment 9th	Kanazawa	Sasebo Heavy Artillery Battalion	Sasebo
Mountain Artillery Regiment 9th	Kanazawa	Kechi Heavy Artillery Battalion	Kechi
Engineer Battalion 9th	Kanazawa	Engineer Battalion 18th	Kurumé
Commissariat Battalion 9th	Kanazawa	Flying Air Force Regiment 4th	Tachiarai
10th Division		Commissariat Battalion 18th	Kurumé
Divisional Headquarters	Himeji	14th Division	
Headquarters of 8th Infantry Brigade	Himeji	Divisional headquarters	Utsunomiya
Infantry Regiment 39th	Himeji	Headquarters of 27th Infantry Brigade	Utsunomiya
Infantry Regiment 40th	Tottori	Infantry Regiment 2nd	Mito
Headquarters of Infantry Brigade 33rd	Okayama	Infantry Regiment 59th	Utsunomiya
Infantry Regiment 10th	Okayama	Headquarters of 28th Infantry Brigade	Takasaki
Infantry Regiment 63th	Matsuyé	Infantry Regiment 15th	Takasaki
Cavalry Regiment 10th	Himeji	Infantry Regiment 50th	Matsumoto
Field Artillery Regiment 10th	Himeji	Cavalry Regiment 18th	Utsunomiya
Engineer Battalion 10th	Okayama	Field Artillery Regiment 20th	Utsunomiya
Commissariat Battalion 10th	Himeji	Engineer Battalion 14th	Mito
11th Division		Commissariat Battalion 14th	Utsunomiya
Divisional headquarters	Zentsuji	16th Division	
Headquarters of 10th Infantry Brigade	Zentsuji	Divisional headquarters	Kyoto
Infantry Regiments 12th	Zentsuji	Headquarters of 19th In-	
Infantry Regiment 22nd	Matsuyama		
Headquarters of 22nd Infantry Brigade	Tokushima		
Infantry Regiment 43rd	Tokushima		
Infantry Regiment 44th	Kochi		

Infantry Brigade	Kyoto	Headquarters of Chosen Army	Keijo
Infantry Regiment 9th	Kyoto	Headquarters of Taiwan Army	Taihoku
The 3rd Battalion of this regiment is stationed at Ohtsu		Headquarters of Taiwan Garrison	Taihoku
Infantry Regiment 20th	Fukuchiyama	1st Taiwan Infantry Regiment I	Taihoku
Headquarters of 30th Infantry Brigade	Tsu	2nd Taiwan Infantry Regiment 2	Taihoku
Infantry Regiment 33rd	Tsu	Taiwan Mountain Artillery Battalion	Taihoku
Infantry Regiment 38th	Nara	Kiirun Heavy Artillery Battalion	Kiirun
Cavalry Regiment 20th	Kyoto	Mako Heavy Artillery Battalion	Mako
Field Artillery Regiment 22nd	Kyoto	Heito 8th Flight Regiment	Heito
Maizuru Heavy Artillery Battalion	Maizuru	Headquarters of Kwantung Army	Ryojun
Engineer Battalion 16th	Kyoto	Headquarters of Independent Garrison	Koshurei
Air Force Regiment 3rd	Yokkaichi	1st Infantry Battalion Independent Garrison	Koshurei
Commissariat Battalion 16th	Kyoto	2nd Infantry Battalion Independent Garrison	Mukden
19th Division		3rd Infantry Battalion Independent Garrison	Tashihchiao
Divisional headquarters	Ranan	4th Infantry Battalion Independent Garrison	Lienshan-kwan
Headquarters of 37th Infantry Brigade	Kanko	5th Infantry Battalion Independent Garrison	Ssupinkai
Infantry Regiment 73rd	Ranan	6th Infantry Battalion Independent Garrison	Antung
Infantry Regiment 74th	Kanko	Ryojun Heavy Artillery Battalion	Ryojun
Headquarters of 30th Infantry Brigade	Ranan	Headquarters of Japanese Force in China	Tientsin
Infantry Regiment 75th	Kainei	Japanese Infantry Garrison in Tientsin	Tientsin
Infantry Regiment 76th	Ranan	Japanese Infantry Garrison in Peiping	Peiping
Cavalry Regiment 27th	Ranan		
Field Artillery Regiment 25th	Ranan		
Engineer Battalion 19th	Kainei		
30th Division			
Divisional headquarters	Ryuzan		
Headquarters of 39th Infantry Brigade	Heijo		
Infantry Regiment 77th	Heijo		
Infantry Regiment 78th	Ryuzan		
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		

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	(15) Kilrun	Taiwan Army
(12) Maizuru	16th	(16) Bokoto	"
(13) Chinkaiwan	Chosen Army	(17) Ryojun (Port Arthur)	"
(14) Eikowan	Chosen Army		Kwantung Army

OCCUPATION OF SENIOR COMMANDS

(April 1, 1937)

Name and Rank	Command
Lieut.-General Tsuneichi Iwakoshi	Tokyo Garrison
Lieut.-General Toshizo Nishio	Guard Division
Lieut.-General Kyosuké Kawamura	1st Division
Lieut.-General Yasuji Okamura	2nd Division
Lieut.-General Masayoshi Itô	3rd Division
Lieut.-General Mei Matsui	4th Division
Lieut.-General Seishiro Itagaki	5th Division
Lieut.-General Toshio Tani	6th Division
Lieut.-General Kazuo Miké	7th Division
Lieut.-General Kumaya Shimomoto	8th Division
Lieut.-General Ban Hasunuma	9th Division
Lieut.-General Rensuké Isogai	10th Division
Lieut.-General Hayao Tada	11th Division
Lieut.-General Otozo Yamada	12th Division
Lieut.-General Kenji Dohihara	14th Division
Lieut.-General Tomoo Kodama	16th Division
Lieut.-General Kameki Otaka	19th Division
Lieut.-General Bunzaburo Kawagishi	20th Division

OVERSEAS COMMANDS

Name and Rank	Command
General Kenkichi Uéda	Kwantung Army
Lieut.-General Kuniaki Koiso	Chosen Army
Lieut.-General Shunroku Hata	Taiwan Army
Lieut.-General Kanichiro Tashiro	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	" "
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba
Signallers' School	Tokyo
Mechanical Transport School	" "

Narashino Military School
Toyama School
Military Academy
Military Preparatory School
5 Non-Commissioned Officers' Schools

Chiba prefecture
Tokyo city
"
"
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	
Akéno Flying School	Saitama prefecture
Hamamatsu Flying School	Miyé prefecture
Shimoshizu Flying School	Shizuoka prefecture
Engineering School	Chiba prefecture
Intendance School	Tokyo City
Army Medical School	Tokyo City
Army Veterinary School	Tokyo City
Gendarmerie Training School	Tokyo City

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 Akéno 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 Uruga Bay in the 6th year of Kaéi (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Anséi (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just be-

fore the outbreak of Russo-Japanese War 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

(11) Iki	12th	(15) Kiirun	Taiwan Army
(12) Maizuru	16th	(16) Bokoto	"
(13) Chinkaiwan	Chosen Army	(17) Ryojun (Port Arthur)	"
(14) Elkowan	Chosen Army		Kwantung Army

OCCUPATION OF SENIOR COMMANDS

(April 1, 1937)

Name and Rank	Command
Lieut.-General Tsuneichi Iwakoshi	Tokyo Garrison
Lieut.-General Toshizo Nishio	Guard Division
Lieut.-General Kyosuké Kawamura	1st Division
Lieut.-General Yasuji Okamura	2nd Division
Lieut.-General Masayoshi Itô	3rd Division
Lieut.-General Mei Matsui	4th Division
Lieut.-General Seishiro Itagaki	5th Division
Lieut.-General Toshio Tani	6th Division
Lieut.-General Kazuo Miké	7th Division
Lieut.-General Kumaya Shimomoto	8th Division
Lieut.-General Ban Hasunuma	9th Division
Lieut.-General Rensuké Isogai	10th Division
Lieut.-General Hayao Tada	11th Division
Lieut.-General Otozo Yamada	12th Division
Lieut.-General Kenji Dohihara	14th Division
Lieut.-General Tomoo Kodama	16th Division
Lieut.-General Kameki Otaka	19th Division
Lieut.-General Bunzaburo Kawagishi	20th Division

OVERSEAS COMMANDS

Name and Rank	Command
General Kenkichi Ueda	Kwantung Army
Lieut.-General Kunlaki Kolso	Chosen Army
Lieut.-General Shunroku Hata	Taiwan Army
Lieut.-General Kanichiro Tashiro	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	" "
Heavy Field Artillery School	Kanagawa prefecture
Engineers' School	Chiba "
Signallers' School	Tokyo "
Mechanical Transport School	" "

Narashino Military School	Chiba prefecture
Toyama School	Tokyo city
Military Academy	" "
Military Preparatory School	" "
5 Non-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
Akéo Flying School	Miyé prefecture
Hamamatsu Flying School	Shizuoka prefecture
Shimoshizu Flying School	Chiba prefecture
Engineering School	Tokyo City
Intendance School	Tokyo City
Army Medical School	Tokyo City
Army Veterinary School	Tokyo City
Gendarmerie Training School	Tokyo City

The Flying School at Tokorozawa 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 Akéo 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 Uruga Bay in the 6th year of Kaéi (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Anséi (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just be-

fore the outbreak of Russo-Japanese War in possession of 78 ships with a total tonnage of 250,816 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.) 25 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 13 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 other ships, and the improvement of planes carried on plane-carriers and arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by

1935. 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 Sakéi 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.

Naval Expenditure

The naval expenditure from 1893-94 down to 1937-38 have been as follows (As to the minutes of the 1937-38 budget, see Chapter VIII, Public Finance, Budget for 1937-38.)

Year	Running Expenses	Extraordinary Expenses (In Yen)	Total
1893-94 (Just before Sino-Japanese War)	5,141,000	2,960,000	8,101,000
1896-97 (Just after Sino-Japanese War)	7,351,000	12,655,000	20,006,000
1903-04 (Just before Russo-Japanese War)	21,530,000	14,588,000	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	116,992,000	253,537,000
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	289,237,000	489,147,000
1935-36 (")	215,917,000	313,765,900	529,683,000
1936-37 (")	236,750,000	313,640,000	550,390,000
1937-38 (")	273,953,380	407,700,236	681,653,616
1938-39 (")	293,382,149	383,976,291	677,358,440

Note: For details of 1938-39 budget see Chapter VIII, Public Finance, Budget for 1938-39, where the Navy expenditure in relation to the Sino-Japanese hostilities is given also.

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 Ward masters are educated here before they are qualified for the rank of Wardmaster Lieutenant.

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

are qualified for the rank of Accountant Lieutenants.

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

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

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

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

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

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

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

Active Service Organization

The Three Districts The coasts of Japan and the seas surrounding the country are divided into three Naval Districts, and these districts are placed in 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, Shimoné, 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 Sasébo 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 district 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.

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, 1923, 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 3, 1936, are as follows:

Combined Fleet

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

1st Fleet

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

2nd Fleet

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

3rd Fleet

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

Training Squadron

Yakumo and Iwaté.

The Naval Air Force

The Naval Air Force consists of:
(1) 7½ aeroplane corps at Kasumigaura, 5 aeroplane corps at Yokosuka, 5½ aeroplane corps at Tatéyama, 1½ aeroplane corps at Sasébo, 2½ corps at Omura, 1½ corps at Kuré, 1½ Corps at Sahéki and 1½ Corps at Ominato, the number of planes belonging to these air corps are unavailable; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, 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	2,395

Lieutenants to 2nd Sub-Lieutenants, non-executive officers, midshipmen and special service officers	3,958
Warrant officers	1,953
Cadets at school	348
Total	8,802

Equipment Each naval station is equipped with a shipbuilding yard, and one or more dry docks for accomodating warships. The Yokosuka and Kuré arsenals are capable of taking in superdreadnoughts of over 40,000 tons, but those of Sasébo 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 Séiki (870 tons) launched at Yokosuka in 1875. She played an important part in the civil war of 1877. The Hashidaté (4,223 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 Saghalien, 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.

List of Ships

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

Type	No.	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	25	107,255
Aircraft Carriers	6	68,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	19,630
Coast Defence Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	80	95,479
2nd Class Destroyers	30	23,390
1st Class Submarines	37	49,157
2nd Class Submarines	25	20,927

OCCUPANTS OF SENIOR COMMANDS

(May 1, 1937)

Name and Rank	Command
(1) FLEETS AND SQUADRONS:	
Admiral Sankichi Takahashi	Combined Fleet and 1st Fleet
Vice-Admiral Takayoshi Kato	2nd Fleet
Vice-Admiral Koshiro Oikawa	3rd Fleet
(2) YOKOSUKA NAVAL STATION:	
Admiral Gengo Hyakutake	Naval Station
Vice-Admiral Tatsuo Furuichi	Naval Dockyard
Rear-Admiral Goro Hara	Naval Aeronautical Arsenal
(3) KURE NAVAL STATION:	
Vice-Admiral Takayoshi Kato	Naval Station
Vice-Admiral Teijiro Toyoda	Naval Dockyard
(4) SASSEBO NAVAL STATION:	
Vice-Admiral Koichi Shiozawa	Naval Station

Torpedo Boats	12	2,108
Mine Sweepers	12	6,642
Special Service Ships	21	219,935
Total	302	1,134,823

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

The Planes

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

The reconnoitering planes in use are of type 14. They are equipped with a 450 h.p. motor and can cover nearly 200 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.

Name and Rank	Command
Vice-Admiral Shigeru Kikuno	Naval Dockyard
(5) MINOR NAVAL STATIONS:	
Vice-Admiral Kamesaburo Nakamura	Maizuru Minor Station
Rear-Admiral Haruma Izawa	Ominato Minor Station
Rear-Admiral Kotozo Wada	Bako Minor Station
Vice-Admiral Keitaro Hara	Chinkai Minor Station
Rear-Admiral Masaichi Maeda	Ryojun Minor Station
Vice-Admiral Kichijiro Hamada	Manchoukuo Naval Office
Rear-Admiral Denshichi Ogochi	Landing Party at Shanghai

Presidents of Naval Schools

Vice-Admiral Saburo Sato	Naval War College
Vice-Admiral Manbei Demitsu	Naval College
Vice-Admiral Ichiro Kaneda	Naval Engineering College
Surgeon Rear-Admiral Yoshihiro Mukoyama	Naval Medical College
Paymaster Rear-Admiral Juzo Sasaki	Naval Paymasters' College
Rear-Admiral Ninichi Kusaka	Naval Gunnery School
Rear-Admiral Taichi Miki	Torpedo School
Rear-Admiral Boshiro Hosokaya	Naval Communications School
Rear-Admiral Hidehiko Ukita	Submarine School
Rear-Admiral Shiro Koike	Navigation School
Rear-Admiral Hikohichi Asakuma	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 ¥2,000,000,000 to ¥3,000,000,000 each for general accounts only.¹

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 postwar 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 ¥800,000,000, which is 36 per cent of the total State revenue. 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

¹ For a detailed historical account of public finances see *The Japan Year Book, 1933, Chapter IX.*

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.

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-Japanese wars. The nationalization of the railway 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. (See "Public Debts" for a fuller statement.)

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 promulga-

tion 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 following 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. (See "Local Expenditure" for the status of recent years.)

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 founda-

tion 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 Kato (Takaaki) Cabinet, made a substantial readjustment of special accounts in 1925 and reduced the number to 31. Subsequently, the health insurance special accounts, the postal annuity special accounts and live-stock reinsurance special accounts were established. In 1934 government steel works was omitted and communication enterprises was put into the list instead. The present number of special accounts is 46 as they are given in the table "Special Accounts," Budget for 1938-1939.

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 Shimonoséki 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 ¥100,000,000 in 1896 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, ¥33,000,000 for naval ordnance, ¥17,000,000 for army

expenses, and ¥14,000,000 for naval construction. These enterprises were 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	¥78,997,164
Army expansion funds	56,798,638
Navy expansion funds	139,259,387
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	3,700,210

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 monopoly, 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 approv-

ed 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 ¥675,000,000 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 *Salonji* Cabinet and the second *Katara* 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 *Salonji* 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 ¥63,000,000.

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 wartime 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 ¥405,000,000 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 Kanto 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 Kanto 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 *Katō* 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 ¥350,000,000, 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 *Takaaki Kato* of the *Kensēikai*. The Cabinet was inducted in June, 1924, and a no-loan policy was adopted by the Cabinet and taxation readjustment was also enforced. An independent *Kensēikai* 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 *Sēiyūkai* and two *Minsēito* (incarnation of *Kensēikai*) Cabinets came into power in turn. The former stood for a traditional inflation policy, while the latter for deflation policy. Financial retrenchment was carried out by the *Minsēito* Cabinet and the gold em-

expenses, and ¥14,000,000 for naval construction. These enterprises were 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	56,798,638
Navy expansion funds	139,259,387
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 monopoly, 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 280,000 tons before the War to 513,000 tons in 1908. The railway nationalization bill was approv-

ed 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 Salonji 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 Salonji 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 ¥63,000,000.

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 wartime 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 ¥108,000,000 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 Kanto 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 Kanto 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 Katō 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 Takaaki Kato of the Kensēikai. The Cabinet was inducted in June, 1924, and a no-loan policy was adopted by the Cabinet and taxation readjustment was also enforced. An independent Kensēikai 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 Sēiyukai and two Minsēito (incarnation of Kensēikai) Cabinets came into power in turn. The former stood for a traditional inflation policy, while the latter for deflation policy. Financial retrenchment was carried out by the Minsēito Cabinet and the gold em-

bargo was lifted by the Hamaguchi Cabinet (Minscito) on January 11, 1930. Mr. Junnosuke Inoue, Finance Minister of that Cabinet, adopted a no-loan policy. A noteworthy financial retrenchment was carried out by Mr. Inoue 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 ¥20,733,000 was the result of reduction of administrative expenses and ¥8,330,000 by the postponement of different enterprises.

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.

Expansion of National Budget

The first expansion of Japanese finance had come with the World War when it had passed the ¥1,000,000,000 mark and the next one came with the Manchurian incident, and in 1932 it approached the ¥2,000,000,000 mark. The increase of the national ways and means has continued since and the budget for 1937-38 reaches ¥2,815,000,000, an increase of ¥510,000,000 or 18 per

cent as compared with the previous year.

The exchange rate of the yen has greatly fluctuated in these years. But even when the lowered value of the yen is taken into consideration the real increase in the national finance cannot be denied, while the rate of its per capita increase far exceeds that of population.

The per capita national wealth, national revenue and national expenditure have all increased greatly since 1912, the index numbers on the base of that year taken as 100 being 290.2 for national wealth in 1930, 239.7 for national revenue in 1934 and 293.3 for national expenditure in 1936, or the rate of their increase is almost on a par with each other.

Among the resources of national revenue the rate of increase of loans is much more ahead of those of taxes and others. The outstanding national loans which amounted to ¥2,570,000,000 at the end of 1912 increased to ¥9,850,000,000 at the end of 1935, or the per capita debt increased from ¥50 for Japan proper and ¥37 for the Empire in 1912 to ¥145 for Japan proper and ¥103 for the Empire in 1935. The amount of national revenue from taxes increased, but its proportion to the total revenue decreased and the per capita amount of taxes also decreased as compared with 1926 as given in the following table.

As to the finance of local governments its increase is still more rapid than that of the central government, its index number in 1935 being 555.85 against 371.71 for the latter as compared with 1912.

YEARLY COMPARISON OF REVENUE AND EXPENDITURE, NATIONAL LOANS, NATIONAL WEALTH AND NATIONAL INCOME

(Amount in ¥1,000)

	Expenditure, General Account		Revenue, General Account		
	Amount	Revalued according to the current value of the yen (Amount divided by the average index No. of prices)	Total Amount	From Taxes Amount	From Loans Proportion to the Total
1912	593,596	449,456	687,392	360,970	52.51
1913	573,634	433,520	721,975	369,480	51.18
1914	648,420	513,356	734,648	343,708	46.79
1915	583,270	456,536	708,616	312,745	44.13
1916	590,795	382,218	813,309	348,673	42.87
1917	735,024	377,904	1,084,958	430,604	39.69
1918	1,017,036	399,198	1,479,116	519,293	35.11
1919	1,172,328	375,770	1,808,633	672,386	37.18
1920	1,359,978	396,276	2,000,652	696,257	34.80
1921	1,469,856	561,955	2,065,711	785,852	38.04
1922	1,429,690	551,855	2,087,345	896,404	42.94
1923	1,521,050	577,292	2,045,298	787,203	38.49

	Expenditure, General Account			Revenue, General Account		
	Amount	Revalued according to the current value of the yen (Amount divided by the average index No. of prices)	Total Amount	From Taxes Amount	From Loans Proportion to the Total	Amount
1924	1,625,024	594,811	2,127,391	887,238	41.71	127,970
1925	1,524,989	571,499	2,071,369	894,809	43.20	46,590
1926	1,578,826	667,157	2,056,361	886,999	43.13	34,033
1927	1,765,723	785,988	2,062,755	898,673	43.57	61,094
1928	1,914,855	802,678	2,005,691	915,910	45.67	157,085
1929	1,736,317	789,845	1,826,445	893,505	48.92	99,863
1930	1,557,864	860,793	1,596,972	835,041	52.29	38,000
1931	1,476,875	955,025	1,531,082	735,504	48.04	120,272
1932	1,950,141	1,210,816	2,045,276	695,837	34.02	659,593
1933	2,254,662	1,256,219	2,331,760	748,567	32.10	753,038
1934	2,163,004	1,217,633	2,246,982	843,183	37.53	742,542
1935	2,206,478	1,189,733	2,259,321	926,083	40.99	678,371
1936	2,311,517	1,170,388	2,305,574	965,391	41.87	703,838

	Proportion to the Total	From Others		Loans Outstanding at the end of the year	National Wealth (In ¥1,000,000)	National Income
		Amount	Proportion to the Total			
1912	2.67	308,095	44.82	2,573,219	—	2,944
1913	1.79	339,600	47.04	2,584,123	32,043	3,030
1914	1.45	380,251	51.78	2,506,371	—	3,130
1915	0.24	394,166	55.62	2,489,234	—	3,030
1916	0.19	463,059	56.93	2,467,702	—	3,055
1917	1.59	637,370	58.75	2,698,741	45,696	3,527
1918	1.92	931,468	62.97	3,051,776	—	4,670
1919	1.06	1,117,157	61.77	3,277,873	86,079	6,384
1920	2.68	1,250,763	62.52	3,777,264	—	8,284
1921	2.57	1,226,826	59.39	4,077,116	—	10,855
1922	1.29	1,164,015	55.77	4,341,896	—	13,389
1923	1.71	1,223,054	59.80	4,729,956	—	13,252
1924	6.02	1,112,183	52.28	4,863,013	102,341	12,904
1925	2.25	1,129,970	54.55	4,999,176	—	13,382
1926	1.66	1,135,329	55.21	5,171,766	—	12,503
1927	2.96	1,102,988	53.47	5,397,867	—	11,637
1928	7.83	932,696	46.50	5,831,261	—	11,434
1929	5.47	833,077	45.61	5,959,457	—	11,510
1930	2.38	723,931	45.33	5,955,817	110,188	10,636
1931	7.86	675,306	44.11	6,187,657	—	8,716
1932	32.25	689,846	33.73	7,054,196	—	8,539
1933	32.29	830,155	35.60	8,139,038	—	9,719
1934	33.05	661,257	29.43	9,090,454	—	11,247
1935	30.03	654,867	28.99	9,854,301	—	—
1936	30.53	636,345	27.60	—	—	—

Note:—Figures for revenue and expenditure in 1912-1934 represent settled accounts in 1935 current accounts, and in 1936 budget.

YEARLY COMPARISON OF PER CAPITA NATIONAL EXPENDITURE, TAXES, LOANS, WEALTH AND INCOME

(In yen)

	Expenditure, General Account	Taxes	Loans Outstanding The Empire	Japan Proper	National Wealth	National Income
1912	11.47	7.13	37.52	50.88	—	58
1913	10.95	7.20	36.82	50.37	600	59
1914	12.08	6.60	34.99	48.16	—	60
1915	10.71	5.92	34.15	47.19	—	57

	Expenditure, General, Account	Taxes	Loans Outstanding The Empire	Japan Proper	National Wealth	National Income
1916	10.70	6.51	33.33	46.13	—	57
1917	13.12	7.95	35.93	49.85	815	65
1918	17.51	9.48	40.09	55.75	—	85
1919	20.84	12.21	42.81	59.56	1,530	116
1920	24.52	12.55	48.94	68.09	—	149
1921	26.56	14.01	52.20	72.69	—	194
1922	25.19	15.79	54.93	76.50	—	236
1923	26.47	13.70	59.09	82.30	—	231
1924	27.93	15.25	59.91	83.59	1,759	222
1925	25.88	15.19	60.81	84.85	—	227
1926	26.43	14.85	61.15	86.57	—	209
1927	29.08	14.80	63.22	88.89	—	192
1928	29.47	14.87	67.46	94.70	—	186
1929	27.79	14.30	68.05	95.38	—	184
1930	24.61	13.19	67.14	94.10	1,741	168
1931	22.99	11.45	67.57	96.34	—	136
1932	29.99	10.70	76.91	108.50	—	131
1933	34.14	11.34	87.27	123.25	—	147
1934	32.33	12.60	96.15	135.87	—	168
1935	32.60	13.68	102.74	145.58	—	—
1936	33.64	14.05	—	—	—	—

Note:—Figures for expenditure and taxes in 1912-1934 represent settled accounts, in 1935 current accounts and in 1936 budget.

YEARLY COMPARISON OF REVENUE AND EXPENDITURE OF LOCAL GOVERNMENTS

(In ¥1,000)

	Expenditure		Revenue			Expenditure		Revenue	
	Amount	Revalued according to the cur- rent value of the yen	Amount	Revalued according to the cur- rent value of the yen		Amount	Revalued according to the cur- rent value of the yen	Amount	Revalued according to the cur- rent value of the yen
1912	330,467	250,221	387,215		1924	1,306,100	478,075	1,613,590	
1913	320,595	242,288	367,924		1925	1,409,196	528,105	1,712,791	
1914	320,433	253,688	366,224		1926	1,593,997	673,567	1,912,002	
1915	311,636	243,923	359,474		1927	1,969,307	876,611	2,247,828	
1916	328,558	212,563	379,876		1928	1,893,809	837,598	2,156,918	
1917	378,569	194,637	472,927		1929	1,714,647	779,988	1,956,528	
1918	495,041	194,309	588,912		1930	1,752,737	968,470	1,993,262	
1919	652,387	209,112	809,664		1931	1,625,969	1,062,447	1,826,211	
1920	949,166	276,572	1,153,424		1932	1,898,928	1,179,019	2,097,910	
1921	1,078,450	406,778	1,337,528		1933	1,534,905	1,412,361	2,761,632	
1922	1,288,898	497,509	1,567,242		1934	1,792,632	1,009,137	1,793,126	
1923	1,253,754	475,844	1,541,055		1935	1,836,237	990,099	1,837,117	

Note:—Figures for 1912-1933 represent settled accounts, for 1934 and 1935 budget.

STATE REVENUE AND EXPENDITURE FOR 1937-38 COMPARED WITH 1936-37

Sources of Revenue	1937-38 Budget	1936-37 Working Budget	Comparison	
			Increase	Decrease
Ordinary:				
Taxes:				
Income tax	1,250,722,354	923,302,673	327,419,681	—
Land tax	429,524,381	231,456,191	198,068,190	—
Business profits tax	58,760,697	58,508,243	252,454	—
	73,475,167	61,850,319	11,624,848	—

Sources of Revenue	1937-38 Budget	1936-37 Working Budget	Comparison	
			Increase	Decrease
			(In yen)	
Capital interest tax	29,176,704	15,639,040	13,537,664	—
Tax on the capital of corpora- tions	15,454,980	—	15,454,980	—
Succession tax	33,475,676	32,607,153	868,523	—
Mining tax	5,859,028	4,278,171	1,580,857	—
Special tax on foreign currency securities	2,793,739	—	2,793,739	—
Tax on liquors	235,210,774	209,520,291	25,690,483	—
Table water tax	4,139,591	3,710,490	429,101	—
Sugar excise	98,743,607	87,295,039	11,448,568	—
Textiles consumption tax	43,040,849	42,750,357	290,492	—
Gasoline tax	14,913,855	—	14,913,855	—
Tax on hourses	19,279,858	14,842,084	4,437,774	—
Tax on the transfer of securities	4,624,717	—	4,624,717	—
Customs duties	179,300,612	158,012,255	21,288,357	—
Tonnage dues	2,948,119	2,833,040	115,079	—
Stamp receipts	86,743,493	79,610,398	7,133,095	—
Receipts from government under- takings and properties:				
Forests	331,176,735	292,404,703	38,772,032	—
Profits of monopoly	48,350,375	46,407,469	1,942,906	—
Dividend receipts	233,968,819	201,896,234	32,072,585	—
Prisons receipts	28,956,902	29,304,397	—	345,495
Other receipts from Government undertakings and properties	14,697,816	9,851,257	4,846,559	—
Receipts from the Special Account for postal, telegraph and tele- phone services	5,200,823	4,945,346	255,477	—
Payments to the Government by the Bank of Japan	81,000,000	81,000,000	—	—
Miscellaneous receipts	13,007,561	20,760,435	—	7,672,874
Transfers from Special Account of funds for educational improve- ment and agricultural village de- velopment	57,033,847	46,332,391	10,701,456	—
Total	7,495,307	6,648,436	846,871	—
Extraordinary:	1,827,259,297	1,450,059,036	377,200,261	—
Proceeds of sale of State property	6,518,169	16,643,798	—	10,125,629
Miscellaneous receipts	45,979,277	16,550,117	29,429,160	—
Receipts from the issue of public loans	1,228,580,575	703,837,561	524,743,014	—
Local payment to expenses incur- red by the State for the benefit of certain prefectures	7,122,439	7,407,516	—	285,077
Local contributions to expenses incurred by the State for the benefit of certain prefectures	10,645,966	10,640,710	5,256	—
Payment from Insurance Com- panies	3,162,652	3,520,788	—	358,136
Transfers from Special Accounts	8,875,368	11,997,769	—	3,122,401
Receipts from the Special Profits Tax	58,522,658	42,087,900	16,434,758	—
Transfer of the surplus from the preceding year	20,649,102	—	20,649,102	—
Receipts from certain Special Ac- counts	67,890,000	17,500,000	50,390,000	—
Receipts from the Emergency Tax for the North China Incident	66,548,361	—	66,548,361	—

Sources of Revenue	1937-38 Budget	1936-37 Working Budget	Comparison	
			Increase	Decrease
(In yen)				
Receipts from certain Special Accounts for financing expenditure for the North China Incident	2,883,342	—	2,883,342	—
Borrowings for financing expenditure for the North China Incident	36,591,321	—	36,591,321	—
Other receipts	24,711,280	25,329,000	—	617,720
Total	1,588,680,510	855,515,159	733,165,351	—
Total revenue	3,415,939,807	2,305,574,195	1,110,365,612	—
Branches of Expenditure	1937-38 Budget	1936-37 Working Budget	Comparison	
			Increase	Decrease
Ordinary:				
Imperial Household	4,500,000	4,500,000	—	—
Foreign Affairs:	18,020,872	17,497,312	523,560	—
Department proper	3,557,965	3,396,657	161,308	—
Embassies, legations and consulates abroad	13,440,914	12,743,277	697,637	—
Other expenses	1,021,993	1,357,378	—	335,385
Home Affairs:	75,864,446	59,177,107	16,687,339	—
Shinto shrine	1,251,360	1,001,360	250,000	—
Department proper	1,075,465	907,190	168,275	—
Prefectures (Dō, Fu and Ken)	11,723,829	10,606,609	1,117,220	—
Police	23,689,198	28,854,071	—	5,164,873
Other Expenses	38,124,594	17,807,877	20,316,717	—
Finance:	504,164,859	462,585,841	41,579,018	—
Department proper	1,472,777	1,092,747	380,030	—
Cabinet and Privy Council	1,901,587	1,695,377	206,210	—
House of Peers and House of Representatives	4,739,948	4,346,293	393,655	—
Customs-houses	5,818,414	5,058,231	760,183	—
Expenses for the collection of inland taxes	21,231,404	16,795,068	4,436,337	—
Taxes returned and exchange loss, compensation, etc.	16,040,532	19,212,984	—	3,172,452
Transferred to national debt consolidation fund	417,168,355	383,111,139	34,057,216	—
Funds in reserve	33,000,000	29,000,000	4,000,000	—
Other expenses	2,791,842	2,274,003	517,839	—
Army:	217,804,071	190,908,022	26,896,049	—
Department proper	647,531	612,591	34,940	—
Expenses for Military Affairs	216,098,066	189,337,005	26,761,061	—
Other expenses	1,058,474	958,426	100,048	—
Navy:	273,953,380	236,752,210	37,201,170	—
Department proper	537,771	485,575	52,196	—
Expenses for military affairs	272,191,269	235,113,726	37,077,543	—
Other expenses	1,224,340	1,152,909	71,431	—
Justice:	41,173,831	36,672,958	4,500,873	—
Department proper	747,719	529,678	218,041	—
Judicial courts and office consignment	20,027,986	19,141,425	886,561	—
Prisons	20,342,702	16,944,247	3,398,455	—
Other expenses	55,424	57,608	—	2,184
Education:	133,189,892	131,277,079	1,912,813	—
Department proper	2,525,083	2,459,173	65,910	—
Education grants	96,618,980	95,987,471	631,509	—
Government educational institutions and libraries	32,205,249	31,611,667	593,582	—
Other Expenses	1,840,580	1,218,768	621,812	—

Branches of Expenditure	1937-38 Budget	1936-37 Working Budget	Comparison	
			Increase	Decrease
(In yen)				
Agriculture and Forestry:	39,404,327	34,112,040	5,292,287	—
Department proper	1,284,325	1,167,541	116,784	—
Forestry expenses	23,853,150	23,731,647	121,503	—
Other expenses	14,266,852	9,212,852	5,054,000	—
Commerce and Industry:	6,739,288	5,941,695	797,593	—
Department proper	1,594,001	1,525,025	68,976	—
Patent bureau and mining inspection Office	1,435,120	1,374,032	61,088	—
Other expenses	3,710,167	3,042,638	667,529	—
Communications:	185,502,388	183,498,162	2,004,226	—
Department proper	832,961	791,234	41,727	—
Pensions and annuities	180,867,457	179,357,869	1,509,588	—
Other expenses	3,801,970	3,349,059	452,911	—
Overseas Affairs:	2,302,874	2,192,652	110,222	—
Department proper	837,153	728,027	109,126	—
Other expenses	1,465,721	1,464,625	1,096	—
Welfare:	579,273	—	579,273	—
Department proper	402,254	—	402,254	—
Other expenses	177,019	—	177,019	—
Total	1,503,199,501	1,365,115,078	138,084,423	—
Extraordinary:				
Foreign Affairs	29,884,180	14,631,083	15,253,097	—
Home Affairs	240,683,000	152,026,314	88,656,686	—
Finance	(a)165,436,708	28,841,737	136,594,971	—
Army	(b)813,569,539	317,408,678	496,160,861	—
Navy	(c)514,104,912	316,865,321	197,239,591	—
Justice	3,254,421	2,720,588	533,833	—
Education	13,462,043	11,528,453	1,933,590	—
Agriculture and Forestry	83,693,216	63,309,199	20,384,017	—
Commerce and Industry	31,706,015	13,005,155	18,700,860	—
Communications	22,220,667	15,025,074	7,195,593	—
Overseas Affairs	30,490,242	17,247,749	13,242,493	—
Welfare	190,692	—	190,692	—
Total	1,948,695,635	952,609,251	996,086,284	—
Total Expenditure	3,451,895,136	2,317,724,429	1,134,170,707	—

Note:—For comparison with the Budget for 1937-38, certain adjustments have been made in the figures of the Budget for 1936-37.

