

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Washington Disarmament Conference Japan first participated in in-

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

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

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

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

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

The proposal made by Great Britain favouring the total abolition of submarines added to the difficulties of making a total tonnage agreement regarding auxiliary ships. It was finally decided that an auxiliary ship must not exceed 10,000 tons in displacement and must not carry guns of more than 8 inches in calibre. A summary of the Washington provisions is given in the following table:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital ships	25,000 tons	14-inch guns
A class cruisers	8,000 "	8- "
B class cruisers	6,000 "	6.1- "
Destroyers	1,500 "	5.1- "
Submarines	1,800 "	5.1- "

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

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

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

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

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

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

Relations with the League of Nations

Japan's connection with the League of Nations began with the inception of the international organization in April, 1919, when the Covenant was officially adopted at Paris, and came to a virtual end on March 27, 1933, when Japan gave notice of her withdrawal from membership on grounds of dissatisfaction with the dealings of the Geneva body with the Sino-Japanese dispute, particularly with the report adopted by the League Assembly on February 24 and the recommendations for the settlement of

the problem as contained therein. Her membership will not, of course, be officially withdrawn for two years after the notice, in accordance with the provisions of the League Covenant.

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

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

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

Relations with the Permanent Court As regards the Permanent Court of International Justice at the Hague, Japan has rendered due assistance to the League of Nations' efforts for arbitration at this court by send-

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

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

(1) Convention concerning workmen's compensation for occupational diseases (November 2, 1922).

(2) Convention fixing the minimum age for admission of children to industrial employment (June 3, 1926).

(3) Convention fixing the minimum age for admission of children to employment at sea (June 4, 1924).

(4) Convention for establishing facilities for finding employment for seamen (November 23, 1922).

(5) Convention concerning the age for admission of children to employment in agriculture (December 9, 1923).

(6) Convention concerning the compulsory medical examination of children and young persons employed at sea (June 7, 1924).

(7) Convention concerning workmen's compensation for occupational diseases (October 8, 1928). Note: this convention does not apply to such overseas dependencies of Japan as Chosen, Taiwan, Karafuto, the Kwantung Leased Territory and the mandated islands in the Southern Pacific.

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

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

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

World Economic Conference

This conference was preceded by informal inter-governmental pourparlers held in Washington in May, 1933, through the good offices of President Roosevelt of the United States, with the object of coming to some general understandings in preparation for the more formal negotiations. At these pourparlers Japan was represented by Viscount Kikujiro Ishii, veteran diplomat and privy councillor, who headed the Japanese delegation to the London Conference. The Japanese delegation also included Mr. Tsunéo Matsu-daira, Ambassador in London, and Mr. Eigo Fukai, Vice-Governor of the Bank of Japan. Mr. Sotomatsu Kato, counsellor of the Japanese Embassy in London, acted as secretary-general to the delegation.

The London Conference opened on June 12, and on the second day of the plenary session Viscount Ishii delivered an address on behalf of the Japanese Government, expressing Japan's willingness to co-operate

and emphasizing the urgent need of "a free interchange of world commodities on a basis of equality", adding that it was "highly desirable that there should be an unrestricted application of the most favoured nation clause" and that the conference had "a great rôle to play" in that connection.

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. Efforts were made by some delegates to avert failure. In this connection, it may be remembered that during a meeting of the conference bureau Viscount Ishii suggested that discussion should be continued on questions other than the exchange problem instead of adjourning the conference altogether.

Relations with Great Britain

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

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

terests 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 8 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 agree-

ment 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 cotton year.

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

Specific Duties The conference however could not come to happy ending because of specific duties imposed by the Government of India on December 23, 1933, which are applicable to large part of Japanese miscellaneous goods exported to India. The increase in duties are so heavy as to deal a serious blow to the export of miscellaneous goods from Japan, notably hosiery, earthenwares and potteries, enamelled ironwares and pencils the new duties are prohibitive, although Sir Joseph Bhore told Mr. Sawada that the new tariffs were meant to protect domestic industry and in no way unreasonable.

On January 22 Mr. Sawada met Sir Joseph Bhore, member of the Executive Council, Railways and Commerce, to call attention of the Indian Government concerning the new duties imposed upon the Japanese miscellaneous goods presenting Japanese views in a written form. On January 26 in answer to the inquiry of Sawada on the intention of

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

the Government of India to increase in duties on Japanese rayon goods, Bhore admitted the fact, and it caused another apprehension among the Japanese manufacturers and traders concerned.

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

Anglo-Japanese Trade Issue The marked progress of Japanese cotton textiles and miscellaneous goods in the world markets and especially of those of the British Empire caused the London authorities to take measures to minimize its effect in order to protect the interests of their own manufacturers. On May 15, 1933, the British Government intimated the Japanese Government with their intention of exempting West Africa from the operation of the Commercial Treaty of 1911, with one year's grace. This act seemingly spurred a tendency of impeding by several means the import of Japanese goods. Simultaneously with the above notification the British Government suggested an Anglo-Japanese trade conference to be held at London between the delegates of traders of the two countries. To this proposal Japan consented and in August, 1933, sent delegates to London. But circumstances delayed its opening till February 14, 1934.

The initial meeting was held in the Board of Trade building and was attended by Thomas Barlow, John Grey, J. Ainsley, Raymond Street and H. G. Hughes representing the British side; and Gentaro Okada, Gota Miyaké, Kazuyoshi Mimura, Masao Kawaguchi, Tokuzo Tamagaki and Katsunosuké Shimada the Japanese side.

A British note was presented defining the geographical areas to which an agreement to be reached should apply. The British intention was evidently to cover all of the world

markets where a ratio of imports of British and Japanese goods should be established. To this, however, the Japanese delegation took strong exception, saying that neither the British nor the Japanese Government had right to drag in a third country over which it had no control into the business. It proposed that the agreement to come should not apply to all the British Empire, but only to the Crown colonies.

At the second meeting of February 21 the Japanese delegation handed a formal answer to the British note regarding the division of geographical areas. The answer reiterated what was said at the first meeting, saying that the agreement to come should apply only to England and her colonies, and not to the third States and the British Dominions. On February 26 the third parley was held and the British delegation stated that in order to initiate peace in the world cotton textile market the Anglo-Japanese negotiations must be based upon the condition of the world market in general and there would have been no need of a conference, if it were to discuss the matter only in relation to England and Crown colonies. To this the Japanese delegation countered with the contention that it was out of the question to negotiate with Britain about matters which entirely or mainly belong to the third parties.

Together with the division of geographical areas, the British delegation proposed a ratio of British and Japanese cotton textile exports to the world markets, ¥2,190,000,000 for the British and ¥1,410,000,000 for the Japanese. But the question of whether or not to include all the world markets being unsolved, discussion on the ratio question practically made no headway and in spite of the efforts on both sides in and out of the conference room, the ne-

gotiations were closed on March 14, leaving the entire problem where it had been before.

Japan-Dutch Conference

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

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

With the purpose, on the part of the Dutch East Indies, to adjust the one sided trade relation with Japan for it bought ¥157,487,000 and sold ¥55,709,000 in 1933, the Japan-Dutch trade conference has been opened at Batavia on June 8, 1934. In the opening address Dr. J. W. Mejer Ranneft, the chief Dutch representative and Vice-president of the Dutch East Indies Council, pointed out that to uphold and maintain one's own interests in new economic world was the right position to adopt.

Dr. Haruichi Nagano, the chief Japanese delegate and former Ambassador in Paris, made his speech after Dr. Ranneft and urged that the relations between the Dutch East Indies and Japan not only must be of an enduring nature but also must harmonize with the economic aspects of each country.

General committee meetings have

been held on June 26 and 27, without much results. (See Chapter XVIII.)

Relations with Soviet Russia

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

After her participation in the World War, Japan concluded an agreement with Russia on July 3, 1916 for the purpose of preventing Russia from making peace with Germany independently of the other Allies. At this time there was a rumour that the two countries had concluded an offensive and defensive alliance. Following the establishment of the communist régime in Russia, in 1917, Japan sent the 3rd and the 12th divisions and a part of the 7th division to Siberia between August and October of 1918, in compliance with a proposal from the United States, in order to enable some 50,000 Czechoslovak troops (formerly prisoner of war taken by the Russian from the Austrian armies) to establish contact with the Allied armies in the East. This expedition to Siberia automatically disrupted the diplomatic relations between Japan and Russia, and even after the Czechoslovak troops had re-established liaison with the other allied armies, the Japanese remained in Siberia with fresh troops relieving the first expeditionary forces. The American and other foreign troops were withdrawn early in 1920, but Japan in spite of the demand for withdrawal by the Soviet Government of Irkutsk on March 11, 1920, continued to station her troops in the vicinity of Vladivostok and Habarovsk for the professed purpose of protecting the Japanese resi-

dents there. On March 18 and 19, 1920, partisan troops attacked the Japanese consulate, Nikolaevsk, killing all the officials and guards. On March 31, the Japanese Government issued a statement to the effect that Japan had no territorial designs in Siberia, but that the withdrawal of troops was impossible in the circumstances. Japan maintained relations with the Far Eastern Republic, constituted an independent state in February, 1921, until January, 1922, when this region was incorporated in the U. S. S. R.

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

The Fishery Dispute The first fishery convention between the two countries had been concluded in 1907, and after the resumption of Soviet-Japanese relations, efforts were made for its revision and, following the visit to Russia by Count Shimpei Goto in this connection, the revised convention was signed on January 24, 1928, remedying such provisions as had proved disadvantageous to the Japanese and otherwise improving the pact to meet the new situa-

tion. However, this revision was later found to be imperfect and disputes arose one after another between the Japanese fishing interests and the Soviet authorities regarding the details of the fishery convention.

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

The negotiations were started in Moscow in October, 1930, but soon afterwards the Soviet Ambassador to Japan, M. Troianovsky, took up the dispute in Tokyo, and communicated the willingness of his Government to reduce the official exchange rate of the rouble by 25 per cent., when selling debentures of the state operated corporation, "Aco" (in charge of the Russian fishery interests), fixing the rate at 75 sen in Japanese currency. In reply Japan insisted on the rate of 30 sen for the rouble, and negotiations continued until April 26, 1931, when a compromise was reached providing that the payments of the Japanese fishing

interests to the Soviet authorities during the year of 1931 should be made with "Aco" debentures to be purchased at the rate of 32.5 sen for the rouble.