Budget for the Fiscal Year 1937-38

General Features The Budget Estimates for the fiscal year 1937-38, comprising those of the General Account and Special Accounts, originated in the Budget Estimates as submitted by the Hirota Government to the Diet in the 70th Session (December 1936 to March 1937). It may, however, be noted that during this session of the Diet came the sudden end of the Hirota Government. The succeeding Hayashi Government, on coming into power, took the step of withdrawing the Budget Estimates which had been pending in the Diet, but again submitted them to the Diet without any modifications. Re-

visions were then made on two occasions by the Government itself in those Budget Estimates. Thus, the Budget Estimates that were revised and the Supplementary Budgets were passed by the Diet at its 70th Session. When the 71st Session of the Diet (July to August 1937) was specially convoked, the Kono Government at the time presented the Supplementary Budgets Nos. 1, 2, 3, and 4 to secure the approval of the Diet in respect of the expenditure for the China incident and other categories of expenditure. In view, however, of the developments in China which had become much worse since the closing of the 71st Session of the Diet, the Government finally reached the deci-

sion to meet the situation by changing its attitude, so far patiently taken so as not to aggravate the state of affairs. For this purpose the 72nd Session of the Diet was specially convoked in September, 1937, at which not only the Supplementary Budget, but the Budget for the Special Account for Emergency Military Expenditure was submitted and approved. The sequence of the revised Budget and the Supplementary Budgets for the General Account is stated below:

(1) The revised Budget approved by the Diet at the 70th Session was as follows:

Revenue	¥
Ordinary	1,814,696,044
Extraordinary	999,241,927
Normal revenue	228,418,250
Receipts from the issue of public loans	770,823,677
Total	2,813,937,971
Expenditure	
Ordinary	1,462,712,034
Extraordinary	1,351,225,937
Total	2,813,937,971

(2) The Supplementary Budget approved by the Diet at the 70th Session was as follows:

Revenue	¥
Ordinary	5,840,000
Extraordinary	52,357,902
Normal revenue	730,000
Receipts from the issue of public loans	51,627,902
Total	58,197,902
Expenditure	
Ordinary	868,149
Extraordinary	57,329,753
Total	58,197,902

(3) The Supplementary Budget No. 1 approved by the Diet at the 71st Session was as follows:

Revenue	¥
Ordinary	0
Extraordinary	96,809,496
Transfer of surplus from the preceding year	850,675
Receipts from the issue of public loans	95,958,821
Total	96,809,496
Expenditure	
Ordinary	850,675
Extraordinary	95,958,821
Total	96,809,496

(4) The Supplementary Budget No. 2 approved by the Diet at the 71st Session was as follows:

Revenue	¥
Ordinary	1,008,242
Extraordinary	12,381,507
Normal revenue	27,000
Transfer of surplus from the preceding year	12,354,507
Receipts from the issue of public loans	0
Total	13,389,749
Expenditure	
Ordinary	11,259,767
Extraordinary	2,129,982
Total	13,389,749

(5) The Supplementary Budget No. 3 approved by the Diet at the 71st Session was as follows:

Revenue	¥
Ordinary	125,322
Extraordinary	7,192,248
Normal Revenue	4,230,059
Transfer of surplus from the preceding year	2,962,109
Receipts from the issue of public loans	0
Total	7,317,579
Expenditure	
Ordinary	579,271
Extraordinary	6,738,297
Total	7,317,579

(6) The supplementary Budget No. 4 approved by the Diet at the 71st Session was as follows:

Revenue	¥
Ordinary	0
Extraordinary	419,635,200
Normal revenue	69,431,703
Transfer of surplus from the preceding year	3,442,001
Receipts from the issue of public loans and borrowings	346,761,496
Total	419,635,200
Expenditure	
Ordinary	3,240,759
Extraordinary	416,394,441
Total	419,635,200

(7) The Supplementary Budget approved by the Diet at the 72nd Session was as follows:

Revenue	¥
Ordinary	5,539,629
Extraordinary	1,062,230
Normal revenue	22,500
Transfer of surplus from the preceding year	1,039,730

Receipts from the issue of public loans	0
Total	6,651,919
Expenditure	
Ordinary	23,688,844
Extraordinary	18,918,404
Total	42,607,248

When these amounts are included, the total figures of the Budget Estimates for the General Account for the fiscal year 1937-38 are as follows:

Revenue	¥
Ordinary	1,827,259,297
Extraordinary	1,588,680,510
Normal revenue	302,859,512
Transfer of surplus from the preceding year	20,649,102
Receipts from the issue of public loans and borrowings	1,265,171,896
Total	3,415,939,807
Expenditure	
Ordinary	1,503,199,501
Extraordinary	1,948,695,635
Total	3,451,895,136
Excess of Expenditure	35,955,329

With respect to the Budget for the Special Account for Emergency Military Expenditure passed by the Diet at the 72nd Session, the following figures represent the expenditure for the China incident:

Revenue	¥
Military funds	2,022,671,158
Expenditure	
Emergency military expenditure	2,022,671,158
Military expenditure for the army	1,422,712,777
Military expenditure for the navy	349,958,381
Funds in reserve	250,000,000

Comparison of the Budget for 1937-38 with the Budget for 1936-37

General Account The following are the comparisons of the Budget for 1937-38 with the Working Budget for 1936-37 (excluding the amounts afterwards added, in the operation of the Budget, to the original Working Budget within the limits of the Formal Budget):

	Budget 1937-38	Working Budget 1936-37	Increase over 1936-37
Revenue		(In yen)	
Ordinary	1,827,259,297	1,450,059,036	377,200,261
Extraordinary	1,588,680,510	855,515,159	733,165,351
Normal revenue	302,859,512	151,677,598	151,181,914
Receipts from the issue of public loans and borrowings	1,265,171,896	703,837,561	561,334,335
Transfer of surplus from the preceding year	20,649,102	0	20,649,102
Total	3,415,939,807	2,305,574,195	1,110,365,612
Expenditure			
Ordinary	1,503,199,501	1,365,115,078	138,084,423
Extraordinary	1,948,695,635	952,609,351	996,086,284
Total	3,451,895,136	2,317,724,429	1,134,170,707

Note:—For comparison with the Budget for 1937-38, certain adjustments were made in the figures of the Working Budget for 1936-37.

Special Accounts The Budget for 1937-38, and comparisons with the Working Budget for 1936-37 are as follows:

(a) Imperial Government Railways Special Account.

	1937-38	1936-37	Increase (+) or Decrease (-) compared with 1936-37
Capital Account		(In yen)	
Revenue	174,206,973	148,828,097	(+) 25,378,876
Expenditure	195,708,648	163,631,550	(+) 32,077,098
Stores Account			
Revenue	220,889,000	209,680,551	(+) 11,208,449
Expenditure	220,889,000	209,680,551	(+) 11,208,449
Profit and Loss Account			
Revenue	838,770,034	778,995,190	(+) 59,774,844
Expenditure	708,063,061	669,667,093	(+) 38,395,968

	1937-38	1936-37	Increase (+) or Decrease (-) compared with 1936-37
(b) Special Account for Postal, Telegraph and Telephone Services.			
Capital Account			
Revenue	91,930,679	53,971,594	(+) 37,959,085
Expenditure	100,865,664	60,657,605	(+) 40,208,059
Stores Account			
Revenue	50,900,253	47,204,154	(+) 3,696,099
Expenditure	50,900,253	47,204,154	(+) 3,696,099
Working Account			
Revenue	367,360,642	319,498,159	(+) 47,862,483
Expenditure	330,892,843	293,746,639	(+) 37,146,204
(c) Special Accounts for Special Regions.			
(1) Chōsen (Korea)			
Revenue	422,837,690	329,629,226	(+) 93,208,464
Expenditure	422,837,690	329,629,226	(+) 93,208,464
(2) Taiwan (Formosa)			
Revenue	161,468,973	143,331,661	(+) 18,137,312
Expenditure	161,468,973	137,019,035	(+) 24,449,938
(3) Kwantung			
Revenue	27,627,374	28,841,571	(-) 1,214,197
Expenditure	27,627,374	28,841,571	(-) 1,214,197
(4) Karafuto (Japanese Saghalien)			
Revenue	37,274,037	3,333,586	(+) 3,940,451
Expenditure	37,274,037	3,333,586	(+) 3,940,451
(5) Nanyō (Mandated Territory in the Pacific)			
Revenue	8,682,482	7,388,058	(+) 1,294,424
Expenditure	8,682,482	7,388,058	(+) 1,294,424

Public Loan Programme

The issue of public loans for financing expenditure for the General Account and Special Accounts amounts during the current fiscal year to ¥3,-

394,251,733, representing an increase of ¥2,606,794,172 as compared with that in the Budget for 1936-37. The public loan programme for the fiscal year 1937-38 and comparisons with that of the preceding year are as follows:

GENERAL ACCOUNT

Items	1937-38	1936-37	Increase over 1936-37
Loans for reconstruction works necessitated by the earthquake of 1923	7,353,733	7,006,996	346,737
Loans for the improvement of roads	10,598,771	9,990,438	608,333
Loans for expenditure in connection with the Manchurian incident	265,904,526	173,905,475	91,999,051
Loans for expenditure for the North China incident	406,128,996	0	406,128,996
Loans for the covering of revenue deficits	538,594,549	512,934,652	25,659,897
Total	1,228,580,575	703,837,561	524,743,014

SPECIAL ACCOUNT

Loans for postal, telegraph and telephone services and for reconstruction works necessitated by the earthquake of 1923	36,000,000	14,000,000	22,000,000
Loans for the construction and improvement of Government railways	42,000,000	38,000,000	4,000,000
Loans for public undertakings in Chōsen	65,000,000	31,620,000	33,380,000
Loans for emergency military expenditure	2,022,671,158	0	2,022,671,158
Total	2,165,671,158	83,620,000	2,082,051,158
Grand Total	3,394,251,733	787,457,561	2,606,794,172

ANNUAL STATE REVENUE AND EXPENDITURE

Financial Year	Revenue (In yen)			Expenditure Ordinary
	Ordinary	Extraordinary	Total	
1920-21	1,174,677,313	825,975,008	2,000,652,321	709,313,940
1921-22	1,283,812,503	781,898,683	2,065,711,186	841,749,861
1922-23	1,428,206,040	659,139,395	2,087,345,435	891,257,440
1923-24	1,303,832,042	741,166,225	2,045,298,267	960,593,700
1924-25	1,238,640,171	688,751,151	2,127,391,324	1,051,010,011
1925-26	1,443,234,938	628,134,374	2,071,369,313	1,016,289,096
1926-27	1,452,409,833	603,951,528	2,056,361,361	1,081,993,470
1927-28	1,484,779,896	577,975,441	2,062,755,337	1,171,777,282
1928-29	1,505,012,997	500,678,107	2,005,691,104	1,184,241,592
1929-30	1,481,143,304	545,301,447	1,826,444,751	1,212,726,860
1930-31	1,422,059,449	174,912,618	1,596,972,168	1,202,152,685
1931-32	1,314,911,859	216,170,183	1,531,082,042	1,111,824,193
1932-33	1,287,038,893	758,236,675	2,045,275,568	1,182,862,616
1933-34	1,391,418,998	940,340,595	2,331,759,594	1,313,017,990
1934-35	1,342,930,935	904,050,670	2,246,981,605	1,224,782,544
1935-36	1,405,426,797	853,894,509	2,259,321,306	1,268,992,250
1936-37*	1,561,649,514	810,449,098	2,372,098,612	1,320,140,686
1937-38‡	1,827,259,297	1,588,680,510	3,415,939,807	1,503,199,501

Financial Year	Expenditure (In yen)		Gross Surplus	Net
	Extraordinary	Total		
1920-21	650,664,313	1,359,978,253	640,674,068	223,009,699
1921-22	648,105,752	1,489,855,613	575,855,573	117,741,946
1922-23	538,432,182	1,429,689,622	657,655,813	272,824,121
1923-24	560,456,605	1,521,050,305	524,247,962	141,519,583
1924-25	574,014,062	1,625,024,073	502,367,251	224,099,454
1925-26	508,099,494	1,524,988,590	546,380,723	178,046,963
1926-27	496,832,955	1,578,826,425	477,534,936	102,923,106
1927-28	593,945,798	1,765,723,080	297,032,257	52,512,693
1928-29	630,613,419	1,814,855,011	190,836,093	42,665,325
1929-30	523,590,194	1,736,317,055	90,127,696	—
1930-31	355,711,046	1,557,863,732	39,108,436	5,991,200
1931-32	365,051,071	1,476,875,265	54,206,777	19,193,075
1932-33	767,278,007	1,950,140,623	95,134,944	29,373,981
1933-34	941,644,248	2,254,662,236	77,097,358	13,653,358
1934-35	936,221,361	2,163,003,905	83,977,700	4,403,493
1935-36	937,485,683	2,206,477,933	52,843,373	1,950,750
1936-37*	962,035,114	2,282,175,801	89,922,811	34,638,176
1937-38‡	1,948,695,635	3,451,895,136	—	—

Note:—(1) The financial year begins on April 1st and ends on March 31st.
(2) The figures for 1935-36 and the years preceding it represent the settled accounts.
(3) * Represent the actual account on July 31, 1936.
(4) ‡ Represent the budget.

(5) The gross surplus indicates the balance of revenue over expenditure for each financial year. Under the Budget and Account Act the surplus actually created in each financial year is transferred to the Budget of the succeeding year, and this Gross Surplus includes not only the accumulation brought forward from preceding financial years, but the net surplus actually created in that year. Accordingly, the balance of the gross and the net surplus represents a part or a total of the surplus created in the preceding year. Part of the gross surplus is applied to disbursements and deferred expenditures during the succeeding year and the balance is carried forward as a surplus to be used in succeeding financial years.

The National Loan Redemption Act as amended in 1915 required redemption of the national debt up to 1.16% of the amount outstanding at the commencement of the preceding financial year. The same Act was further amended in 1927 to require an additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one. The same Act as amended in 1932, however, provides that the amount to be applied to redemption of the national debt shall, for the time being, be over one-third of 1.16% of the total debts outstanding at the commencement of the preceding financial year, and that the additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one may be suspended.

(6) As fractions not exceeding 1 yen are omitted, the totals of the figures and the grand total do not correspond. This explanation is applicable to the following tables.

	1937-38	1936-37	Increase (+) or Decrease (-) compared with 1936-37
(b) Special Account for Postal, Telegraph and Telephone Services.			
Capital Account			
Revenue	91,930,679	53,971,594	(+) 37,959,085
Expenditure	100,865,664	60,657,605	(+) 40,208,059
Stores Account			
Revenue	50,900,253	47,204,154	(+) 3,696,099
Expenditure	50,900,253	47,204,154	(+) 3,696,099
Working Account			
Revenue	367,360,642	319,498,159	(+) 47,862,483
Expenditure	330,892,843	293,746,639	(+) 37,146,204
(c) Special Accounts for Special Regions.			
(1) Chōsen (Korea)			
Revenue	422,837,690	329,629,226	(+) 93,208,464
Expenditure	422,837,690	329,629,226	(+) 93,208,464
(2) Taiwan (Formosa)			
Revenue	161,468,973	143,331,661	(+) 18,137,312
Expenditure	161,468,973	137,019,035	(+) 24,449,938
(3) Kwantung			
Revenue	27,627,374	28,841,571	(-) 1,214,197
Expenditure	27,627,374	28,841,571	(-) 1,214,197
(4) Karafuto (Japanese Saghalien)			
Revenue	37,274,037	3,333,586	(+) 3,940,451
Expenditure	37,274,037	3,333,586	(+) 3,940,451
(5) Nanyō (Mandated Territory in the Pacific)			
Revenue	8,682,482	7,388,058	(+) 1,294,424
Expenditure	8,682,482	7,388,058	(+) 1,294,424

Public Loan Programme

The issue of public loans for financing expenditure for the General Account and Special Accounts amounts during the current fiscal year to ¥3,-

394,251,733, representing an increase of ¥2,606,794,172 as compared with that in the Budget for 1936-37. The public loan programme for the fiscal year 1937-38 and comparisons with that of the preceding year are as follows:

GENERAL ACCOUNT

Items	1937-38	1936-37	Increase over 1936-37
Loans for reconstruction works necessitated by the earthquake of 1923	7,353,733	7,006,996	346,737
Loans for the improvement of roads	10,598,771	9,990,438	608,333
Loans for expenditure in connection with the Manchurian incident	265,904,526	173,905,475	91,999,051
Loans for expenditure for the North China incident	406,128,996	0	406,128,996
Loans for the covering of revenue deficits	538,594,549	512,934,652	25,659,897
Total	1,228,580,575	703,837,561	524,743,014

SPECIAL ACCOUNT

Loans for postal, telegraph and telephone services and for reconstruction works necessitated by the earthquake of 1923	36,000,000	14,000,000	22,000,000
Loans for the construction and improvement of Government railways	42,000,000	38,000,000	4,000,000
Loans for public undertakings in Chōsen	65,000,000	31,620,000	33,380,000
Loans for emergency military expenditure	2,022,671,158	0	2,022,671,158
Total	2,165,671,158	83,620,000	2,082,051,158
Grand Total	3,394,251,733	787,457,561	2,606,794,172

ANNUAL STATE REVENUE AND EXPENDITURE

Financial Year	Ordinary	Revenue		Expenditure Ordinary
		Extraordinary	Total	
		(In yen)		
1920-21	1,174,677,313	825,975,008	2,000,652,321	709,313,940
1921-22	1,283,812,503	781,898,683	2,065,711,186	841,749,861
1922-23	1,428,206,040	659,139,395	2,087,345,435	891,257,440
1923-24	1,303,832,042	741,166,225	2,045,298,267	960,593,700
1924-25	1,238,640,171	688,751,153	2,127,391,324	1,051,010,011
1925-26	1,443,234,938	628,134,374	2,071,369,313	1,016,289,096
1926-27	1,452,409,833	603,951,528	2,056,361,361	1,081,993,470
1927-28	1,484,779,896	577,975,441	2,062,755,337	1,171,777,282
1928-29	1,505,012,997	500,678,107	2,005,691,104	1,184,241,592
1929-30	1,481,143,304	345,301,447	1,826,444,751	1,212,726,860
1930-31	1,422,059,449	174,912,618	1,596,972,168	1,202,152,685
1931-32	1,314,911,859	216,170,183	1,531,082,042	1,111,824,193
1932-33	1,287,038,893	758,236,675	2,045,275,568	1,182,862,616
1933-34	1,391,418,998	940,340,595	2,331,759,594	1,313,017,990
1934-35	1,342,930,935	904,050,670	2,246,981,605	1,224,782,544
1935-36	1,405,426,797	853,894,509	2,259,321,306	1,268,992,250
1936-37*	1,561,649,514	810,449,098	2,372,098,612	1,320,140,686
1937-38†	1,827,259,297	1,588,680,510	3,415,939,807	1,503,199,501

Financial Year	Expenditure		Surplus	
	Extraordinary	Total	Gross	Net
			(In yen)	
1920-21	650,664,313	1,359,978,253	640,674,068	223,009,699
1921-22	648,105,752	1,489,855,613	575,855,573	117,741,946
1922-23	538,432,182	1,429,689,622	657,655,813	272,824,121
1923-24	560,456,605	1,521,050,305	524,247,962	141,519,583
1924-25	574,014,062	1,625,024,073	502,367,251	224,099,454
1925-26	508,699,494	1,524,988,590	546,380,723	178,046,963
1926-27	496,832,955	1,578,826,425	477,534,936	102,923,106
1927-28	593,945,798	1,765,723,080	297,032,257	52,512,693
1928-29	630,613,419	1,814,855,011	190,836,093	42,605,325
1929-30	523,590,194	1,736,317,055	90,127,696	—
1930-31	355,711,046	1,557,863,732	39,108,436	5,991,200
1931-32	365,051,071	1,476,875,265	54,206,777	19,193,075
1932-33	767,278,007	1,950,140,623	95,134,944	29,373,981
1933-34	941,644,246	2,254,662,236	77,097,358	13,653,358
1934-35	938,221,361	2,163,003,905	83,977,700	4,403,493
1935-36	937,485,683	2,206,477,933	52,843,273	1,950,750
1936-37*	962,035,114	2,282,175,801	89,922,811	34,638,176
1937-38†	1,948,695,635	3,451,895,136	—	—

Note:—(1) The financial year begins on April 1st and ends on March 31st.

(2) The figures for 1935-36 and the years preceding it represent the settled accounts.

(3) * Represent the actual account on July 31, 1936.

(4) † Represent the budget.

(5) The gross surplus indicates the balance of revenue over expenditure for each financial year. Under the Budget and Account Act the surplus actually created in each financial year is transferred to the Budget of the succeeding year, and this Gross Surplus includes not only the accumulation brought forward from preceding financial years, but the net surplus actually created in that year. Accordingly, the balance of the gross and the net surplus represents a part or a total of the surplus created in the preceding year. Part of the gross surplus is applied to disbursements and deferred expenditures during the succeeding year and the balance is carried forward as a surplus to be used in succeeding financial years.

The National Loan Redemption Act as amended in 1915 required redemption of the national debt up to 1.16% of the amount outstanding at the commencement of the preceding financial year. The same Act was further amended in 1927 to require an additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one. The same Act as amended in 1932, however, provides that the amount to be applied to redemption of the national debt shall, for the time being, be over one-third of 1.16% of the total debts outstanding at the commencement of the preceding financial year, and that the additional appropriation for the same purpose of not less than 25% of the surplus actually created in the year before the preceding one may be suspended.

(6) As fractions not exceeding 1 yen are omitted, the totals of the figures and the grand total do not correspond. This explanation is applicable to the following tables.

STATE REVENUE IN 1935-36-1937-38

Sources of Revenue	1935-36	1936-37 (Working Budget) (In yen)	1937-38 (Budget)
Ordinary:			
Taxes:	899,899,377	923,302,673	1,250,722,354
Land tax	58,042,446	58,508,243	58,760,000
Income tax	227,339,500	231,456,191	429,524,321
Business tax	3,186	—	—
Business profits tax	57,233,939	61,850,319	73,475,167
Capital interest tax	15,048,600	15,639,040	29,176,704
Tax on the capital of corporations	—	—	15,454,900
Succession tax	30,255,402	32,607,153	33,475,076
Travelling tax	—	—	—
Mining tax	4,633,828	4,278,171	5,859,000
Special tax on foreign currency securities	—	—	2,793,700
Tax on the issue of bank notes	—	—	—
Tax on liquors	209,327,766	209,520,291	235,210,774
Tax on soy	—	—	—
Table water tax	3,580,672	3,710,490	4,139,581
Sugar excise	84,817,505	87,295,039	98,743,607
Textiles consumption tax	40,922,069	42,750,357	43,040,848
Gasoline tax	—	—	14,913,853
Tax on bourses	14,732,157	14,842,084	19,279,858
Tax on the transfer of securities	—	—	4,624,717
Customs duties	151,265,227	158,012,255	179,300,612
Tonnage dues	2,797,075	2,833,040	2,948,119
Other taxes	—	—	—
Stamp receipts	78,641,281	79,610,398	86,743,403
Receipts from Government undertakings and properties:	281,120,730	292,404,703	331,176,733
Postal, telegraph and telephone services	—	—	—
Forests	42,434,768	46,407,469	48,350,375
Profits of monopoly	197,562,530	201,896,234	233,968,819
Other receipts from Government undertakings and properties	41,123,432	44,101,000	48,857,541
Receipts from the Special Account for postal, telegraph and telephone services	78,000,000	81,000,000	81,000,000
Payment to the Government by the Bank of Japan	19,554,930	20,760,435	13,087,561
Transferred from Special Account of funds for educational improvement and agricultural village development	6,404,974	6,648,436	7,495,307
Other miscellaneous receipts	41,805,502	46,332,391	57,033,847
Total	1,405,426,797	1,450,059,036	1,827,259,297
Extraordinary:			
Proceeds of sale of State property	11,839,552	16,643,798	6,518,166
Miscellaneous receipts	21,069,139	16,550,117	45,979,277
Local payment to expenses incurred by the State for the benefit of certain prefectures	4,578,957	7,407,516	7,122,430
Local contributions to expenses incurred by the State for the benefit of certain prefecture	8,244,417	10,640,710	10,645,906
Fund belonging to Special Accounts transferred	6,279,917	29,497,769	76,765,368
Receipts from the issue of public loans	679,370,770	703,837,561	1,228,580,575
Repayment from the insurance companies	3,382,775	3,520,788	3,162,652
War-profits tax	1,370	—	—

STATE REVENUE AND EXPENDITURE

Sources of Revenue	1935-36	1936-37 (Working Budget) (In yen)	1937-38 (Budget)
Special profits tax	26,183,953	42,087,900	58,522,658
Transfer of the surplus from the preceding year	83,977,700	—	20,649,102
Receipts under the export credits guarantee system	374,985	796,000	1,202,000
Emergency tax for the North China incident	—	—	66,548,361
Borrowings for the North China incident	—	—	36,591,321
Other Miscellaneous receipts	9,590,968	24,533,000	26,392,622
Total	853,894,509	855,515,159	1,588,680,510
Total revenue	2,259,321,306	2,305,574,195	3,415,939,807

STATE EXPENDITURE IN 1935-36-1937-38

Branches of Expenditure	1935-36	1936-37 (Working Budget) (In yen)	1937-38 (Budget)
Ordinary:			
Imperial Household	4,500,000	4,500,000	4,500,000
Foreign Affairs:	17,060,563	17,283,854	18,020,872
Department proper	3,213,488	3,389,412	3,557,965
Embassies, Legations and Consulates abroad	12,537,789	12,537,064	13,440,914
Other expenses	1,309,286	1,357,378	1,021,993
Home Affairs:	52,191,011	57,975,262	75,864,446
Department proper	848,587	907,190	1,075,465
Prefectures (Dō, Fu & Ken)	10,449,180	10,606,609	11,723,829
Other expenses	40,893,244	46,461,463	63,065,152
Finance:	415,856,595	462,408,473	504,164,859
Department proper	964,675	972,615	1,472,777
Cabinet and Privy Council	1,563,807	1,695,377	1,901,587
House of Peers and House of Representatives	2,627,653	4,326,293	4,739,948
Court of Administrative Litigation and Board of Auditors	583,150	602,561	675,408
Custom-houses	4,741,416	5,020,995	5,818,414
Expenses for the Collection of inland taxes	16,484,478	16,795,067	21,231,404
Transferred to National Debt Consolidation Fund	371,854,312	383,111,139	417,168,355
Other expenses	17,037,104	49,884,426	51,156,966
Army:	179,904,983	190,908,022	217,804,071
Department proper	605,601	612,591	647,531
Expenses for military affairs	178,207,618	189,337,005	216,098,066
Other expenses	1,091,764	958,426	1,058,474
Navy:	216,446,728	236,752,210	273,953,380
Department proper	485,444	485,575	537,771
Expenses for military affairs	214,760,658	235,113,726	272,191,269
Other expenses	1,200,626	1,152,909	1,224,340
Justice:	36,867,468	36,672,958	41,173,831
Department proper	519,380	529,678	747,719
Judicial courts	19,204,889	19,141,425	20,027,986
Prisons	17,092,860	16,944,247	20,342,702
Other expenses	50,339	57,608	55,424
Education:	130,321,210	131,277,079	133,189,892
Department proper	2,312,607	2,453,685	2,525,083
Government educational institutions and libraries	31,332,316	31,571,884	32,205,249

Branches of Expenditure	1935-36	1936-37 (Working Budget) (In yen)	1937-38 (Budget)
Other expenses	96,676,295	97,251,510	98,459,569
Agriculture and Commerce:	30,399,755	34,112,040	39,404,327
Department proper	1,482,555	1,452,212	81,284,325
Forestry expenses	21,374,491	23,731,647	23,853,150
Other expenses	7,542,709	8,928,181	14,266,852
Commerce and Industry:	5,516,926	5,693,827	6,739,280
Department proper	1,581,974	1,651,799	1,594,001
Patent Bureau and Mining Inspection Office	1,404,912	1,374,032	1,435,120
Other expenses	2,530,040	2,667,996	3,710,157
Communications:	177,975,764	181,513,792	185,502,308
Department proper	1,060,087	1,178,219	832,961
Communication expenses	1,254,292	1,259,349	1,300,224
Pensions and annuities	174,086,584	177,373,499	180,867,457
Other expenses	1,574,801	1,702,725	2,501,746
Overseas Affairs:	1,951,235	2,192,652	2,302,874
Department proper	696,329	728,027	837,153
Other expenses	1,254,906	1,464,625	1,465,721
Welfare:	—	—	579,273
Department proper	—	—	402,254
Other expenses	—	—	—
Total	1,268,992,250	1,361,290,169	1,503,199,501
Extraordinary:			
Foreign Affairs	13,206,035	14,617,758	29,884,180
Home Affairs	134,084,220	151,038,286	240,683,000
Finance	20,438,128	28,999,105	165,436,708
Army	316,653,586	317,408,678	813,569,539
Navy	319,931,277	315,079,205	514,104,912
Justice	2,838,498	2,720,588	3,254,421
Education	20,778,696	11,528,453	13,462,043
Agriculture and Commerce	73,048,136	63,309,199	83,693,216
Commerce and Industry	6,892,590	13,253,023	31,706,015
Communications	14,094,924	15,025,074	22,220,667
Overseas Affairs	15,519,587	17,247,749	30,490,242
Welfare	—	—	190,692
Total	937,485,682	950,227,118	1,948,695,635
Total Expenditure	2,206,477,933	2,311,517,287	3,451,895,136

SUPPLEMENTARY BUDGET FOR 1937-38

(Approved by the 73rd Session of the Imperial Diet in March, 1938.)

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	5,826,555
Extraordinary revenue, miscellaneous	369,287
Total revenue	6,195,842
Ordinary expenditure	
Ministry of,	
Home Affairs	3,891,118
Finance	3,271,172
Justice	2,710,952
Agriculture and Forestry	420,905
Commerce and Industry	3,012
Total	10,297,159
Extraordinary expenditure	
Ministry of,	
Foreign Affairs	5,681,862

Home Affairs	626,897
Finance	1,335,805
Justice	142,531
Education	2,000,083
Agriculture and Forestry	2,220,865
Commerce and Industry	3,590
Communications	285,000
Overseas Affairs	619,060
Health and Social Affairs	391,470
Total	11,507,163
Total of expenditure	21,804,322

Special Accounts

Ministry		Revenue	Expenditure
Foreign Affairs	Cultural Work for China	—	150,000
Finance	Kwantung Bureau	36,374	36,374
Marine	Capital of Naval Dockyard	20,120,000	20,120,000
"	Naval Explosives Factory	2,053,344	2,053,344
Education	Six Imperial Universities	284,116	284,116
"	Governmental colleges	214,319	214,319
Railways	State Railways, capital account	25,070,200	27,103,759
"	State Railways, necessities account	10,461,099	10,461,099
"	State Railways, earning account	49,653,000	29,182,800
Overseas Affairs	Chosen Government-General	4,816,274	2,286,091
"	Chosen Railways, necessities fund	900,853	900,853
"	Taiwan Government-General	3,325,606	2,437,956
Health and Social Affairs	Health Insurance	5,049,391	4,642,432

Budget for 1938-1939

(In yen)

General Account
Ordinary Revenue

I Taxes	Total	1,423,424,278
Income tax		536,627,006
Land tax		51,085,222
Business profit tax		92,466,189
Capital interest tax		33,129,297
Juridical person capital tax		20,654,811
Inheritance tax		36,015,151
Mining tax		8,711,725
Foreign bond special tax		2,714,345
Tax on liquors		269,499,606
Tax on soft drinks		4,917,140
Sugar excise		103,189,996
Textile fabrics excise		35,720,350
Gasoline tax		16,156,800
Tax on bourses		30,278,236
Negotiable papers transfer tax		3,424,227
Customs duties		175,825,497
Tonnage dues		3,008,680
II Stamp receipts		99,592,323
III Receipts from public undertakings and State property	Total	341,371,122
Forests		49,866,127
Monopoly Bureau		243,768,412
Printing Bureau		3,469,538
Senju Woolen Factory		5,826
Capital profit of Navy factories		2,740,000
Navy Fuel Factory		323,862
Rent of State property		721,933

Dividend receipts	29,410,048	
Prisons' receipts	11,065,376	
IV From Special Account for Communications	81,500,000	
V From the Bank of Japan	15,066,086	
VI Miscellaneous receipts	55,319,691	Total
Certificates and fees	727,849	
Penal fees and confiscated money	2,681,328	
Indemnification and forfeit	434,411	
Custom houses, miscellaneous	1,891,999	
Receipts anent pension	4,499,355	
Allotments anent pension	2,206,337	
Charges anent pension in Special Accounts	27,309,855	
Receipts from privately supported boys in the Military Preparatory School	214,560	
Receipts from Bonin Islands	1,213	
Interests	173,916	
Receipts from Horse Race Association	10,241,917	
Other miscellaneous receipts	4,936,951	
VII Transferred from Special Account of funds for educational improvement and agrarian village development	6,755,227	
Total of ordinary revenue	2,023,028,727	

Extraordinary Revenue

I Sale of State property	Total	6,754,805
Lands		300,000
Goods		6,219,072
Live-stock		235,733
II Miscellaneous receipts	Total	17,821,477
Building and repairing works in trust		160,129
Investigations in trust		106,352
Money paid back		234,256
Share of the sales proceeds of seal furs		78,660
Repayments of advances per Earthquake Note Settlement Law		3,576,011
Contribution to the national loan reimbursement fund		5,000
Receipts from the S. M. R. Co.		1,475,971
Receipts from the Nippon Iron Foundry		1,218,859
Transferred from the Special Fund for Cultural Work for China		1,000,000
Transferred from the Special Account for Silk Price Control		4,744,000
Receipts by the redemption of the loss sustained by the loans for small industrialists and merchants		150,000
Transferred from the Special Account of the Governmental University Funds		627,453
Paid in by the 2600 the Anniversary Celebration Association		13,680
Transferred from the Special Account of Gold Fund		4,431,106
III Payments by public bodies for the repairing and construction of harbours		5,165,719
IV Shares assumed by public bodies for local public works	Total	7,805,376
River improvement		4,330,476
Harbour equipments		988,250
Road improvement		2,486,650
V Receipts for encouragement of scholarly researches	Total	31,000
Imperial donation		12,000
Contributions		19,000
VI Transfers from Special Accounts	Total	3,542,623
From		
State Property Readjustment Fund		2,160,934
Health Insurance		120,000

Monopoly Bureau	240,000
Mint, Fund Section	350,000
Deposits Bureau, Ministry of Finance	100,000
Printing Bureau	110,000
Communications works	411,386
Post Office Life Insurance	50,303
VII Payment by insurance companies	3,047,607
VIII Receipts under the Export Credits Guarantee System	1,399,000
IX Receipts from Manchoukuo Government for defence ex- penditure	19,500,000
X Special Profits Tax	78,836,782
XI Receipts from Special Accounts for General Accounts	6,700,000
From	
Deposits Bureau, Ministry of Finance	6,000,000
South Seas Government	700,000
XII Loans	Total
Earthquake loans and conversions	694,163,739
Road loans and conversions	3,804,031
Manchurian Incident loans and conversions	7,946,350
Revenue deficiency loans and conversions	124,617,380
Total of extraordinary revenue	557,795,978
Grand total of revenue	844,768,128
	2,867,796,855

Ordinary Expenditure

I Imperial Household	4,500,000
Department of Foreign Affairs	
I Department proper	Total
Salaries	3,725,311
Office expenses	572,763
Salaries of foreigners	871,158
Telegrams	35,000
Entertainments	373,016
International allotments	2,000
League of Nations	34,311
Students abroad	227,007
Special services	107,232
Total	1,502,824
II Offices abroad	Total
Salaries	14,006,599
Office expenses	5,731,698
Travelling expenses	3,512,524
Salaries of foreigners	2,025,270
Law court and registering expenses	40,849
Detention expenses	28,205
Land and house rent	92,277
Telegrams	1,281,368
Entertainments	981,507
Total	312,901
III Protection of resident Japanese abroad	Total
Salaries	559,721
Office expenses	120,801
IV Japanese Embassy at Hsinking, Educational Section	438,920
Salaries	164,353
Office expenses	58,941
V Miscellaneous expenses	105,412
Sum total	121,570
	18,577,554
Department of Home Affairs	
I Isé Shrine	230,000
II Other State shrines	1,021,720
III Department proper	Total
Salaries	1,031,620
Office expenses	418,940
	579,545

PUBLIC FINANCE

International allotments	1,853	
Special services	31,282	
IV Police Training Institute	30,864	
V Prefectural offices		Total 11,961,516
Salaries	8,003,268	
Office expenses	3,719,971	
Imperial attendance	76,853	
Bonin Islands	60,163	
Police for the Seven Islands of Izu	19,214	
Special services	82,049	
VI Conscription expenses	2,608,445	
VII Joint payment for police expenses	24,957,620	
VIII Grants to social works	2,291,573	
IX Miscellaneous expenses	105,935	
Sum total	44,239,293	
Department of Finance		
I Department proper		Total 1,652,417
Salaries	672,384	
Office expenses	943,089	
International allotments	1,062	
Customs duties investigation committee	25,882	
Special services	10,000	
II Cabinet expenses		Total 1,435,348
Salaries	292,323	
Office expenses	746,469	
Rewards	103,250	
Examinations for high officials	54,000	
Punishment of officials	1,570	
Official service limitation committee	3,186	
Rice Self Control Committee	7,000	
Contribution to International Statistics Association	1,000	
Special services	226,550	
III Privy Council expenses	197,069	
IV House of Peers	1,734,527	
V House of Representatives	2,298,006	
VI Board of Audit	551,203	
VII Court of Administrative Litigation	123,455	
VIII Board of Planning	665,484	
IX Bureau of Repairing and Property Overseeing	93,115	
X Custom houses		Total 5,921,203
Salaries	1,744,325	
Office expenses	2,178,565	
Inspection of diseases	547,413	
Others	1,450,900	
XI Tax collection houses and brewery laboratory		Total 23,705,430
Salaries	7,322,300	
Office expenses	4,798,330	
Committee meetings	271,608	
Disposing expenses	303,066	
Stamps, etc.	67,091	
Aid to local public bodies	9,964,575	
Aid to textile associations	508,226	
Aid to brewers' associations	470,234	
XII Miscellaneous rebates, repayments and compensations	20,791,774	
XIII Transferred to the national debt adjustment fund	513,197,465	
XIV Payment to the Deposits Bureau	1,050,000	
XV Educational expenses for the resident Japanese in Manchou-kuo borne by the Imperial Treasury	3,500,000	
XVI Miscellaneous expenses	675,992	
XVII State Reserve Fund	60,000,000	
Sum total	637,592,488	

BUDGET FOR 1938-39

Department of War		
I Department proper		Total 651,918
Salaries	364,530	
Office expenses	287,388	
II Military expenses		Total 164,369,524
Salaries	40,061,588	
Buildings and repairs	7,472,210	
Miscellaneous payments	17,847,891	
Clothes and provisions	22,046,600	
Ordnance and horses	59,601,339	
Manoeuvres	13,565,446	
Medical treatments	800,834	
For short-time service soldiers and privately supported students	630,776	
Detention	60,086	
Transportation	1,960,428	
Imperial attendance	52,146	
Special services	270,180	
III Contribution to Yasukuni Shrine	12,000	
IV Miscellaneous expenses	749,997	
Sum total	165,783,439	

Department of Marine		
I Department proper		Total 620,615
Salaries	419,275	
Office expenses	201,340	
II Military expenses		Total 291,860,711
Salaries	62,253,539	
Buildings and repairs	1,620,684	
Miscellaneous payments	6,734,576	
Clothes and provisions	29,388,966	
Construction and repairs of ships	126,385,201	
Manoeuvres	714,727	
Medical treatments	1,454,562	
Naval stations and ports	1,252,840	
Expenses on ships	54,005,168	
Waterways	712,547	
Educational expenses	2,537,249	
Aids to seamen's families	1,082,404	
Grants to the mutual aid society	3,607,907	
Detention	11,041	
Special services	99,300	
III Miscellaneous expenses	900,823	
Sum total	293,382,149	

Department of Justice		
I Department proper		Total 764,064
Salaries	259,615	
Office expenses	242,755	
International allotments	4,161	
Aid to protection work for ex-convicts	183,575	
Judicial investigations	19,268	
Aid to the prison Police Training Institute	9,690	
Aid to the Lawyers' Association	45,000	
II Court expenses		Total 20,895,294
Salaries	12,303,007	
Office expenses	5,664,612	
Judicial and registering expenses	2,428,347	

Adjudication expenses	314,536	
Detention	104,138	
Special services	80,654	
III Prison expenses	Total 18,725,226	
Salaries	606,162	
Office expenses	6,337,074	
Prisoners	11,781,990	
IV Miscellaneous expenses	55,135	
Sum total	40,439,719	

Department of Education

I Department proper	Total 2,275,988	
Salaries	436,318	
Office expenses	608,334	
Scientific investigations	390,445	
Investigations on physical culture	93,446	
Protection of national treasures	190,000	
International allotments	15,791	
Students abroad	404,625	
Aeronautic commission	6,443	
Investigation and preservation of important historical places and natural monuments	39,802	
Adult education	90,784	
II Cultural Bureau	342,095	
III Meteorological observatories	1,634,211	
IV Latitude observatory	45,410	
V Common education	Total 90,464,439	
National share of elementary school teachers' salaries	85,000,000	
Aid to elementary education expenses	1,950,000	
Aid to normal school expenses	2,300,000	
Salaries of elementary school teachers called to defence services	316,075	
Committee for qualification of special municipalities, towns and villages	3,352	
Miscellaneous expenses	336,678	
Encouragemnet of school attendance	500,000	
Aid for Sanitary Facilities for Elementary School Teachers	58,334	
VI Business education	702,070	
VII Social education	4,153,042	
VIII Thought guidance	130,636	
IX Deaf and dumb education	209,614	
X Aid to additional salaries of public school teachers for long service	1,213,320	
XI Aid to pension fund of private middle schools	93,600	
XII Universities and libraries	Total 32,106,725	
Imperial universities	13,165,180	
Government universities	6,084,276	
Imperial and school libraries	12,857,269	
XIII Miscellaneous expenses	5,896	
Sum total	133,377,046	

Department of Agriculture and Forestry

I Department proper	Total 1,231,966	
Salaries	421,655	
Office expenses	408,127	
International allotments	29,798	
Supervision of fisheries	358,070	
Qualification of breeding oxen	14,316	
II Horse Bureau	454,133	

III Forestry expenses	24,077,333	
IV Experimental stations	1,879,920	
V Raw silk conditioning houses	1,652,555	
VI Studs and pastures	2,804,054	
VII Fisheries institutes	483,100	
VIII Subsidies	Total 2,627,512	
To		
Agricultural associations	122,744	
Experiments and lectures	26,496	
Creation and maintenance of landed farmers	1,937,425	
Fishery associations	20,664	
Prevention of silk-worm diseases	83,283	
Rice self-control	132,320	
Local expenses for taking statistics	304,580	
IX Miscellaneous expenses	227,150	
Sum total	35,437,723	

Department of Commerce and Industry

I Department proper	Total 1,609,048	
Salaries	619,388	
Office expenses	632,310	
International allotments	15,065	
Weights and measures	289,966	
Geological investigation	52,319	
II Exportation Bureau	698,696	
III Fuel Bureau	413,266	
IV Patent Bureau	893,214	
V Mine Supervision Bureau	563,269	
VI Experimental stations	1,819,166	
VII Inspection and directory stations	1,065,008	
VIII Subsidy for local expenses for taking statistics	168,715	
IX Miscellaneous expenses	43,227	
Sum total	7,273,609	

Department of Communications

I Department proper	Total 864,546	
Salaries	444,890	
Office expenses	412,774	
Aid to the International Navigation Conference	2,000	
International allotments	4,882	
II Communication expenses	1,359,288	
III Electro-technical Laboratory	655,300	
IV Lighthouse Bureau	1,278,608	
V Aeronautic Bureau	939,685	
VI Annuity and Pension	Total 188,265,750	
Annuities	10,468,003	
Pension	177,797,747	
VII Miscellaneous expenses	8,065	
Sum total	193,371,242	

Department of Overseas Affairs

I Department proper	Total 848,325	
Salaries	335,660	
Office expenses	421,115	
Special services	46,550	
International allotments	45,000	
II Transferred to the Special Account of Karafuto Government from the profits of tobacco monopoly	1,560,173	
III Miscellaneous expenses	5,284	
Sum total	2,413,782	

Department of Health and Social Affairs

I Department proper	Total	1,007,572
Salaries		431,650
Office expenses		528,187
Subsidy for promotion and investigation		41,958
International allotments		7,777
II Board of Insurance		208,378
III Japanese Office of International Labour Conference		117,624
IV National Correction House		45,648
V Wounded Soldiers' Hospital		99,785
VI Hygienic Laboratory		176,707
VII Aliment Research Institute		100,693
VIII Public Sanatorium		130,000
IX National Tuberculosis Sanatorium		434,449
X National Leper Asylums		832,485
XI For qualification examinations for physicians and pharmacists		28,599
XII Protection and relief of the Ainu		37,858
XIII Military relief		44,194,025
XIV Subsidies	Total	12,385,660
To		
Prevention of epidemics		2,599,336
Juvenile protection and correction		150,375
Insane hospitals		294,452
Labour exchanges		354,100
Local expenses		51,700
Relief works		4,916,948
Prevention of parasites		24,385
Prevention of ill-treatment of children		20,000
Health consultation rooms		715,000
National health insurance association		166,666
Mother and child protection		2,592,700
Expenses for social works		500,000
XV Health Insurance		4,260,684
XVI Miscellaneous expenses		89,090
Sum total		64,148,257
Grand total of Ordinary Expenditure		1,640,536,301

EXTRAORDINARY EXPENDITURE

Department of Foreign Affairs

I Equipments and repairs	120,028
II Removal of legations	30,000
III Establishment of a new legation	65,000
IV Subsidies to educational bodies abroad	697,050
V Protection and overseeing of resident Japanese abroad	1,586,420
VI Committee meetings of the League of Nations	140,438
VII Protection and guidance of emigrants	430,864
VIII Measures for the development of foreign trade	550,919
IX International cultural enterprises	1,000,000
X Extraordinary diplomatic work	3,028,526
XI Japan-Manchoukuo Economic Co-operative Committee meetings	30,000
XII Compilation of Japanese police history in Manchoukuo	5,000
XIII International conferences	36,612
XIV In connection with the abolition of extraterritoriality in Manchoukuo	211,167
XV Extraordinary increase of salaries	2,549,847
Sum total	10,481,871

Department of Home Affairs

I Subsidies to local public bodies for water-works, river improvement, port construction, public works, etc,	9,377,781
II River improvement works	18,963,091
III Harbour improvement works	7,482,290
IV Road improvement works	10,433,000
V Aid to the improvement of smaller rivers	3,382,905
VI Aid to the improvement of smaller harbours	843,700
VII Aid to the improvement of public roads and city planning works	250,000
VIII For the spread of anti-aircraft drill	100,000
IX Improvements in Hokkaido	25,469,257
X Buildings and repairs	73,142
XI Miscellaneous investigations	322,693
XII Isé Shrine Construction Office	37,184
XIII Extraordinary expenses for shrines	825,000
XIV Road improvement at Kashiwara Shrine and Unébi Imperial Tomb	13,680
XV Investigations on shrines and education of Shinto priests	51,436
XVI Special institutions for police	1,943,859
XVII Promotion of public welfare work in Loochoo Islands	734,039
XVIII Promotion of public welfare work in Oshima county, Kagoshima	194,360
XIX Fisheries at Bonin Islands and Seven Islands of Izu	31,897
XX Supervision of land cultivation	108,022
XXI Reclamation of farm-land	48,160
XXII Extraordinary aids to local finance	100,314,883
XXIII Promotion of local self governments	100,000
XXIV Celebration of the 50th Anniversary of Local Self-Government	30,000
XXV Propaganda for National Mobilization	300,000
XXVI After-cost of the rehabilitation works re 1923 Great Earthquake and Fire	33,510
XXVII Aid to the works of rehabilitation	300,000
XXVIII Sand bank construction at the rivers damaged by earthquake	73,500
XXIX Enforcement of the Earthquake City Districts Building Law	20,470
XXX Aid to the prevention of tidal wave damage in Sanriku districts	70,619
XXXI Aid to the rehabilitation of Hakodate	309,151
XXXII Aid to local governments for the rehabilitation works in areas affected by natural calamities	10,130,000
Sum total	192,367,629

Department of Finance

I Buildings and repairs	16,784,683
II Investigations	1,064,281
III Extraordinary financial and economic investigation and adjustment expenses	340,271
IV Compilation of the financial history of the Meiji and Taisho eras	26,477
V Adjustment of State property	450,819
VI Compensation of principal and interest of the 4% Chinese loan	3,845,616
VII Extraordinary expenses for the Board of Audit	10,000
VIII Reconstruction of buildings damaged by earthquakes	600,000
IX Extraordinary examination for lawyers	5,988
X Control of gold	23,352
XI Preservation of the Cabinet documents	8,205
XII Aid to advances to shipbuilding works	964,027
XIII Clerical work concerning reparations	54,519
XIV Residues of bonds given to lords instead of their feuds	207
XV Urgent expenses for the unification and utilization of natural resources	351,281
XVI Special increase of salaries	48,490
XVII Extraordinary control of foreign exchange	242,504

XVIII	Extraordinary supervision of custom houses	31,080
XIX	Rewards in connection with the Manchurian Incident	104,248
XX	Special profits tax correction expenses	773,488
XXI	Control of exports of cotton fabrics	10,899
XXII	Aid to Special Accounts	
XXIII	Clerical expenses for the promotion of Tohoku districts	40,395
XXIV	Office of the 2600th Anniversary	50,771
XXV	Extraordinary clerical expenses anent pension	21,934
XXVI	Fund for the establishment of the Pension Chest	20,000
XXVII	Celebration of the 50th anniversary of the promulgation of the Imperial Constitution	10,000
XXVIII	Aid to the dividend of the Tohoku Promotion Corporation	849,453
XXIX	Special institution for diplomatic communications	2,112,000
XXX	Extraordinary control of foreign trade	145,567
XXXI	Payment to the capital of the South Manchuria Railway Co.	20,000,000
XXXII	For levying special taxes re North China incident	878,473
XXXIII	For the preparation of creating the People's Chest	10,000
XXXIV	Funding the Pension Chest	1,000,000
XXXV	Construction of school buildings for Japanese in Manchoukuo	500,000
XXXVI	Subsidies	1,587,000
	Sum total	52,846,028

Department of War

i	Buildings and repairs	834,095
ii	Completion of national defence	Total 126,429,890
	Repairs of fortresses	11,453,297
	Armaments	114,976,593
III	Grounds and buildings	540,000
IV	Land survey	321,000
V	Reconstructions in the quake-stricken districts	1,932,419
VI	Bridges, ranges, etc.	3,111,516
VII	Use of land and buildings	68,357
VIII	Map printing	444,750
IX	Temporary grants	95,720
X	Subsidies for automobile manufacture	534,002
XI	Aid to the Ex-service Men's Association	800,000
XII	Manchurian Incident	144,117,380
XIII	Improvement of Air Corps	85,552,727
XIV	Improvements in armies	32,856,899
XV	Contribution to the special ceremony at Yasukuni Shrine	38,560
XVI	Special increase of salaries	532,480
XVII	Rewards anent the Manchurian Incident	47,696
XVIII	Relief of old militia men	753,250
	Sum total	398,810,750

Department of Marine

I	Construction of ships	218,420,578
II	Equipments in ports, schools, hospitals and factories	61,115,150
III	Equipments of air forces	18,150,000
IV	Equipments of ships	62,006,524
V	Armaments	11,700,000
VI	Buildings and repairs	676,062
VII	Entrusted repairs	160,129
VIII	Drawings and books	110,584
IX	Technical and chemical studies	5,091,670
X	Temporary grants	271,814
XI	Allotment of the International Hydrographic Bureau	5,575
XII	Reinstallation of quake-damaged war-machines	2,000

XIII	Despatch of ships	500,000
XIV	Drawing weather charts, etc.	148,012
XV	Special increase of salaries	525,560
XVI	Educational armaments	1,700,000
XVII	Books	134,946
XVIII	Capital of the Naval Fuel Depot	3,000,000
XIX	Entrusted marine survey	59,687
	Sum total	383,976,291

Department of Justice

I	Investigations on laws	28,010
II	Buildings and repairs	298,424
III	Prevention of thought crimes	549,567
IV	Officiating debt arbitration cases	798,058
V	Extraordinary prison expenses	677,068
VI	Judicial system investigation committee	15,000
VII	Improvement of judicial police	255,957
VIII	Enforcement of the revised Commercial Law	5,000
IX	Arbitration of tenant disputes and register of landed farmers	151,047
	Sum total	2,778,131

Department of Education

I	Buildings and repairs	843,990
II	Compilation of a history of the Imperial House system	10,000
III	Compilation of historical materials of the Meiji Restoration	105,100
IV	Extraordinary training of teachers for secondary education	4,632
V	Training of meteorologists	18,024
VI	Extraordinary investigations	267,273
VII	Extraordinary lectures	180,000
VIII	Travelling expenses of delegates to international conferences	40,157
IX	Subsidies to various educational and cultural bodies	1,569,450
X	Earthquake rehabilitation work	1,183,840
XI	Extraordinary disbursement for universities and libraries	2,440,800
XII	Social education	80,000
XIII	Extraordinary expenses for the preservation of national treasures	184,041
XIV	Extraordinary expenses for historical places	58,089
XV	Investigation and protection of important art productions	19,200
XVI	Propaganda for National Mobilization	700,000
XVII	Extraordinary expenses for encouragement of school attendance	330,000
XVIII	Education of industrial technicians	703,262
XIX	Education of high grade seamen	14,250
XX	Extraordinary expenses for the training of young men	240,000
XXI	Extraordinary expenses for thought guidance	47,000
XXII	Improvement of school education	72,000
XXIII	Repair and protection of the Himéji Castle	43,000
XXIV	Extraordinary expenses for meteorological stations	196,500
XXV	Improvement of meteorological stations	250,000
XXVI	Extraordinary expenses for health protection of elementary school teachers	125,000
XXVII	Extraordinary expenses for equipments	244,050
XXVIII	Reconstruction of elementary schools in typhoon stricken districts	186,334
XXIX	Extraordinary increase of allowances of students abroad	280,539
	Sum total	10,436,531

Department of Agriculture and Forestry

I	Subsidies for agricultural and fishery enterprises	30,917,883
II	Promotion of farm-villages	3,908,798
III	Investigations and studies	1,762,791
IV	Buildings and repairs	657,375
V	Prevention of live-stock plagues and noxious insects	1,077,066
VI	Improvement of water-courses in forestry	4,411,552
VII	Public forestry enterprises	2,113,102
VIII	Private forestry enterprises	1,213,017
IX	Superintending of game preserves	22,190
X	Improvement of fishery enterprises	3,012,114
XI	Protection of fur-seals	211,445
XII	Fishery registration	7,000
XIII	Adjustment of coastal fishery grounds	34,662
XIV	Control of fisheries in foreign seas	179,306
XV	Enforcement of the Russo-Japanese Fishery Treaty	49,846
XVI	Inspection of Tsingtao meats	33,000
XVII	Reclamation of farm-land	366,849
XVIII	Survey for water-course control	60,000
XIX	Transfer to several Special Accounts	314,395
XX	Economic recovery of farm-villages	9,145,344
XXI	Subsidies to the land cultivation of landed-farmers	615,125
XXII	Subsidies to the rice self-control	296,964
XXIII	Improvement of mulberry plantations	300,000
XXIV	Irrigation and drainage works	121,100
XXV	Land cultivation in Tohoku districts	310,620
XXVI	Protection forests	700,000
XXVII	Disaster rehabilitation works	8,239,949
XXVIII	Aid for industrial recovery in disaster stricken districts	3,718
XXIX	Prevention of tidal-waves in Sanriku districts	68,378
XXX	Promotion of Okinawa (Looohoo) Prefecture	1,288,724
XXXI	Promotion of Oshima county, Kagoshima	363,024
XXXII	Cultivation of land in North-eastern districts	30,000
XXXIII	Grants to Tohoku prefectures where State forests are located	211,903
XXXIV	Funding the Central Chest for Cooperative Associations	500,000
XXXV	Special increase of salaries	22,226
	Sum total	72,569,474

Department of Commerce and Industry

I	Promotion of foreign trade	3,048,446
II	For self-support of liquid fuel	10,553,831
III	Promotion of industrial arts production and improvement of manufactures in smaller factories	256,662
IV	Finance for smaller merchants and industrialists	106,973
V	Promotion of smaller commerce	459,862
VI	Promotion of smaller industries	1,545,741
VII	Promotion of industries	1,192,794
VIII	Promotion of mining	167,280
IX	Promotion of iron industry	3,887,153
X	Promotion of enterprises in connection with industries	4,688,558
XI	Investigations and studies	346,678
XII	Buildings and repairs	1,168,432
XIII	Extraordinary readjustment works	40,073
XIV	Enforcement of the new weights and measures law	8,895
XV	Examinations and dispositions at the Patent Bureau	444,863
XVI	Extraordinary examination	31,995
XVII	Promotion of Okinawa prefecture	18,480
XVIII	Promotion of Oshima county, Kagoshima	21,262
XIX	Committee meeting for the valuation of iron foundries	7,000

XX	Supervision of the International Exhibition at the 2,600th anniversary proposed to be held at Tokyo in 1940	62,647
XXI	Extraordinary subsidies	5,700,000
XXII	Subsidy to the Imperial Fuel Manufacturing Company for the payment of dividend	272,556
XXIII	Control of the relation between demand and supply	71,440
XXIV	Control of imported material	109,420
XXV	Distribution of imported and exported goods	151,575
XXVI	Disposition of funds	90,000
XXVII	Control of gold	87,140
XXVIII	Registration of mining companies	96,812
XXIX	For taking part in the Golden Gate and New York International Expositions	1,787,165
XXX	Promotion of substitutes industry	220,000
	Sum total	36,643,733

Department of Communications

I	Subsidies and encouragements for shipping and air transportation	12,540,702
II	Improvement in the use of electric power in farm-villages	130,269
III	Investigation on water-course control	150,000
IV	Special studies at the Electro-technical Laboratory	170,936
V	Investigation on steel for shipbuilding	36,779
VI	Improvement of ships	40,000
VII	Subsidies for shipbuilding	2,089,076
VIII	Light houses	250,000
IX	Training of aviators	1,160,000
X	Extraordinary training of aviators	2,368,500
XI	Air ports	2,014,593
XII	Examination of aeroplanes	299,422
XIII	Establishment of the central air-transport research institution	500,000
XIV	Buildings and repairs	32,798
XV	Machines	24,000
	Sum total	22,023,075

Department of Overseas Affairs

I	Training of emigrants	107,910
II	Subsidies for emigrants and overseas enterprises	1,912,939
III	Emigrants to Manchoukuo	6,681,822
IV	Enterprises on cotton and wool	220,000
V	Aid to the Colonial Exhibition Hall	150,000
VI	Aid to Chosen Government-General	12,909,115
VII	Special increase of salaries	8,433
VIII	Funding the Manchuria Development Company	990,000
	Sum total	22,850,219

Department of Health and Social Affairs

I	Subsidies	3,162,500
II	Buildings and repairs	550,615
III	Prevention of epidemics	1,375,179
IV	Sanitary enterprises	1,782,356
V	National parks	84,357
VI	Medical relief	600,000
VII	Promotion of Okinawa prefecture	148,531
VIII	National physical strength standardization facilities	50,000
IX	Investigation on medical system	10,000

X	Protection and promotion of workers who come from the north-eastern districts	26,300
XI	Harmonization of race	50,000
XII	Local improvements	1,247,130
XIII	Prevention of factory calamities and promotion of sanitary equipment in factories and mines	42,729
XIV	Examination of adaptability	10,000
XV	Emergency unemployment relief	1,000,000
XVI	Extraordinary military relief	410,420
XVII	Subsidy for military relief	10,000,000
XVIII	For taking part in the International Labour Conference	107,161
XIX	Subsidy for the 12th Olympiad	790,000
XX	Extraordinary increase of salaries	29,544
	Sum total	21,476,822
	Total of Extraordinary Expenditure	1,227,260,554
	Grand total of Expenditure	2,867,796,855

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Account	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	8,475,170	5,633,880
Finance	Mint Bureau	53,421,094	24,436,856
"	Mint Bureau, Fund Section	18,470,670	11,214,245
"	Printing Bureau	18,163,233	14,693,595
"	Monopoly Bureau	524,239,091	291,524,495
"	Deposits Bureau	197,309,705	142,111,623
"	Educational Fund	21,057	—
"	National Debt Readjustment Fund	2,819,337,370	2,819,337,370
"	National Loans	860,663,739	860,663,739
"	State Property Readjustment Fund	6,120,854	2,160,934
"	Educational Improvement and Farm-villages Economic Development Fund	6,705,928	6,755,227
"	Gold fund	26,273,489	4,898,586
"	Kwantung Bureau	23,021,204	23,021,204
War	Arsenal	203,574,185	203,574,185
"	Senju Woollen Factory	4,864,722	4,858,696
Marine	Capital of Naval Dockyards	108,436,225	107,258,949
"	Naval Explosives Factory	10,267,964	10,267,964
"	Naval Fuel Depot	36,793,519	36,469,657
Education	Six Imperial Universities	28,842,183	28,842,183
"	Imperial Universities Endowment Funds	1,337,382	3,423,775
"	Government colleges	12,328,566	12,328,566
"	Government Colleges Endowment Funds	1,198,563	1,304,420
"	Schools and libraries	18,197,467	18,197,467
"	Schools and Libraries Endowment Funds	154,809	2,243,945
Agriculture and Forestry	Rice Trade Control	198,388,829	198,388,829
"	Silk Price Control	7,498,854	7,498,854
"	Forests Fire Insurance	290,968	290,968
"	Fishing Boats Re-insurance	307,503	307,503
"	Live Stock Re-insurance	632,102	632,102
Communications	Communications business, funds	79,981,551	92,753,098
"	Communications business, necessities	53,466,328	53,466,328
"	Communications business operation	428,750,585	384,144,647
Railways	State Railways, capital account	218,115,676	244,955,676
"	State Railways, necessities account	285,740,000	285,740,000
"	State Railways, earnings account	977,973,103	816,368,427

Ministry	Special Account	Revenue	Expenditure
Overseas Affairs	Chosen Government-General	505,158,965	505,158,965
"	Chosen Railways, necessities fund	52,186,741	52,186,741
"	Chosen P. O. Life Insurance	15,245,847	7,794,505
"	Taiwan Government-General	175,211,353	175,211,353
"	Taiwan Government Railways necessities fund	8,000,000	8,000,000
"	Karafuto Government	37,765,268	37,765,268
"	South Seas Government	9,404,486	9,404,486
Health and Social Affairs	Health Insurance	37,736,103	37,736,103
"	Labour Accident Legal Insurance	4,510,494	4,510,494
"	P.O. Life Insurance	333,046,954	180,251,082
"	P.O. Annuity	23,535,298	8,242,269

I. SUPPLEMENTARY BUDGET FOR 1938-39

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	164,218,985
Extraordinary revenue, miscellaneous	222,273,345
Total revenue	386,492,330
Ordinary expenditure	
Ministry of Finance	69,195,890
Extraordinary expenditure	
Ministry of Finance	317,296,440
Total of expenditure	386,492,330

Special Accounts

Ministry	Special Account	Revenue	Expenditure
Finance	Monopoly Bureau	10,753,994	858,025
"	National Loan Adjustment Fund	66,272,883	66,272,883
"	Loan Money	4,526,531,773	4,526,531,773
"	Kwantung Bureau	1,035,378	854,336
War	Arsenal	1,269,842,013	1,269,842,013
"	Senju Woollen Factory	6,807,356	6,807,356
Marine	Capital of Naval Dockyards	56,903,675	56,903,675
"	Naval Explosives Factory	29,796,524	29,796,524
"	Naval Fuel Depot	5,356,567	5,356,567
Communications	Communication business, operation	1,300,200	1,300,200
Railways	State Railways, earning account	7,546,859	7,546,859
Overseas Affairs	Chosen Government-General	11,529,691	9,364,072
"	Taiwan Government-General	3,687,162	3,021,929
"	Karafuto Government	470,874	389,756

II. SUPPLEMENTARY BUDGET FOR 1938-39

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	15,671,723
Extraordinary revenue, miscellaneous	155,334,135
Total revenue	171,005,858

X	Protection and promotion of workers who come from the north-eastern districts	26,300
XI	Harmonization of race	50,000
XII	Local improvements	1,247,130
XIII	Prevention of factory calamities and promotion of sanitary equipment in factories and mines	42,729
XIV	Examination of adaptability	10,000
XV	Emergency unemployment relief	1,000,000
XVI	Extraordinary military relief	410,420
XVII	Subsidy for military relief	10,000,000
XVIII	For taking part in the International Labour Conference	107,161
XIX	Subsidy for the 12th Olympiad	790,000
XX	Extraordinary increase of salaries	29,544
	Sum total	21,476,822
	Total of Extraordinary Expenditure	1,227,260,554
	Grand total of Expenditure	2,867,796,855

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Account	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	8,475,170	5,633,880
Finance	Mint Bureau	53,421,094	24,436,856
"	Mint Bureau, Fund Section	18,470,670	11,214,245
"	Printing Bureau	18,163,233	14,693,595
"	Monopoly Bureau	524,239,091	291,524,495
"	Deposits Bureau	197,309,705	142,111,623
"	Educational Fund	21,057	—
"	National Debt Readjustment Fund	2,819,337,370	2,819,337,370
"	National Loans	860,663,739	860,663,739
"	State Property Readjustment Fund	6,120,854	2,160,934
"	Educational Improvement and Farm-villages Economic Development Fund	6,705,928	6,755,227
"	Gold fund	26,273,489	4,898,586
"	Kwantung Bureau	23,021,204	23,021,204
War	Arsenal	203,574,185	203,574,185
"	Senju Woollen Factory	4,864,722	4,858,896
Marine	Capital of Naval Dockyards	108,436,225	107,258,949
"	Naval Explosives Factory	10,267,964	10,267,964
"	Naval Fuel Depot	36,793,519	36,469,657
Education	Six Imperial Universities	28,842,183	28,842,183
"	Imperial Universities Endowment Funds	1,337,382	3,423,775
"	Government colleges	12,328,566	12,328,566
"	Government Colleges Endowment Funds	1,198,563	1,304,420
"	Schools and libraries	18,197,467	18,197,467
"	Schools and Libraries Endowment Funds	154,809	2,243,945
Agriculture and Forestry	Rice Trade Control	198,388,829	198,388,829
"	Silk Price Control	7,498,854	7,498,854
"	Forests Fire Insurance	290,968	290,968
"	Fishing Boats Re-insurance	307,503	307,503
"	Live Stock Re-insurance	632,102	632,102
Communications	Communications business, funds	79,981,551	92,753,098
"	Communications business, necessities	53,466,328	53,466,328
"	Communications business operation	428,750,585	384,144,647
Railways	State Railways, capital account	218,115,676	244,955,676
"	State Railways, necessities account	285,740,000	285,740,000
"	State Railways, earnings account	977,973,103	816,368,427

Ministry	Special Account	Revenue	Expenditure
Overseas Affairs	Chosen Government-General	505,158,965	505,158,965
"	Chosen Railways, necessities fund	52,186,741	52,186,741
"	Chosen P. O. Life Insurance	15,245,847	7,794,505
"	Taiwan Government-General	175,211,353	175,211,353
"	Taiwan Government Railways necessities fund	8,000,000	8,000,000
"	Karafuto Government	37,765,268	37,765,268
"	South Seas Government	9,404,486	9,404,486
Health and Social Affairs	Health Insurance	37,736,103	37,736,103
"	Labour Accident Legal Insurance	4,510,494	4,510,494
"	P.O. Life Insurance	333,046,954	180,251,082
"	P.O. Annuity	23,535,298	8,242,269

I. SUPPLEMENTARY BUDGET FOR 1938-39

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	164,218,985
Extraordinary revenue, miscellaneous	222,273,345
Total revenue	386,492,330
Ordinary expenditure	
Ministry of Finance	69,195,890
Extraordinary expenditure	
Ministry of Finance	317,296,440
Total of expenditure	386,492,330

Special Accounts

Ministry	Special Account	Revenue	Expenditure
Finance	Monopoly Bureau	10,753,994	858,025
"	National Loan Adjustment Fund	66,272,803	66,272,803
"	Loan Money	4,526,531,773	4,526,531,773
"	Kwantung Bureau	1,035,378	854,336
War	Arsenal	1,269,842,013	1,269,842,013
"	Senju Woollen Factory	6,807,356	6,807,356
Marine	Capital of Naval Dockyards	56,903,675	56,903,675
"	Naval Explosives Factory	29,796,524	29,796,524
"	Naval Fuel Depot	5,356,567	5,356,567
Communications	Communication business, operation	1,300,200	1,300,200
Railways	State Railways, earning account	7,546,859	7,546,859
Overseas Affairs	Chosen Government-General	11,529,691	9,364,072
"	Taiwan Government-General	3,687,162	3,021,929
"	Karafuto Government	470,874	389,756

II. SUPPLEMENTARY BUDGET FOR 1938-39

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	15,671,723
Extraordinary revenue, miscellaneous	155,334,135
Total revenue	171,005,858

Ordinary expenditure	
Ministry of	
Foreign Affairs	372,963
Home Affairs	911,743
Finance	25,100,599
War	65,402
Marine	711,141
Justice	6,563,980
Education	466,543
Agriculture and Forestry	3,648,882
Commerce and Industry	32,938
Communications	6,966,209
Health and Social Affairs	10,359,194
Total	55,199,594
Extraordinary expenditure	
Ministry of	
Foreign Affairs	20,308,492
Home Affairs	36,550,323
Finance	10,049,887
War	2,096,095
Marine	2,313,770
Justice	1,010,679
Education	2,020,869
Agriculture and Forestry	17,888,361
Commerce and Industry	4,967,816
Communications	5,331,892
Overseas Affairs	5,863,718
Health and Social Affairs	7,404,362
Total	115,806,264
Grand total of expenditure	171,005,858

III. SUPPLEMENTARY BUDGET FOR 1938-39

(In yen)

General Account

Revenue	
Ordinary revenue, miscellaneous	842,343
Extraordinary revenue, miscellaneous	88,384,029
Total revenue	89,226,372
Ordinary expenditure	
Ministry of	
Finance	830,047
Health and Social Affairs	1,684,687
Total	2,514,734
Extraordinary expenditure	
Ministry of	
Foreign Affairs	108,334
Home Affairs	5,025,000
Finance	37,427,075
Education	250,000
Commerce and Industry	3,729,452
Communications	1,464,390
Health and Social Affairs	38,707,387
Total	86,711,638
Grand total of expenditure	89,226,372

		Special Accounts	
Ministry	Special Accounts	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	—	150,000
Finance	Mint Bureau	4,072,397	4,010,255
"	Printing Bureau	5,332,460	4,946,428
"	Deposits Bureau	—	900,000
"	National Loan Adjustment Fund	2,328,100	2,328,100
"	Loan money	240,856,506	240,856,506
"	Gold Fund	—	12,540
"	Kwantung Bureau	—	181,042
Education	Six Imperial Universities	3,192,880	3,192,880
"	Imperial Universities Endowment Funds	273,000	273,000
"	Government colleges	539,912	539,912
"	Government Colleges Endowment Funds	250,000	83,000
"	Schools and libraries	370,467	370,376
Communications	Communications business, funds	—	858,500
"	Communications business, necessities	389,764	389,764
"	Communications business, operation	1,419,713	1,419,713
Overseas Affairs	Chosen Government-General	2,226,372	4,391,991
"	Taiwan Government-General	4,116,456	4,781,689
"	Karafuto Government	452,387	533,505
"	South Seas Government	499,985	270,183

Estimated Military Expenditure for the Present Emergency

Revenue	4,886,591,321
Expenditure	4,850,000,000

National Debts

Internal Loans Five per cent loan. This loan was issued mainly for the construction and improvement of the Imperial Railways, the compensation for and purchase of private railways, the colonization of Chosen, Taiwan, Karafuto and Kwantung Province, the relief of Japanese subjects suffering war losses, rewards for distinguished services during the war in 1914-15, retiring allowances in connection with both the administrative readjustment and the reduction of armaments, compensation payments resulting from the reduction of the Army and Navy, the reconstruction works in Tokyo and Yokohama necessitated by the Earthquake disaster, compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills, compensation for losses sustained in the accommodation extended to banking institutions in Taiwan and other undertakings and various grants. The total issue amounted to ¥2,239,475,900 of which ¥387,872,570 has already been redeemed, and ¥1,851,603,150 was still unredeemed at the end of March, 1937.