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

On February 20, 1934, the auction for the current year of the fishery grounds was held at Vladivostok. Bids were submitted by both Japanese and Soviets. The Soviets, however, declared that the Japanese bids were unacceptable, because they were accompanied by a guarantee made out at the rate of 32.5 sen, instead of 75 sen as ruled by the Vladivostok fishery authorities, per rouble, and the Soviets' bids, which numbered 60, were accepted as valid. The reason that a Japanese interests insisted upon a 32.5 sen rate of exchange is based upon a provision in the Shidehara-Troianovsky Agreement of April 26, 1931.

On February 25 the Russian authorities proposed a compromise which purported to permit Japanese bidders to enter new offers at 32.5 sen on February 28 for the remaining 66 fishing grounds, provided that the exchange rate question would be held open for future negotiations.

This was accepted by the Japanese interests and the grounds were given them at the auction held on May 20.

The question of yen-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. At the date of writing (July 31, 1935), however, the negotiations remain in abeyance. The reason for this was that both the Soviets and Japan insisted upon their original rates, the former upon 75 sen and the latter 32.5. The yen-ruble question had to be solved in the negotiations incidental to the Japan-Soviet Fishery Treaty. This treaty will mature in May, 1936. As Japan thought it necessary to revise it, the Foreign Office caused Ambassador Tamekichi Ohta, in Moscow, to make a proposal to the Moscow Government in May, 1935, one year prior to the date of maturity, in conformity with Article XV of the treaty, for its revision. Four things which are held essential by the Tokyo Government are: (1) the revision of the method in acquiring fishing grounds by bids (2) the readjustment in the restriction of the amount of fishing (3) the rationalization of the method of lease rental payment and (4) the concrete plans for the protection of fishes. The Japanese Government sees that the present method of bidding for fishing grounds is a source of disputes and it intends to do away with this once for all. It also regards the restriction of the amount of catch improper and intends to revise it properly. In the third place, the Japanese bidders find it very inconvenient to pay the rental on the basis of yen-ruble quotation, because it is in no way stabilized, and are desirous of placing it on the yen basis. As regards the protection of fishes, the Japanese have

already enforced the control of open-sea fishery to prevent reckless catches of salmon and salmon-trout in Kamchatka and the Japanese Government desires that the Soviet side will also prohibit catches of salmon and salmon-trout in Kamchatka rivers.

Non-Aggression Pact Proposals Frequent overtures have been made by Soviet Russia with a view to concluding a non-aggression pact with Japan. This question was first broached when Mr. Kenkichi Yoshizawa visited Moscow on December 31, 1931, on his way home from Paris to be installed as Foreign Minister. Receiving Mr. Yoshizawa and Mr. Koki Hirota, M. Litvinoff, Commissar of Foreign Affairs, and M. Kharahan, proposed the conclusion of a non-aggression pact. On January 12, 1932, the Soviet Ambassador in Tokyo, M. Troianovsky, called on Mr. Inukai, then Premier and Foreign Minister, to obtain the views of the Japanese Government on this question, and a few days later Tass, the official news agency of the Soviet Government, carried a report endorsing the truth of the Kharahan-Yoshizawa conversations in Moscow and the Troianovsky-Inukai meeting in Tokyo.

The Soviet proposal was further explained by Mr. Yoshizawa, who, on his arrival in Tokyo on June 16, told the press that the Soviet Government was very eager to conclude with Japan a non-aggression pact similar to those they had concluded with Turkey, Persia, Afganistan and Lithuania. However, no great enthusiasm was evinced in government circles in Japan regarding this proposal, which was little discussed by the press until the late autumn of 1932, when a special dispatch to the Tokyo Nichinichi, dated from Mukden October 22, reported that the Government had sought the

counsel of the headquarters of the Kwantung army in Manchuria on this question. According to this report, General Nobuyoshi Muto, commander of the Kwantung army, replied that the local military authorities were in favour of the non-aggression pact project provided that conditions necessary for Japan's defence were accepted by Soviet Russia.

When Mr. Yosuke Matsuoka, the chief Japanese delegate to the League of Nations, visited Moscow on his way to Geneva on November 4, 1932, this question seems to have been taken up anew during his conversations with M. Kharahan.

Since then, however, no further steps have been taken in the matter on either side.

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

According to a memorandum stating the fundamental principles for the transfer of the North Manchuria Railway submitted by the Soviet Russia at the third official meeting held on July 4, 1933, the sale price was put at 250,000,000 gold roubles. The price offered by Manchoukuo was ¥50,000,000. The Soviet side based its calculation on the amount of its investment totalling 411,690,000 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 ¥200,000,000, but the Manchurian side lowered it to ¥100,000,000 in April of that year. Through mutual concession, the price was fixed at ¥170,000,000 on September 21, 1934. During the intervening period Foreign Minister Koki Hirota held interviews with Ambassador Youreneff ten times and Mr. Shigenori Togo, Director of the Europe and Asia Bureau, of the Foreign Office, saw M. Benedict I. Kazlovsky, one of the Soviet delegates, eight times on negotiations. Finally, the negotiations were concluded on January 21, 1935, and on March 23 the signing of the agreement took place at the official residence of the Foreign Minister in Tokyo. According to the resume of the Transfer Agreement, all the property of the North Manchuria Railway (the old Chinese Eastern Railway) will be sold to Manchoukuo for ¥140,000,000. In addition, Manchoukuo shall pay ¥30,000,000 as retirement allowances for Soviet employees of the railway. It is also provided for in the Agreement that one-third of the transfer price shall be paid in cash and two-thirds in goods, all to be completely paid in three years. The Japanese Government guarantees the Manchoukuo Government completely fulfills the payment.

North Saghalien Oil Concession Problem

The North Saghalien Oil Concession contract, based on Article VI of the Japanese-Soviet Basic Treaty, concluded in October, 1925, proves very disadvantageous to Japan as well as the Japanese-Soviet Fishery Treaty. The whole area where oil prospecting is to be undertaken is divided like a checker board. If one bloc of the board is assigned

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

Relations with the United States

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

perate 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 18, 1911, should terminate simultaneously with the conclusion of this treaty.

The Nine-Power Treaty The Nine-Power Treaty also has an important bearing on Japan in that it consolidated the open door policy in

connection with China, where Japan has greater interests than any other foreign country, especially in Manchuria. This treaty was invoked against Japan both by the United States and the League of Nations in connection with the Manchurian incident.

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

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

However, on August 19, 1913 the State of California promulgated the Alien Land Law (the Webb Bill) prohibiting Japanese and other aliens ineligible for citizenship from own-

ing 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 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 seri-

ous insult to their national honour.

A resolution calling for ejection of Japanese farmers for the next 10 days from Arizona farmlands was adopted at a convention of about 200 American tenant farmers near Phoenix, the capital of Arizona State in the United States, on August 15, 1934. A movement of forcing Japanese farmers out of their farmlands was subsequently staged several times. These American farmers approached the Governor of the State to recognize their movement, but, when he rejected their petition they resorted to direct action to force Japanese farmers out. The situation then spread to California and in February, 1935, an anti-Japanese exclusion bill was submitted to the Californian State Legislature. The bill provided for an absolute prohibition of Japanese people from engaging in agriculture under any circumstances. The exclusion bill was submitted to an agriculture committee of the Lower House and then was turned over to a judicial committee. Finding that the bill was too exacting and aimed at depriving the Japanese farmers of the right of agriculture, the committee doubted it might conflict the U. S. Constitution and submitted it to the plenary session of the Californian State Lower House with a desideratum for amendment, but it was shelved at the Upper House. The problem thus was apparently solved, but the exclusion tendency against Japanese was growing keener. Even Japanese who legally entered that country and are engaged in peaceful vocations are not given treatment the same as that accorded the American citizens.

Other Issues The attempted intervention in the Manchurian and Shanghai affairs in 1931 and 1932 by the American Secretary of State, Col. Henry L. Stimson, at one time

seemed to menace seriously the relations between Japan and the United States.

Hirota-Hull Messages As soon as Mr. Koki Hirota took office as Foreign Minister he commenced to devote himself to strengthening Japan's friendly relations with her neighbouring countries. As one of the manifestations of such endeavour, he sent, through Mr. H. Sato, the new Ambassador, his personal message to Mr. Hull, the Secretary of State of the United States, on February 21, 1934:

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

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

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

The Manchurian Incident

What is known as the "Manchurian Incident" broke out with the blasting of a section of the South Manchuria Railway near Liutiaokou by Chinese regular troops on September 18, 1931. It has brought about the foundation of a new nation in Manchuria and the withdrawal of

Japan from the League of Nations. The incident though called in the singular was not really a single incident, but a series of incidents which followed one another after the unexpected outbreak, the inevitable sequel to long-continued and growing anti-Japanese activities on the part of the old Mukden militarists.

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

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

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.)

Japan and Manchoukuo

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

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

The official English translation of this protocol follows:

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

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

Now the Governments of Japan and Manchoukuo have, for the purpose of establishing a perpetual re-

lationship of good neighbourhood between Japan and Manchoukuo, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

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

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

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

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

The Shanghai Affair

The Causes Anti-Japanese feeling in China was increasingly accentuated following the Wanpaoshan affair, the conflict between Koreans and Chinese in Chosen and the Manchurian incident in particular. Among other places Shanghai was the scene of most vigorous and or-

ganized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the *Min-kuo Jipao*, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred an assault on two Japanese Buddhist priests and three Japanese Buddhist believers of the Nichiren sect by a mob of workers of the Sanyu Business Company, manufacturers of towels, on January 18, when all of the Buddhist group were seriously wounded, one of them dying later on January 24.

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

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

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

Opening of Hostilities On the evening of January 28, however, Chinese crowds gathered around the municipal offices of Shanghai loudly accusing the mayor of having weakly yielded to the Japanese, and a serious situation threatened to prevail in all parts of the city, with the result that the Municipal Bureau of the International Settlement had to declare

a state of siege, the foreign garrison forces taking up their positions in their respective areas of defence.