Five per cent loan ("Kō"). This loan was issued during 1908-09 for the purpose of meeting the purchase price

of railways owned by seventeen private companies. The total issue amounted to ¥476,318,800, of which part has been redeemed, and ¥396,697,200 left unredeemed. The principal private railways in our country were purchased outright through the proceeds of this loan and were then unified into one State system.

Five per cent loan ("Onshi"). This loan, amounting to ¥30,000,000, was created at the time of the annexation of Chosen by Imperial Ordinance No.327 of 1910, and the bonds were specially granted to the Korean peers and to public corporations of the Peninsula to provide funds for promoting industries and education and for famine relief.

Four per cent loan (1st and 2nd Series). In order to consolidate the national debt, the Government planned the conversion into low-interest loans of the outstanding five per cent domestic loans issued before 1905, and with this end in view issued in the home market with better results than had been anticipated two series of four per cent loans amounting to ¥100,000,000 each. As all the five per cent loan bonds previously issued were accepted in place of cash in subscriptions for the four per cent loans, such receipts amounted to ¥64,467,500 in the first issue of the four per

cent loans and to ¥86,612,920 in the second. In addition to the total issue of ¥200,000,000 mentioned above, there was a loan of the first issue amounting to ¥76,220,500 which was delivered in place of cash to the bondholders of various five per cent loans.

Four per cent loan. In accordance with the provisions of Law No. 16 of 1933, the Government issued in December, 1933, a 4 per cent loan with a total face-value of ¥8,145,550. The object of the loan was to deliver to the Industrial Bank of Japan those loan bonds to be appropriated for the increase, arising out of the decline in the yen exchange, in the principal and interest charges of the Industrial Bank of Japan 5 per cent Sterling Debentures which were issued in 1908 for the purpose of making advances to the Korean Government for the development of enterprises in that country. Further issues were made to the amount of ¥64,990,025 in 1934 and ¥9,337,900 in 1935 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the purchase of private railways, compensation payments to private railways and tramways, the purchase of private camphor manufacturing factories in Taiwan, and rewards for distinguished services in the Manchurian incident. The total issues from 1933 to 1935 thus amounted to ¥82,473,475 of which ¥3,050 was redeemed, and ¥82,470,425 remained outstanding at the end of the fiscal year 1936-37.

Three and a half per cent loan.

This loan was issued in 1936 to the amount of ¥27,662,275 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the development of public undertakings in Chosen, the purchase of private railways, and compensation payments to private railways and tramways.

Five per cent Exchequer Bonds. These bonds were issued in order to enable the Government to consolidate and redeem foreign loans, meet extraordinary war expenditure, create and expand higher institutions of learning, construct and improve railways, improve roads, encourage various undertakings in Chosen, Taiwan and Karafuto, consolidate the short-term bonds issued under the Special Exchequer Notes Law for financing export bills and giving financial assistance to the Allied Powers during 1914-15, finance reconstruction works in districts damaged by the Great Earthquake and to make loans to banks holding Earthquake Bills. The

aggregate amount of existing bonds issued from 1916 to March 1933 reached ¥4,842,258,450, of which ¥2,706,145,225 has been redeemed, the balance, ¥2,136,113,225, remaining unsettled.

Four and a half per cent Exchequer Bonds. These bonds were issued in order to enable the Government to meet expenditures in connection with the Manchurian incident, the extension of the telegraph and telephone system, improvement of roads, reconstruction works necessitated by the Earthquake of 1923, construction and improvement of railways, various public undertakings in Chosen, Taiwan, Kwantung Province and Karafuto, and the covering of revenue deficits in the General Account. The total issues from 1922 to March 1933 reached ¥715,000,000.

Four per cent Exchequer Bonds. These bonds were issued for the first time in 1923 for the same purpose as that of the four and a half per cent Exchequer Bonds mentioned above. The total amount of issue reached ¥3,073,424,000 during the fiscal years 1923-34 to 1935-36.

Three and a half per cent Exchequer Bonds.

These bonds were issued in 1936 to the total amount of ¥2,837,690,000. The object of the bonds was to convert the 5 per cent Exchequer Bonds, to defray the expenditure in connection with the Manchurian incident, to cover revenue deficits, to finance reconstruction works necessitated by the earthquake of 1923, to improve roads, to develop public undertakings in Chosen, to construct and improve Government railways, and to expand the postal, telegraph and telephone services.

External Loans **Four per cent Sterling Loan of 1899 (1st Series).** For the purpose of meeting the expenditure required for the construction of railways, improvement of the existing Government railways, construction of railways in the Hokkaido, steel manufacture, and extension of the telephone system, and in accordance with the provisions of the Railway Construction Law (Law No. 4, 1892), the Public Undertakings Loan Regulations (Law No. 54, 1896), the Hokkaido Railway Construction Law (Law No. 93, 1896), and Law No. 101, 1899, the Government issued in London in June, 1899, a loan of £10,000,000 at an issue-price of £90 per £100 face-value, the principal of which is, after being left unpaid for ten years from January, 1899, to be redeemed at the option of the Government by means of drawings in forty-five years.

Five per cent Sterling Loan of 1907. For the purpose of consolidating and redeeming the six per cent Sterling Loan of £22,000,000 issued in 1904, the Government raised in March, 1907, a five per cent Loan of £23,000,000 in London and Paris in accordance with the provisions of Law No. 1 of 1904, Law No. 12 of 1905, and Imperial Ordinance No. 23 of 1907. Its issue-price was £99 10s. per £100 face-value, and the principal is to be left unpaid until March 11, 1922 and thereafter to be redeemed at the option of the Government by means of drawings by March 12, 1937. The proceeds of this loan were applied to the redemption of the six per cent Sterling Loan of £22,000,000.

Four per cent Franc Loan of 1910. The four per cent Franc Loan was issued in Paris in 1910 with the same object as the four per cent Loan issued at home; a portion of its proceeds was appropriated for use as fund for the redemption of domestic loan bonds which were exported abroad, and another portion for use as fund for the redemption of the five per cent loan bonds in circulation at home. The amount of issue was 450,000,000 francs, the rate of interest four per cent, payable on the 15th of May and November every year; the issue-price was 95 francs 50 centimes, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years.

Four per cent Sterling Loan of 1910 (2nd Series). The four per cent Sterling Loan of 1910 was raised for the same purpose as the four per cent loan raised at home and the four per cent Franc Loan of 1910 raised in France, and was employed as fund for the redemption of the Indorsed War and five per cent Loans in circulation in London. The amount of issue was £11,000,000, the rate of interest four per cent, payable on the 1st of June and December, the issue-price was £95, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years; and as the object of the loan was the redemption of the indorsed loans above referred to, the latter loan bonds were accepted in place of cash when the former loan was subscribed for.

South Manchuria Railway Sterling Debentures. The South Manchuria Railway Sterling Debentures of 1911 with a total face-value of £6,000,000, the liability for the service of which had been assumed by the Government, fell due on January 1, 1936, and consequently, the greater part of the Debentures

was redeemed in cash, while a part was repaid by conversion into domestic loan. The Government has been further authorized by Law No. 34 of 1933 to subscribe to the shares of the Company, and instead of paying cash for the shares, to assume liability for the service of the Sterling Debentures with a total face-value of £4,000,000 issued in 1933 by the Company. Thus, the amount outstanding at the end of March, 1937 was £4,000,000.

Six and a half per cent Gold Bonds of 1924. Partly, for the purpose of redeeming the outstanding Imperial Japanese Government 4½% Sterling Loan of the first and second series, which fell due January 15, 1925, and July 10, 1925, respectively and, partly for the purpose of purchasing materials and supplies for reconstruction necessitated by the earthquake and fire of September, 1923, loans with a total face value of 150,000,000 dollars were issued in New York in February, 1924, in accordance with Art. 1 of Law No. 56, 1923 and Art. V of Law No. 6, 1906. The issue-price was 92½ dollars per 100 dollars face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within fifteen years, namely, by February 1, 1954.

Six per cent Sterling Loan of 1924. Loans with a total face-value of £25,000,000 were issued in London in February, 1924, in accordance with Art. 1 of Law No. 56 promulgated in 1923 and Art. V Law No. 6, in 1906, for the same purpose as the 6½% Loan of 1924 issued in the United States of America. The issue-price was £87½ per £100 face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within twenty years, namely, by July 10, 1959.

Five and a half per cent Sterling Loan of 1930. For the conversion of the 4% Sterling Loan of 1905, the Government issued a 5½ per cent Sterling Loan of £12,500,000 in London in May, 1930 in accordance with the provisions of Law No. 6 of 1906. The issue-price was £90 per £100 face-value. The principal is to be left unpaid for ten years, after which it is to be redeemed by May 1, 1965.

Five and a half per cent Gold Bonds of 1930. For the conversion of the 4% Sterling Loan of 1905, loans with a total face-value of \$71,000,000, were issued in New York in May, 1930 in accordance with Law No. 6 of 1906. The issue-price was \$90 per \$100 face-value. The loan is to remain unredeemed for ten years, after which it is to be redeemed by May 1, 1965.

AMOUNTS OF THE NATIONAL DEBT RAISED,
REDEEMED AND OUTSTANDING

Financial Year	Internal Loans			External Loans		
	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year
1927-28	742,479,325	508,582,175	3,944,473,475	—	7,796,785	1,453,393,187
1928-29	689,146,350	253,649,800	4,379,965,700	—	2,097,749	1,451,295,257
1929-30	558,942,975	426,300,400	4,512,608,275	—	4,446,545	1,446,848,812
1930-31	265,608,800	301,424,775	4,476,792,300	264,463,500	232,287,852	1,479,024,400
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	1,390,444,577
1933-34	1,066,062,000	5,375,850	6,724,440,125	39,052,000	14,895,310	1,414,598,287
1934-35	1,063,126,950	100,056,325	7,687,510,750	—	11,654,994	1,402,943,272
1935-36	1,051,213,500	216,284,500	8,522,439,750	—	71,082,383	1,331,860,889
1936-37	2,871,234,275	2,136,123,075	9,257,550,950	—	14,905,642	1,316,955,247

Financial Year	Grand Total		Amount outstanding at the End of the Financial Year	Amount outstanding compared with the Preceding Year	Debt per Head	Population
	Amount issued	Amount redeemed				
1927-28	742,479,325	516,378,960	5,397,866,581	(+) 226,100,365	60.739	88,868,442
1928-29	689,146,350	255,747,549	5,831,261,057	(+) 433,394,476	64.735	90,078,223
1929-30	558,942,975	430,746,945	5,959,457,087	(+) 128,196,030	65.263	91,313,222
1930-31	530,072,300	533,712,627	5,955,816,780	(-) 3,640,327	63.716	93,473,578
1931-32	457,583,700	225,742,986	6,187,657,474	(+) 231,840,714	65.450	94,540,100
1932-33	1,096,744,000	230,205,923	7,054,195,552	(+) 866,538,078	74.409	96,093,500
1933-34	1,105,114,000	20,261,160	8,139,038,392	(+) 1,084,842,840	83.457	97,523,524
1934-35	1,063,126,950	111,711,319	9,090,454,022	(+) 951,415,630	91.818	99,004,572
1935-36	1,051,213,500	287,366,883	9,854,300,639	(+) 763,846,617	97.418	101,136,118
1936-37	2,871,234,275	2,151,028,717	10,574,506,197	(+) 720,205,557	103.809	102,187,756

AMOUNT OF NATIONAL DEBTS REDEEMED OUT OF THE NATIONAL
DEBT CONSOLIDATION FUND AND BY CONVERSION

Financial Year	Amount redeemed by Consolidation Fund			Amount redeemed by Conversion			Grand Total
	Internal Loans	External Loans	Total	Internal Loans	External Loans	Total	
1927-28	85,427,215	7,796,785	93,224,000	423,153,960	—	423,153,960	516,377,960
1928-29	29,247,236	2,097,749	31,344,985	224,401,914	—	224,401,914	255,746,900
1929-30	97,417,113	4,446,545	101,863,658	229,883,287	—	229,883,287	430,746,945
1930-31	151,431,835	5,415,234	156,847,069	149,989,840	226,872,619	376,862,458	533,709,527
1931-32	49,952,097	6,445,185	56,397,282	269,345,403	—	269,345,403	225,742,886
1932-33	8,956,241	23,559,697	32,515,938	139,111,909	58,578,000	197,689,909	230,205,923
1933-34	5,375,850	14,895,310	20,271,160	—	—	—	20,271,160
1934-35	10,068,941	11,654,994	21,723,935	89,987,384	—	89,987,384	111,711,319
1935-36	1,069,291	49,188,823	51,258,114	215,215,209	21,893,559	237,108,768	287,366,883
1936-37	33,177,928	14,905,642	48,083,570	2,102,945,147	—	2,102,945,147	2,151,028,717

AMOUNT OF NATIONAL DEBTS CHARGEABLE
TO THE VARIOUS ACCOUNTS

Accounts	(March 31)				
	1933	1934	1935	1936	1937
General Account	4,760,489,568	5,592,975,453	6,178,511,615	6,894,857,908	7,538,337,611
Internal loans	3,476,211,827	4,284,541,022	4,895,772,852	5,682,935,456	6,341,042,332
External loans	1,284,277,741	1,308,434,431	1,282,738,763	1,211,922,044	1,197,295,279

Accounts	1933	1934			1935	1936	1937
		(In Yen)					
Special Accounts for Government of Chosen	373,731,176	462,495,657	489,480,524	509,038,362	546,191,185	546,191,185	—
Internal loans	373,731,176	462,495,657	489,480,524	509,038,362	546,191,185	546,191,185	—
External loans	—	—	—	—	—	—	—
Special Account for Government of Taiwan	118,722,040	126,530,894	129,525,450	128,202,287	127,868,217	127,868,217	—
Internal loans	101,269,996	109,078,850	112,073,406	110,750,243	110,416,173	110,416,173	—
External loans	17,452,044	17,452,044	17,452,044	17,452,044	17,452,044	17,452,044	—
Special Account for Kwantung Government	9,835,739	13,311,706	13,263,537	13,226,379	11,798,817	11,798,817	—
Internal loans	9,835,739	13,311,706	13,263,537	13,226,379	11,798,817	11,798,817	—
External loans	—	—	—	—	—	—	—
Special Account of Government of Karafuto	32,133,976	37,736,621	37,612,369	37,572,325	37,512,144	37,512,144	—
Internal loans	32,133,976	37,736,621	37,612,369	37,572,325	37,512,144	37,512,144	—
External loans	—	—	—	—	—	—	—
Special Account for Government of Nanyo	74,846	74,554	74,264	73,975	73,113	73,113	—
Internal loans	74,846	74,554	74,264	73,975	73,113	73,113	—
External loans	—	—	—	—	—	—	—
Imperial Railways Special Account	1,732,814,366	1,879,614,750	1,921,314,177	1,942,297,215	1,971,178,916	1,971,178,916	—
Internal loans	1,648,710,937	1,795,511,321	1,837,210,748	1,885,193,786	1,887,075,487	1,887,075,487	—
External loans	84,103,429	84,103,429	84,103,429	84,103,429	84,103,429	84,103,429	—
Special Account for Imperial Iron Works	26,393,841	26,298,757	—	—	—	—	—
Internal loans	21,785,478	21,690,394	—	—	—	—	—
External loans	4,608,363	4,608,363	—	—	—	—	—
Special Account for Postal, Telegraph, and Telephone Services	—	—	320,672,086	329,032,188	341,546,188	341,546,188	—
Internal loans	—	—	302,023,050	310,649,221	323,441,168	323,441,168	—
External loans	—	—	18,649,036	18,382,967	18,105,020	18,105,020	—
Grand Total	7,054,195,552	8,139,038,392	9,090,454,022	9,854,300,639	10,574,506,197	10,574,506,197	—
Total internal loans	5,663,753,975	6,724,440,125	7,687,510,750	8,522,439,750	9,257,550,950	9,257,550,950	—
Total external loans	1,390,441,577	1,414,598,267	1,402,943,272	1,331,860,889	1,316,955,247	1,316,955,247	—

OUTSTANDING NATIONAL DEBTS CLASSIFIED ACCORDING
TO THE OBJECTS FOR WHICH THEY WERE RAISED

Items	(March 31)		
	1935	1936	1937
Reorganization of public institutions:		(In yen)	
Feudal pensions capitalized	92,724,405	92,664,804	92,674,768
Economic undertakings:			
Railway construction	1,994,392,705	1,999,978,684	2,033,118,442
Harbour, drainage, road, steel-works, mining, telephone, etc.	297,175,561	313,795,689	327,229,198
Total	2,291,568,266	2,313,774,573	2,360,347,640
Financial adjustment:			
Administrative readjustment and limitation of armament	117,035,967	117,026,967	117,026,867
Redemption of paper money	10,015,008	10,008,205	10,008,052
Increase from conversion	377,287,567	395,623,866	442,631,636
Tobacco and salt monopoly	19,962,886	19,941,175	19,940,960
Total	524,301,428	542,600,213	589,607,515
Reconstruction work in districts damaged by the earthquake	679,051,271	666,946,346	691,146,169

Items	1935	1936	1937
		(In Yen)	
Covering of revenue deficits	1,443,544,500	1,943,163,100	2,366,237,400
Financial accommodation:			
Export bill financing, etc.	367,638,637	387,638,637	367,463,291
Liquidation of the liabilities of three banks with respect to the loan to China	126,649,661	126,649,661	126,649,661
Compensation for loss sustained by the Bank of Japan in discounting earthquake bills and remedial measures, etc.	413,903,885	421,991,694	420,500,333
Total	928,192,183	936,279,992	924,613,284
Military Affairs:			
Completion of armaments	78,847,812	78,625,450	78,324,806
Wars and incidents	2,401,918,002	2,597,756,246	2,771,135,532
Total	2,480,765,814	2,676,381,696	2,849,660,340
Development of new territories:			
Taiwan	126,905,791	126,891,206	126,890,820
Chōsen	473,253,223	494,249,568	531,801,140
Karafuto	35,738,231	25,738,231	35,738,231
Kwantung Leased Territory	5,408,910	5,408,910	5,408,910
Total	641,306,155	662,287,915	699,919,101
Grand Total	9,090,454,022	9,854,300,639	10,574,506,197

State Property

(1) The Legal Definition and Categories of State Property.

State Property mentioned above is defined under Article 1 of the State Property Law, promulgated by Law No. 43 in April, 1921 as follows:

"The State Property under this Law includes all the State-owned real estate and such movable estate and rights belonging to the State as provided in the Imperial Ordinance."

Article 1 of the Imperial Ordinance No. 15 concerning the State Property Law defines, however, State movable estate and rights that are State Property in the following manner:

"The following State-owned movable estate and rights are to be State Property as provided in Article 1 of the State Property Law:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate given in (a).

(c) Machine and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and other rights similar to these rights.

(e) Rights relating to stocks and investments.

The scope of the term "factory" under (c) above is to be determined by the respective Ministers after consultation with the Minister of Finance."

State-owned movable estate and rights, such as, cash, deposits, loans, common

fixtures and books, for instance, not mentioned in the above provisions are therefore State Property in substance but do not come under the provisions of this Law.

Article 2 of the State Property Law divides State Property into four classes, namely, Public Property, Official Property, Property used for Forestry Management and Miscellaneous Property. Public Property is that directly used or to be used for public service by the State; Official Property is that used or to be used by the State, for Shinto Shrines, or for State service and enterprises or for residences of officials and other personnel; Property used for Forestry Management is that used or to be used, by the State, for the management of forests, while Miscellaneous Property is that not belonging to these three categories.

(2) The Legal Limitation of the Content of the "State Property Account" and its Categories.

Article 26 of the State Property Law requires the Government to make a yearly statement of the increase or decrease in the State Property, and every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then to be presented to the Imperial Diet.

The following are, however, excluded from the statements:—

(a) Movable estate and rights owned by the State; but not subject to the provisions of the Imperial Ordinance, that is, State Property in reality if not in law (Art. 1, State Property Law;

Art. 1, Imperial Ordinance concerning the State Property Law).

(b) State Property belonging to the Governments of Chōsen, Taiwan, Karafuto, Kwantung, and Nanyo (Mandated Territories in the South Pacific) 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 in the following table are based on these official statements of State Property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State Property mentioned in (a)—(d) above will be much higher than the figures given in this table. With respect to the property mentioned in (b), however, we have stated the value on March 31, 1933 for purposes of reference. 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.

(3) Administration of State Property.

The administrative service over State Property includes both direct management and general administration, the former under the direction of the respective 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 each Minister, keeping one in touch with the other, so as to secure the full use of the Property.

(4) Increase or Decrease in State Property.

The increase in the total value of State Property is attributed to such factors as the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition

of stocks and of rights due to investment, establishment of surface rights, etc.), while the decrease in property is due to the sale, conveyance without compensation, exchange and collapse of property, and extinction of rights (extinctive prescription, reduction of capital, etc.). Moreover, the re-valuation of property made every fifth year causes an increase or decrease in the total value of State Property.

(5) The Funds from the Adjustment of State Property.

With the exception of receipts coming under other special accounts and those from the disposition of State forests and plains or of uncultivated places in the Hokkaidō, 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 1927-28 to 1937-38:

Financial Years	Revenue	Expenditure
	(In yen)	
1927-28	12,904,110	15,228,282
1928-29	11,373,386	15,913,470
1929-30	9,349,573	9,102,751
1930-31	6,439,664	6,237,805
1931-32	4,870,211	5,963,898
1932-33	4,755,566	5,823,635
1933-34	5,973,512	6,198,998
1934-35	7,523,004	6,786,056
1935-36	6,812,346	3,470,679
1936-37	7,777,856	7,777,769
1937-38	5,662,017	4,722,017

Note:—The figures for the financial years 1927-28 to 1935-36 represent the settled accounts, but those for 1936-37 and 1937-38 the budget estimates.

STATE PROPERTY

General Account

March 31st	Official Property	Property used for Forestry Management	Miscellaneous Property	Total	Inc. (+) or Dec. (-) as compared with preceding year
					(In yen)
1927	2,563,625,800	1,785,919,572	380,276,840	4,729,822,213	+460,235,781
1928	2,617,192,682	1,795,825,964	385,461,617	4,798,480,264	+ 68,658,051
1929	2,737,794,793	1,784,353,468	392,494,216	4,914,642,478	+116,162,214
1930	2,840,813,702	1,793,045,341	383,121,552	5,016,980,596	+102,338,117
1931	2,916,676,775	1,782,178,124	384,622,880	5,083,477,781	+ 66,497,185
1932	2,974,318,652	1,384,436,336	361,723,578	4,720,478,566	-362,999,214
1933	3,079,326,852	1,375,325,433	384,653,842	4,839,306,128	+118,827,561
1934	3,242,826,050	1,374,297,419	696,066,882	5,313,190,353	+473,884,224
1935	2,896,185,956	1,371,906,691	703,450,479	4,971,543,127	-341,647,225
1936	3,036,003,966	1,376,098,868	702,982,189	5,115,085,025	+143,541,897

Special Accounts

March 31st	Official Property	Miscellaneous Property	Total	Inc. (+) or Dec. (-) as compared with preceding year	Grand Total	Inc. (+) or Dec. (-) as compared with the total of preceding year
						(In yen)
1927	2,522,244,625	5,181,884	2,527,426,509	+226,195,937	7,257,248,723	+686,431,721
1928	2,700,178,085	4,753,346	2,704,931,432	+177,504,922	7,503,411,696	+246,162,973
1929	2,918,388,591	3,958,885	2,922,347,476	+217,416,044	7,836,989,955	+333,578,258
1930	3,094,085,905	319,474	3,094,405,380	+172,057,903	8,111,385,976	+274,396,021
1931	3,227,373,063	690,032	3,228,063,095	+133,657,714	8,311,540,876	+200,154,900
1932	3,279,832,605	190,171	3,280,022,777	+ 51,959,681	8,000,501,343	-311,039,533
1933	3,352,889,831	533,856	3,353,423,688	+ 73,400,911	8,192,729,816	+192,228,472
1934	3,279,527,024	330,052	3,279,857,076	- 73,566,611	8,593,047,429	+400,317,613
1935	4,007,400,131	378,898	4,007,779,029	+727,921,952	8,979,322,157	+386,274,727
1936	4,147,726,762	398,929	4,148,125,691	+140,346,661	9,263,210,716	+283,888,559

Note:—

(1) The figures for 1927 were computed by adding the increase in the value of State property in each financial year to the appraised value of 1922; those for 1928 to 1931, by adding the increase in each financial year to the appraised value of 1927; and those for 1933 and 1936, by adding the increase in each financial year to the appraised value of 1932.

(2) The following are excluded from this table: (a) State movable estate and rights not provided in the Imperial Ordinance, (b) Public Property, (c) State property belonging to our colonial Governments, (d) lands used for religious purposes by Buddhist temples and sites of Shinto shrines, and (e) public land of public corporations.

Appendix—The value of State Property under the jurisdiction of our colonial Governments on March 31, 1936 is as follows:

Government of Chōsen	¥ 664,179,205
Government of Taiwan	312,433,468
Government of Karafuto	50,726,345
Government of Kwantung	158,010,446
Government of Nanyo (Mandated South Sea Islands)	20,343,824
Total	1,205,693,288

Note:—This table indicates only the value of State-owned real estate and ships and their equipment, but excludes the value of Public Property.

CAPITAL AND EXPENDITURE FOR WAY AND WORKS OF THE IMPERIAL RAILWAYS

Compiled by the Department of Railways

Financial Year	Capital originally owned	Amount of Capital		Total	Cost of Construction
		Borrowed Capital	(In yen)		
1926-27	1,220,626,875	1,468,042,741	2,688,669,616	47,953,430	
1927-28	1,351,010,424	1,555,993,705	2,907,007,129	49,216,913	
1928-29	1,481,689,821	1,627,399,566	3,109,089,387	51,824,496	
1929-30	1,580,497,834	1,704,668,059	3,285,165,893	68,906,647	
1930-31	1,639,593,577	1,743,226,538	3,482,822,115	41,755,774	
1931-32	1,672,757,628	1,789,564,996	3,462,322,624	37,706,907	
1932-33	1,724,882,067	1,838,540,444	3,563,423,511	47,743,369	
1933-34	1,802,811,650	1,879,614,749	3,682,426,399	53,130,133	
1934-35	1,891,897,268	1,921,314,177	3,813,211,445	47,794,116	
1935-36	1,995,865,521	1,942,297,215	3,938,262,736	43,197,238	

Financial Year	Expenditure for Way and Works (During the Year)			Total
	Maintenance Expenses	Replenishment Expenses	Improvement Expenses	
				(In yen)
1926-27	58,073,541	5,442,503	153,274,029	264,743,503
1927-28	58,915,387	5,643,676	156,244,969	270,020,945
1928-29	62,804,064	5,357,227	139,634,863	259,620,650
1929-30	62,053,015	4,337,837	125,199,688	260,497,187
1930-31	56,373,853	3,382,422	66,735,913	168,207,762
1931-32	50,359,631	2,433,856	54,714,747	145,215,141
1932-33	50,053,720	2,420,590	51,991,055	152,208,734
1933-34	54,395,922	2,122,589	56,304,722	165,953,366
1934-35	67,632,842	3,936,208	67,662,895	187,025,861
1935-36	70,018,829	3,710,575	83,366,177	200,292,819

ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS

Compiled by the Department of Home Affairs

Financial Year	Rates	Prefectures (Dō Fu & Ken)		Expenditure
		Revenue receipts from Other Sources	Total	
				(In yen)
1927-28	248,820,435	296,848,724	545,669,159	492,214,055
1928-29	262,907,747	303,067,833	565,975,580	491,261,230
1929-30	264,801,968	281,123,097	545,925,065	489,489,861
1930-31	246,946,000	293,250,812	540,196,812	478,238,248
1931-32	221,939,715	317,361,600	539,301,315	502,572,907
1932-33	216,238,846	445,301,501	661,540,347	624,808,519
1933-34	228,474,081	540,273,770	768,747,851	717,465,740
1934-35	228,776,332	263,601,764	492,378,096	492,377,997
1935-36	240,106,780	269,751,500	509,858,280	509,858,280
1936-37	252,748,344	286,804,320	539,552,664	539,552,664

Financial Year	Rates	Cities		Expenditure
		Revenue Receipts from Other Sources	Total	
				(In yen)
1927-28	109,031,256	984,380,468	1,093,411,724	936,314,972
1928-29	115,079,602	854,669,992	969,749,594	841,725,457
1929-30	122,789,419	702,604,925	825,394,344	695,547,423
1930-31	118,842,669	777,745,926	896,588,595	776,350,757
1931-32	107,828,291	638,635,669	746,463,960	634,459,007

Financial Year	Rates	Cities		Total	Expenditure
		Revenue Receipts from Other Sources	(In yen)		
1932-33	114,401,486	727,830,121	842,231,607	730,305,404	
1933-34	135,339,784	1,262,161,523	1,397,501,307	1,270,379,004	
1934-35	144,512,165	695,859,493	840,371,658	840,114,520	
1935-36	160,137,406	690,285,112	850,422,518	849,010,730	
1936-37	170,966,281	688,879,575	859,845,856	859,216,000	

Financial Year	Rates	Towns and Villages		Grand Total		
		Revenue Receipts from Other Sources	Total	Revenue	Expenditure	
1927-28	267,255,027	341,491,603	608,746,630	540,777,580	2,247,827,513	1,969,306,607
1928-29	278,728,831	342,463,671	621,192,502	560,821,930	2,156,917,676	1,893,008,607
1929-30	277,877,112	307,330,994	585,208,106	529,609,528	1,956,527,515	1,714,616,811
1930-31	236,613,665	319,862,726	556,476,391	498,147,570	1,993,261,798	1,752,738,379
1931-32	199,883,543	340,561,887	540,445,430	488,937,099	1,826,210,705	1,625,909,013
1932-33	190,413,816	403,724,407	594,138,223	543,723,528	2,097,910,177	1,808,927,513
1933-34	193,562,097	401,820,386	595,382,483	547,059,752	2,761,631,641	2,534,904,562
1934-35	209,169,312	251,206,975	460,376,287	460,139,857	1,793,126,041	1,792,632,300
1935-36	217,711,340	259,124,707	476,836,047	476,561,508	1,837,116,845	1,836,236,527
1936-37	230,118,740	266,149,290	496,268,030	496,119,450	1,895,666,550	1,894,890,720

AMOUNT OF LOCAL LOANS

At the End of March:	Loans of Prefectures	Loans of Cities	Loans of Towns and Villages		Loans of Local Associations	Total
			(In yen)			
1927	329,325,969	1,017,514,903	131,269,670	35,136,172	1,513,246,714	
1928	379,438,509	1,258,941,727	167,541,244	38,512,710	1,844,434,190	
1929	425,795,434	1,371,866,970	212,097,249	40,623,343	2,050,382,996	
1930	482,412,880	1,461,953,003	235,736,724	41,600,732	2,221,703,339	
1931	534,348,984	1,540,896,965	256,305,035	42,864,840	2,374,415,824	
1932	580,128,337	1,596,468,423	312,832,386	45,656,761	2,535,085,907	
1933	663,839,451	1,733,761,825	279,060,038	51,588,438	2,728,249,752	
1934	777,904,944	1,811,629,352	315,988,269	51,949,772	2,957,472,337	
1935	887,155,999	1,902,171,086	243,126,568	54,540,503	3,186,994,156	
1936	976,482,919	2,004,852,718	391,494,111	55,109,102	3,427,938,850	

LOCAL LOANS CLASSIFIED ACCORDING TO THE OBJECTS FOR WHICH THEY WERE RAISED

At the End of March:	Education	Sanitation	Industry	Public Works	Electric and Gas Enterprises		Others	Total
					(In yen)			
1927	134,658,132	179,972,577	35,254,216	410,821,882	472,695,554	279,844,353	1,513,246,714	
1928	169,576,089	214,396,692	45,170,489	468,889,119	549,389,069	399,012,732	1,844,434,190	
1929	172,175,166	272,205,502	76,434,895	477,916,392	554,372,027	497,279,014	2,050,382,996	
1930	193,103,812	282,336,965	98,511,782	771,016,769	566,021,106	310,712,906	2,221,703,339	
1931	190,245,777	303,243,092	150,843,417	608,427,103	573,817,298	547,839,137	2,374,415,824	
1932	190,053,844	327,351,349	153,371,058	877,520,496	550,964,975	435,824,185	2,535,085,907	
1933	196,998,634	339,401,324	217,526,766	985,904,107	587,528,519	400,890,402	2,728,249,752	
1934	184,140,529	308,202,659	224,943,952	1,134,798,040	639,058,204	465,328,953	2,957,472,337	
1935	228,588,440	332,840,041	240,469,600	1,013,619,650	671,907,841	699,568,584	3,186,994,156	
1936	298,413,409	387,976,167	292,752,395	1,165,164,983	680,775,068	602,856,738	3,427,938,850	

LOANS OF CITIES ISSUED ABROAD OUTSTANDING
MARCH 31, 1936

Cities	Loans	Amount Issued	Amount redeemed (In yen)	Amount outstanding
Tokyo	Loan for consolidation of old debts, improvement of city, etc.	14,580,000	8,950,759	5,629,241
"	Loan for electric enterprises	89,344,183	33,142,356	56,201,847
"	Reconstruction works loan	99,982,213	10,423,695	89,558,554
Osaka	Harbour-works loan	3,085,000	540,000	2,545,000
"	Loan for Electric Railways and Water-works	30,220,000	12,308,000	17,912,000
Yokohama	Water-works loan (2nd Series)	7,000,000	1,111,829	5,888,171
"	6% Reconstruction Works Loan (Dollar)	39,602,388	6,810,217	32,792,171
Nagoya	Water-works loan	7,816,000	5,568,900	2,247,100
Total		291,629,784	78,055,700	212,774,084

Deposits Bureau of the Department of Finance

Organization Although the Deposits 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 Deposits Bureau also include other deposits, reserves in the Special Account of the Deposits 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 Funds It is laid down by law that the funds of the Deposits Bureau are to be invested solely for the benefit of the State and the public in a profitable and safe manner, and that such investments are to be made only after investigation of their purposes and methods in consultation with the Committee on Investments of the Deposits Bureau. The following is an explanation of the nature of the Committee and the methods it employs.

This Committee consists of the follow-

ing 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 Deposits 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 Deposits 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 Deposits Bureau and changes in the funds invested.

As mentioned above, the funds of the Deposits Bureau are to be invested for the benefit of the State and the public welfare in a profitable and safe manner. Consequently, in conformity with this principle, the investment of funds is to be limited to the following items:

(a) The subscription to, underwriting

or purchasing of national loans or making of loans to the General or Special Accounts of the Government.

(b) The subscription to, underwriting or purchasing of local loans or health insurance association's loans or making of loans to local public corporations or health insurance associations.

(c) The subscription to, underwriting or purchasing of bonds issued by corporations organized under special laws or making of loans redeemable within a period not exceeding three years to these corporations.

(d) 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 Deposits Bureau is determined, within the limits mentioned above, at the beginning of every fiscal year. The Deposits Bureau gives, at the end of March, 1937, the following figures of investment, classified according to purposes:

Items	(In thousands of yen)	%
National loans	2,133,881	44.55
Loans to the General and Special Accounts	83,930	1.75
Local funds invested	1,968,786	41.11
Special advances	196,185	4.10
Funds held abroad	211	0
Cash	100,728	2.10
Others	305,981	6.39
Total	4,789,702	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 Deposits 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 unemployed, and accommodation to middle and lower class merchants, manufacturers and farmers.

C. Advances to be made for:

Such institutions as public corporations and various associations in our colonies.

As to the rate of interest paid on the deposits, it is to be noted that the rate was reduced as from April 1, 1937 to 2.76 per cent per annum for the greater part of postal savings. The postal savings amount to about 73 per cent of the total amount of the funds of the Deposits Bureau and details are given in the Balance Sheet of the Deposits Bureau (Table No. 91). Other deposits are divided into two classes, namely, fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 2.5 per cent per annum, but the rate on those deposits which are confined by laws and ordinances to the Deposits Bureau is 3 per cent. The rate on ordinary deposits is in principle 0.75 per cent per annum, while that on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposits Bureau is 1 per cent. The rates on fixed deposits have been effective since July 1, 1936, and those on ordinary deposits since April of the same year. Turning to the rates for the advances made by the Deposits Bureau, it will be found that those for advances to prefectures, large cities, and local corporations remain, for the most part at 3.2 per cent per annum. Reductions were made as from July 1, 1936 in the rates for the advances made before October 1, 1932 through banks and

similar institutions. As these intermediate institutions gain 0.6 per cent actual borrowers must pay at the rate of 4.2 per cent for the advances made before October 1, 1932. As to the advances made after that time, the intermediate institutions gain 0.7 per cent and actual borrowers must pay at

the rate of 3.9 per cent.

3. Plans approved in 1936.

Plans for the investment of funds to the amount of ¥523,560,000 were made in the fiscal year 1936. Of these, items involving more than 5 million yen each are as follows:

	(In yen)
(a) Loans to public corporations and various associations	72,000,000
(b) Loans for repair works following disasters of 1936	16,500,000
(c) Loans for repair works following disasters of 1934	18,000,000
(d) Loans for repair works following disasters of 1935	22,000,000
(e) Loans to public corporations and various associations for the conversion of high-interest loans	11,000,000
(f) Emergency loans for the relief of unemployment	16,000,000
(g) Loans for city planning	7,000,000
(h) Funds for underwriting national loans to be issued in 1935 and for purchases of loan bonds	200,000,000
(i) Funds for the purchase of national bonds of Manchoukuo	29,930,000
(j) Funds for applying to the reserves of the Post Office Life Insurance in Chosen	8,000,000
(k) Emergency loans for the silk-raising industry, the storage of rice, the purchase of fertilizers, and the storage of unhulled rice	80,000,000

BALANCE SHEET OF THE DEPOSITS BUREAU, THE DEPARTMENT OF FINANCE

(At the end of March)

	1933	1934 (In yen)	1935
LIABILITIES			
Deposits:			
Postal Savings and Postal Transfer System	2,768,417,432	2,932,106,094	3,073,774,560
Proceeds of Reconstruction Savings Certificates	77,796,365	76,998,065	76,199,345
Surplus fund of certain Special Accounts of the Government	293,257,488	325,559,863	359,824,716
Others	68,310,972	185,742,496	161,306,548
Reserves	279,224,775	348,641,626	392,884,577
Miscellaneous receipts	243,741,052	204,629,596	212,242,909
Checks payable	569,687	531,922	470,929
Total	3,731,317,772	4,074,209,662	4,276,703,583
ASSETS			
Government securities	1,137,080,988	1,566,497,655	1,717,600,455
Local Government and Municipal Securities	781,860,024	870,086,594	914,248,574
Debentures of the Hypothec Bank of Japan	418,866,912	396,059,279	358,868,938
Reconstruction Savings Certificates	3,718,225	3,631,918	3,572,327
Debentures of the Industrial Bank of Japan	50,632,416	49,771,950	47,375,460
Debentures of the Hokkaidō Colonization Bank	71,569,847	76,998,250	84,291,000
Debentures of Agricultural and Industrial Banks	110,651,311	142,267,962	—
Debentures of the South Manchuria Railway Co.	11,503,161	8,112,250	2,245,770
Debentures of the Oriental Development Co.	55,907,774	54,377,274	8,820,685

	1933	1934	1935
Debentures of the Chosen Industrial Bank	85,214,500	93,243,200	—
Debentures of the Central Chest for Industrial Associations	59,503,000	64,411,000	75,236,120
Debentures of the Chosen Credit Associations' Federation	—	—	—
8% Conversion Loan Bonds of the Chinese Government	2,245,770	2,245,770	11,066,455
Right to receive the Chinese Government Bonds	8,820,685	8,820,685	8,820,685
North Manchuria Railway Purchase Bonds of Manchoukuo	—	—	—
Government Liability to Pay for the Principal and Interest of the 4% Chinese Government Bonds	19,266,061	17,584,861	15,903,662
Miscellaneous Advances	592,478,670	437,667,090	451,637,531
British Treasury Bills	2,532,255	5,359,610	—
Deposits with the Bank of Japan to be held abroad for designated purposes	2,186,965	1,369,350	2,465,260
Deposits with the Bank of Japan to be held at home for designated purposes	11,000,000	11,000,000	11,000,000
Cash	170,554,251	143,702,111	176,426,801
Expenditure	135,724,957	121,002,852	110,636,675
Total	3,731,317,772	4,074,209,662	4,276,703,583

LIABILITIES	1936	1937 (In yen)	1938
Deposits:			
Postal Savings and Postal Transfer System	3,246,849,402	3,502,696,831	3,916,576,672
Proceeds of Reconstruction Savings Certificates	75,400,645	74,602,265	93,724,330
Surplus fund of certain Special Accounts of the Government	333,868,426	418,710,214	748,406,902
Others	118,368,394	118,860,255	
Reserves	460,877,085	548,354,149	623,094,585
Miscellaneous receipts	235,745,117	246,067,641	242,695,814
Checks payable	420,080	728,907	—
Total	4,471,529,149	4,910,020,262	5,626,500,303
ASSETS			
Government securities	1,790,127,929	2,133,881,314	2,796,045,060
Local Government and municipal securities	981,855,516	1,053,059,404	1,068,282,439
Debentures of the Hypothec Bank of Japan	318,581,350	280,852,148	268,061,083
Reconstruction Savings Certificates	3,506,787	3,509,369	—
Debentures of the Industrial Bank of Japan	48,546,200	48,747,703	51,947,304
Debentures of the Hokkaido Colonization Bank	86,575,072	77,732,650	416,759,787
Debentures of Agricultural and Industrial Banks	3,280,000	107,274,587	
Debentures of the South Manchuria Railway Co.	2,245,770	22,314,625	
Debentures of the Oriental Development Co.	8,820,685	40,898,500	
Debentures of the Chosen Industrial Bank	9,600,000	103,274,100	
Debentures of the Central Chest for Industrial Associations	80,168,920	82,938,980	

	1936	1937 (In yen)	1938
Deventures of the Central Chest for Commercial and Industrial Association	—	892,000	416,759,787
Debentures of the Chosen Credit Associations' Federation	3,280,000	12,640,000	
Chinese Government Bonds	11,066,455	11,066,455	
Manchukuo Government Bonds	9,600,000	39,530,000	
Government liability to pay for the principal and interest of the 4% Chinese Government Bonds	14,222,463	12,541,263	—
Miscellaneous advances	509,059,633	646,610,238	669,470,504
British Treasury Bills	—	—	—
Deposits with the Bank of Japan to be held abroad for designated purposes	254,434	211,235	1,016,246
Deposits with the Bank of Japan to be held at home for designated purposes	11,000,000	11,000,000	134,406,398
Cash	202,238,355	100,727,603	503,077
Expenditure	115,025,090	120,318,088	133,709,386
Total	4,471,529,149	4,910,020,262	5,626,500,303

Current deposits with the Bank of Japan.

PROFIT AND LOSS ACCOUNT OF THE DEPOSITS BUREAU, THE DEPARTMENT OF FINANCE

	1932-33	1933-34	1934-35 (In yen)	1935-36	1936-37
RECEIPTS					
Interest on securities	123,726,883	137,001,976	155,882,795	162,289,541	161,088,425
Interest on advances	28,115,942	22,395,790	11,477,401	15,477,755	16,268,151
Interest on deposits	5,322,668	468,080	463,436	469,460	463,184
Profits from the sale of securities	2,449,793	1,421,408	183,762	13,684,967	244,933
Profits from the redemption of securities	75,440	101,045	79,424	358,012	6,370,691
Premiums on securities	172,674	203,176	193,354	184,834	216,221
Commission for the sale or purchase of securities	2,294	4,284	3,122	3,446	4,458
Receipts from the Government for the principal and interest of the 4% Chinese Government bonds	2,164,417	2,164,417	2,164,417	2,164,417	2,164,417
Transferred from General Account	1,116,686	3,147,148	2,830,876	1,981,379	1,070,000
Profits from the disposal of the specie held abroad	43,582,149	214,820	7,544,532	7,101,125	7,953,658
Miscellaneous profits	116	114	610	267	327
Payments by officials under the Pension Law	520	1,148	1,604	2,436	3,364
Total	206,729,763	167,123,404	180,825,334	203,744,639	195,848,030
PAYMENTS					
Administrative expenses	255,212	507,920	560,438	645,574	783,755
Interest on deposits	127,267,519	112,597,322	102,032,252	105,433,259	109,669,657
Commissions paid for the services rendered by the Bank of Japan	159,637	144,408	158,843	155,682	207,536
Losses in investment	40	84	99	26	1,385
Amount transferred to other Government accounts for Postal Savings Service	9,630,000	9,630,000	10,080,000	10,030,000	10,440,000
Contributions under the Pension Law	442	658	523	1,151	872

	1932-33	1933-34	1934-35	1935-36	1936-37
Other payments	—	—	328	490	—
Depreciation	63	61	342	1,334	—
Transfers to or supplements by reserves	69,416,851	44,242,951	67,992,508	87,477,065	74,740,438
Total	206,729,763	167,123,404	180,825,334	203,744,839	195,840,000

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 thousands of yen)
Land	41,091,348
Mines	6,499,651
Ports, harbours and canals	343,143
Bridges	483,000
Trees	6,706,815
Live-stock and poultry	346,356
Buildings	22,643,300
Industrial machines and apparatus	1,809,381
Railways and tramways (street cars)	3,598,138
Vehicles and aeroplanes	660,294
Shipping	2,060,236
Electric and gas supply equipment	1,905,044
Telegraph and telephone equipment	196,102
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	191,592
Total	110,188,004

Finance in 1937-38

China Incident Expenditure Reaches ¥7,000,000,000 The State finance which had been steadily swelling under the quasi-wartime system began to be adjusted under the full wartime system following the outbreak of the China Incident by the adoption of the public loan policy, the taxation policy, the social policy aiming at consolidating the "home front" and the establishment of munitions industrial facilities. In the first place, special accounts were created to accommodate the extra-

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 capita was ¥1,710. The change of national wealth, investigated by Mr. Hideo Takahashi, a statistical authority in Japan, follows:

Time of	Year	National wealth in millions of yen
Arrival of "Black Ships"	1851	5.00
Sakuradamon Murder Incident	1860	5.70
Meiji Restoration	1868	6.00
Abolition of feudal clans and establishment of prefectural government	1873	7.10
Satsuma Rebellion	1877	8.30
Promulgation of Imperial Constitution	1889	13.00
Sino-Japanese War	1894	16.00
Russo-Japanese War	1904	22.70
First Year of Taisho Era	1912	27.50
	1921	33.00
	June, 1924	101.80
	March, 1925	105.70

ordinary military expenditure and an additional budget amounting to ¥2,000,000,000 was compiled as the war fund. Again during the 73rd session of the Imperial Diet, additional military estimates totalling ¥4,800,000,000 were introduced. Altogether an enormous sum of ¥7,390,000,000 was required to finance the military operations over a period of a year and a half after the outbreak of the China Incident, whereas the estimated cost of the Russo-Japanese War was ¥1,980,000,000, the actual ex-

penditure being even less, totalling ¥1,854,000,000.

In providing for the necessary funds, the Government decided to meet ¥300,000,000 by increased taxation, and a sum approximating ¥90,000,000 by appropriation from various special accounts. Further, a total sum of ¥4,000,000,000 was calculated to be raised through the issuance of national bonds and by the adoption of other measures. In this connection, it may be noticed that the China Incident Bonds which were issued by the end of May 1938 reached the prodigious figure of ¥6,800,000,000.

National Economy and Military Expenditure Being poor in natural resources, Japan had to look to foreign countries for the supply of a large part of the materials required for the prosecution of the military operations. In spite of the difficulties attendant upon the importation of such materials on account of the problems of foreign exchange and the meagreness of the domestic production of gold, the Japanese forces have been in complete control of the war situation, there being no fear of their operations being hampered on account of want of necessary war materials. So far as there is no obstruction in regard to the supply of materials, the problem of importation is not a serious one, on account of the possibilities of raising the necessary war funds in the country through the enforcement of a strengthened control in the banking and industrial fields by means of the operation of the trade, foreign exchange and commodity distribution policies of the Government, similar to those adopted by the various nations at the time of the Great War.

As to the capacity of the nation to bear war funds, it may be said with certainty that the conditions prevailing at present warrant a fairly optimistic view. The national income during 1933 amounted to ¥1,000,000,000 and the ordinary accounts of the State finance during the same year totalled ¥250,000,000, and the nation was able to bear some ¥900,000,000 of the total war funds required for executing the Russo-Japanese War of 1904-5 which amounted to ¥1,854,000,000, over ¥900,000,000 being met by foreign capital. The national income for 1936 is estimated at ¥11,200,000,000, and the ordinary accounts of the State finance for the 1937-38 fiscal year amounted to ¥2,800,000,000. This means that the economic strength of the nation is at present about 11

times as great as it was at the time of the Russo-Japanese War. In other words, the Japanese nation may at the present time be regarded as capable of bearing war funds to the extent of approximately ¥10,000,000,000 over a period of a year and a half. As the total military estimates for the one and a half years following the outbreak of the China Incident are much below this figure, it may be said that the capacity of the nation to bear war funds still leaves a spacious margin. In this connection it may be observed that the ratio of the Japanese nation's ability to bear war funds to its income, as indicated above, is approximately the same as that of the British people's ability to bear war funds in relation to their income as shown during the Great War when a total of 6,400,000,000 pounds sterling were met by the people whose annual income amounted to ¥2,000,000,000 pounds sterling.

An important fact that may be remembered in this connection is that while the Russo-Japanese War and the Great European War were no more than mere destructive affairs, the China Incident is featured by the possibility of gradual economic development of the occupied areas along with the restoration of public peace and order. As a matter of fact, economic operations have already been commenced in a large part of the occupied areas, both in North and Central China.

1st Estimates for the North China Incident Expenditure The budget estimates for the North China Incident Expenditure, which were presented to the 71st session of the Imperial Diet for approval, amounted to ¥96,809,000 under ordinary accounts and ¥215,000 under the special accounts of the Government-General of Chosen. Practically the whole sum was intended to be obtained through the issuance of national bonds.

2nd Budget Estimates for North China Incident Expenditure In view of the further developments of the situation, the Government decided at the Cabinet meeting of August 5 upon the second estimates for the North China Incident Expenditure, including ¥419,635,000 under ordinary accounts and ¥3,117,000 under special accounts. This additional budget estimates were presented to the Diet session the same day, and the funds were decided to be raised by the issuance of national bonds totalling ¥310,000,000 and further to raise ¥100,000,000 by a special tax to be known as North China Incident tax.

The decision on the creation of the special tax was reached at the Cabinet meeting on August 4. Both the estimates and the measures for raising the necessary funds passed through the Diet session on August 7 when the House of Peers gave its approval concurring with the decision of the House of Representatives.

3rd Estimates for the Incident Expenditure The North China Incident became amplified so as to affect the whole of China as a result of the spread of hostilities to Shanghai on August 9 when the Oyama affair occurred on the Monument Road. To cope with the new developments, the Government decided at its Cabinet meeting on August 17 to convene an emergency session of the Imperial Diet on September 3 to last until September 8. The "North China Incident Expenditure" was changed to "China Incident Expenditure" and the Cabinet meeting in session on September 3, decided on an additional incident budget amounting to slightly less than ¥2,100,000,000. Simultaneously, a decision was reached to create a special account of extraordinary military expenditure in view of the expansion of the incident and its expenditure. The third estimates included ¥2,022,700,000 as extraordinary military expenditure, ¥11,000,000 as special accounts and ¥42,400,000 as ordinary accounts. Instead of resorting to a taxation increase, the Government decided to utilize a surplus fund expected in the operation of the budget for the 1937-38 fiscal year for covering the special accounts and to issue national bonds in order to meet the extraordinary military expenditure. It must be mentioned here that the third estimates were so compiled as to cover the period ending 31st January, 1938, thereby to avoid the necessity of calling another emergency Diet session. Together with the estimates for the incident expenditure, a number of important measures for the enforcement of wartime economy were introduced before the 72nd emergency session of the Imperial Diet including the bill for the Temporary Fund Adjustment Law, the bill for the Temporary Exports and Imports Disposition Law, the bill for the revision of the Foreign Exchange Control Law, the bill pertaining to the application of the Munitions Industry Mobilization Law, the bill for the Emergency Rice Disposition Law, the bill for the Temporary Shipping Control Law and the bill for the Temporary Fertilizer Distribution Control

Law. All these measures as well as the budget estimates were passed by the Diet.

Fourth Estimates for the Incident Expenditure The first stage of the Japanese hostilities was completed with the fall of Nanking, the capital of the Chinese Nationalist Government, in the hands of the Japanese forces. As hopes for peace negotiations vanished, the war showed signs of becoming a protracted one. In view of this fact, the Government compiled an additional budget for the incident expenditure amounting to ¥4,850,000,000 and presented it to the 73rd session of the Imperial Diet, overriding a certain section of opinion that the military estimates for the 1938-39 fiscal year should be divided into two or three budgets in view of the still uncertain conditions of the incident and in conformity with the military authorities' policy of dispensing with an emergency Diet session.

The sources of revenue sought to cover the additional budget include increase in taxation both in Japan proper and in overseas territories amounting to ¥300,000,000, transfer from special accounts amounting to ¥90,000,000, increase in the revenue of the Monopoly Bureau through raising prices of tobacco amounting to ¥1,000,000 and national loans amounting to ¥4,453,489,000.

North China Incident Special Tax As the result of a careful consideration of the ways and means to deal with the situation since the beginning of the incident, the Ministry of Finance reached the conclusion that a temporary taxation increase totalling ¥1,547,000 would best conform to the policy of having the war expenses borne by the nation as a whole without imposing any unusual pressure upon the economic world. Accordingly, a temporary taxation increase plan was prepared when the fourth estimates for incident expenditure were decided. The general principles of this plan were given as follows:

1. Increase in Income Tax:

(a) 10 per cent increase in the tax on the First Class Income for the business year beginning August 1, 1937, and ending July 31, 1938;

(b) 5 per cent increase in the tax on the Second Class Income (not including interest on national loans) receivable between August 1, 1937, and July 31, 1938;

(c) 7.5 per cent increase in the tax on the Third Class Income, to be im-

posed in three divisions, namely, 10 per cent each in October, 1937, and January and March, 1938.

Increase in Special Profit Tax:

(a) 15 per cent increase in the tax on the extra profits of juridical persons during the business year beginning August 1, 1937, and ending July 31, 1938.

(b) 15 per cent increase in the tax on the extra profits of individuals, to be collected in the same manner as the increased tax on the Third Class Income.

Increase in Dividend and Interest Tax:

(a) Additional tax of 10 per cent on that portion of dividend which is in excess of an annual percentage of 7 per cent, and receivable between August 1, 1937, and July 31, 1938;

(b) Additional tax of 10 per cent on that portion of interest on national loans in excess of an annual percentage of 4 per cent and on that portion of interest on local loans and debentures in excess of an annual percentage of 4.5 per cent. The imposition

of this additional tax is limited to the interest receivable between August 1, 1937, and July 31, 1938.

4. Imposition of Commodity Special Tax:

20 per cent ad valorem tax on the following commodities:

(a) musical instruments and accessories thereof, photographic and cinematographic apparatuses and parts thereof (including dry plates and films), gramophones and parts thereof, gramophone records;

(b) Precious stones or semi-precious stones and manufactures using such stones, precious metal articles (including manufactures using precious metal), tortoise-shell works, coral works, and pearl works.

(Note: The tax on the commodities listed in (a) is to be collected from the manufacturers and importers and the tax on the commodities listed in (b) is to be collected from those selling the goods.)

Detailed figures relating to the North China Incident Special Tax are given in the following table:

ESTIMATES FOR THE NORTH CHINA INCIDENT SPECIAL TAX

(In units of ¥1,000)

	1937-38 Fiscal Year	1938-39 Fiscal Year	Total
Special income tax	27,580	12,457	40,037
First class	9,564	11,690	21,255
Second class	1,073	766	1,839
Third class	16,942	—	16,942
Special profit tax	5,632	4,949	10,581
Juridical persons	4,049	4,949	8,998
Individuals	1,583	—	1,583
Special dividend tax	23,196	15,464	38,660
Special tax on interest on public loans and debentures	1,361	907	2,268
Special commodity tax	8,777	1,220	9,998
Total	66,548	34,999	101,547

Note: The Government explained at the Diet session that the special commodity tax would not be imposed on goods valued at less than ¥3 and manufactures using precious metal valued at less than one-third of the price of the manufactures.

China Incident Special Tax In effecting the second taxation increase, the authorities of the Ministry of Finance followed the principle of making the masses bear the war expenses, principally in connection with the direct taxes and on the basis of the taxation system now in force, and levying a heavy tax on wartime profits. By increasing the rate of taxation and the creation of new taxes, the authorities devised a means of raising a fund

totalling ¥318,000,000. Of this sum, ¥200,000,000 represents a genuine increase the remainder being covered by the North China Incident Special Tax. It must be noted that the special tax was decided as a temporary measure, with the fundamental reform of the taxation system being left over to be considered on a later occasion.

The increased taxes amounting to more than ¥300,000,000 correspond to roughly 6 per cent of the estimates

for the war expenses for one year which amounted to ¥4,000,000,000. The amount of the increased taxes also corresponded to the estimated expenses required for issuing the intended national bonds. In view of the fact that Great Britain and the United States raised 12 to 15 per cent of their war expenses in connection with the Great War through increased taxation and that 10 per cent of the military estimates (12 per cent of the actual war expenses) in connection with the Russo-Japanese War was raised through an increase in taxation, it must be said that the present increase in taxation in proportion to the actual military estimates is decidedly low. This had to be so because the Japanese nation was confronted with the necessity of expanding the productive capacity of its industry.

The following may be enumerated as the salient features of the three bills relating to the taxation increase:

1. Adoption of the policy of making the masses bear the war expenses through lowering the exemption point for income tax and imposing a commodity tax on the daily necessities;
2. Imposition of a heavy tax on wartime profits through revising the regulations governing the Extra Profit Tax;
3. Adoption of the policy of effecting only a minor increase in categories below the First Class Income with a view to enabling an expansion in the productive capacity of the nation.
4. Alleviation of the effect of the incident through the enactment of the Temporary Taxation Disposition Law and exemption of specified mineral products from taxation.

Two-thirds of the increase relates to direct taxes while the remaining one-third pertains to indirect taxes. About forty per cent of the total share of the direct taxes is accounted for by the more elastic income tax. Detailed figures are shown in the following table:

ESTIMATES FOR THE CHINA INCIDENT SPECIAL TAX	
Direct Taxes	¥212,881,000
Income tax	126,868,000
Extra profit tax	39,851,000
Capital tax on juridical persons	3,927,000
Dividend tax	39,967,000
Interest tax on public loans and debentures	2,268,000
Indirect Taxes	105,795,000
Exchange tax	9,794,000
Sugar excise	10,834,000

Transit tax	8,620,000
Admission tax	11,512,000
Commodity tax	84,650,000
Total	318,678,000

Public Loan Policy While the estimates for the incident expenditure for the 1937-38 fiscal year amounted to ¥2,500,000,000, the increased taxes and other ordinary revenues available for meeting the special requirements of this extraordinary situation amounted only ¥120,000,000 which would be insufficient to cover the expenses necessary for issuing public bonds. In other words, the military estimates had to be met almost entirely by issuance of national bonds, which yielded to the ordinary and special accounts, during the fiscal year 1937-38, the enormous amount of ¥3,394,000,000. Of this amount ¥1,900,000,000 was raised by the bonds issued up to the end of January, and a cut in the scheduled total ¥181,000,000 was expected through economization in the operation of the budget, and bonds worth ¥1,313,000,000 remained still to be issued during the year after February.

In addition, a further set of national bonds worth ¥5,300,000,000 was planned to be issued during 1938-39 fiscal year which will yield ¥694,160,000 to the ordinary accounts, ¥4,400,000,000 to the special accounts for extraordinary military expenditure and ¥166,000,000 to other special accounts. The outstanding national loans at the end of 1937 totalled ¥11,800,000,000 or three times as much as the figure for the end of 1936. This amount will be further increased to some ¥19,000,000,000 at the end of 1938, calculated on the basis of the scheduled bond issues.

Further details of the bond issues for the 1937-38 fiscal year and the 1938-39 fiscal year are shown in the following tables:

1. BOND ISSUES FOR 1937-38 FISCAL YEAR

Ordinary accounts	¥227,000,000
Special accounts	155,000,000
Incident bonds	2,412,000,000
Total	3,394,000,000
Estimated cut through economization	181,000,000
Balance	3,213,000,000

2. BOND ISSUES FOR 1938-39 FISCAL YEAR

Ordinary accounts	¥694,160,000
Post-earthquake bonds	2,804,000,000
Road bonds	794,000,000

Manchurian Incident bonds	124,617,000
Budget balance bonds	557,794,000
Special accounts	166,000,000
Government-General of Chosen	106,000,000
Railways	42,000,000
Communications	18,000,000
Special account of extraordinary military expenditure	4,453,489,000
Grand Total	5,313,650,000

Compilation of 1938-39 Budget

Soon after its formation, the Cabinet under the Premiership of Prince Fumimaro Konoe started compiling the budget for the 1938-39 fiscal year. As there was an increasing talk about the difficulty of accommodating the swollen military estimates in connection with the six-year national defence programme of the army and the third naval replenishment programme under the productive facilities of the nation as they stood at the time, Finance Minister Okinori Kaya and Commerce and Industry Minister Shinji Yoshino issued a joint statement setting forth three basic principles to be followed in handling the financial and economic affairs. From the standpoint of adjusting international accounts, expanding the productive capacity of the nation and adjusting the relations of demand and supply in regard to commodities on the basis of the three basic principles, the Finance Minister presented the following points to the Cabinet meeting of June 29, 1937, for the approval of the Cabinet Ministers:

1. In view of the current situation, new demands to be made by the various ministries in connection with the budget estimates for the 1938-39 fiscal year shall be limited to those of a really urgent nature. Further, such new demands shall be based on the most accurate calculation possible with a view to avoiding waste.

2. All the ministries shall economize as much as possible in the operation of the already determined budget and also endeavour to realize an increase in the revenue.

3. Efforts shall be made to avoid an increase in the already determined estimates for expenditure on account of the rise in commodity prices by means of economization and adjustment of the items of expenditure themselves.

4. Building and repair work which will bring about an increase in the demand for commodities shall be post-

poned unless they are of an unavoidable nature.

5. Special attention shall be paid to economization in regard to expenses for foreign trips and purchases of commodities from foreign countries which will cause an increase in payments in international accounts.

6. The relations between the ordinary accounts and special accounts shall be adjusted in regard to their respective shares in the State expenditure inasmuch as some of the special accounts have a comparatively large portion to spare.

7. The various ministries in submitting the estimates for revenue and expenditure for the 1938-39 fiscal year shall enclose estimates for the succeeding fiscal years on the basis of their programmes.

8. The demand for commodities connected with estimates for expenditure shall be calculated as accurately as possible and returns of surveys of the relations of demand and supply in regard to the commodities concerned shall be presented.

9. The aforementioned policy shall also be observed in connection with the special accounts.

10. The estimates of all the ministries shall be presented by the end of July and those under the special accounts shall be presented by August 20.

Hitherto the compilation of budgets was characterized by efforts to supply the shortage of commodities, if any, by the raising of loans from the public. The lack of idle stocks of commodities in the country, however, aroused the attention of the authorities to the problem of balancing the relations between international accounts and the importation of commodities from foreign countries from the standpoint of national economy. In other words, the compilation of the budget for the 1938-39 fiscal year required a careful consideration of the relations between demand and supply of commodities, and did not concern with the problem of loans, and in order to adjust the relations of demand and supply, it was necessary for the Government, as the biggest consumer of commodities, to effect the necessary adjustment.

Survey of Demand-Supply Relations of Commodities The Ministry of Finance summoned the directors of the accounts departments of all the ministries to a conference on June 29, the same day that the Cabinet approved the basic principles presented by the Finance Minister for the compilation of the budget for the 1938-39 fiscal

year. After explaining the major points of the said basic principles, Director Taniguchi of the Bureau of Accounts of the Finance Ministry presented 30 items of commodities, included in two lists as shown below, and requested the institution of a survey of the demand and supply relations in regard to them:

"A" list: Steel materials, coal, hemp, pig iron, crude and heavy oil, pulp, scrap iron, volatile oil, dyestuffs, copper, machine oil, fertilizer, brass, lumber, linseeds, lead, raw rubber, beans, zinc, hides and skins, tin, raw cotton, aluminium, raw wool, duralumin, paper, nickel.