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

Sino-Japanese Issue and the League

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

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

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

For three days from October 14, the Council discussed the question of the proposal to invite an observer of the United States to attend the Council meeting. The Japanese representative objected to this proposal from a juridical viewpoint, but at a private session held on the 15th,

the Council passed this proposal as a question of "procedure" by a majority vote with Japan alone dissenting.

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

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

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

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

There were indications of these five proposals, if accepted by China, proving instrumental in improving the situation by making it possible

for Japan to start direct negotiations with China regarding the concrete procedure of the withdrawal of the Japanese troops.

The situation, however, underwent a sudden change for the worse for an unknown reason, and at its session of October 22 the Council proposed to make Japan complete the withdrawal of her troops by November 15 with neutral observers seeing to it that perfect peace and order would be maintained after the Japanese evacuation, and to make Japan and China appoint their respective representatives to take charge of the evacuation of the occupied area, it also being suggested that Japan and China start direct negotiations immediately after the completion of the evacuation.

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

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

The Japanese counter-proposal was defeated by a vote of 13 to 1,

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

The "Fundamental Principles"

The Five Principles Following this, the Japanese Government published a statement on October 26, regarding the "fundamental principles" In this statement Japan made it clear that these so-called "basic principles" related to:

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

Resolution of December 10

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

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

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

The Resolution Before adjourning, the Council adopted a resolution by a unanimous vote on December 10. This resolution in effect provided that the Japanese Government should withdraw its troops within the railway zone in proportion as the safety of the lives and the protection of the property of Japanese subjects were effectively secured and that the two parties should undertake to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which might lead to further fighting and loss of life.

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

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

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

it to the Council.

This committee sent in four reports successively, first under date of February 6, second under date of February 12, third under date of February 20 and fourth under date of March 6. Of these, the first report was very favourable to Japan, but the second report proved decidedly unfavourable to Japan, it declaring that the Japanese and 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 Refusal Thereupon, in a statement published on February 23, the Japanese Government refuted this appeal in detail asserting that, although China had been treated in the past, by common consent, as if the expression connoted an organized people, such fictions could not last forever, nor could they be tolerated when they became grave sources of actual danger. Thus the Japanese Government declared that the time had inevitably come when realities, rather than fictions, had to be reckoned with.

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

The Shanghai Armistice

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

sponsor such a parley at Shanghai.

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

During this period of deadlock China made a sudden appeal to the League of Nations on April 11, reporting a rupture of the conference.

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

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

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

The League Commission of Inquiry

The League of Nations' Commission of Inquiry, appointed in line with the resolution of December 10,

1931, and comprising the Earl of Lytton of Great Britain, Général de Division Henri Claudel of France, Major-General Frank Ross McCoy of the United States, Dr. Heinrich Schnee of Germany and Count Pldrovandi of Italy, arrived in Japan on February 29, 1932, accompanied by a party of their secretaries. The Commissions left Japan for China on March 11, and spent about four months to make investigations in China and Manchuria.

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

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

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

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

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

Further, the failure of the Commissioners to recognize the military action taken by Japan on September

18, 1931, which was dealt with in the fourth chapter of the report, as an act of self-defence, was highly resented in Japan. It was also generally held both in official and private circles in Japan that the sixth chapter of the report, in so far as the description of the circumstances pertaining to the founding of Manchoukuo was concerned, was full of prejudiced misrepresentations and that the last two chapters containing what they called "principles and conditions of settlement" and "considerations and suggestions to the Council" were for this reason practically superfluous, especially after the de jure recognition recently extended to Manchoukuo by Japan.

Report and League

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

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

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

meetings of the League, thereby expressing the firm determination of Japan.

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

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

The official translation of the Imperial rescript follows:

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

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

withdrawal of Our Empire from the League.

"However, the advancement of international peace is what, as evermore, We desire, and Our attitude toward enterprises of peace shall sustain no change. By quitting the League and embarking on a course of its own, Our Empire does not mean that it will stand aloof in the extreme Orient nor that it will isolate itself thereby from the fraternity of nations. It is Our desire to promote mutual confidence between Our Empire and all the other Powers and to make known the justice of its cause throughout the world.

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

Jehol and Tangku Truce

Jehol Expedition The expedition carried out by the joint forces of Manchoukuo and Japan to Jehol to pacify this province of the new nation, and the subsequent truce concluded at Tangku between the hostile Chinese troops and the Japanese expedition on May 31, 1933, practically

put an end to the long-protracted state of affairs popularly known as the Manchurian Incident.

The Jehol expedition, which was launched following a declaration to this end made by the Manchoukuo Government on February 26, 1933, announcing that it was dispatching without delay necessary forces "to exterminate completely all bandits within and to dislodge all the invading armies from the province," was executed with amazing speed and on March 4 a Japanese contingent occupied Chengte, the capital of the province; a few days later the Japanese troops taking several important positions along the Great Wall.

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

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

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

Meanwhile, the Manchoukuo authorities, immediately after the pacification of Jehol, started a construc-

tive programme in the province, re-adjusting finances and mapping out plans for future industrial and economic development for the provincial people.

Mending of Sino-Japanese Relations

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

Exchange of Ambassadors In July, 1924, Japan and China agreed on the exchange of ambassadors between them, but, due to the subsequent internal relations of China, the matter failed to be realized. Sino-Japanese relations assumed a sudden turn for the better since early in 1935. Taking advantage of this situation, Foreign Minister Koki Hirota made a proposal to the Nanking Government for promotion of the Japanese Legation in China to the status of an embassy. Both sides agreed on this. The matter was formally announced in Tokyo and Nanking at the same time on

May 17. The Japanese Government promoted Mr. Akira Ariyoshi, Minister to China, to Ambassador, and the Chinese Government promoted General Tsiang Tso-pin, Chinese Minister to Tokyo, to Ambassador. At the initiative taken by Japan, both Great Britain and the United States at once promoted their Ministers in China to Ambassadors.

North China Incidents

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

terrorists belonging to the Blue Shirt Party and Third Peiping Gendarmerie in concert with other similar secret societies. Mr. Pei was an employee of the Japanese army. This was China's violation of the official note regarding the retrocession of Tientsin.

Japan's Notification Colonel Takahashi 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 a dual policy of Generalissimo Chiang Kai-shek towards Japan, pointing out these two anti-Japanese facts. They handed the following demands of Japan to the General Ho:

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

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

The Nanking Government attempted to decline these demands by all means, but, because of a concertedly strong attitude of the Japanese Government, it could not see any way but to entirely accept the Japanese demands. On June 10 the Nanking Government replied that it accepted all what Japan demanded.

Chahar Incident

Soldiers of General Sung Che-yuan, Chairman of the Chahar Provincial Government, illegally arrested officials of the Kwantung Army on June 5, 1935, and incarcerated them at Changpei, north of Kalgan (Changchiakow). On June 11 and 12 his soldiers entered Manchoukuo and opened fires on officials of the Manchoukuo Government. The Kwantung Army instructed Colonel

Gennosuke Matsui, resident army officer in Kalgan, to demand Chahar Government authorities to make clear their responsibility for the incident. Simultaneously, the Kwantung Army notified the Nanking Government of its firm determination to carry through its object unless the latter expressed its sincerity. This caused the Nanking Government to hold an important conference among leading statesmen of the Executive Yuan on June 18 and to dismiss General Sung Che-yuan from his post as Chairman of the Chahar Provincial Government. The 132nd Division under his command was transferred elsewhere. On June 23 Major-General Kenji Doihara, of the Kwantung Army, met General Chin Te-chun, successor to General Sung, in Peiping, and, as the result of negotiations, the Nanking Government accepted the Japanese demands entirely on June 27. Thus, the North China issues were solved peacefully, promising the development of five North China provinces, namely, Hopei, Chahar, Suiyuan, Shantung and Shansi, to go on steadily through the Sino-Japanese economic co-operation.

Shanghai Lese Majeste Affair

A Chinese weekly magazine Hsin Sheng (New Life), published in Shanghai, printed an article containing lese majeste to the Imperial Court of Japan in its 15th number dated May 4, 1935. A vigorous protest was filed by Consul-General Itaro Ishii in Shanghai with Mayor Wu Te-chen, of Shanghai, against the magazine article on June 24, 1935. As it was found that the censor of magazines in Shanghai was in the hand of the propaganda committee of the headquarters of the Kuomintang and that the responsibility was to be assumed by the Kuomintang, the negotiations

were made by Ambassador Akira Ariyoshi with the National Government, Nanking. Mr. Tang Yu-jen, Foreign Vice-Minister of the National Government, issued the following statement:

"That the lese majeste incident broke out is deplorable indeed. To the Japanese nation anything that impairs the dignity of its Imperial Court is absolutely unbearable. Therefore, the Nanking Government recognizes a very serious nature of the matter and is prepared to take possible steps to properly settle it."

Mr. Yeh Su-tso, presiding member of the Central Propaganda Committee of the Kuomintang, as a man directly responsible for the censorship of the magazine, filed a formal note of apology for the lese majeste affair with Ambassador Ariyoshi on July 8, and at the same time he dismissed six men in charge of the censorship. The headquarters of the Kuomintang also issued instructions to all provincial branches of the party warning them not to make any more allegation of such a sort of propaganda. The Japanese side took the action as reasonable and thus the matter was settled.

Chronological Index of Principal Events

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

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OCCUPATION OF TSUSHIMA BY RUSSIA

- 1861—A Russian fleet seizes the island of Tsu-

- shima but abandons it shortly afterwards through the intervention of Great Britain.
- BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI**
1853—A British fleet bombards Kagoshima city.
1864—A combined fleet of Great Britain, the United States, France and the Netherlands bombards Shimonoseki.
- IMPERIAL SANCTION OF TREATIES**
1865—Treaties with Britain, France, the Netherlands, Russia and the United States are sanctioned by the Emperor.
- TREATY REVISION**
1871—Prince Iwakura's mission leaves for the United States and Europe.
1882—Count Inoué's Negotiations with Britain.
1888—Count Okuma's Negotiations.
" Viscount Aoki's Negotiations.
1894—Revised Anglo-Japanese Treaty signed.
1897—Similar Treaties concluded with other Powers.
- THE PERUVIAN SLAVE SHIP INCIDENT**
1872—Japanese Government seizes Peruvian slave "Maria Luz" in Yokohama.
- EXPEDITION TO TAIWAN**
1872—Japan sends a punitive expedition to the island.
- EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS**
1875—Japan cedes Saghalien to Russia in exchange for the Kurile Islands.
- BONIN ISLAND PROBLEM**
1875—The United States recognizes Japan's territorial sovereignty over the Bonin Islands.
- CONVENTION OF TIENTSIN**
1885—Count Ito and Li Hung-chang sign the convention defining Sino-Japanese relations in Korea.
- NON-ALIENATION OF FUKIEN PROVINCE**
1889—Japan guarantees the non-alienation of Fukien province from China.
- SINO-JAPANESE WAR**
1894—Japan declares war.
1895—Treaty of Shimonoseki concluded.
- ANGLO-JAPANESE ALLIANCE**
1902—Alliance signed in London.
- RUSSO-JAPANESE WAR**
1904—Japan declares war.
1905—Treaty of Portsmouth signed.
- JAPANESE-AMERICAN ARBITRATION TREATY**
1905—Treaty signed in Washington, D. C. on Feb. 11.
- PROTECTORATE OF KOREA**
1905—Protectorate convention concluded.
- PEKING TREATY**
1905—Sino-Japanese convention embodying relevant terms of Portsmouth Treaty signed.
- EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA**
1906—Movement is started in California for exclusion of Japanese children from common schools.
- FRANCO-JAPANESE AND RUSSO-JAPANESE AGREEMENTS**
1907—Franco-Japanese Convention concluded.
1907—Russo-Japanese Agreement concluded.
- NEW JAPAN-KOREAN AGREEMENT**
1907—New Agreement concluded allowing Japan complete supervision of Korean domestic administration.
- IMMIGRATION PROBLEM IN CANADA**
1907—Japan exchanges on Dec. 3 a memorandum with Canada in connection with the immigration problem.
- U.S.-JAPAN ARBITRATION TREATY**
1908—Treaty concluded on Sep. 12.
- JAPAN-AMERICAN ACCORD**
1908—Official Notes exchanged regarding the preservation of peace in the Far East.
- ANTUNG-MUKDEN RAILWAY ISSUE**
1909—An agreement is signed on Aug. 15 between Japan and China regarding the Antung-Mukden Railway.
- PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY**
1910—Japan refuses on Jan. 21 to accept the proposal of Secretary of State Knox of the United States regarding neutralization of the South Manchuria Railway.
- RUSSO-JAPANESE AGREEMENT**
1910—A new agreement is concluded on July 4 between Japan and Russia regarding the maintenance of the status quo in Manchuria.
- FINAL TREATY REVISION**
1910—Japan notifies Great Britain and 10 European countries on July 17 that existing treaties will be revised a year later. On August 4, similar notices are served to France and Austria-Hungary.
- ANNEXATION OF KOREA**
1910—Treaty of Annexation concluded.
- INTERNATIONAL COPYRIGHT TREATY**
1910—Japan signs the International Copyright Treaty in Berlin on September 8.
- FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT**
1911—An agreement is concluded on May 8, regarding patents and copyright in China.

NEW ANGLO-JAPANESE TREATY

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

PUBLICATION OF THE REVISED TREATIES

1911—The United States publishes revised treaty with Japan on April 5. Great Britain, Spain, and Sweden do likewise on April 6, May 15 and July 13 respectively. Italy, Belgium, Denmark, the Netherlands, Switzerland and Canada publish revised treaties with Japan simultaneously on July 15, followed by Germany, Austria-Hungary and France on July 16, August 3, and August 25 respectively.

SETTLEMENT OF RUSSO-JAPANESE INDEMNITIES

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

RECOGNITION OF THE REPUBLIC OF HUNGARY

1911—Japan accords recognition on September 13.

RUSSO-JAPANESE EXTRADITION CONVENTION

1911—Convention concluded on September 13.

ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA

1913—Passage of the so-called Webb Bill.

NANKING INCIDENT

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

MANCHURIA RAILWAY TREATY

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

RECOGNITION OF THE CHINESE REPUBLIC

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

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

SPANISH-JAPANESE TREATY

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

ANTI-INDEPENDENT PEACE AGREEMENT

1915—Japan participates on Oct. 10 in the agreement of the Allied powers signed in London prohibiting the signatories from concluding a separate peace with Germany.

WARNING TO CHINA

1915—Anticipating disturbances in connection with the apparent designs of Yuan Shih-kai to revive the Imperial government in China, Japan issues a warning to China on October 23.

PARTICIPATION IN THE ALLIED ECONOMIC CONFERENCE

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

RUSSO-JAPANESE AGREEMENT

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

ISHII-LANSING AGREEMENT

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

SINO-JAPANESE MILITARY ENTENTE

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

RECOGNITION OF FINLAND

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

CONTROL OF THE SIBERIAN RAILWAY

1919—The Siberian Railway Joint Control Conference decides on June 2 to place

the Ussuri line, 531.1 km. in length, and the Heilungkiang line, 2,735.6 km. in length, under the control of the Japanese experts' department of the Siberian expeditionary forces.

SEQUESTRATION OF GERMAN PROPERTY

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

SIGNING OF THE PEACE TREATIES

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

PARTICIPATION IN EUROPEAN PROBLEMS

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

DEMAND FOR THE EVACUATION OF SIBERIA

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

NIKOLAEVSK AFFAIR

1920—Attack on Japanese consulate launched.

DECLARATION OF SIBERIAN POLICY

1920—Japanese Government issues statement re withdrawal of troops.

ANTI-JAPANESE IMMIGRATIONS

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

RENEWAL OF THE ANGLO-JAPANESE ALLIANCE

1920—The Japanese and British Governments notify the Secretariat of the League of Nations on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.

REOPENING OF THE GERMAN EMBASSY IN TOKYO

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

WASHINGTON CONFERENCE

1921—Conference opens with Japan participating.

THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE

1927—Conference opens with Japan participating.

THE LONDON NAVAL DISARMAMENT CONFERENCE

1930—Conference opens with Japan participating.

THE MANCHURIAN INCIDENT

1931—Outbreak occurs at Mukden.

THE JAPAN-MANCHOUKUO PROTOCOL

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

THE WORLD ECONOMIC CONFERENCE

1933—Conference opens with Japan participating.

THE JAPAN-INDIA TRADE CONFERENCE

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

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

MANCHOUKUO ESTABLISHED

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

THE JAPAN-BRITAIN TRADE CONFERENCE

1934—Conference adjourned on March 14 in failure.

THE JAPAN-DUTCH CONFERENCE

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

TRANSFERENCE OF NORTH MANCHURIA RAILWAY

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

JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS

1935—Becomes completely effective on March 26.

THE VISIT OF THE EMPEROR OF MANCHOUKUO

1935—The Emperor of Manchoukuo visits Japan and makes a formal call upon the Emperor of Japan on April 6.

SETTLEMENT OF NORTH-CHINA INCIDENT

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

List of the Envoys to and from Foreign Countries

JAPANESE ENVOYS TO FOREIGN COUNTRIES

(August 1, 1935)

Country	Representative	Address
Great Britain	Tsuneo Matsudaira, Ambassador (absent)	Embassy of Japan, 37 Portman Square, London, W.1. England
"	Keinosuke Fujii, Chargé d'Affaires (ad interim)	Consulate-General of Japan, 1 Broad Street Place, Finsbury, Circus, London, E.C. 2, England
"	Shinjiro Matsuyama, Consul-General	Ambassade du Japon, 24 rue Greuze, Paris, (16 ^e) France
France	Naotaké Sato, Ambassador	Ambassade du Japon, Berlin W. 62, Ahornstr., 1, Allemagne
Germany	Viscount Kintomo Mushakōji, Ambassador	Consulat Général du Japon, Hamburg 1, Alsterdamm, 20, (Europahaus) Allemagne
"	Sentaro Edo	Ambassade du Japon, Viale Regina Magherita, 260, Rome, Italie
Italy	Dr. Yotaro Sugimura, Ambassador	Ambassade du Japon, 1 Boulevard Général Jacques, Ixelles, Bruxelles, Belgique
Belgium	Hachiro Arita, Ambassador	Ambassade du Japon, Malaya Nikitskaya, 13, Moscou, U.R.S.S.
The U.S.S.R.	Tamekichi Ohta, Ambassador	Consulat Général du Japon, 24 Pekinskaya Ulitsa, Vladivostok, U.R.S.S.
"	Riyé Watanabé, Consul-General	Consulat Général du Japon, 3 Ulitsa Imeni Dzerzhinskavo, Alexandrovsk-Sakhalinsky, Sakhalin, U.R.S.S.
"	Seishuku Ogata, Consul-General	Consulat Général du Japon, 54 Komsomolskaya Ulitsa, Habarovsk, U.R.S.S.
"	Masaharu Shimada, Consul-General	Ambassade du Japon, Ayaz Pacha 77, Péra, Stamboul, Turquie
Turkey	Iyemasa Tokugawa, Ambassador	Embassy of Japan, Hsinging
Manchoukuo	General Jiro Minami, Ambassador	Consulate-General of Japan, Harbin
"	Shoshiro Sato, Consul-General	Consulate-General of Japan, Hsinking
"	Hiroshi Kawamura, Consul-General	Consulate-General of Japan, Tiehling
"	Shohei Morioka, Consul-General	Consulate-General of Japan, Chientao
"	Kiyoshi Nagai, Consul-General	Consulate-General of Japan, Mukden
"	Uzuhiko Usami, Consul-General	Embassy of Japan, 2514 Massachusetts Avenue, N.W. Washington, D.C., U.S.A.
The U.S.A.	Hiroshi Saito, Ambassador	