"B" list: Machinery, automobiles and parts thereof, shipping.

The above-mentioned commodities were generally selected from those which involved more than ¥10,000,000 in imports, except duralumin. The three items included in "B" list were not selected as mere commodities but rather as manufactures which were in great demand in government quarters and because they required a survey in their relations with the demand of the Government, quite apart from those included in the "A" list.

Following the Cabinet meeting, at which the basic principles for the compilation of the budget for the 1938-39 fiscal year were approved, Finance Minister Kaya made the following statement:

"It is my intention to follow a policy of meeting the requirements of the situation in a positive manner in compiling the budget for the 1938-39 fiscal year and the succeeding years. For this purpose, necessary measures must be prepared. The so-called three basic principles—for handling the financial and economic affairs of the nation are only the means and not the end. The major point is the expansion of our capacity for supplying the various important commodities.

"There are various means of expanding the capacity of supplying the necessary commodities but there is a limit to the expansion. If the demand for commodities should exceed this limit, operation of established budgets would be impossible. It is necessary to work out a programme which concerns not only Japan proper and the overseas Japanese territories but also Japan and Manchoukuo taken as a single unit. The estimation and adjustment of the demand-supply relations must be based upon a programme which takes into account the exact quantity of commodities consumed both

by the Government and the civilian public.

"Thus the Government intends to plan the economic life of the nation as a whole. The Government is not inclined to take compulsory measures in giving effect to its plans. It rather expects that the people in general will act spontaneously in line with the policy of the Government. The surveys of the demand-supply relations of commodities to be conducted in connection with the compilation of the budget for the 1938-39 fiscal year are intended as a means of planning the economic life of the nation as a whole and in these surveys also satisfactory results cannot be expected without the co-operation of the general public. In short, the Government will proceed with the compilation of the budget while planning the economic life of the nation as a whole taking into account a complete and comprehensive view of the situation."

Completion of the Budget Since the incident had affected every department of the Government, it was not until September 22 that all the demands of the various ministries in connection with the budget for the 1938-39 fiscal year were placed in the hands of the authorities of the Ministry of Finance. The total amount of the demands reached ¥3,800,000,000 including ¥2,600,000,000 being the basic budget and ¥1,200,000,000 being the additional demands.

On the basis of the basic principles as determined by the Cabinet and in view of the amplification of the incident, the authorities of the Accounts Bureau of the Finance Ministry subjected the demands of the various ministries to a minute and thorough examination. They attached primary importance to providing for war expenses and decided to effect a drastic cut in the demands of the various ministries, with the exception of those demands which were considered as absolutely necessary for the consolidation of the "home front" and the development of the national defence industry. In appreciation of the prevailing circumstances, the various ministries withdrew a part of their demands with the result that the estimates were reduced to a total amount of ¥3,868,000,000, as against the main budget for the 1937-38 fiscal year amounting to ¥2,813,000,000.

The budget estimates thus revised by the authorities of the Ministry of Finance were presented to the Cabinet meeting on November 30. Finance Minister Kaya explained the circum-

stances under which the revision of the estimates had been effected and after some of the Ministers expressed their views, the Cabinet gave its approval to the revised estimates without amendment.

General Principles of 1938-39 Budget The emergency situation required that the bulk of the commodities as well as of funds should be devoted to meeting the demands of the fighting services in order to achieve the greatest possible results in the current punitive expedition against Chiang Kai-shek's regime and his forces. Accordingly, in compiling the budget for the 1938-39 fiscal year, special attention was paid to the problem of strengthening the fighting forces, and matters which were not really urgent were postponed. In regard to the estimates of revenue, a considerable sum was calculated to accrue from the increase in taxation and from other sources on account of the active conditions prevailing in economic circles and the deficiency was to be met by issuance of public bonds. The compilation of the budget was based on the following basic principles:

1. To provide for the expenses required for augmenting armaments;
2. To provide for expenses required for the establishment of facilities connected with the China incident, besides those necessary for military relief;
3. To provide for expenses required for the strengthening of air defences, for the promotion and development of agricultural resources, export trade, liquid fuel industry, for the training of technicians, the promotion of com-

mercial aviation and other items urgently required for dealing with the current situation;

4. The augmentation of the reserves in the State coffers as a means of meeting possible need of disbursements not specified in the budget on account of the development of the China Incident;
5. The allotment of appropriate amounts as grant to local bodies, which about equal those included in the budget for the preceding fiscal year;
6. To reject new demands of an ordinary nature, while reducing or postponing payments for programmes which have already been determined but are not of an urgent nature;

7. To reduce to a considerable extent the expenses on those programmes of the army and navy which were determined prior to the outbreak of the incident, in order to meet the more urgent requirements comprised in the special accounts of extraordinary military expenditure, such as the dispatch of troops and ships.

In addition to the above-mentioned general principles, a policy was adopted of making appropriations from the special accounts of the Imperial Railways and communications enterprises and the special accounts of overseas territories (excluding the mandated South Sea Islands) to meet the deficiency in the special account of extraordinary military expenditure.

Detailed Items of 1938-39 Budget Detailed items of the budget for 1938-39 fiscal year, compiled on the basis of the general principles stated above, are shown in the following tables:

1. BUDGET ACCOUNT OF REVENUE AND EXPENDITURE FOR 1938-39 FISCAL YEAR

	A. Revenue	
	1938-39	Revised Budget (In yen) for 1937-38
Ordinary revenue	2,023,028,000	1,827,259,000
Extraordinary revenue	844,768,000	1,081,472,000
General incomes	150,604,000	233,427,000
Proceeds from bond issues	694,163,000	827,395,000
Surplus carried over from the preceding year	—	20,649,000
Total	2,867,796,000	2,908,731,000
B. Expenditure		
	1938-39	Revised Budget for 1937-38
Ordinary expenditure	1,640,536,000	1,503,284,000
Extraordinary expenditure	1,227,260,000	1,441,402,000
Total	2,877,796,000	2,944,686,000

Note: The revised budget for the 1937-38 fiscal year does not include those items of revenue and expenditure which were decided to be transferred to the special account of extraordinary military expenditure in the budget for the 1938-39 fiscal year, in order to adjust accounts. It includes the additional estimates approved by the Imperial Diet up to the conclusion of the 72nd session of the legislature and some of its items were changed in the foregoing table by way of contrasting with the items of the budget for the 1938-39 fiscal year.

2. ITEMS OF REVENUE FOR 1938-39 FISCAL YEAR

	Estimates for 1938-39 Fiscal Year	Difference as compared with the previous year
	(In yen)	
Ordinary revenue	2,023,028,000	+195,769,000
Taxes	1,423,424,000	+172,701,000
Income tax	536,627,000	+107,102,000
Land tax	51,085,000	- 7,675,000
Customs duties	175,825,000	- 3,475,000
Tonnage dues	3,008,000	+ 60,000
Stamp duty	99,592,000	+ 12,848,000
Business profit tax	92,466,000	+ 8,991,000
Interest tax on capital	33,129,000	+ 3,952,000
Capital tax on juridical persons	20,654,000	+ 5,199,000
Inheritance tax	36,015,000	+ 2,539,000
Mining tax	8,711,000	+ 2,852,000
Special tax on foreign currency bonds	2,714,000	- 79,000
Saké tax	269,499,000	+ 34,288,000
Table water tax	4,916,000	+ 777,000
Sugar excise	103,189,000	+ 40,446,000
Textile consumption tax	35,720,000	- 7,320,000
Gasolene tax	16,156,000	+ 1,242,000
Exchange tax	30,278,000	+ 10,998,000
Tax on transfer of securities	3,424,000	- 1,200,000
Receipts from government enterprises and government property	341,371,000	+ 10,194,000
Receipts from forests	49,866,000	+ 1,510,000
Profits of Monopoly Bureau	243,768,000	+ 9,800,000
Receipts in dividend	29,410,000	+ 452,000
Receipts of prisons	11,065,000	- 3,632,000
Other receipts	7,261,000	+ 2,061,000
Receipts from communications enterprise special account	81,500,000	+ 500,000
Receipts from the Bank of Japan	15,066,000	+ 1,978,000
Miscellaneous receipts	55,319,000	- 1,714,000
Transfer from educational improvement and agricultural community promotion special accounts	6,755,000	+ 740,000
Extraordinary revenue	844,768,000	-236,704,000
Proceeds from sale of government property	6,754,000	+ 236,000
Miscellaneous receipts	17,821,000	- 28,157,000
Receipts from public bodies	5,165,000	- 1,956,000
Contributions of public bodies to expenses for public works	7,805,000	- 2,840,000
Receipts in encouragement funds for scientific researches	31,000	+ 5,000
Transfer from special accounts	3,542,000	- 5,332,000
Receipts from insurance companies	3,047,000	- 115,000
Receipts in compensation funds for exports	1,399,000	+ 197,000
Contributions of Manchoukuo to national defence funds	19,500,000	-
Extra profit tax	78,836,000	+20,314,000
Transfer from special accounts as items of ordinary revenue	6,700,000	- 890,000
Export control tax	-	- 3,983,000
Proceeds from bond issues	694,163,000	-133,231,000
Surplus carried over from the preceding year	-	- 20,649,000

3. EXPENDITURE CLASSIFIED ACCORDING TO MINISTRIES

	(In units of ¥1,000)					
	Ordinary Expenses		Extraordinary Expenses		Total	
	1938-39 Fiscal Year	Compared with Preceding Year	1938-39 Fiscal Year	Compared with Preceding Year	1938-39 Fiscal Year	Compared with Preceding Year
Civil List	4,500	-	-	-	4,500	-
Foreign Ministry	18,577	+ 541	10,481	- 19,387	29,059	- 18,846
Home Ministry	44,239	+ 2,276	192,367	- 35,265	236,606	- 32,989
Finance Ministry	637,592	+133,338	52,846	- 12,501	690,438	+120,873
War Ministry	135,783	- 52,020	398,810	-111,650	564,594	-163,670
Navy Ministry	293,382	+ 19,428	383,976	- 26,028	677,358	- 6,600
Justice Ministry	40,439	- 734	2,778	- 476	43,217	- 1,210
Education Ministry	133,377	+ 240	10,436	- 2,215	143,813	- 1,975
Agriculture and Forestry Ministry	35,437	- 3,966	72,569	- 11,123	108,007	- 15,089
Commerce and Industry Ministry	7,273	+ 552	30,843	+ 4,918	43,917	+ 5,470
Communications Ministry	193,371	+ 7,956	22,023	- 197	215,394	+ 7,759
Overseas Ministry	2,413	+ 110	22,850	- 7,640	25,264	- 7,530
Health and Social Affairs Ministry	64,148	+ 29,526	21,476	+ 7,425	85,625	+ 36,951
Total	1,640,536	+137,252	1,227,260	-214,142	2,867,796	- 76,890

As already stated, the policy adopted in compiling the budget for the 1938-39 fiscal year was to reject those new demands which were not of a really urgent nature and to direct all possible efforts to execute the already determined programmes for strengthening the national defence and augmenting armaments. In conformity with the demands of the emergency situation and because of the dispatch of troops and ships, the expenses for the already determined programmes of the army and navy were reduced by ¥87,918,000 and ¥22,111,000 respectively.

The increases in the expenses of the various ministries, designed to meet the requirements of the situation arising from the China Incident, totalled ¥56,274,000. These included ¥300,000 for the Ministry of Home Affairs, ¥1,515,000 for the Ministry of Finance, ¥797,000 for the Ministry of Education, ¥2,445,000 for the Ministry of Agriculture and Forestry, ¥241,000 for the Ministry of Commerce and Industry and ¥50,974,000

for the Ministry of Health and Social Affairs.

In order to provide against possible need of emergency disbursements with the further developments of the China incident not contemplated or provided for in the budget, the First Reserve of the State was increased from ¥12,000,000 to ¥20,000,000 and the Second Reserve from ¥25,000,000 to ¥40,000,000. The increase of the First Reserve was effected principally in anticipation of necessary increases in the funds for military relief while the Second Reserve was increased chiefly for the purpose of providing for unforeseen requirements in connection with the protection of soldiers and sailors and other emergency measures related to the China Incident.

The cut in the expenses for the previously determined programmes of the various ministries amounted to ¥141,064,000, effected through economy and postponement, as detailed in the following table:

CUT IN EXPENSES ON ALREADY DETERMINED PROGRAMMES

	By Economy	By Postponement (In yen)	Total
Foreign Ministry	280,000	-	280,000
Home Ministry	122,000	32,693,000	32,815,000
Finance Ministry	484,000	11,872,000	12,356,000
War Ministry	51,729,000	14,968,000	66,697,000
Navy Ministry	1,518,000	10,990,000	12,508,000
Justice Ministry	16,000	300,000	316,000

	By Economy	By Postponement (In yen)	Total
Education Ministry	581,000	1,490,000	2,071,000
Agriculture and Forestry Ministry	920,000	7,066,000	7,986,000
Commerce and Industry Ministry	438,000	1,200,000	1,638,000
Communications Ministry	2,953,000	350,000	3,303,000
Overseas Ministry	1,036,000	—	1,036,000
Health and Social Affairs Ministry	247,000	—	247,000
Total	60,336,000	80,731,000	141,068,000

Transfer From Special Accounts The transfer from special accounts as effected in the budget for the 1938-39 fiscal year involved a total sum of ¥97,000,000, representing an increase of ¥29,000,000 over the figure for the preceding fiscal year. A total amount of ¥90,300,000 was transferred from special accounts other than those of the De-

posits Bureau of the Finance Ministry and the Government of the Mandated South Sea Islands to meet the requirements of the creation of the special account of extraordinary military expenditure. Detailed figures of the transfer are shown in the following table:

TRANSFER FROM SPECIAL ACCOUNTS

Special Accounts	1938-39 Fiscal Year	1937-38 Fiscal Year
	(In yen)	
Railways	40,000,000	30,000,000
Communications	16,000,000	12,640,000
Government-General of Chosen	17,500,000	9,450,000
Kwantung Bureau	3,500,000	1,500,000
Government of Karafuto	2,300,000	1,950,000
Government-General of Taiwan	11,000,000	5,250,000
Government of Mandated South Sea Islands	700,000	1,100,000
Deposits Bureau	6,000,000	6,000,000
Total	97,000,000	67,890,000

Note: The transfer from the special accounts of the Deposits Bureau and the Government of the Mandated South Sea Islands was made to replenish ordinary accounts and that from other special accounts was effected to meet the requirements of the special account of extraordinary military expenditure in the budget for the 1938-39 fiscal year, while the transfer from special accounts in the budget for the 1937-38 fiscal year was entirely devoted to augmenting ordinary accounts.

Following is a table showing the estimates for important special accounts in the budget for the 1938-39 fiscal year

with a comparison with similar figures for the preceding fiscal year:

ESTIMATES FOR SPECIAL ACCOUNTS

(In units of ¥1,000)

	Revenue		Expenditure		Increase over	
	Or- dinary	Extraor- dinary	Or- dinary	Extraor- dinary	To- tal	Preceding Year
Government-General of Chosen	359,472	145,722	289,400	215,793	505,194	82,368
Government-General of Taiwan	151,873	23,337	115,196	60,014	175,211	13,742
Government of Karafuto	35,464	2,300	20,298	17,466	37,765	491
Government of Mandated South Sea Islands	8,957	446	4,371	5,031	9,404	722

The revenue in the special account of railways totalled ¥218,000,000 including ¥161,000,000 as transfer from the profits of the railways, ¥42,000,000 as proceeds from bond issues and ¥14,000,000 in other receipts. The expenditure in the same special account totalled ¥244,000,000 including ¥182,000,000 as expenses for construction and repair works and the establishment of motor-car lines. The deficit amounting to ¥26,000,000 was decided to be covered by funds carried over from the preceding year.

The revenue in the special account of communications totalled ¥79,000,000 including ¥44,000,000 as transfer from the surplus of the business accounts of the Communications Ministry, ¥10,000,000 as proceeds from bond issues and ¥18,000,000 in other receipts. The expenditure in the same special account totalled ¥92,000,000 including ¥64,000,000 as expenses for expanding and improving the telegraphic and telephonic communications and supplementary measures and ¥28,000,000 for other items. The deficit amounting to ¥13,000,000 was decided to be met from funds carried over from the preceding year.

Examination of the Contents of the Budget

Thorough-going Retrenchment The devising of ways and means for raising the necessary funds for military operations and the enforcing of economy in the consumption of materials needed for the manufacture of munitions formed the first aim of the management of the wartime finances, with the expansion of the munitions industry and the establishment of facilities for consolidating the "home front" being regarded as the second aim. In examining the contents of the budget for the 1938-39 fiscal year, it is to be noted, in the first place, that the expenses for the already determined programmes were reduced by as much as ¥141,000,000 through economy and postponement in respect of non-urgent enterprises, in addition to the ¥180,000,000 cut effected in the previous budget. The principal items of the reduction included ¥66,000,000 for the Ministry of War, ¥32,000,000 for the Ministry of Home Affairs and ¥12,000,000 each for the Ministry of the Navy and the Ministry of Finance. The reduction in the expenditure of the Navy and the War Ministry was accomplished by the energetic efforts made by the authorities of the defence services to economize the expenses for such enterprises as were not quite urgent. The

reduction in the expenditure of the Ministry of Home Affairs and the Ministry of Finance was the result of a thorough-going economy in regard to engineering, building and repair works.

In the second place, it is to be noted that the decision to economize the consumption of 30 items of commodities including iron, which was reached by the Cabinet meeting at the time when arrangements were made in regard to the compilation of the budget for the 1938-39 fiscal year, was reflected in the budget. Particularly illustrative of this fact is the absence of the usual items of engineering and building works in the new demands presented by the Ministry of Home Affairs. In short, the budget for the 1938-39 fiscal year may be said to be characterized by a thorough-going retrenchment such as has rarely been seen in recent years, resulting in a considerable saving of funds and commodities.

Expansion of Productive Capacity Inasmuch as the China Incident has a general international significance, it is natural that great emphasis should have been laid upon the need for expanding the various facilities for perfecting the national defence in the broadest sense of the term. For this purpose, the Ministry of Finance calculated expenses for the expansion of the laboratories of the Fuel Research Institute and the establishment of factories for general experimentation in the manufacture of artificial petroleum. The Ministry of Education calculated expenses for the establishment of facilities for the training of technicians. Plans were worked out for the creation of a fuel chemical course in the Kyoto Imperial University and aeronautical engineering courses in the Tohoku Imperial University, the Tokyo Engineering College and the Yokohama Higher Technical School.

The Ministry of Commerce and Industry, too, calculated expenses for training mechanics and field workers for mining operations for increasing the production of coal, and for expanding the output of liquid fuel with the ultimate goal of self-sufficiency in the product, while the Ministry of Communications resolved to establish a central aeronautical research institute, to create facilities for training airmen, and to expand air routes both within and outside Japan proper. The plans worked out by this ministry call, among other things, for the training of 500 airmen during the 1938-39 fiscal year and the creation of 28 aerodromes in

three years. The Ministry of Health and Social Affairs drew out a plan for the establishment of facilities for adjusting the demand-supply relations of labour while the Ministry of Agriculture and Forestry designed measures for the development of agricultural resources.

Measures for the Consolidation of "Home Front" The introduction of measures for the consolidation of the "home front" was recognized as necessary for the expansion of the productive capacity of the munitions industry. The birth of the Health and Social Affairs Ministry marked the inauguration of the new social policy of the Government.

The Military Relief Law was revised at the 70th session of the Imperial Diet to enlarge the scope of relief so that not only persons who are unable to make a living but even those who are confronted with a difficulty in making a living will receive relief under the law. The demand of the Home Ministry for an increase of the military relief fund by ¥40,000,000 to cover the period between April, 1938, and January, 1939, was approved by the Diet and thus the total military relief fund was brought to ¥44,200,000. In addition, a sum of ¥10,000,000 was calculated for the protection of soldiers and sailors. Simultaneously, the First and Second Reserves of the State were increased in order to meet possible need for further expenses for military relief and protection enterprises on account of further developments of affairs in connection with the China Incident.

Creation of Health and Social Affairs Ministry The creation of the Ministry of Health and Social Affairs was an epoch-making event in view of the fact that the social policy of the Government had hitherto been left in the sole charge of the social welfare bureau of the Home Ministry. The plan to create the new organ was approved by the Imperial Diet at its 70th session but was called off for a time on account of the outbreak of the China Incident. The development of the incident necessitated the establishment of facilities for consolidating the "home front" and, on December 24, 1937, the Cabinet decided to create an organ under the name of "Ko-Sei Sho" or Health and Social Affairs Ministry. The portfolio was assumed by Marquis Kido concurrently with his post of Education Minister, and the new Ministry was inaugurated on January 11, 1938, and started to operate through

five bureaux, devoted to physical culture, sanitation, disease prevention, social welfare and labour respectively, in addition to the insurance board and the temporary military relief department.

The plan for the establishment of the Health and Social Affairs Ministry was originated by the army authorities who urged its realization with the greatest ardour. This was because the physical examination for conscription revealed that the physical strength of the people was very poor and adequate measures were considered necessary for the enhancement of the physique of the people from the standpoint of both national defence and expansion of national strength.

Estimates of Army and Navy Ministries The estimated expenditure of the Ministry of the Navy and the Ministry of War for the 1938-39 fiscal year totalled ¥1,241,000,000, which represented a decrease of ¥170,000,000 from similar figures at the beginning of the preceding fiscal year. Prior to the outbreak of the China Incident which necessitated the creation of the special account of extraordinary military expenditure, it was considered certain that the estimates for the two branches of the defence services would total, ¥1,700,000,000 to ¥1,800,000,000. The decrease was due, as indicated by the general principles of the compilation of the budget, to the transfer of a part of the Manchurian Incident Expenditure and some other items to the newly created special account of extraordinary military expenditure, the reduction of the ordinary expenses by the dispatch of a part of the home forces which amounted to ¥110,000,000 and the reduction of the expenses on already determined programmes by ¥78,000,000 through economy and postponement.

It should be noted, however, that in spite of the decrease in the estimates for the defence services, those programmes connected with the expansion of armaments are being carried out as previously determined. Following the Cabinet meeting of November 30 at which the budget estimates as revised by the authorities of the Ministry of Finance were approved, the authorities of the Ministry of War issued a statement which read in substance as follows:

"In compiling the budget for the 1938-39 fiscal year, all matters were governed by the view that the situation would continue to develop as here-

(fore). The greatest possible efforts were made to effect economy and postponement in regard to peace-time enterprises for the sake of co-operation in the adjustment of finances. At the same time, the ordinary expenses for those units involved in the mobilization were curtailed along with the calculation of the extraordinary military expenditure. The result was that the estimates for the 1938-39 fiscal year showed a considerable decrease from those for the preceding year.

"For the same reason, the utmost care was taken in selecting new enterprises. It is a matter for profound congratulation that provision has been made for extending monetary assistance to those discharged from service on account of injuries and diseases not directly connected with the performance of military duties, thereby settling a long-pending question. Other points which need special mention here are the supplementation of funds for perfecting armaments and additions to the grants to the ex-service men's associations in view of the activity of the associations and the burden on their members.

"The previously determined programmes for perfecting armaments are more or less affected by the incident but the major part of the programmes will be executed as previously determined. The additional estimates for extraordinary military expenditure are to be compiled later on. The estimates under ordinary accounts for the Ministry of War for the 1938-39 fiscal year total ¥664,622,000 including ¥424,425,000 as the basic expenses, ¥5,647,000 as expenses for improving and augmenting armaments, ¥1,355,000 as additional expenses for reorganizing aviation corps, ¥129,617,000 as expenses for winding up the affairs in connection with the Manchurian Incident, etc."

The Ministry of the Navy also issued a statement which may be summarized as follows:

"The estimates under ordinary accounts for the Ministry of the Navy were compiled on the basis of a policy of effecting as much economy as possible without hampering the defence of the nation. The expenses for already determined programmes were reduced through economy and postponement and the ordinary expenses for a part of the naval units dispatched on the expedition were curtailed, their expenses being met from the extraordinary military account.

"New enterprises were limited to those which are closely connected with

the execution of the already determined programmes. As a result, new demands for the 1938-39 fiscal year are about ¥4,000,000 less than those for the preceding year. Among the new demands are expenses for the upkeep of new ships and aviation corps based on previously determined programmes, expenses for augmenting the full complements of naval units, an additional cost for the maintenance of naval aircraft, increase in the grants to the sailors' mutual aid associations on account of increase in their numbers and increased grants to those warrant-officers and men who are invalided out of service.

"The total amount of the estimates under ordinary accounts of the Ministry of the Navy for the 1938-39 fiscal year is ¥677,358,000 including ¥553,173,000 as the basic expenses and ¥124,185,000 as expenses for new enterprises."

Estimates of Revenue The estimates of the revenue for the 1938-39 fiscal year were ¥2,023,000,000 as ordinary receipts and ¥844,000,000 as extraordinary receipts. The ordinary receipts show an increase of ¥195,000,000 from similar figures for the preceding fiscal year. The increased receipts include ¥172,000,000 in taxes, ¥12,000,000 in stamp tax, ¥10,000,000 in receipts from government enterprises and ¥2,000,000 in receipts from the Bank of Japan. The increase in taxes was calculated on the strength of the Temporary Taxation Increase Law and also in anticipation of a natural increase. The increase in receipts from the Bank of Japan was calculated in anticipation of an increase in the issue of convertible bonds. In regard to the extraordinary receipts, mention must be made of the fact that the proceeds from bond issues are ¥133,000,000 less than similar figures for the preceding fiscal year for various reasons including the transfer of special accounts to the extraordinary military accounts.

Revision of Pension Law The Pension Law was revised in order to grant better monetary relief and assistance to the families of persons killed or wounded in connection with the China Incident. The expenses required by the revision amounted to ¥17,000,000 which was included in the additional budget. Besides increasing the various grants through the revision of the Pension Law, a new law was enacted for the creation of a Pension Chest aiming at providing financial facilities to the invalids and surviving families of the war dead.

Economy in Operation of 1937-38 Budget

While the budget for the 1937-38 fiscal year was still in operation, the China Incident broke out with the result that economization of the consumption of commodities was regarded necessary. Accordingly, the Cabinet meeting on August 24, 1937, decided on the general principles for effecting

economy in the operation of the budget and approval was given at the Cabinet meeting of October 19 to a formula calling for savings totalling ¥181,000,000 in both the ordinary and special accounts. These savings chiefly concerned engineering, building and repair works as well as international payments. Detailed figures are shown in the following table:

SAVINGS IN 1937-38 BUDGET

(In units of ¥1,000)

	By Economy	By Postponement	Total
Ordinary Accounts	45,570	72,481	118,052
Special Accounts	41,688	42,758	84,446
Communications	320	10,182	10,503
Railways	561	20,500	21,061
Government-General of Chosen	7,696	3,536	11,232
Government-General of Taiwan	1,319	1,172	2,492
Others	31,791	7,366	39,157
Total	87,259	115,239	202,499

Note: The above figures include a sum of ¥21,191,000 which has been included twice because it concerns both the building and repair expenses in the Ordinary Accounts and the State Property Adjustment Fund in the Special Accounts. The actual savings therefore, amount to ¥181,307,000 instead of ¥202,499,000 as given in the table.

Settlement of Accounts for 1936-37 Fiscal Year When the accounts for the 1936-37 fiscal year were settled, there was left a surplus of ¥89,922,000, of

which ¥55,284,000 was decided to be appropriated during the 1937-38 fiscal year, and the remaining amount of ¥34,638,000 was divided as follows:

Assigned as revenue for 1937-38 fiscal year	¥20,649,000
Assigned as reserve to cover deficit in revenue for 1937-38 fiscal year	13,239,000
Assigned as revenue in additional budget for 1937-38 fiscal year	750,000

Incident and Local Budgets

Economy in Local Budgets In regard to the compilation of the budgets of local bodies for the 1938-39 fiscal year, a policy was adopted to effect the greatest possible economy and restrict loan issues through adjustment in the administration of funds, commodities and labour, with a view to promoting the digestion of national loan bonds. Instructions to this effect were issued to the prefectural governors by the Vice-Minister for Home Affairs and the Vice-Minister of Finance under date of September 13, 1937. All the new demands were strictly limited to measures dealing with the situation arising from the outbreak of the China Incident and expositions and similar arrangements were ruled out, while expenses for previously determined programmes were economized and taxation

increase was avoided. Restrictions were put on the issuance of local public bonds on the basis of the following general principles:

1. Construction works on roads and harbours shall, as a rule, be omitted except those which receive grants from the State treasury or which are directly connected with national defence or regarded as measures intended to deal with the situation arising from the outbreak of the China Incident. Construction of bridges may be approved under unavoidable circumstances.

2. Improvement of rivers, sand prevention works and rehabilitation of devastated forest lands shall not as a rule be approved except in cases where there are grants from the State treasury or there exists a pressing need.

3. Reclamation of land, water works, sewerage works, construction of railways and motor-car enterprises shall not be approved as a rule.

4. Approval of electric and gas enterprises shall be limited to those which are required for the expansion of the productive capacity of the nation.

5. Approval of the construction of new buildings shall be limited in principle to those which receive grants from the State treasury. Construction of new school buildings shall not be approved as a rule, except in cases where it cannot be avoided on account of increase in the number of school children.

6. Repair works shall be approved only when there is a danger of the buildings concerned collapsing without repair.

7. Social enterprises, rehabilitation works in areas devastated by natural disasters and enterprises connected with the relief of unemployed persons shall be handled as heretofore.

Grants to Local Finances With reference to the distribution of grants to local finances amounting to ¥100,000,000 for the 1937-38 fiscal year, a special committee was created under the chairmanship of the Minister for Home Affairs, in accordance with the promise given by the Government at the 70th session of the Imperial Diet. The official organization of the committee was promulgated on July 17, 1937, and the

first meeting of the body was held on July 20. On the basis of the decision of the committee, a total sum of ¥27,500,000 was given to the various prefectures on July 31, and the grants to cities, towns and villages, totalling ¥65,500,000, were given at the end of August. The remaining ¥7,000,000 was distributed as special grants during the latter part of December in accordance with a decision reached by the committee on November 11.

Decrease in Local Taxes As a result of the operation of the taxation increase plan of the Central Government, it was estimated that the local taxes would decrease by approximately ¥10,000,000. On account of the creation of the admission tax according to the taxation increase plan, two local taxes relating to public entertainments were abolished, involving a total sum of ¥3,600,000. The receipts of municipalities would, it was estimated, suffer a decrease by ¥170,000 as a result of the abolition of the special municipal income tax necessitated by the lowering of the exemption point of the Third Class Income Tax. Further, the receipts from land tax, business profit tax and mineral products tax would decrease by ¥2,600,000, ¥3,600,000 and ¥200,000 respectively, according to the estimate.

CHAPTER IX

BANKING AND THE MONEY MARKET

Development 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, at the end of 1879, 153 banks with a total capitalization of ¥37,000,000 and with authority to issue notes. The National Bank Act provided for conversion of the national bank notes into specie. An amendment was made in the Act in 1883, 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. 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 the Savings Bank Act were promulgated in 1890 and put into force three years later. Side by side with the private banks the national banks had acted from the first as financial institutions of general trade, so when the terms of their respective charters expired most of them continued in busi-

ness as ordinary banks, and by February, 1899 when national banks ceased to exist, 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 were controlled, by general banking law. Ordinary banks were placed under the control of the Minister of Finance, whose licence was required for the establishment of a new bank or the amalgamation of existing banks; he was also empowered to order at any time investigation into the business condition and property of a bank. Every bank was compelled to prepare and present to the Minister of Finance a balance-sheet and other business reports every half-year, the former to be published in newspapers or by some other means. Provisions were also made in the Act regarding business hours and holidays.

Bank Act of 1927 Though a few amendments were made in it from time to time the Bank Act of 1890 became obsolete and inadequate on account of the rapid progress in the financial and economic conditions of the country. On March 29, 1927, therefore, a new Act was promulgated to come into effect on January 1, 1928. This Act can be summarized as follows:—

(1) Banks as defined in the Bank 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 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

1 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.

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.

(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.

Special Banks The Bank of Japan, Yokohama Specie Bank, Hypothec Bank of Japan, Agricultural and Industrial Banks, Industrial Bank of Japan, Hokkaido Colonial Bank, Bank of Taiwan, Bank of Chosen, and the Industrial Bank of Chosen are called special banks because they were established in accordance with ordinances issued especially for their organization. They have their own missions and unique functions, as are mentioned in the following pages, and the Government enforces a strict control over them with a view to the satisfactory fulfilment of their missions. Supervisors are appointed by the Central Government to examine into the conditions of these banks from time to time. In the case, however, of the agricultural and industrial banks and the branches of the Hypothec Bank of Japan in such prefectures as have no Agricultural and Industrial Banks, the supervision is entrusted to the directors of the economic departments of prefectural governments, while the Governor-General of Korea exercises control over the Industrial Bank of Chosen.

Mention must be made of the fact that the Oriental Colonization Company (Toyo Takushoku Kaisha) also accepts fixed deposits. The primary aim of this company is to provide financial facilities for colonization enterprises in Korea and foreign countries. For similar purposes, the Government has given permission for the establishment of the Taiwan Takushoku Kaisha (Colonization Company of Formosa) and the Nanyo Takushoku Kaisha (Colonization Com-

pany of the South Sea Islands). The privilege of the former of accepting deposits, however, is limited while the latter two are not expected to be authorized to conduct such business.

The deposits of the aforementioned special banks, not including the Bank of Japan, totalled approximately ¥1,000,000,000, and their advances reached ¥2,600,000,000 at the end of October, 1936.

Ordinary Banks Ordinary banks are institutions which not only provide financial facilities for commerce but also furnish funds for enterprises and make loans on mortgage of immovable property.

The number of ordinary banks in the country once reached more than 1,800, but when the country experienced in 1927, an unprecedented financial panic a new Bank Act was enacted, whereby control over banks was greatly strengthened and amalgamations brought about to fit in with the capital and other requirements of the Act. At present, there are 435 ordinary banks in the country, only one-fourth of the previous figures.

Statistics show that the authorized capital of the ordinary banks, some of which maintain overseas offices, at the end of June, 1936, amounted to ¥1,748,000,000. According to the latest returns, compiled at the end of September, 1936, the deposits of these banks totalled more than ¥10,527,000,000 and their advances exceeded ¥6,749,000,000. The securities in their possession at that time were valued at ¥4,952,000,000, including ¥2,640,000,000 in national bonds.