Country	Representative	Address
The U.S.A.	Teijiro Tamura, Consul-General	Consulate-General of Japan, 1742 Nuanu Avenue, Honolulu, T.H., U.S.A.
"	Shū Tomii, Consul-General	Consulate-General of Japan, Postal Telegraph Bldg., 22 Battery St., San Francisco Cal., U.S.A.
"	Renzo Sawada, Consul-General	Consulate-General of Japan, 90 Broad St., New York City, N.Y., U.S.A.
Brazil	Setsuzo Sawada, Ambassador	Ambassade du Japon, 75 Rua dos Voluntarios da Patria, Rio de Janeiro, Brésil
"	Kozo Ichige, Consul-General	Consulat-Général du Japon, Avenida Brigadeiro Luix Antonio 83, São Paulo, Brésil
China	Akira Ariyoshi, Ambassador	Chancellery of the Embassy, Shanghai
"	Shigeru Kawagoé, Chargé d'Affaires	Consulate-General of Japan, Tientsin
"	Junzo Sakané, Consul-General	Consulate-General of Japan, Tsingtao
"	Koichi Nishida, Consul-General	Consulate-General of Japan, Tsinan
"	Itaro Ishii, Consul-General	Consulate-General of Japan, Shanghai
"	Yakichiro Suma, Consul-General	Consulate-General of Japan, Nanking
"	Yaoichi Simizu, Consul-General	Consulate-General of Japan, Hankow
"	Toyoichi Nakamura, Consul-General	Consulate-General of Japan, Fuchow
"	Tatsuo Kato, Consul-General	Consulate-General of Japan, Canton
"	Kosaku Mizusawa, Chargé d'Affaires	Consulate-General of Japan, Prince's Bldg., 5, Ice House St., Hong Kong
Switzerland	Masaaki Hotta, Minister	Légation du Japon, 95 Thunstrasse, Berne, Suisse
"	Masayuki Yokoyama, Consul-General	Consulat-Général du Japon, 89, Quai, W. Wilson, Genève, Suisse
Spain	Arata Aoki, Minister	Légation du Japon, Calle de Alcalá 87, Madrid, Espagne
Portugal	Akio Kasama, Minister (on furlough) Taneki Kumabé, Chargé d'Affaires (ad interim)	Légation du Japon, Praça do Rio de Janeiro 14, Lisboa, Portugal
Holland	Toshihiko Taketomi, Minister	Légation du Japon, 1 Gulliana van Stolberglaan, Den Haag, Pays-Bas
Sweden	Toshio Shiratori, Minister	Légation du Japon, 25 Strandvägen, Stockholm, Suède
Finland	Hikotaro Ichikawa, Chargé d'Affaires	Légation du Japon, 11, B, Parkgatan, Helsingfors, Finlande

Country	Representative	Address
Latvia	Shin Sakuma, Chargé d'Affaires (ad interim)	Légation du Japon, Tura Alunana iela 2, dz 2, Riga, Lettonie
Poland	Nobubumi Itō, Minister	Légation du Japon, Foksal 10, Varsovie, Pologne
Czechoslovakia	Noboru Ogawa, Chargé d'Affaires (ad interim)	Légation du Japon, Palace "Fenix," č 60-62, Václavské náměstí, Praha-11 Tchécoslovaquie
Austria	Naokichi Matsunaga, Minister (on furlough) Tsutomu Suwa, Chargé d'Affaires (ad interim)	Légation du Japon, Wien III, Kōlbigasse 1, Autriche
Rumania	Yeisuké Fujita, Minister	Légation du Japon, Str. G.G. Cantacuzino 33, Bucarest, Roumanie
Greece	Shigetomo Sayegusa, Chargé d'Affaires (ad interim)	Légation du Japon, 23 Avenue de la Reine Sophie, Athènes, Grèce
Persia	Takezo Okamoto, Minister	Légation du Japon, Avenue Pahlavi, Téhéran, Perse
Siam	Yasukichi Yatabé, Minister	Legation of Japan, 545 Rajaprarob Road, Makasan, Bangkok, Siam
Canada	Sotomatsu Kato (absent), Minister Itsuo Goto, Chargé d'Affaires (ad interim)	Legation of Japan, Victoria Bldg., 140 Wellington St., Ottawa, Ontario, Canada
Mexico	Yoshiatsu Hori, Minister	Légation du Japon, Avenida de Los Insurgentes, 190, Colonia, Roma, México, D.F., Mexique
"	Nooya Nagaminé, Chargé d'Affaires	Consulat-Général du Japon, Avenida de Los Insurgentes, 190, Colonia, Roma, México, D.F., Mexique
Peru	Yoshiatsu Murakami, Minister	Légation du Japon, Avenida Arequipa 610, Lima, Pérou
Chile	Makoto Yano, Minister	Légation du Japon 552 Calle Dieciocho, Santiago, Chili
Argentine	Jiro Yamazaki, Minister	Légation du Japon, Calle Reconquista 336, Buenos Aires, Argentine
Afganistan	Masamoto Kitada, Minister	Légation du Japon Kaboul, Afganistan
Cuba	Hiroshi Saito, Minister	Legation du Japon Avenida de Bélgica entre Avenida de los Aliados y Victoria, Altula de Al- mendares, Habana, Cuba
Colombia	Yoshio Iwaté, Minister	Legation du Japon Edificio de Banco de la Repub- lica, Bogota, Columbie
Singapore	Kiichi Gunji, Consul-General	Consulate-General of Japan, Union Bldg., Collyer Quay, Singapore, Straits Settlements
Philippines	Atsushi Kimura, Consul-General	Consulate-General of Japan, G. de Las Reyes Bldg., Plaza Cervantes, Manila, P.I.

Country	Representative	Address
Dutch East Indies	Saichiro Koshida, Consul-General	Consulate-General of Japan, 3 Gang Scott, Batavia-Centrum, Java
British India	Tetsuichiro Miyaké, Consul-General	Consulate-General of Japan, Royal Insurance Bldg., 26/27, Dalhousie Square, Calcutta, British India
French Indo-China	Ushio Munemura	Consulat-Général du Japon, 76 Boulevard Carnot, Hanbi, Tonkin, Indochine
Egypt	Tokuji Amagi, Consul-General	Consulat-Général du Japon, 7 Rue Nébil Daniel, Alexandrie, Egypte
Australia	Kuramatsu Murai, Consul-General	Consulate-General of Japan, Grace Bldg., 77 York St., Sydney, New South Wales, Australia

FOREIGN ENVOYS TO JAPAN

(July 10, 1935)

Country	Representative	Address in Tokyo
Afghanistan	Habibullah Khan Tarzi, Minister	25 Mikawa-daimachi, Azabu-ku
Germany	Dr. Herbert von Dirksen, Ambassador	14, 1-chomé, Nagatacho, Kojimachi-ku
The U.S.A.	Joseph Clark Grew, Ambassador	1 Enokizaka-machi, Akasaka-ku
Argentine	Arturo Alvarez Montenegro, Charge d'Affaires	67 Shinsaka-machi, Akasaka-ku
Belgium	Le Baron de Bassompierre, Ambassador	33 Shimoniban-cho, Kojimachi-ku
Brazil	Carlos Martins Pereira e Sousa, Ambassador	2, 3-chomé, Omoté-cho, Akasaka-ku
Canada	Herbert Marler, Minister	16, 3-chomé, Omoté-cho, Akasaka-ku
Chile	Sergio Montt, Chargé d'Affaires (ad interim)	7, 1-chomé, Shirokané Dai-machi, Shiba-ku
China	General Tsiang Tso-Ping, Ambassador	14, 6-chomé, Iigura-machi, Azabu-ku
Colombia	Dr. Domingo Esquerro, Minister	Hotel Imperial
Cuba	Dr. Américo Cruz y Fernández, Chargé d'Affaires (ad interim)	11 Shinryudo-cho, Azabu-ku
Denmark	Hugo Hergel, Chargé d'Affaires (ad interim)	8 Marunouchi, Nakadori
Spain	Santiago Méndez de Vigo, Minister	2, 1-chomé, Ichibei-cho, Azabu-ku
Finland	Hugo Valvanne, Minister	62 Tansu-machi, Azabu-ku
France	Fernand Pila, Ambassador	33 Fujimi-cho, Azabu-ku
Great Britain	Sir Robert Clive, Ambassador	1 Goban-cho, Kojimachi-ku
Iran	Mirza Bagher Khan Azimi, Minister	55 Zaimoku-cho, Azabu-ku
Italy	Giacinto Auriti, Ambassador	28, 1-chomé, Mita, Shiba-ku
Manchoukuo	Hsieh Chieh-Shin, Ambassador	50 Sakurada-cho, Azabu-ku
Mexico	Général Francisco J. Aguilar	21, 2-chomé, Nagata-cho, Kojimachi-ku
Norway	Ludvig Caesar Martin Aubert, Minister	2, 3-chomé, Marunouchi, Kojimachi-ku
Holland	General J.C. Pabst, Minister	1 Sakaé-cho, Shiba-ku
Peru	Jorge Bailey Lembcke, Chargé d'Affaires (ad interim)	13 Shinsaka-machi, Akasaka-ku
Persia	Hassan Ali Khan Kamal Hedayat, Minister	55 Zaimoku-cho, Azabu-ku

Country	Representative	Address in Tokyo
Poland	Michel Moscicki, Minister	8 Hiroo-cho, Azabu-ku
Portugal	Dr. Thomas Ribeiro de Mello, Minister	1 Sannen-cho, Kojimachi-ku
Rumania	Georges G. Stoicesco, Chargé d'Affaires	55 Zaimoku-cho, Azabu-ku
Siam	Phra Mitrakarm Raksha, Minister	2 Dai-machi, Akasaka-ku
Sweden	Dr. J.E. Hultman, Minister	63 Zaimoku-cho, Azabu-ku
Switzerland	Walter Thurnheer, Minister	1 Shimoniban-cho, Kojimachi-ku
Czechoslovakia	Frantisek Havlicek, Minister	22 Kasumi-cho, Azabu-ku
Turkey	Nébil Bey, Chargé d'Affaires	47 Kamiyama-cho, Shibuya-ku
The U.S.S.R.	Constantin Youreneff, Ambassador	1 Mamiya-cho, Azabu-ku
Uruguay	Eduardo Daniel de Arteaga, Chargé d'Affaires (ad interim)	Rooms Nos. 251-252, Osaka Building, 3, 1-chomé, Uchi- saiwai-cho, Kojimachi-ku