The principal ordinary banks are the Daiichi, Mitsui, Mitsubishi, Sumitomo, Yasuda, Sanwa and Daihyaku Banks, each having deposits ranging from ¥700,000,000 to ¥1,100,000,000, which, when put together, form more than 60 per cent of the total deposits of all the ordinary banks in the country. Besides the above seven institutions, there are 8 ordinary banks each with deposits totalling more than ¥100,000,000, including the Nomura, Jugo, Aichi, Nagoya, Nihon Chuya, Showa and Chugoku Banks. On the other hand, there are not a few which have less than ¥1,000,000 in deposits.

Hyogo, Fukuoka, Shizuoka and Osaka Prefectures have more than 20 ordinary banks each and the number of those prefectures which have more than 10 institutions of the kind is 21. The Government is encouraging the merger of these banks on the principle of one ordinary bank for each prefecture. Through the promotion of such mergers the Government expects to strengthen

the foundation and rationalize the management of the banks, protect the interests of depositors, and prevent indiscriminate competition.

Savings Banks The most popular and best utilized of the savings organs in the country is the postal savings deposits system, which was established in 1875 for the purpose of encouraging thrift and saving among the people. The service has made such marvellous development that at present the total savings deposits reach the prodigious figure of ¥3,300,000,000, forming 74 per cent of the entire funds of the Deposits Bureau of the Ministry of Finance. The savings deposits are playing an important part in the digestion of public bonds, and as a part of the money is returned to the country districts in the form of local funds, they contribute much toward the improvement of financial conditions in the provinces.

The savings deposits handled by the savings banks throughout the country totalled ¥500,000,000 in 1922; five years later the figures increased to ¥1,000,000,000. At the end of 1931 they further rose to ¥1,600,000,000 and the ¥2,000,000,000 mark was finally passed at the end of 1935. The present number of savings banks in the country is 74, with authorized capitals totalling more than ¥77,000,000, and with reserves exceeding their paid-up capitals. They have 2,000,000 contracts of fixed monthly deposits for ¥1,700,000,000 with the standing amount of savings thereof reaching ¥740,000,000 at the end of 1935.

In view of the importance of the relations between the savings banks and public interests, the Government enforces an especially strict control over the banks. Besides placing the use of the banks' funds under rigid restrictions, the Government orders the banks to deposit national bonds with the Government to the amount of over one-third of their deposits and enforces a law calling upon the directors of the banks to bear joint and unlimited responsibility for the repayment of the deposits.

Of late, pessimism has been expressed by some people over the future of the savings banks on account of the Government's policy for low interest rates, the question regarding taxation and because of the annexation of two savings banks in Tokyo to ordinary banks. The Government, however, is determined to continue its efforts for the development of the business, although, as in the case of ordinary banks, it disapproves an increase in their number.

Banking in 1937

Finance The so-called quasi-wartime budget for 1937-38 formulated by Dr. Baba amounted to ¥3,028,000,000, and his financial plan included a revision of the tax law for an annual increase of income from taxes amounting to ¥461,000,000 for the same fiscal year and ¥667,000,000 for the following years. The estimate of the total expenditure meant a sudden increase of ¥727,000,000 as compared with the preceding year. The new demand for disbursement reached ¥1,008,000,000, of which ¥692,000,000 was for part of the Army's six-year armament completion programme, and for the Navy's third replenishment plan. If the indirect expenses for defence such as the appropriations for promotion of the munitions industries were added to the amount last mentioned, ¥755,000,000 or over 70 per cent of the new demand was to go for defence. The revision of the tax law was considered too centralised and was to provide for the imposition of such new and extraordinary taxes as property tax and stock exchange tax.

But Dr. Baba's huge financial schemes included no economic measures for encouraging preparedness on the part of the tax payers to meet the financial demand. The result was that a new inflationary period was anticipated and prices of commodities rose rapidly, speculative imports increased, and public loans began to drop below face value. Unfortunately, the measures taken by the Government to suppress these undesirable tendencies were not only entirely unavailing, but they actually caused considerable unrest in the economic world. Thus Dr. Baba's financial operations had to give way to those of Mr. Yuki.

Mr. Toyotaro Yuki, the new Finance Minister, attributed the fundamental defect of the Baba financial plan to its over-estimation of the actual level of the people's productive power. All that was needed was to reduce the excess amount in the budgetary estimate, but the progress of quasi-wartime conditions could hardly be set back to allow of such a reduction. The outcome of all the efforts of the new Minister was a cut of ¥166,000,000 which included but ¥46,000,000 postponement in the expenses for defence services; the total amount of the budget becoming ¥2,872,000,000. The reductions were made, however, not in the expenses connected with the causes of the rises in commodity prices but at the expense of such social services as medi-

cal relief of the poor, protection of widowed mothers and their children, a central chest for the masses, and the subsidies for industrial and commercial shops of small means.

On the other hand the Baba plan for the increase of revenue from new taxes was abandoned and an increase of income, amounting to ¥269,000,000, was attempted from the temporary increase of the existing taxes.

Such a small reduction in the national budget was powerless to adjust the discrepancy between the budget and the actual level of the productive power of the nation. Prices continued rising and imports increased. Thereupon, the subject of the expansion of the nation's productive power came to the fore as a logical consequence, to bring it up to the level that might enable the people to bear the financial burden without much difficulty. But Mr. Yuki lacked sufficient strength to enforce a thorough control on industry and commerce and established no practical plan as to the kind and extent of economic activities at which governmental control might be aimed.

Mr. Okinori Kaya, as Finance Minister, took up responsibility of settling the problem left by Mr. Yuki for the harmonization of finance and economy and instituted the three principles of the maintenance of the balance of international payments, the five-year programme for the promotion of industry, and the proper relation between supply and demand.

Thus the financial plans of Dr. Baba, Messrs. Yuki and Kaya had characteristics of their own, but in the last analysis, followed identical paths of the quasi-wartime finance only to overlap one another with the march of political affairs in 1937. The quasi-wartime finance was suddenly transformed to a real wartime system by the outbreak of the China Incident which required the disbursement of ¥2,559,000,000 by the end of 1937. The total national expenditure for the fiscal year, from April, 1937 to March, 1938, was estimated at ¥5,474,563,000 including appropriations for the China Incident just mentioned. A small portion of war expenditures was to be borne by revenue from special taxation which was to reach ¥101,547,000, the greater part of the deficit to be covered by the flotation of public loans. The proposed amount of the loans was ¥3,394,250,000.

Such astronomical figures require a thorough adjustment of banking organizations and other economic facili-

ties of the country, regardless of any differences of opinion which may exist. Governmental control was extended to all departments of the economic sphere toward the end of 1937.

The budgetary estimate of the national expenditure for the fiscal year 1933-39 reached ¥2,867,796,000, as submitted to the Diet by the Finance Ministry on December 27, 1937. It is almost the same in amount with that for the fiscal year 1937-38, and it is so planned that the economic control of 1937 shall be continued in 1938 more rigorously, and include considerable sums for matters related to the emergency such as the protection of soldiers, aid to their families, facilities for air navigation and air defence, increase of liquid fuel production, and the training of skilled operatives.

Control of Banking As a result of the governmental control of banking, the past year has brought important changes in the organization and functioning of the Bank of Japan. Since its establishment early in the Meiji era more than half a century ago, the Bank of Japan has adhered to its policy of being "the guardian of convertible notes." But the exigencies of the times have compelled it to abandon its former status of quiet repose and to increase its functions as the Central Bank and the controlling power of all banking organizations in the country.

Within but one year the chair of the Governor had three occupants, namely Messrs. Eiigo Fukai, Seihei Ikeda and Toyotaro Yuki; and at each change the policies of the Bank underwent considerable alterations. Mr. Fukai observed the Bank's traditional policy and circumscribed its activities to commercial financing; whereas Mr. Ikeda extended its functions to undertake industrial financing. Mr. Yuki, on the other hand, completely transformed the Bank to be the axis of the movement of capital in the economic and industrial world.

The appointment of Mr. Seihei Ikeda as Governor of the Bank of Japan was welcomed with much expectation because of his lengthy experience as head of the Mitsui interests. Within the five short months of his tenure of office—till illness compelled him to resign—Mr. Ikeda did his best in remodelling the Bank's system. He saw that the only way to relieve the strain between national finance and the economic world is to expand the nation's productive capacity, and insisted upon the acute necessity of the Central Bank's taking a positive part in making liberal

advances to important industries. Accordingly, to give practical effect to this policy, the question of revising the Bank of Japan Act was brought up; the main points of the revision being a change in the personnel which practically meant the institution of a new advisory board of trustees, and the proviso empowering the Bank to enlarge its sphere of operation to include collateral securities and the financing of industries.

The Bank of Japan had had an advisory board to the Governor, but as it was subordinate to him it lacked the necessary power to serve as an effective link between the Bank and the economic world outside. The new Consulting Directorate, which was grafted on to the structure of the Bank in place of the former Advisory Board, began functioning on July 1. It consists of seven members who are well versed in the actual banking, commercial and industrial conditions. The first to serve on the Board were: Mr. Tashikata Okubo of the Yokohama Specie Bank, Mr. Kozo Mori of the Yasuda interests, Mr. Norihiko Yatsushiro of the Sumitomo Bank, Mr. Toyotaro Yuki, Minister of Finance at the time, Mr. Kenkichi Kagami of the Tokyo Marine & Fire Insurance Company, Mr. Shingo Tsuda, president of the Kanegafuchi Spinning Co., and Mr. Joji Matsumoto, former Minister of Commerce and Industry. As these leaders have manifold connections with the business world in addition to their position and experience previously mentioned, the linking of the Central Bank more closely with the banking and business communities is being accomplished satisfactorily.

In order to control the banking business, the Bank of Japan then appointed one of its trustees as vice-president of the Yokohama Specie Bank, which is the semi-Government organ for foreign exchange transactions, with a view to enforcing the national policy of maintaining the standard exchange value of the yen. Similarly, another trustee of the Bank of Japan was nominated to the Advisory Board of the Industrial Bank of Japan for the purpose of effecting a closer connection between the Central Bank and the Industrial Bank, the primary function of which is to make loans to industrial corporations. Through the operation of the new system, which greatly broadened the sphere of transaction of the Bank of Japan with the private banking organizations, the Central Bank was able to tighten its grip on banking in gen-

eral in preparation for economic mobilization to meet the emergency, and entered into new transactions with about 40 ordinary and savings banks and trust companies in the second half of 1937. To promote mutual understanding the Bank of Japan and other banks have been holding bi-monthly round-table conferences. Similar meetings with representatives of industrial interests have also been initiated by the present Governor Mr. Yuki.

As to the fundamental change in the function of the Bank of Japan, the former Governor Mr. Ikeda entertained the view that it should not be restricted solely to the discounting or purchasing of Government bills, bills of exchange and commercial bills, but positively to participate in making loans to industrial enterprises. But the provisions of the Bank of Japan Act, if strictly interpreted, leave no room for such activity, except very negatively through the handling of collateral securities as provided for in the Bank's own regulations. But in order to have a new article embodied in the said Act so that the Central Bank may be authorized to extend its activities to the industrial field for strengthening economic control and expanding productive power, the measure must obtain the consent of the Diet. But as a matter of fact such activity had already been begun by the Bank since July 15, 1937, when the scope of granting loans secured by bonds, bills or shares guaranteed by the Government was much broadened and loans began to be granted increasingly on the security of shares, and the interest on the security of government bonds was lowered and the lowest discount rate was applied on the security of shares. Loans made by the Bank of Japan to important industries, through the Industrial Bank of Japan, for the purpose of expanding their productive facilities amounted to over ¥120,000,000 within the four months from August to November, 1937.

Among the national measures taken for the emergency there was the issuance of the Temporary Capital Adjustment Law which effected a radical change in the function of the Bank of Japan. With the promulgation of this law the Japanese monetary world was completely reorganized as a part of the wartime reconstruction of the nation. The law permits autonomous control of capital by individual companies as a principle, but the establishment of new companies or plants, the expansion of factories or their im-

provement have to obtain governmental permission, and the handling of the system is entirely entrusted to the Bank of Japan by the law. Hitherto the relation between the Bank of Japan and the industrial world has been indirect, that is, it necessitated a mediator. But now the Bank has to deal with the problems of various branches of industry in direct contact with their leaders. The expansion of productive facilities is of paramount importance at this time of international conflict and general trend of affairs. The Bank of Japan must therefore exercise all its efforts for handling the complicated industrial problems in the quickest and smoothest manner. The change in the functions of the Central Bank, brought about by the promulgation of the law on September 27, was epoch-making, and the efficient manner in which the Bank carried out its responsibilities may be judged from the fact that during October and November it handled about 700 cases of industrial financing, involving ¥800,000,000 of capital, although part of the merit rests with the private bankers who co-operated with the Central Bank. That the Industrial Bank of Japan bills which had a face value of ¥500,000,000 were guaranteed by the Government as a result of the operation of the Temporary Capital Adjustment Law is to be welcomed in view of the value as an important monetary resource for the promotion of productive capacity of factories. Another measure taken in connection with the enforcement of the Capital Adjustment Law was the recognition of the issuance of debentures by the Industrial Bank of Japan covered by the special gold account which had been established with the profits gained by the revaluation of the gold reserve in the Bank of Japan. Accordingly, the Industrial Bank of Japan issued ¥250,000,000 worth of debentures on November 25, 1936. It worked satisfactorily to save the business corporations out of their difficulty in issuing shares during the year. A thoroughgoing control of the money market in Japan which was started by the new activities of the Bank of Japan and the successive promulgation of economic laws within a short space of time in the latter half of 1937 will be further strengthened in 1938. Whether the discrepancies in the financial and the economic world of Japan can be harmonized successfully with the advance of the emergency period remains to be seen.

Some anxiety was felt in Japanese

economic circles as to the flexibility of the money market under the pressure of national expenditures which have been increasing steadily for some years past. But as a matter of fact such fears have proved unfounded until the year 1936, for what was demanded by the defence services was met by the mobilization of factories which had been left unused during the years of depression, the exchange rate of the yen was maintained by the Capital Flight Prevention Law, which controlled the flight of capital abroad for speculative purposes, and the consumption of Government bonds went on smoothly without accumulating in the Bank of Japan.

But due to the strained political affairs of the country after the February 26 incident of 1936, together with the complicated international situation, the demand along the lines of defence services was augmented to an unprecedented degree, while the need of capital for the economic exploitation of Manchoukuo became greater as the years went by; and the laissez-faire system in all branches of commerce and industry became powerless to cope with the new situation created by these acute demands. The only way to solve the difficulty was to readjust the whole economic structure of the nation by introducing controlled economy. The primary aim of controlled economy which began to be applied in the latter half of 1937 along the lines of the new wartime governmental policy by the revision of the function of the Bank of Japan and the Industrial Bank of Japan, mentioned above, was the expansion of the productive power of factories.

But as a means of counteracting the rise in commodity prices this policy of expanding the country's productive power was found to be pregnant with contradictions. The expansion of productive power could not be realized within the existing capacity of factories in the country and necessitated new establishment, improvement or extension of plants. One of the aims of the governmental promotion of such expansion in productive facilities was to gain an abundant supply of goods so as to slacken the advance of prices. But on the contrary, the demand for material for the expansion of factories merely increased the already excessive demand, at least temporarily, so that the disequilibrium between supply and demand was further heightened as was clearly evidenced in the price movements of 1937.

Factors in the money market showed unmistakable signs of the transition and abnormal condition of the national economy during the year. The low interest rate policy of the Government remained unchanged despite the frequent changes in the post of Finance Minister during the year, for it was fundamentally necessary to stimulate the people's appetite for Government bonds. The flotation of loans was thus conditioned more or less in conformity with the cheap money policy.

But the demand for funds for the expansion of factories and for the economic development of Manchoukuo was great; capital investments in commercial enterprises swelled with the rise in prices; and the money market stiffened, the interest rate reacted, and the low interest rate policy of the Government and the market rate, began to show some divergence. This tendency was accelerated also by the difficulty in the market of new shares. While the Government has continued its policy of preventing undesirable inflation by drawing the excessive funds back to the Bank of Japan principally through open market operations, it was compelled to disburse money among the people in the form of loans to industrial enterprises for their expansion, in apparent contradiction to its first policy, to meet the demand of the times mentioned earlier.

The latter policy was seen in operation from the middle of July, when the Bank of Japan began extending loans on the security of shares. The Bank of Japan has made considerable advances to industries by discounting bills secured by shares of the munitions industry companies and the shares guaranteed by the Government Bonds Underwriters Syndicate. Another effect of this policy was also witnessed in the method of valuing the old shares and the cancelling of the limitation on the duration of loans by the Bank of Japan so as to make loans on the securities of shares easier and more effective. But the national power of purchasing Government bonds diminished as a result of the stiffening condition of the money market and the weakening of the power of private banking organizations to absorb Government bonds. It was nevertheless of paramount necessity to get as much of the bonds consumed as possible for financing the national enterprises and defence services, and the Government tried to induce the ordinary banks to purchase national bonds by lowering the interest rate on loans secured by

public bonds from one sen to 9 rin per diem, which was 2 rin cheaper than on loans secured by private bonds and shares, and by announcing its intention to purchase public bonds. Yet such measures did not work satisfactorily in the face of the rising tendency of the interest rate on loans in general and the apparent difficulty of the private banks in holding public bonds. The result was that the Government had to employ measures for increasing the holding of public bonds by the various financial organs of the Government itself, i. e. the Deposits Bureau of the Finance Ministry and the Bureau of the Post Office Life Insurance, and to press half compulsorily the private savings banks, trust companies, life insurance concerns and local banks to increase their holdings of public bonds by way of co-operating in the Government's policy. The flotation of a small amount of public bonds for emergency in November was, on the one hand, to collect money from the petty purses of the masses to promote economy in the consumption of goods, and on the other to gauge, for future purposes, the people's capacity to purchase public loans. In short the Government has been using its best efforts in all spheres of the national economy to mobilize the power of the people for the present emergency.

The marketing of new debentures experienced an unprecedented depression because of the transitional tightening of the money market due to the Government's programme for expansion of the country's industrial productivity and the threatened increase in taxation. At the end of 1936 the share market was at sea regarding the conditions for the issuance of new shares in connection with the proposed collective taxation on incomes derived from interest on public and private bonds and debentures announced by the Government as part of the plan for increased taxation. But in February the Hirota Cabinet resigned and Mr. Toyotaro Yuki assumed the portfolio of Finance Minister and the proposed collective taxation plan was withdrawn, in compliance with requests from the money and share markets to maintain the former system of taxation on interest of bonds and debentures. This change of governmental policy was welcomed and the debenture market regained its former activity, and first-class companies such as the Kei-Sei Electric Railway, the South Manchuria Railway, the Kanegafuchi Spinning, the Tobu Electric, the Tokai

Electric Light, and some local governments and banks successively issued debentures. But it lasted only two months, February and March, and in April the debenture market was confronted with another and greater difficulty than the problem of new taxation.

The Government carried on with increasing strength its policy of expanding industrial productivity as a counter-balance for the increased national expenditure. This created a boom on the stock market, and there began a great exodus of capital in that direction. The trend of economic affairs not only caused a disequilibrium in the supply and demand of capital, but it also distracted the attention of investors from bonds, the interest rates of which are fixed.

In the meantime the authorities of the Finance Ministry, the Bank of Japan and the Industrial Bank of Japan became aware that the difficult situation in which the bond market found itself was detrimental, in one way, to the smooth execution of the policy of industrial expansion and adopted means to open the way for the issuance of private bonds in the latter half of 1937.

But the general strain in the money market was so great that the difficulty could hardly be overcome in a short space of time. In addition to the movement of capital toward the expansion of industrial facilities and public loans the constant talk about the increase of taxes scared the bond market and the year 1937 ended without seeing a revival. To supply the capital required for industrial expansion, which was unobtainable in the money market, the Government had to authorize the Bank of Japan to create a special credit system and make funds available. But in view of the Bank of Japan's position as the Central Bank, it was impracticable for it to come into direct contact with the country's industries, despite the extension of the Bank's functions as already pointed out. Consequently, the Industrial Bank of Japan took over the business in place of the Bank of Japan, becoming in fact the channel through which the monetary relation between the Bank of Japan and other organs of the Government and the industrial world was tightened. In other words, capital flowed into industries through the Industrial Bank of Japan so that the industrial expansion policy was smoothly carried on, as a whole. The amount of capital thus advanced to industrial corporate companies reached some

¥350,000,000 by the end of 1937. The activity of the Industrial Bank of Japan did not stop there, but it completely led the money market for both the short and the long term loans, in co-operation with the Bank of Japan and the Deposits Bureau of the Finance Ministry so that the Bank doubled its controlling power over the industrial world of Japan and assumed a leading position in the money market.

Another matter of importance in the economic world of Japan in 1937 was the revaluation of the gold reserve of the Bank of Japan which serves as a backing for the issuance of convertible bank-notes. The law for the revaluation passed the Diet in the summer of 1937, and the coinage unit which had been 0.75 gramme of fine gold denominated as over one yen was revised to 0.29 gramme fine. At the same time the gold reserves in the Bank of Chosen (Korea) and the Bank of Taiwan (Formosa) were transferred to the Bank of Japan, and the Gold Funds Special Account with the value of ¥747,000,000 was established, while the gold reserve of the Bank of Japan was increased from ¥450,000,000 to ¥801,000,000. As the result of the increase in gold bullion the Bank of Japan was able to issue ¥1,001,000,000 worth of bank-notes, which is within the maximum limit. It was thought, at the time of the revaluation of gold in August, that with the amount of currency thus increased the financial and economic world could get along without difficulty for the coming few years. But the occurrence and development of the China Incident necessitated the issuance of notes over the maximum limit at the end of November. Whether the trend of economic affairs will lead to a revision in the limit depends upon the progress of the war and the economic state of affairs in 1938.

The Yen Exchange Rate. The effect of the conflict with China was most powerfully felt on the foreign exchange. However, the fluctuation of the yen exchange rate in 1937 was small as compared with that from 1930 to 1933 when the raising of the ban on gold and its subsequent reimposition, together with the American panic bore heavily upon it. But as a matter of fact the value of the yen was threatened by several unfavourable economic factors and the maintenance of its exchange rate was not an easy matter.

The rate of expansion of Japan's export trade diminished as a result of further raising of the international tariff walls during the first half of 1936.

The swelling of national expenditures after March, 1936, and a corresponding increase in imports speedily worsened Japan's unfavourable balance of trade, so that the yen was in danger of falling had it not been for the rigorous control exercised by the Yokohama Specie Bank. The falling trend of the exchange rate was especially accelerated by the speculative imports toward the end of 1936. Due to the large import excess the efforts of the Yokohama Specie Bank were found barely adequate to maintain the external value of the yen at the prevailing rate of 1s. 2d., and it was found necessary to adopt some drastic measure to bolster it. There were two possible ways of solving this problem: one was to try to maintain the exchange rate at the prevailing level by enforcing a more stringent control of foreign exchange and of foreign trade itself; and the other was to allow the yen to find its own level. If the first of these methods were to be adopted, the life of the people—particularly the cultural phase—would tend to suffer; and what is more the rejection of Japanese goods in the world markets by way of retaliation must be expected. But in spite of these handicaps the opinion was much more strongly opposed to the idea of adopting a laissez-faire policy in regard to foreign exchange.

The fall of the exchange rate would necessarily bring about a rise in prices which would inevitably lead to malignant inflation; it would also lessen the purchasing power of the yen and accordingly make it difficult to carry out the national policy within the budgetary estimates because a larger amount of material and goods would have to be imported for the completion of national defence and industrial expansion for years to come; and in the face of the existing international economic affairs there was almost no possibility of encouraging the consumption of Japanese goods in the world markets simply because of the cheap yen as it had been for some years past. The maintenance of the exchange rate at 1s. 2d. was finally decided upon by the Government at the end of 1936. This policy was first put into effect on January 8, 1937, when the control of foreign exchange was reinforced by limiting the monthly import quota to ¥30,000 per trader, with the object of discouraging speculative imports being made in advance of the proposed tariff reform. It was made obligatory for all traders to obtain the permission of the Finance Ministry for any imports

exceeding the above amount. The regulation was avowedly a temporary one to remain in force for half a year or so. Actually, the speculative imports merely hastened the shifting of exchange control from the former control of the flight of capital to that of imports, the enforcement of which was considered inevitable if the exchange rate were to be maintained at the prevailing level in face of the general trend of the country's financial and economic affairs. The Konoé Cabinet, therefore, announced that the Government intended to exert every effort to maintain the existing standard of foreign exchange. Yet the tendency of imports to increase could not be checked because of the urgent necessity of importing material for expanding the productive power of the nation.

Another measure adopted by the Government for the maintenance of the exchange rate was the revision of the gold accumulation policy. According to a Government announcement made in the Diet in the summer of 1937, the value of gold bullion shipped to Great Britain and the United States between March and July, 1937, out of the Bank of Japan reserves, reached ¥327,000,000. Since August, however, the business of sending gold abroad has been transferred to the Special Gold Funds Account, and information on further shipments of gold has been strictly withheld. These gold shipments were for the purpose of paying Japan's international debts which had greatly increased owing to the tremendous excess of emergency imports. In connection with the policy of sending gold abroad, gold production in the Japanese Empire has been encouraged by the grant of subsidies to gold mining concerns and by raising the purchasing price of gold; while on the other hand a gold commission was organized for encouraging economy in the domestic use of gold.

The strengthened control of foreign exchange definitely affected the foreign exchange business of private banks, for the Yokohama Specie Bank was given complete control of foreign exchange transactions, with the progress of the gold shipment policy. The monopoly of the business by the Specie Bank necessarily concentrated the marketing of money for foreign trade to the Specie Bank at the sacrifice of the exchange business carried on by private banks. The strict control of foreign exchange by the permit system of import trade exchange and the stagnancy in the quotation of foreign ex-

change further accelerated this tendency. The loss sustained by the private banks on account of the practical stoppage of their foreign exchange transactions—which constituted an important source of income to them—was not small.

Foreign Trade Japan's foreign trade in 1937 totalled ¥7,273,510,000 for the Empire and ¥6,958,601 for Japan proper, including ¥3,175,424,000 of exports and ¥3,783,177,000 of imports. The excess of imports for the Empire reached ¥65,653,000, which is a new record in the history of Japan's foreign trade except that for 1924, or the year following the great Kanto earthquake and fire, when it amounted to ¥726,000,000. The great excess of imports necessitated a change in the free trade policy which had been already crippled. The national economy of Japan is much dependent on foreign trade and a policy of free trade had been followed as a principle. But the remarkable expansion of exports after the imposition of the gold embargo in 1931 stimulated foreign countries to impose discriminatory tariffs against Japanese goods, to institute a barter system, or to form a bloc. Control of export trade by the Government became necessary, to meet the international trade situation, and under the Foreign Trade Association Law it was carried out through nearly 100 associations. Free trade was thus greatly paralyzed, but the import trade was still left unimpeded. However, this one-sided control of foreign trade could not be continued very long, for with the promulgation of the Trade Adjustment and Protection Law in 1934, the Government was given power to retaliate against any trade discrimination in foreign countries; and Japan has had occasion to invoke this law twice since it was enacted. These events clearly indicated that full control of the import trade would inevitably be required. In March, 1937, the Hayashi Cabinet presented to the Diet a bill for the adjustment of foreign trade, but it was miscarried owing to the dissolution of the House of Representatives at the end of that month. The plan suggested in the bill was to adjust trade relations with foreign countries by diplomatic negotiations, controlling when necessary not only the export but also the import trade. It was rather a mild measure inasmuch as it aimed at trade control in accordance with the retaliatory measures taken by foreign countries. But when the Konoé Cabinet came into power three months later, a plan was

advanced for complete governmental control of the import trade in conformity with the country's economic necessity, putting the aim clearly on "the necessity of balancing Japan's international accounts."

The Hirota Cabinet had for its slogan "the adjustment of the national economic system for quasi-wartime," and the Hayashi Cabinet added another, "the expansion of productive power from the end of 1936 to March, 1937." These slogans really had too much effect on Japan's economic world so that the excess of imports over exports already reached ¥640,000,000 in the first half of 1937, including the imports of munitions material and that for the expansion of factories. Thus, control of imports became an urgent national policy to save the country from a serious economic crisis.

The Temporary Trade Disposition Law was first aimed at restricting the importation of cotton which amounted to over ¥900,000,000 annually, wool (over ¥200,000,000), and lumber (nearly ¥50,000,000). Upon promulgation of the above law these commodities were placed under a licensing system. Later in October, 1937, the importation of 267 kinds of foreign goods was banned as belonging to the non-urgent category, although the amount thus saved totalled only ¥35,000,000 in a year. However, the savings effected by the restriction of imports of the major raw materials, including cotton, wool and lumber were estimated at ¥200,000,000, and the Government was eager at the end of 1937 to find suitable articles for further control of imports among such important commodities as rubber, pulp, copper, leather, etc. The control of trade by the Government was deemed necessary for balancing Japan's international accounts and for maintaining the exchange rate.

But the restriction or prohibition of the importation of foreign goods will cause considerable difficulties or inconveniences. For one thing it is going to depress the domestic industries in general and place a heavy burden on the life of the people. As to cotton a complete quota system was introduced between the cotton importers and the spinning companies and a ticket system is in force between the cotton industry association and individual traders in cotton yarn. The adjustment of transactions in wool, pulp, rubber, etc. is being carried out as in the case of the cotton trade. To control the movement of prices the maximum price has been fixed for cotton,

cotton yarn, cotton cloth, rubber, and other important goods.

It was feared that when Japan drastically reduces her purchases from abroad, so as to improve her adverse trade balance and safeguard the exchange rate, retaliatory measures would

be taken by those foreign countries in which Japanese goods have been enjoying good markets, and that this would result in Japan's foreign trade showing a sudden and material fall during 1938 as compared with preceding years.

BANKS

In Japan Proper, Korea and Formosa at the end of each year
(Compiled by the Ministry of Finance)

(In ¥1,000)

Year	1932	1933	1934	1935	1936
Number	645	621	581	563	515
Authorized Capital	2,416,397	2,359,724	2,312,842	2,264,813	2,189,966
Paid-up Capital	1,626,320	1,599,376	1,574,217	1,546,960	1,503,011
Reserve Fund	976,867	978,391	1,024,723	1,069,242	1,100,097
Deposits { Total Amount	166,577,925	198,091,503	215,123,841	217,789,339	249,660,973
Balance	11,402,489	11,946,907	12,585,684	13,417,691	14,339,374
Loans { Total Amount	79,638,262	91,407,221	100,143,740	93,762,741	112,130,841
Balance	9,077,527	8,719,677	8,355,463	8,476,161	8,844,702
Advances { Bills discounted { Total Amount	13,881,678	13,809,547	15,371,732	15,388,305	17,113,419
Balance	1,641,148	1,723,212	1,790,436	1,866,111	2,008,836
Total { Total Amount	93,519,940	105,216,768	115,515,472	109,151,046	129,244,260
Balance	10,718,675	10,442,889	10,145,899	10,342,272	10,853,538
Profit and Loss Account { Earnings	1,527,336	1,475,827	1,518,030	1,486,329	1,503,300
Expenses	1,303,427	1,232,629	1,232,786	1,193,503	1,210,664
Net Profit	226,269	319,074	360,178	363,877	364,210
Dividend	107,535	101,796	101,299	100,176	99,076
Rate of Dividend	6.6	6.4	6.4	6.5	6.6

Note:—

- (1) The amount carried forward from the preceding year is not included in the total amount of deposits and advances in 1928 and after. This explanation is applicable to the following tables.
- (2) The documentary bills are included in the figures for bills discounted.
- (3) Exclusive of the number of banks in Chōsen and Taiwan.

DEPOSITS AND LOANS OF THE BANKS
THROUGHOUT THE COUNTRY

Published by the Department of Finance

(at the end of June., 1938. In ¥1,000)

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Deposits				
Public money	31,333	—	—	31,333
Current deposits	119,579	2,117,438	—	2,237,017
Special current deposits	174,639	2,636,252	—	2,810,891
Deposits at notice	123,606	978,027	—	1,101,633
Fixed deposits	714,735	7,566,944	17,940	8,299,619
Other deposits	196,791	183,399	262	380,452
Ordinary and special	—	33,251	1,544,299	1,577,550
Reserves	—	137,599	732,009	869,608
Total	1,360,682	13,652,910	2,294,510	17,308,102
Increase over the previous year	142,957	1,948,566	323,446	2,414,969

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Loans				
Loans on bills	138,709	4,927,688	—	5,066,397
Loans on bonds	1,940,181	783,082	249,896	2,973,159
Overdrafts	44,298	963,714	—	1,008,012
Discounts	1,029,805	1,249,343	—	2,279,148
Total	3,152,993	7,923,827	249,896	11,326,716
Increase over the previous year	501,821	714,858	9,829	1,226,508
Call loans	39,293	451,998	—	491,291
Total	3,192,286	8,375,825	249,899	11,818,007
Increase over the previous year	449,230	801,429	9,829	1,260,488
Negotiable papers owned				
National bonds	385,523	3,352,291	1,251,546	4,989,360
Prefectural and municipal bonds	23,463	334,878	96,296	454,637
Foreign bills	223,522	126,798	20,809	371,129
Debenture bonds	107,785	1,254,768	413,303	1,775,856
Stocks	41,123	563,202	178,595	782,920
Total	781,416	5,631,937	1,960,549	8,373,902
Increase over the previous year	81,574	919,615	318,824	1,320,013
Cash and deposits on the day				
Cash on hand on the day	33,412	990,928	27,863	1,052,208
Deposits on hand	77,489	355,081	156,007	588,577
Total	110,901	1,346,009	183,875	1,640,785
Increase over the previous year	21,862	230,131	613	157,606

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 is the central bank of the Empire and has an authorized capital of ¥60,000,000 and various reserves totalling upwards of ¥110,000,000. In point of capital it is far smaller than the Yasuda Bank (¥150,000,000), the Sanwa Bank (¥107,000,000), the Yokohama Specie Bank (¥100,000,000), the Meiji Bank (¥100,000,000) and the Mitsubishi Bank (¥100,000,000), nevertheless it forms the centre of the nation's banking business on the strength of its privilege of issuing convertible bank notes and its management of Treasury receipts and disbursements as well as the important part it plays in adjusting the money market through the execution of its money rate policies and its conduct of open market operations (See pp. 325-327, Japan Year Book, 1936). In August, 1937, there were promulgated the Gold Reserve Valuation Law and other laws regarding the gold reserve of the Bank of Japan. In re-

spect of the gold coins and bullion held by the Bank as the reserves for exchange against convertible bank notes, valuation has hitherto been made at the rate of ¥1 per 750 milligrammes of fine gold in accordance with the provisions of the Coinage Law. As, however, owing to a substantial advance in the price of gold in recent years, the valuation made at such rate could not indicate the actual position of the gold reserve of the Bank of Japan, a decision was taken to increase the value of gold applied to the reserves to the approximate level of the current international value. It was, however, recognized that in the world situation when the currencies of various countries are still unstabilized, the time is not yet opportune for changing the value of Japanese currency by amendment of the Coinage Law, and consequently, a step has provisionally been taken to alter, notwithstanding

the provisions of the Coinage Law, only the value of gold applied to the reserves by making valuation at the rate of ¥1 per 290 milligrammes of fine gold. At the same time, both the Bank of Japan's obligation (as provided for in the Convertible Bank Note Regulations) to convert the bank notes into gold coins and the Government obligation (as provided for in the Coinage Law) to comply with the requirements of persons who bring gold bullion for the minting of gold coins have been suspended for the time being. It should further be noted that not only has re-valuation been made in the same manner of the gold coins and bullion held by the Bank of Chosen and the Bank of Taiwan as the reserves for exchange against convertible bank notes, but the Government has also authorized these two Banks to transfer such gold in whole or in part to the Bank of Japan for the purpose of securing the centralization of gold holdings into

the Bank of Japan. The profits obtained by the Bank of Japan from such revaluation have been paid to the Government, and with the amount so paid the Government has created a Gold Fund Special Account. Certain portions of this fund are applied to expenses necessary for the increase of gold production, while other portions are used for the purchase of gold bullion or investment in national bonds. It was in September, 1937, that this Account was further allowed to make investments in industrial debentures. Another law, namely, the Gold Production Law was enacted to secure the centralization of gold holdings and the increase of gold production, whereby the Government has been authorized to purchase new gold with the funds of the Gold Fund Special Account, with the result that the Law concerning the Purchase of Gold by the Bank of Japan has been abrogated.