Japanese consulates are established
in the following places :

Country	Situation of Consulates
Canada	Ottawa, Vancouver
Great Britain	Liverpool
France	Lyons, Marseilles
Italy	Milan
Belgium	Antwerp
Sweden	Stockholm
U. S. S. R.	Blagovestchensk
U. S. S. R.	Odessa
U. S. S. R.	Novo-Sivirsk
U. S. S. R.	Petropavlovsk
Manchoukuo	Manchuli
Manchoukuo	Tsitsihar
Manchoukuo	Chinchow
Manchoukuo	Antung
Manchoukuo	Chengchiatun
Manchoukuo	Hailoerh
Manchoukuo	Yingkou
Manchoukuo	Chifeng
Manchoukuo	Chengte
China	Chang Kiakou
China	Chefoo
China	Hangchow
China	Soochow
China	Wuhu
China	Chengchow
China	Kiukiang
China	Ichang
China	Shashi
China	Changsha
China	Chungking
China	Amoy
China	Swatow
China	Yunnan
Cochin China	Saigon
Siam	Bangkok
Burma	Rangoon
Java	Sourabaya
Sumatra	Medan
India	Bombay
Ceylon	Colombo
Philippines	Davao

Country	Situation of Consulates
Egypt	Port Said
Union of South Africa	Cape Town
British East Africa	Mombasa
U. S. A.	Los Angeles
U. S. A.	Portland
U. S. A.	Chicago
U. S. A.	Seattle
U. S. A.	New Orleans
Cuba	Havana
Panama	Panama
Mexico	Mazatlan
Argentine	Buenos Aires
Peru	Lima
Brazil	São Paulo
Brazil	Rio de Janeiro

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, Nagasa- ki, Keijo, Dairen, Osaka.
Bolivia	Yokohama, Osaka, Kobé.
Brazil	Kobé, Yokohama, Nagasa- ki.
Chile	Yokohama, Kobé.
China	Yokohama, Kobé, Nagasa- ki, Fusan, Gensan, Tai- hoku, Keijo, Shingishu.
Colombia	Yokohama.
Cuba	Kobé.
Denmark	Tokyo, Yokohama, Kobé, Nagasaki, Osaka.
Spain	Yokohama, Kobé, Tansui.
U. S. A.	Tokyo, Yokohama, Nago- ya, Kobé, Nagasaki, Taihoku, Keijo, Dairen.
France	Yokohama, Kobé, Dairen, Nagasaki, Tansui, Keijo.

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

CHAPTER VII

NATIONAL DEFENCE

The Imperial Precepts to The
Soldiers and Sailors

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

seven centuries the military families held sway. Although these results followed from changes in the state of society and were beyond human control, they were deeply to be deplored, since they were contrary to the fundamental character of Our Empire and to the law of Our Imperial Ancestors. Later on, in the eras of Kokwa and Kaei, the decline of the Tokugawa Shogunate and the new aspect of foreign relations even threatened to impair our national dignity, causing no small anxiety to Our August Grandfather, the Emperor Ninko, and Our August Father, the Emperor Komei, a fact which We recall with awe and gratitude. When in youth We succeeded to the Imperial Throne, the Shogun returned into Our hands the administrative power, and all the feudal lords their fiefs; thus, in a few years, Our entire realm was unified and the ancient régime restored. Due as this was to the meritorious services of Our loyal officers and wise councillors, civil and military, and to the abiding influence of Our Ancestors' benevolence towards the people, yet it must also be attributed to Our subjects' true sense of loyalty and their conviction of the importance of "Great Righteousness." In consideration of these things, being desirous of reconstructing Our military system and of enhancing the glory of Our Empire, We have in the course of the last fifteen years established the present system of the Army and Navy. The supreme command of Our forces is in Our hands, and although We may entrust subordinate

commands to Our subjects, yet the ultimate authority We Ourselves shall hold and never delegate to any subject. It is Our will that this principle be carefully handed down to posterity and that the Emperor always retain the supreme civil and military power, so that the disgrace of the middle and succeeding ages may never be repeated. Soldiers and Sailors, We are your supreme Commander-in-Chief. Our relations with you will be most intimate when We rely upon you as Our limbs and you look up to Us as your head. Whether We are able to guard the Empire, and so prove Ourselves worthy of Heaven's blessings and repay the benevolence of Our Ancestors, depends upon the faithful discharge of your duties as soldiers and sailors. If the majesty and power of Our Empire be impaired, do you share with Us the sorrow; if the glory of Our arms shine resplendent, We will share with you the honour. If you all do your duty, and being one with Us in spirit do your utmost for the protection of the state, Our people will long enjoy the blessings of peace, and the might and dignity of our Empire will shine in the world. As We thus expect much of you, Soldiers and Sailors, We give you the following precepts:—

(1) The soldier and the sailor should consider loyalty their essential duty. Who that is born in this land can be wanting in the spirit of grateful service to it? No soldier or sailor, especially, can be considered efficient unless this spirit be strong within him. A soldier or a sailor in whom this spirit is not strong, however skilled in art or proficient in science, is a mere puppet; and a body of soldiers or sailors wanting in loyalty, however well ordered and disciplined it may be, is in an emergency no better than a rabble. Remember that, as the

protection of the state and the maintenance of its power depend upon the strength of its arms, the growth or decline of this strength must affect the nation's destiny for good or for evil; therefore neither be led astray by current opinions nor meddle in politics, but with single heart fulfil your essential duty of loyalty, and bear in mind that duty is weightier than a mountain, while death is lighter than a feather. Never by failing in moral principle fall into disgrace and bring dishonour upon your name.

(2) The soldier and the sailor should be strict in observing propriety. Soldiers and sailors are organized in grades, from the Marshal and the Admiral of the Fleet down to the private soldier or ordinary seaman; and even within the same rank and grade there are differences in seniority of service according to which juniors should submit to their seniors. Inferiors should regard the orders of their superiors as issuing directly from Us. Always pay due respect not only to your superiors but also to your seniors, even though not 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 make simplicity their aim. If you do not make simplicity your aim, you will become effeminate and frivolous and acquire fondness for luxurious and extravagant ways; you will finally grow selfish and sordid and sink to the last degree of baseness, so that neither loyalty nor valour will avail to save you from the contempt of the world. It is not too much to say that you will thus fall into a life-long misfortune. If such an evil once makes its appearance among soldiers and sailors, it will certainly spread like an epidemic, and martial spirit and morale will instantly decline. Although, being greatly concerned on this point, We lately issued the Disciplinary Regulations and warned you against this evil, nevertheless, being harassed with anxiety lest it should break out, We hereby reiterate Our warning. Never do you, Soldiers and Sailors, make light of this injunction.

These five articles should not be disregarded even for a moment by soldiers and sailors. Now for putting them into practice, the all important is sincerity. These five articles are the soul of Our soldiers

and sailors, and sincerity is the soul of these articles. If the heart be not sincere, words and deeds, however good, are all mere outward show and can avail nothing. If only the heart be sincere, anything can be accomplished. Moreover, these five articles are the Grand Way of Heaven and Earth and the universal law of humanity, easy to observe and to practise. If you, Soldiers and Sailors, in obedience to Our instruction, will observe and practise these principles and fulfil your duty of grateful service to the country, it will be a source of joy, not to Ourselves alone, but to all people of Japan.

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

General

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

The Board of Field Marshals and Fleet Admirals This Board was created in 1898 as the Emperor's highest advisory body on military and naval affairs. Its members are at present as follows:

Field Marshal H. I. H. Prince Kan-in; Field Marshal H. I. H. Prince Nashimoto; Fleet Admiral H. I. H. Prince Fushimi.

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

Present members specially nominated by the Emperor are:

Admiral Kanji Kato
Admiral Eisuké Yamamoto
General Jotaro Watanabé
Admiral Seizo Kobayashi
Admiral Kichisaburo Nomura
General Jinzaburo Masaki
General Nobuyuki Abé
General Sadao Araki
Admiral Ryozo Nakamura
Admiral Osami Nagano
General Yoshiyuki Kawashima

Conscription The conscription system, first introduced in 1873 and last revised in 1927, demands that all able-bodied citizens of Japan proper between the ages 17 and 40 shall serve either in the army or the navy, when called upon. At present the natives of Taiwan, Chosen, and the South Sea Islands are

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

The service is divided as follows:-

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

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

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

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

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

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

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

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

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

Those who are fit for active service (Class I, Class II, A and B) are enrolled by lottery, at each conscription district, for active service or 1st or 2nd replenishment reserve. (Volunteer enrolments for active service are accepted.) Those having finished the period of active service are placed on the 1st reserve list for terms as stated above. At the end of such terms they are removed to the 2nd reserve, and then finally to the national service. Those who have gone through the period of replenishment reserve service are also transferred to the national service.

Sole supporters of families, and criminals sentenced to over 6 years' imprisonment or penal servitude are also exempt from service. Those studying at certain schools, Government or private, which are recognized to be of equivalent or superior status to that of middle schools are exempt from conscription examination until the completion of their studies or until they attain their 27th year. Those staying abroad enjoy postponement of service under similar conditions, the age limit being 37.

By virtue of a revision of the conscription law in 1927, the active service of conscripts who have finished the course of a *Seinen Kunrenjo* (Young Men's Training Institute) is reduced by six months, while

that of the graduates from normal schools by nineteen months. In other words, the former have to serve only eighteen months and the latter only five months, instead of full two years. A similar system of short term active service has also been adopted by the Navy.

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

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

After 3 months' active service they

	Total Number Examined	Class I		Class II		Class III	Class IV	Class V
		A	B	A	B			
1928	568,796	171,744	64,970	119,788	171,758	89,861	680	
1929	585,819	175,979	69,872	119,721	178,790	41,075	882	
1930	595,505	174,482	69,275	121,961	187,863	40,989	988	
1931	619,146	178,355	72,617	124,942	200,263	42,245	724	
1932	621,844	174,282	71,550	125,988	207,401	41,951	716	
1933	631,099	178,994	72,796	132,681	205,777	40,141	710	
1934	641,969	185,482	72,979	135,275	206,810	40,822	651	

Statistics on height and weight ascertained through the medical examinations for recent 7 years, 1928-1934, 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.

	University	Higher School	Middle School	Higher Elementary School	Elementary School	Elementary School (Unfinished)	Uneducated
1928	81	1,209	43,309	266,611	209,413	42,200	5,973
1929	143	3,529	50,684	284,081	205,862	36,408	5,533
1930	403	7,303	65,944	296,829	197,312	31,812	4,812
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	329,677	174,024	21,634	3,677
1934	9,051	16,467	72,622	356,135	165,240	18,802	3,072

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 and 2,433 for 1934 were illiterates. The ratio

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 six years, 1928-1934, were as follows:

	Average Height	Average Weight
1931	1.600 m.	53.007 kg.
1932	1.600 m.	52.841 kg.
1933	1.602 m.	52.816 kg.
1934	1.603 m.	52.994 kg.

The grades of education attained by men examined for conscription in recent 7 years, 1928-1934, were:

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 and 0.38 in 1934.

Conscripts and Leave of Absence Conscripts may return home to attend to family business for periods varying with the necessity of the case, but in no case exceeding 14 days. This departure from the general rule was proposed in 1919 to meet the convenience of the families of conscripts and was carried into effect at once.

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

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

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

judicial responsibility. The number of gendarmes is: Japan proper 1,450, Korea 490, Manchuria 190, and Formosa 90.

Improvement in 1933

Conscription Districts The number of country districts divided for the purpose of conscription was lessened from 677 to 431. This was made so as to enlarge the area of each district and thus eliminate the chance of missing good material available. As to the re-arrangement of the city districts studies are being carried on.

School Graduate Cadets Graduates from middle schools and colleges are accorded special treatment of a short-term active service as stated above. The improvements effected by the Imperial Ordinance No. 71, April, 1933, on this point are as follows: (1) The abolition of the special fee, (2) the abolition of special treatment which they used to receive and the substitution for it by the system under which they are taken as usual soldiers first and, after three months, are chosen cadets according to their records, (3) the abolition of distinction of treatment given with graduates of middle schools and those of colleges, by which 12 months' service for the former and 10 months' for the latter was merged into a uniform 12 months' service, and (4) choice of cadets for engineering and technical service from graduates of scientific and technical colleges.

Juvenile Flying Students By the revision of Flying School rules juveniles are allowed to enter the Tokorozawa Flying School. Applicants for the piloting course must be boys of 17 to 19 of age, while boys from 15 to 19 are admitted to the engineering course.

Flying School One more flying school was established at Hamamatsu, Shizuoka prefecture, its spe-

cialities being studies in explosives, bombs, bombing, etc.

Juvenile Students of Communications Boys 15 to 18 are admitted into the Army Signallers' School to become non-commissioned engineering officers for wireless communications. The course of studies extend over 2 years.

Narashino Military School As an item of scientific improvement programme of the Army, the Narashino Military School was opened on August 1, 1933, at Narashino, Chiba prefecture. The underlying purposes are the studies of and education in military science related to modern

fighting. Students are taken from all officers except those of the gendarmerie.

Volunteer Active Service A new system of taking reserve officers into active service as volunteers was instituted in February, 1933. The term of service extends over 2 years, renewable every year on expiration, until the volunteers reach the age of 40 (42 in the case of university graduates and 45 in engineers). The volunteers must be first and second lieutenants or ranking officers under 30 (32 in the case of university graduates and 35 in engineers). The number taken in 1933 was 890.

The Army

Outline History The Army under the Imperial régime was organized for the first time in the fourth year of Meiji (1871), when the samurai of the Kagoshima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January, 1873, the Government adopted a conscription system, by which members of all social classes were held equally liable for military service. The divisions in Nagoya and Hiroshima, which were established that year, were the first fighting units in this country to contain members of the farmer, merchant and other non-samurai classes. The total strength of the Japanese Army at that time was seven divisions consisting of about 36,600 men on peace standing and 46,250 on a war footing.

The number of soldiers to be mobilized was steadily increased after the Saigo Rebellion of 1877, but it was with this "cadre" of seven divisions that Japan defeated China in 1894-5. In the ten years follow-

ing the Japan-China War, six more divisions were established with the result that Japan was able to put nearly one million men in the field during the Russo-Japanese War of 1904-5.

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

Army Expenditures

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

Year	Running Expenses	Extraordinary Expenses	Total
1893-04 (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	35,003,000	123,347,000
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	29,880,000	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	28,278,000	200,824,000
1931-32	163,679,000	63,808,000	227,488,000
1932-33	148,266,000	225,309,000	373,575,000
1933-34	166,471,000	296,173,000	462,644,000
1934-35 (Budget)	169,038,000	284,656,000	453,695,000
1935-36 (")	179,803,000	313,155,000	492,958,000

Army Budget for 1935-1936

The army budget for 1935-1936 reaches ¥492,958,079, exceeding by ¥39,263,000 over that of the previous year. The special demands were ¥116,196,000 for new armaments, the expenses for maintaining troops in Manchuria, etc., the demand for the latter being about ¥26,000,000 more than that of the previous year. Among special items of the expenditure there are ¥16,176,779 for the improvement of Air Corps, ¥2,058,360 for rewards, ¥5,084,000 for the improvement of arms, and ¥2,064,000 for the reconstruction of equipments damaged by natural disasters. (See Chapter VIII, A General Survey of the Budget, 1935-36.)

Details follow:

ORDINARY EXPENDITURES

(In yen)	
I Department proper	Total 512,591
Salaries	342,135
Office expenses	270,456
II Military expenses	Total 178,177,285
Salaries	55,884,954
Military offices' and repairs expenses	6,655,463

Miscellaneous payments	16,897,774
Clothes and provisions	34,568,679
Ordnance and horses	49,171,457
Manœuvres	11,350,492
Medical treatments	974,763
For short-term soldiers in active service and privately supported students	536,168
Detention	57,640
Transportations	1,837,028
Attendance	42,687
Secret expenses	250,180
III Contribution to Yasukuni Shrine	12,000
IV Miscellaneous expenses	1,001,899
Total	179,803,775

EXTRAORDINARY EXPENDITURES

(In yen)

I Buildings and repairs	1,001,895
II Defence replenishment	
Total	116,196,559
Soldiers	16,212
Fortresses	6,680,597
Armaments	109,499,750
III Grounds and buildings	1,122,410
IV Land surveying	311,210
V Reconstruction in the quake-stricken districts	1,878,956
VI Bridges, ranges, etc.	1,742,463
VII Use of land and buildings	68,357
VIII Researches	322,000
IX Map printing	342,743
X Garrisons in China	575,856
XI Temporary grants	193,865
XII Subsidies for automobile manufacture	746,852

XIII	Aid for the Ex-service Men Association	250,000
XIV	Prevention of anemia of horses	86,000
XV	Manchurian Incident	162,850,274
XVI	Improvement of Air Corps, etc.	16,176,770
XVII	Improvement of arms	5,084,746
XVIII	Temporary contribution to the Yasukuni Shrine	45,000
XIX	Special increase in salaries	574,870
XX	Rewards in connection with the Manchurian Incident	2,058,360
XXI	Appliances for military attachés abroad	8,800
XXII	Disaster reconstruction	2,064,000
	Total	313,155,204
	Ordinary expenditures	¥173,803,775
	Extraordinary expenditures	139,351,429
	Total	313,155,204

Administrative Organization

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

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

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

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

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

(d) The Replenishment Bureau is divided into two sections, one for mobilization and the other for co-ordination, and is responsible for the establishment and improvement of the mobilization system, 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 consists of the section for sanitary affairs and the section for medicine and surgery.

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

The Ministry of War also supervises the following organizations situated in various parts of the country.

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

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

Military Science which conducts research on methods of scientific warfare.

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

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

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

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

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

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

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

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

(k) The Fortifications Bureau is responsible for the construction, inspection, and maintenance of all

defensive structures, besides being required to conduct researches on artillery and military engineering.

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

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

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

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

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

Field Organization

The Division A division generally consists of 2 infantry brigades, 1 cavalry regiment, 1 field artillery regiment, 1 engineer battalion, and 1 commissariat battalion. To some larger divisions, a tank corps, or a mountain artillery regiment, or a heavy field artillery regiment, is attached. While a few others include a full cavalry brigade, a regiment of transport service, a regiment of telegraphists or an anti-aircraft regiment. Eight ammunition columns (4 infantry and 4 artillery), 6 field hospitals, and 1 remount depot accompany each division on service. The

number of officers and men in a division is about 10,000 on peace standing. Divisional commanders hold the rank of Lieutenant-General, brigade commanders that of Major-General.