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	870,817	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	385,143	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
1935	60,000	393,248	960,642	50,649	4,500	10.0
1936	60,000	345,546	931,195	47,646	4,500	10.0

REPORT OF THE BANK OF JAPAN

Balance Sheet

LIABILITIES	1937	
	First half	Second half
Notes issued	1,640,832,571.500	2,305,070,719.000
Redemption fund for Fractional Government Notes	10,965,000.000	10,965,000.000
Government deposits		
Current account	162,421,679.281	188,127,347.023
Other	130,757,046.948	104,019,099.810
Funds for payment of Mint certificates	870,892.704	—
Current accounts	93,569,393.040	131,830,671.860
Remittances	3,161,321.740	7,591,078.520
Due to other banks	171,139.050	148,176.330
Suspense receipts	74,155,047.910	74,491,917.330

	1937 First half ¥	1937 Second half ¥
Profit borne by the transvaluation of gold bullion	91,946,311.580	—
Taxes unpaid	14,342.630	90,587.210
Reserve for sundry expenditures	16,052,000.000	16,052,000.000
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	4,011,000.000	4,551,000.000
Capital subscribed	60,000,000.000	60,000,000.000
Reserve fund	115,690,000.000	116,040,000.000
Dividends unpaid	3,316.480	2,976.480
Profit brought forward from last half-year	12,682,502.623	12,435,026.822
Net profit for the current half-year	7,913,106.329	8,046,323.709
Total	2,425,216,671.815	3,039,461,924.144
ASSETS		
Advances to Government, Art. 2 Convertible Bank Note Regulations	22,000,000.000	2,924,756.250
Other advances to Government	210,600,434.000	163,128,311.450
Advances on foreign bills	50,659,625.940	39,132.730
Advances on current accounts	347,185.560	57,043,196.550
Bills discounted	81,686,112.150	407,500,677.660
Bills discounted, Law No. 54 of 1927	425,721,449.980	26,898,672.600
Deposits	31,698,672.600	1,387,229,071.630
Government bonds	860,362,733.670	—
Bullion		
Gold	294,082,895.010	801,002,607.250
Silver	14,544.300	14,544.300
Agencies accounts	25,685,179.834	52,786,445.035
Agencies accounts, specified	13,014,658.650	4,573,214.900
Foreign agencies accounts	43,619,098.732	51,887,610.082
Suspense payments	4,215,911.765	4,403,887.855
Bank premises	16,729,249.604	16,632,269.854
Capital unpaid	15,000,000.000	15,000,000.000
Redemption fund for Fractional Government Notes as per contra	10,965,000.000	10,965,000.000
Cash items on Government account	11,308,247.576	13,151,474.503
Funds for payment of Mint certificates as per contra	870,892.704	24,231,051.495
Cash on hand		
Gold coin	230,426,769.000	—
Others	56,208,010.360	—
Total	2,425,216,671.815	3,039,461,924.144
PROFIT AND LOSS ACCOUNT		
Dr.		
To Expenses, taxes, interest, etc.	18,854,650.563	701,003,422.433
To Balance appropriated:—		
Dividend at the rate of 10 per cent. per annum	2,250,000.000	2,250,000.000
Reserve fund	350,000.000	340,000.000
Payments to the Government	4,780,581.130	4,891,319.060
Bonus and allowances	240,000.000	240,000.000
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	540,000.000	308,000.000
Balance carried forward	12,435,026.822	20,481,350.531
Total	39,450,259.515	721,484,772.964
Cr.		
By Gross profits for the half-year	26,767,756.892	709,049,746.142
By Balance brought forward from last half-year	12,682,502.623	12,435,026.822
Total	39,450,259.515	721,484,772.964

Yokohama Specie Bank
(Yokohama Shokin Ginko)

The Yokohama Specie Bank is an organ charged with the special task of affording financial facilities for foreign trade through its conduct of the foreign exchange business (See pp. 328, 329, Japan Year Book, 1936). The importance of its functions cannot be over-emphasized in view of the fact that Japan, being rather poor in natural resources, has to import from foreign countries such materials for her major industries as raw cotton, wool, crude oil and iron on the one hand

and on the other, export her manufactures such as piece-goods, rayon textiles and raw silk in order to support her rapidly growing population.

The clash over the issue of banknotes between it and the Bank of Chosen, which had been issuing gold notes in Manchuria, was settled on October 1, 1936, through the withdrawal of the Chao-piao in Manchoukuo including the Kwantung Leased Territory.

THE YOKOHAMA SPECIE BANK
At the end of each year

Year	Authorized Capital	(In ¥1,000)				
		Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1926	100,000	489,607	298,942	18,336	12,000	12.0%
1927	100,000	508,096	334,895	18,081	12,000	12.0
1928	100,000	492,761	291,162	33,628	10,000	10.0
1929	100,000	646,609	344,700	36,153	10,000	10.0
1930	100,000	654,146	367,527	26,290	13,000	13.0
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
1935	100,000	621,594	346,157	32,914	10,000	10.0
1936	100,000	553,372	381,249	34,656	10,000	10.0

ASSETS AND LIABILITIES OF THE YOKOHAMA SPECIE BANK

Balance Sheet
(In Yen)

Liabilities	1937		Assets	1937	
	First half	Second half		First half	Second half
Capital subscribed	100,000,000	100,000,000	Advances and Bills discounted	350,092,719	386,652,402
Reserve funds	132,650,000	134,400,000	Bills purchased and Due from other banks	944,864,842	662,144,216
Redemption fund for loans	3,622,586	3,592,633	Bullion and foreign money	718,843	5,578,352
Bank debentures	769,520	881,501	Land and buildings	19,884,196	19,931,366
Deposits, etc.	656,174,781	623,131,077	Total	1,798,238,478	1,598,569,287
Bills rediscounted, sold; Suspense receipts, Due to other Banks, etc.	887,523,368	719,576,493	Appropriation of profit		
Dividend unpaid	2,495	3,155	Profit for the half year	6,726,807	6,238,696
Balance from last account	10,708,919	10,745,726	Balance brought forward from last account	10,708,919	10,745,726
Profit for the half year	6,786,807	6,238,696	Total	17,495,726	16,984,422
Total	1,798,238,478	1,598,569,287	Reserved	1,750,000	1,500,000
Assets			Dividend (10% p. a.)	5,000,000	5,000,000
Cash account	72,474,701	87,790,773	Balance carried forward to next account	10,745,726	10,484,425
Cash on hand	24,644,357	13,572,384			
Deposits in other banks	47,830,344	74,218,439			
Bonds and shares	407,183,174	436,472,175			

The Hypothec Bank of Japan
(Nippon Kwangyo Ginko)

With an authorized capital standing at upwards of ¥110,000,000 and advances reaching the neighbourhood of ¥1,000,000,000, the Hypothec Bank of Japan is now, in fact as well as in name, the central organ of the nation in making loans on mortgage of immovable property. Since 1921, when a law governing the amalgamations was promulgated, it has annexed the greater part of the Agricultural and Industrial Banks (Noko Ginko), which were established as prefectural financial institutions for ac-

commodating provincials with loans on security of immovable property.

The tendency toward such mergers was further promoted following the formation of the Hirota Cabinet, the Agricultural and Industrial Bank of Tokyo Prefecture being annexed to the Hypothec Bank. There are at present only 16 Agricultural and Industrial Banks as compared with 46 in 1900. By thus increasing its capital and enlarging its structure, the Hypothec Bank is becoming more and more positive in improving the financial conditions of cities and agricultural districts (See pp. 330-332, Japan Year Book, 1936)

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
1926	94,000	59,089	761,271	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	130,961	1,086,958	20,146	8,100	10.0	853,692
1931	108,750	123,393	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	19,961	8,463	10.0	852,806
1934	111,755	136,091	1,046,809	20,345	8,614	10.0	797,481
1935	111,775	141,959	969,081	20,514	8,765	10.0	729,394
1936	115,275	148,517	1,020,218	20,839	8,940	10.0	715,390

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 establish its branches in places where head offices and branches of the latter were in existence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. 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. They are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding fifteen times the paid-up capital. Such debentures, however, must not exceed the amount remaining after the deduction of the amount of pledges given for money borrowed from the Hypothec Bank from the total amount of outstanding loans redeemable by annual instalments and at

a fixed time. The face-value of agricultural and industrial debentures which was originally not less than twenty yen has been reduced to ten yen and upward; and when debentures of not more than twenty yen face value are to be issued, such issue may be effected by sale. For this purpose a term must be fixed for the sale, and the amount sold within that term is taken as the amount of issue. These agricultural

and industrial debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments except that part thereof given as security to the Hypothec Bank as mentioned above. There were 16 of these banks in existence throughout the country at the end of 1936.

AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	No. of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
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	442,964
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	166,996	622,049	18,586	7,306	9.2	449,396
1935	17	84,500	167,834	602,155	19,196	7,162	9.2	429,543
1936	16	77,500	170,051	520,489	19,713	6,760	9.1	356,356

The Industrial Bank of Japan (Nippon Kogyo Ginko)

The primary function of the Industrial Bank of Japan is to underwrite national and prefectural bonds and company debentures and make loans on security of foundations created as prescribed by law. Its leadership among the underwriters is attracting a great deal of public attention, particularly because of

its efforts to purify the underwriting world and rationalize the terms for underwriting. In addition to its endeavours for promoting financial facilities for medium-sized and small-scale industry, this bank is now being called upon to become more active in the furtherance of the shipbuilding industry along the lines of the national policy on shipping (See pp. 333, 334, Japan Year Book, 1936).

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
1926	50,000	44,025	282,269	192,003	7,279	4,000	8.0	271,375
1927	50,000	45,891	308,700	174,372	6,195	3,000	6.0	248,498
1928	50,000	49,957	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	278,575
1930	50,000	46,858	455,336	165,011	6,491	3,000	6.0	333,303
1931	50,000	52,978	486,003	176,992	6,547	3,000	6.0	343,330
1932	50,000	56,047	476,090	199,982	6,638	3,000	6.0	404,041
1933	50,000	59,236	408,177	354,645	7,800	3,000	6.0	323,840
1934	50,000	59,736	369,429	860,085	7,810	3,000	6.0	290,393
1935	50,000	99,614	393,353	940,085	6,863	3,000	6.0	279,659
1936	50,000	269,456	506,504	1,200,635	6,878	3,000	6.0	244,477

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 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
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	79,468	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	102,828	212,216	2,443	875	7.0	114,491
1935	20,000	100,486	225,021	2,496	875	7.0	124,862
1936	20,000	102,563	215,924	2,382	875	7.0	121,367

The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September, 1889, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War.

It is a joint-stock company with an authorized capital of ¥15,000,000, of which ¥13,125,000 has been paid up.

The Bank is privileged to issue banknotes of denomination of one yen and upward, which are at any time convertible into gold yen. It is required to hold as conversion reserve gold and

silver coins and bullion of the same amount as the notes issued; the amount of notes not covered by this specie reserve is limited to ¥20,000,000; they may be issued on security of Government paper money and securities, notes of the Bank of Japan, and other bonds and commercial bills of a reliable nature. Notes issued beyond this limit are subject to a tax of not less than three per cent, per annum.

The Bank of Taiwan has its head office in Taihoku and has thirty-two branches. 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
1927	15,000	75,375	540,732	—	—	—
1928	15,000	76,090	285,911	—	—	—

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1929	15,000	71,678	282,215	—	—	—
1930	15,000	73,661	273,243	859	—	—
1931	15,000	78,920	261,642	858	—	—
1932	15,000	95,070	245,538	1,005	395	3.0%
1933	15,000	101,457	227,944	1,290	395	3.0
1934	15,000	112,610	214,891	1,443	395	3.0
1935	15,000	120,745	214,006	1,776	395	3.0
1936	15,000	130,017	221,918	2,174	395	3.0
1937	15,000	148,814	197,625	1,389	262	4.0

The Bank of Chosen (Chosen Ginko)

The Bank of Korea was established in October, 1909, its name being changed to the Bank of Chosen in 1911 by virtue of the Bank of Chosen Act issued by the Government following Korea's annexation to Japan in April, 1910. The bank took over the assets and liabilities of the Bank of Korea, following the transfer of the assets and liabilities of the Dal-Ichi (First) Bank, which had been established in Korea since 1879, and which had received its right of issuing notes in that country in 1901, and which had acted as the central Japanese banking institution since the close of the Russo-Japanese War. The bank is authorized to issue bank notes. In 1917 the bank's notes were 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 extending to Japan proper, where it commenced foreign exchange transactions. 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
1926	40,000	135,871	309,776	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
1935	40,000	292,122	422,814	1,859	940	4.0
1936	40,000	411,142	484,349	1,872	940	4.0

Trust Business

In 1935 there were in this country 31 trust companies, the authorized capitals of which total ¥259,000,000. Special mention must be made of the fact that most of the leading institutions of this kind in the country are under the management of the nation's foremost

financiers and are enjoying great confidence as the trustees because of their firm foundations. The assets of the trusts amounted to as much as ¥1,200,000,000 compared with less than ¥600,000,000 recorded at the end of 1926. Of this amount, ¥1,800,000,000 was money in trust. With these funds, the trust companies are contributing a great deal to

the industrial development of the country by making loans to the amount of ¥70,000,000 and investing in securities to the amount of ¥1,100,000,000.

A decree of the Ministry of Finance forbids the trust companies to accept in trust less than ¥500 in one sum and to be entrusted with money for a period of less than two years (although there are specified exceptions), thereby defining the spheres of activities of the trust companies and differentiating their work from that of the ordinary banks. The greater part of the money entrusted to the trusts is on comparatively short term contracts while over 60 per cent of the deposits with the ordinary banks are on fixed accounts, but the leading trust companies are now joining in the adoption of a policy of encouraging long term trusts by affording high dividend rates to trusts of longer terms, and are apparently working to clarify the significance of their existence as a service different from that of the ordinary banks.

Trust Business in 1937

Wartime Effect on Trust Companies
The accounts of trust companies in this country had been steadily increasing during the past 30 years at the rate of an annual average of ¥160,000,000. When the taxation reform plan worked out under the quasi-wartime system was announced during the latter part of 1936, however, the increasing rate of monetary trusts which form the major part of the accounts of trust companies slackened on account of the fear of a heavy tax. In February, 1937, the taxation reform plan was replaced by a temporary taxation increase plan which brought about an atmosphere of assurance in financial circles. The monetary trusts then showed a sign of a renewed tendency toward increase but the expectations of a definite increase were bound to remain unfulfilled as funds poured into the stock market manifesting a remarkable ac-

tivity during April.

Further, the strained relations with China and the Soviet Union caused a tremendous amount of funds to be assigned to the purchase of raw materials from foreign sources and the expansion of the productive facilities of the domestic industry. Under the circumstances, withdrawals of monetary trusts which fell due were far in excess of new trusts. Thus, the accounts of trust companies which recorded an increase of only ¥72,000,000 between the end of 1936 and May, 1937, began to show a decrease in June, which was the first phenomenon of its kind since December, 1932. The decreasing tendency of monetary trusts was still in evidence in August although the total amount of the accounts of trust companies showed a slight increase because of increased securities trusts.

In order to cope with the situation, the Mitsui Trust Company modified its time-honored policy and alleviated the restrictions on the acceptance of big lots of monetary trusts in the form of fixed deposits. This action on the part of the Mitsui Trust attracted a great deal of attention in the banking circles. During the past several years of depression when a low-interest tendency prevailed, local banks, insurance companies and leading industrial companies were inclined to put their spare funds in trust for a higher interest. Considering such trusts as unsteady and tending to lower unduly the yields of trusts in general, the Mitsui Trust Company adopted a policy of avoiding acceptance of them as much as possible. The situation, however, changed in 1937 in such a manner that even big lots of trusts were not considered as unsteady and there was no uncertainty as to the manner of investment as there was an active demand for industrial funds.

The following is a table which shows the changes in the accounts of trust companies during 1937:

ACCOUNTS OF TRUST COMPANIES

(In ¥1,000,000)

Kind of Trusts	At the end of Dec., 1936	At the end of May, 1937	At the end of June, 1937	At the end of Nov. 1937
Money	1,841	1,884	1,860	1,886
Securities	356	383	401	456
Land & fixtures	35	36	36	36
Others	113	14	13	19
Total	2,245	2,317	2,310	2,397

Change in Substance of Assets As already stated, monetary trusts fell into an unusual depression at the beginning of 1937 and thus exercised a negative influence on the whole assets of trust companies for a time, which is an unusual phenomenon in recent years. Still more abnormal was the rapid increase of leading securities put in trust. Accounts indicated that monetary trusts had recorded an increase of ¥45,000,000 at the end of November, 1937, over the figures for the end of December, 1936, but, as a matter of fact, the monetary trusts were at a standstill because the system of accounting of trust companies reckons the monthly profits amounting to several millions of yen as a natural increase in trusts under ordinary circumstances. Securities trusts, on the other hand, increased by as much as ¥100,000,000 during the same period. This was the first time that securities trusts increased in a larger measure than monetary trusts.

During 1933, monetary trusts account-

OPERATING CONDITIONS OF TRUST COMPANIES' ASSETS

(In ¥1,000,000)

	At the end of 1935	At the end of 1936	At the end of June, 1937	At the end of Nov., 1937
Securities	945	1,135	1,173	1,158
National bonds	277	360	391	419
Foreign bonds	22	25	25	15
Local bonds	137	184	186	181
Debentures	444	480	475	441
Stock shares	61	72	87	94
Other foreign securities	3	9	10	9
Advances	966	985	1,021	1,069
Securities loaned	36	26	33	47
Immovable property	42	44	45	44
Total (including others)	2,041	2,245	2,311	2,397

Increased Influence of Trust Companies The total assets of trust companies throughout the country now reach upwards of ¥2,300,000,000. As a result of the increased financial influence of the trust companies, the question of co-operation between the trust companies and underwriting circles is assuming an increasing importance as also the question of defining the spheres of influence of the trust companies and banks.

In connection with the enforcement of the Temporary Fund Adjustment Law, the Association of Trust Companies called a general meeting on September 14 and adopted the following resolution:

ed for 96 per cent of the increased trusts. This percentage then declined to 91 per cent and later to 78 per cent and finally fell to 30 per cent in November, 1937. On the contrary, securities trusts exhibited an increasing tendency and far surpassed monetary trusts in 1937.

A review of the operating conditions of assets of trust companies during 1937 reveals that the amount of securities in hand, which had recorded an unusual increase at the end of 1936, appeared to have slowed down while advances increased markedly. The slackened rate of increase in the securities in hand was due to a decrease in foreign bonds as well as in local bonds and debentures which in turn was attributable to the depression in underwriting circles. On the other hand, the marked increase in advances was illustrative of the active demand for industrial funds. Details of the operating conditions of assets of trust companies are given in the following table:

"In view of the gravity of the China Incident, the member companies of the Association shall unite their efforts in coping with the situation. In regard to the enforcement of the Temporary Fund Adjustment Law, they shall make such adjustment as is required, under the leadership of the Association, in conformity with the spirit of the law and in accordance with the instructions of the Government, thus facilitating the attainment of the aim of the law."

Although there exists a general contention that the spheres of activities of trust companies and banks are not clearly defined, it is an admitted fact that the trust companies are increas-

ingly becoming a machinery for long-term financial contracts. Monetary trusts under contracts lasting for five years or more accounted for only 6 per cent of the total amount of trusts at the end of 1926 but the figure increased to approximately 30 per cent at the end of 1935 while the percentage of those under contracts lasting for less than five years decreased from over

87 per cent to nearly 66 per cent. This fact indicates that the spheres of influence of the trust companies and banks are being gradually and definitely established. It is particularly so since the big twelve of the 31 trust companies throughout the country have adopted a policy of according better treatment to trusts of longer terms.

TRUST COMPANIES

At the End of Nov.	No. of Head Offices	No. of Branch Offices	Authorized Capital	Paid-up Capital	Reserve Funds (In yen)	Net Profit	Dividend
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	23,202,856	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	16	287,000,000	82,076,075	29,536,346	18,019,865	3,689,200
1934	33	16	282,000,000	78,336,575	34,180,490	20,984,787	3,674,498
1935	32	17	272,000,000	76,308,575	39,421,837	22,135,929	3,638,498
1936	31	17	259,000,000	74,670,478	43,469,351	23,393,825	3,584,747

Assets

(In ¥1,000)

Companies' Own Account

At the end of each year	Unpaid Capital	Advances	Deposits	Securities	Pre-mises	Guarantees	Miscellaneous Assets	Losses	Total
1930	210,800	29,307	8,164	61,917	13,098	10,262	3,572	434	342,742
1931	207,050	30,660	8,519	60,584	13,190	7,767	1,780	745	337,417
1932	207,050	33,658	8,902	59,315	13,757	8,403	3,294	867	342,303
1933	204,924	31,206	9,101	67,935	13,292	8,616	3,471	1,239	346,786
1934	203,663	35,695	8,887	71,988	12,618	7,597	1,871	289	348,849
1935	195,691	32,936	9,302	77,567	11,872	7,046	2,533	290	343,813
1936	184,330	33,483	8,081	81,369	12,631	6,393	1,882	314	335,865

Trust Account

	Securities	Advances	Deposits	Movable and Real Estate	Miscellaneous Assets	Cash in Hand	Total
1930	460,232	886,431	43,192	30,307	5,640	3,355	1,577,649
1931	478,479	877,754	50,986	32,469	30,394	4,740	1,642,312
1932	486,303	876,061	50,278	36,226	7,946	3,997	1,628,413
1933	568,901	923,807	47,529	40,565	30,758	4,188	1,765,289
1934	799,418	896,288	54,960	40,648	31,443	3,813	2,058,923
1935	940,644	949,137	50,129	42,669	42,858	3,719	2,310,253
1936	1,133,153	983,811	41,606	43,684	36,459	3,669	2,551,779

Liabilities

Companies' Own Account

	Authorized Capital	Reserve Funds	Guarantees	Miscellaneous Liabilities	Net Profit	Total
1930	293,500	19,655	10,262	8,238	7,272	342,742
1931	288,500	23,203	7,767	7,145	6,930	337,417
1932	288,500	25,850	8,403	5,879	8,180	342,303
1933	287,000	29,536	8,616	7,076	9,538	346,786
1934	282,000	34,189	7,597	9,612	10,557	348,849
1935	272,000	39,422	7,046	8,465	11,312	343,813
1936	359,000	43,470	6,393	8,784	12,042	335,865

	Trust Account						Total
	Money in Trust	Trust Fund other than Money in Trust	Securities in Trust	Claims in Trust	Real Estates in Trust	Super-ficies in Trust	
1930	1,178,749	7,051	198,870	16,589	27,896	2	1,577,649
1931	1,231,851	7,816	189,800	16,087	29,266	2	1,642,312
1932	1,226,005	9,858	183,009	11,794	30,143	2	1,628,413
1933	1,378,375	11,641	183,867	9,314	32,536	15	1,765,209
1934	1,570,191	8,962	205,824	9,013	32,506	14	2,038,923
1935	1,729,993	10,169	250,205	6,052	32,723	14	2,310,253
1936	1,854,153	8,002	340,954	4,490	34,972	16	2,551,770

Mutual Loan Companies (Mujin Kaisha)

In addition to the banking institutions there are mutual loan companies (Mujin Kaisha), which are credit establishments peculiar to Japan and are based on mutual credit among the middle and lower classes of people. Mutual credit societies have existed in Japan since olden times. The Mutual Loan Society Law was promulgated in June, 1915, whereby the mutual loan societies acquired a legal standing. But in order to enable these societies to perform the function of financial institutions for lower classes and to extend their business operations, fundamental amendments were made in the law in 1931. 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 instalments during a fixed period and then to distri-

bute it, in lots, among the subscribers, by drawings, biddings or some similar means, the number of such lots and the sum of money to be thus distributed 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.

The total amount handled by these mutual credit societies throughout the country is given as between ¥3,000,000,000 and ¥4,000,000,000 and members of the societies are said to number some 4,000,000 persons. Many prefectural governments have issued decrees controlling the societies with a view to preventing evil practices.

MUTUAL LOAN COMPANIES

Year	No. of Companies	Money yet to be paid in instalments	ASSETS (In ¥1,000)			Total, including others
			Convertible Notes	Loans	Deposits	
1930	264	56,512	1,717	36,769	17,169	129,495
1931	267	60,912	2,086	42,284	16,446	143,425
1932	274	71,933	2,621	41,728	19,472	157,347
1933	276	67,616	4,447	44,271	26,340	166,723
1934	273	63,002	7,643	51,473	32,084	179,895
1935	262	56,041	9,625	61,723	33,293	187,821
1936	253	51,848	13,152	73,365	38,594	204,422

Note: Unpaid capital and loss are discounted.

LIABILITIES

Year	LIABILITIES (In ¥1,000)			
	Paid-up capital	Reserves	Net profit	Total, including others
1930	17,540	7,868	1,107	129,495
1931	17,790	8,827	721	143,425
1932	18,272	9,557	752	157,347

Year	Paid-up capital	Reserves	Net profit	Total, including others
1933	18,581	9,554	447	166,723
1934	19,330	9,927	(-) 134	179,865
1935	19,067	10,708	710	187,881
1936	18,933	10,923	1,512	204,422

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 the Minister of Agriculture and Forestry. The actual number of these associations was 269 at the end of December, 1936.

Year	Money paid	Loans	Savings	Total
				B/S
				(In yen)
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	58,739,865	138,832,405	160,233,203	271,284,152
1933	56,493,820	158,026,038	177,376,486	292,271,078
1934	58,516,000	160,450,000	189,760,000	309,983,000
1935	59,028,000	164,584,000	218,676,000	326,973,000
1936	58,394,000	175,197,000	241,664,000	350,034,000

Central Chest for Co-operative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations 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 participate in the investment amount 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 the Minister of Finance. The assets and liabilities of these associations follow:

ASSETS

(In ¥1,000)

March of	Unpaid Investment	Loans made	Deposits in Banks	Securities	Total, including Others
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
1935	—	141,314	28,247	73,897	248,584
1936	—	147,419	23,499	79,177	256,572
1937	—	155,565	18,327	61,673	242,471

LIABILITIES

(In ¥1,000)

March of	Investment by Government	Investment by Others	Co-operative Debentures	Fixed Deposits	Total, including Others
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
1935	15,000	15,700	84,291	86,149	248,584
1936	15,000	15,700	86,575	99,383	256,572
1937	15,000	15,700	82,939	80,776	242,471

The Big Seven

In the commercial banking world, of non-governmental banks there are seven which stand out from all the others in importance, these are the Mitsui, Mitsui-

bishi, Dai-ichi, Sumitomo, Yasuda, Daihyaku (the One Hundredth Bank) and Sanwa, the last named was created by the amalgamation of three banks, i.e. Kōnoiké, Yamaguchi and the 34th in December, 1933 :

BUSINESS CONDITIONS OF THE BIG SEVEN

(Figures in ¥1,000)

1. Dai-ichi Bank			3. Yasuda Bank		
Kinds	1937 Second half	1938 First half	Kinds	1937 Second half	1938 First half
Paid-up capital	57,500	57,500	Paid-up capital	92,750	92,750
Total deposits	1,120,484	1,272,161	Total deposits	1,089,587	1,212,315
Foreign bills	743	760	Foreign bills	460	281
Total liabilities	1,304,223	1,463,450	Total liabilities	1,375,385	1,491,835
Fixed assets	24,293	24,790	Fixed assets	11,618	11,571,082
Total assets	1,304,223	1,463,450	Total assets	1,375,385	1,491,835
Total profits	13,682	15,432	Total profits	9,600	9,600
Rate of dividend	8.0	8.0	Rate of dividend	7.0	7.0

2. Mitsubishi Bank			4. Mitsui Bank		
Kind	1937 Second half	1938 First half	Kinds	1937 Second half	1938 First half
Paid-up capital	62,500	62,500	Paid-up capital	60,000	60,000
Total deposits	932,552	1,078,288	Total deposits	945,796	1,103,832
Foreign bills	710	1,274	Foreign bills	940	15,371
Total liabilities	1,134,338	1,272,332	Total liabilities	1,158,793	1,321,099
Fixed assets	20,472	20,299	Fixed assets	15,386	15,399
Total assets	1,134,338	1,272,332	Total assets	1,158,793	1,321,099
Total profits	13,206	13,808	Total profits	15,561	16,235
Rate of dividend	8.0	8.0	Rate of dividend	8.0	8.0

5. Sumitomo Bank

Kinds	1937 Second half	1938 First half
Paid-up capital	50,000	50,000
Total deposits	1,152,222	1,307,319
Foreign bills	5,990	9,020
Total liabilities	1,317,088	1,470,923
Fixed assets	16,782	17,631
Total assets	1,317,088	1,470,923
Total profits	9,213	8,262
Rate of dividend	7.0	8.0

6. Sanwa Bank

Kinds	1937 Second half	1938 First half
Paid-up capital	72,200	72,200
Total deposits	1,340,944	1,477,652
Foreign bills	4,939	2,395
Total liabilities	1,546,050	1,677,959

Kinds	1937 Second half	1938 First half
Fixed assets	26,157	26,161
Total assets	1,546,050	1,677,959
Total profits	5,758	5,827
Rate of dividend	7.0	7.0

7. Dai-Hyaku Bank
(The One Hundredth Bank)

Kinds	1937 Second half	1938 First half
Paid-up capital	28,072	28,072
Total deposits	789,451	863,652
Foreign bills	2,264	928
Total liabilities	880,074	954,466
Fixed assets	15,394	15,355
Total assets	880,074	954,466
Total profits	2,366	2,461
Rate of dividend	6.0	6.0

FOREIGN BANKS WITH BRANCHES IN JAPAN

Name	Nationality	No. 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 ex-

istence 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. At the end of 1936, there were 45 clearing houses in Japan. The total of bills cleared at the clearing-houses throughout the country in the year 1936 reached 42,961,000 bills and ¥69,862,561,000. As compared with the preceding year the number of bills increased by 2,236,000, while the amount gained was ¥6,004,220,000. The amount of clearings in Tokyo and Osaka and All-Japan were as follows :

BILLS CLEARED AT THE CLEARING-HOUSES THROUGHOUT THE COUNTRY

(000's omitted)

Year	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1923	10,532	30,715,120	8,611	23,993,188	28,791	68,058,429

Year	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1924	11,463	30,739,301	9,298	26,830,403	31,499	73,956,977
1925	13,041	37,320,356	9,619	27,577,761	34,274	83,338,205
1926	14,307	39,460,447	10,279	28,386,749	37,622	80,792,553
1927	12,517	27,327,475	9,393	20,130,091	34,387	62,556,120
1928	13,117	31,126,238	10,009	21,684,365	36,944	68,882,995
1929	13,525	25,070,553	10,390	22,374,043	38,338	63,343,632
1930	12,721	21,366,617	9,725	13,889,653	36,146	51,376,234
1931	12,408	21,593,184	9,280	14,432,147	34,631	46,022,042
1932	12,646	26,562,718	9,471	15,624,537	34,387	52,751,916
1933	13,577	31,549,888	10,412	22,175,225	37,296	66,871,008
1934	14,253	25,338,571	9,547	24,438,933	37,739	64,376,620
1935	15,153	25,512,016	10,472	22,688,241	40,725	63,858,341
1936	15,887	27,400,087	11,090	24,970,292	42,961	69,862,561

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 ¥51,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and the Minister of Agriculture and Commerce. The service was looked after by 4,000 post offices in the country. In 1890 the Postal Savings Deposit Act was issued. In 1920 the Exchange Deposit Bureau was established and was later replaced by the Deposits Bureau in the Ministry of Finance. (See Chapter VIII.)

The number of depositors and amount of savings since 1925 have been as follows:

March 31,	Number	Amount
1925	30,386,806	¥1,131,250,271
1926	31,549,989	1,166,998,703
1927	32,410,752	1,253,539,935
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	39,838,438	2,772,004,751
1934	41,625,306	2,919,345,286
1935	43,908,510	3,062,750,943

March 31,	Number	Amount
1936	46,568,533	3,232,917,127
1937	49,564,766	3,485,635,081
1938	54,628,871	3,903,261,783

Note: Figures include Postal Transfer

Currency System

Coinage The present coinage system is based on the Coinage Law issued in 1897, which established the gold mono-metallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.7 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, 1936, to ¥10,990,000, consisting of ¥5,364,000 50-sen notes, ¥1,096,700 20-sen notes and ¥4,529,300 10-sen notes.

Convertible Bank Notes In May, 1914, there was promulgated the Convertible Bank-notes Law providing for the issue by the Bank of Japan of bank-notes which were to be converted into silver, but on the adoption of the gold standard in 1897 these notes became convertible into gold. Certain amendments were made in the law in June, 1922, 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 ex-

cess of this limit lasts more than 15 days the approval of the Minister of Finance is required, and such issues outstanding after a period of 15 days are subject to a tax of at least 3 per cent per annum of the amount so issued. The bank-notes are of 7 denominations, namely, one yen, 5 yen, 10 yen, 20 yen, 50 yen, 100 yen and 200 yen.

Currency System of 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. In April, 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 confidence in legal tender 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 tenders was