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

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

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

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

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

The Peace Strength

A full statistical classification of the peace strength of the Army, with the total number of soldiers nearly 230,000, in 1935, 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	15	
Mountain Artillery	4	1
Horse Artillery		1
Heavy Field Artillery	8	
Heavy Artillery	3	8
		(independent)
Engineers		17
Railway Corps	2	
Telegraph Corps	2	
Air Force	8	
		(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, 1933 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 13th and 14th Cavalry Regiments	Tokyo
Headquarters of 4th Heavy Field Artillery Brigade	Tokyo
Artillery Guard Regiment	Tokyo
Heavy Field Artillery Regiment 4th	Shimoshizu
Heavy Field Artillery Regiment 8th	Tokyo
Engineer Guard Battalion; Commissariat Guard Battalion	Tokyo

Railway Regiment 1st	Chiba	Cavalry Regiment 3rd	Nagoya
Railway Regiment 2nd, Telegraph Regiment 1st	Tokyo	Cavalry Regiment 25th and 26th	Toyohashi
Air Force Regiment 5th	Tachikawa	Headquarters of 1st Heavy Field Artillery Brigade	Mishima
Balloon Corps	Chiba	Heavy Field Artillery Regiments 2nd and 3rd.	Mishima
1st Division		Field Artillery Regiment 3rd	Nagoya
Divisional headquarters	Tokyo	Anti-aircraft Artillery Regiment 1st	Hamamatsu
Headquarters of 1st Infantry Brigade	Tokyo	Engineer Battalion 3rd	Toyohashi
Infantry Regiment 1st	Tokyo	Air Force Regiments 1st and 2nd	Gifu
Infantry Regiment 49th	Kofu	Air Force Regiment 7th	Hamamatsu
Headquarters of 2nd Infantry Brigade	Tokyo	Commissariat Battalion 3rd	Nagoya
Infantry Regiment 3rd	Tokyo		
Infantry Regiment 57th	Sakura	4th Division	
Headquarters of 2nd Cavalry Brigade	Narashino	Divisional headquarters	Osaka
Cavalry Regiment 1st	Tokyo	Headquarters of 7th Infantry Brigade	Osaka
Cavalry Regiment 15th and 16th	Narashino	Infantry Regiment 8th	Osaka
Headquarters of Heavy Field Artillery Brigade 3rd	Kohnodai	Infantry Regiment 70th	Sasayama
Field Artillery Regiment 1st	Tokyo	Headquarters of 32nd Infantry Brigade	Wakayama
Horse Artillery Battalion	Kohnodai	Infantry Regiment 37th	Osaka
Heavy Field Artillery Regiments 1st and 7th	Kohnodai	Infantry Regiment 61st	Wakayama
Yokosuka Heavy Artillery Regiment	Yokosuka	Cavalry Regiment	Osaka
Engineer Battalion 1st	Tokyo	Field Artillery Regiment 4th	Shitayama
Commissariat Battalion 1st	Tokyo	Miyama Heavy Artillery Regiment Engineers	Miyama
2nd Division		Battalion 4th	Takatsuki
Divisional headquarters	Sendai	Commissariat Battalion 4th	Osaka
Headquarters of 3rd Infantry Brigade	Sendai		
Infantry Regiment 4th	Sendai	5th Division	
Infantry Regiment 29th	Wakamatsu	Divisional headquarters	Hiroshima
Headquarters of 15th Infantry Brigade	Takata	Headquarters of 9th Infantry Brigade	Hiroshima
Infantry Regiment 16th	Shibata	Infantry Regiment 11th	Hiroshima
The 3rd Battalion of this regiment is stationed at Muramatsu.		Infantry Regiment 41st	Fukuyama
Infantry Regiment 30th	Takata	Headquarters of 21st Infantry Brigade	Yamaguchi
Cavalry Regiment 2nd	Sendai	Infantry Regiment 21st	Hamada
Field Artillery Regiment 2nd	Sendai	Infantry Regiment 42nd	Yamaguchi
Independent Mountain Artillery Regiment 1st	Takata	Cavalry Regiment 5th	Hiroshima
Engineer Battalion 2nd	Sendai	Field Artillery Regiment 5th	Hiroshima
Commissariat Battalion 2nd	Sendai	Engineer Battalion 5th	Hiroshima
		Telegraph Regiment 2nd	Hiroshima
3rd Division		Commissariat Battalion 5th	Hiroshima
Divisional headquarters	Nagoya		
Headquarters of 5th Infantry Brigade	Nagoya	6th Division	
Infantry Regiment 6th	Nagoya	Divisional Headquarters	Kumamoto
Infantry Regiment 68th	Gifu	Headquarters of 11th Infantry Brigade	Kumamoto
Headquarters of 29th Infantry Brigade	Shizuoka	Infantry Regiment 13th	Kumamoto
Infantry Regiment 18th	Toyohashi	Infantry Regiment 47th	Oita
Infantry Regiment 34th	Shizuoka	Headquarters of Infantry Brigade 35th	Kagoshima
Headquarters of 4th Cavalry Brigade	Toyohashi	Infantry Regiment 23th	Miyakonojo
		Infantry Regiment 45th	Kagoshima
		Cavalry Regiment 6th	Kumamoto
		Field Artillery Regiment 6th	Kumamoto
		Engineer Battalion 6th	Kumamoto
		Commissariat Battalion 6th	Kumamoto

7th Division		11th Division	
Divisional headquarters	Asahigawa	Divisional headquarters	Zentsuji
Headquarters of 13th Infantry Brigade	Asahigawa	Headquarters of 10th Infantry Brigade	Zentsuji
Infantry Regiment 25th	Sapporo	Infantry Regiment 12th	Zentsuji
Infantry Regiment 26th	Asahigawa	Infantry Regiment 22nd	Matsuyama
Headquarters of 14th Infantry Brigade	Asahigawa	Headquarters of 22nd Infantry Brigade	Tokushima
Infantry Regiment 27th and 28th	Asahigawa	Infantry Regiment 43rd	Tokushima
Cavalry Regiment 7th	Asahigawa	Infantry Regiment 44th	Kochi
Field Artillery Regiment 7th	Asahigawa	Cavalry Regiment 11th	Zentsuji
Hakodate Heavy Artillery Battalion	Hakodate	Mountain Artillery Regiment 11th	Zentsuji
Engineer Battalion 7th	Asahigawa	Engineer Battalion 11th	Zentsuji
Commissariat Battalion 7th	Asahigawa	Commissariat Battalion 11th	Zentsuji
8th Division		12th Division	
Divisional headquarters	Hirosaki	Divisional headquarters	Kurumé
Headquarters of 4th Infantry Brigade	Hirosaki	Headquarters of 12th Infantry Brigade	Fukuoka
Infantry Regiment 5th	Aomori	Infantry Regiment 14th	Kokura
Infantry Regiment 31st	Hirosaki	Infantry Regiment 24th	Fukuoka
Headquarters of 16th Infantry Brigade	Akita	Headquarters of 24th Infantry Brigade	Kurumé
Infantry Regiment 17th	Akita	Infantry Regiment 46th	Ohmura
Infantry Regiment 32th	Yamagata	Infantry Regiment 48th	Kurumé
Headquarters of 3rd Cavalry Brigade	Morioka	The 3rd Battalion of this regiment is stationed at Saga	
Cavalry Regiment 8th	Hirosaki	Tank Corps 1	Kurumé
Cavalry Regiment 23rd and 14th	Morioka	Cavalry Regiment 12	Kurumé
Field Artillery Regiment 8th	Hirosaki	Headquarters of 2nd Heavy Field Artillery Brigade	Kokura
Engineer Battalion 8th	Morioka	Field Artillery Regiment 24th	Kurumé
Commissariat Battalion	Hirosaki	Independent Mountain Artillery Regiment 3rd	Kurumé
9th Division		14th Division	
Divisional headquarters	Kanazawa	Divisional headquarters	Utsunomiya
Headquarters of 6th Infantry Brigade	Kanazawa	Headquarters of 27th Infantry Brigade	Utsunomiya
Infantry Regiment 7th	Kanazawa	Infantry Regiment 2nd	Mito
Infantry Regiment 35th	Toyama	Infantry Regiment 59th	Utsunomiya
Headquarters of 18th Infantry Brigade	Tsuruga	Headquarters of 28th Infantry Brigade	Takasaki
Infantry Regiment 19th	Tsuruga	Infantry Regiment 15	Takasaki
Infantry Regiment 36th	Sabayé	Infantry Regiment 50th	Matsumoto
Cavalry Regiment 9th	Kanazawa	Infantry Regiment 18th	Utsunomiya
Mountain Artillery Regiment 9th	Kanazawa	Cavalry Regiment 18th	Utsunomiya
Engineer Battalion 9th	Kanazawa	Field Artillery Regiment 20th	Utsunomiya
Commissariat Battalion 9th	Kanazawa	Engineer Battalion 14th	Mito
10th Division		Commissariat Battalion 14th	
Divisional Headquarters	Himeji		Utsunomiya
Headquarters of 8th Infantry Brigade	Himeji		
Infantry Regiment 39th	Himeji		
Infantry Regiment 40th	Tottori		
Headquarters of Infantry Brigade 33rd	Okayama		
Infantry Regiment 10th	Okayama		
Infantry Regiment 63rd	Matsuyé		
Cavalry Regiment 10th	Himeji		
Field Artillery Regiment 10th	Himeji		
Engineer Battalion 10th	Okayama		
Commissariat Battalion 10th	Himeji		

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

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	"

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

OCCUPATION OF SENIOR COMMANDS

(August 1, 1935)

Name and Rank	Command
Lieut.-General Giichi Nishi	Tokyo Garrison
Lieut.-General Prince Asaka	Guard Division
Lieut.-General Hetsuké Yanagawa	1st Division
Lieut.-General Yoshijiro Umezu	2nd Division
Lieut.-General Tsuneichi Iwakoshi	3rd Division
Lieut.-General Prince Higashikuni	4th Division
Lieut.-General Kuniaki Koiso	5th Division
Lieut.-General Kohei Kashii	6th Division
Lieut.-General Okitayé Usami	7th Division
Lieut.-General Kotaro Nakamura	8th Division
Lieut.-General Toyozo Toyama	9th Division
Lieut.-General Yoshitsugu Tatekawa	10th Division
Lieut.-General Motoo Furusho	11th Division
Lieut.-General Kiyoshi Kazuki	12th Division
Lieut.-General Shunroku Hata	14th Division
Lieut.-General Inohiko Shibuya	16th Division
Lieut.-General Yoshiyuki Suzuki	19th Division
Lieut.-General Mitsuharu Miyaké	20th Division

OVERSEAS COMMANDS

Name and Rank	Command
General Jiro Minami	Kwantung Army
Lieut.-General Hiseichi Ueda	Chosen Army
Lieut.-General Count Hiseichi Terauchi	Taiwan Army
Major-General Hayao Tada	Japanese Garrison in China

Promotion and Age Limit

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

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

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

as follows:

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

There is no age limit for Marshals.

Army Education

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

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

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

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

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

(3) Those under the control of various bureaux of the Ministry of War, of which a full list is given below.

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

The Flying School at Tokorozawa is to give necessary training to military fliers as to how to handle and repair a plane and its engine, and meteorological observation, besides a knowledge of the materials of which planes and engines are constructed. This school is opened

to civilian students. The Flying School at Shimoshizu is to teach aerial photography, aerial communications and reconnoitering. The Akeno Flying School gives courses to army pilots on the aerial tactics, air navigation, handling of machine-guns on a plane and also on the construction of aerial weapons.

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

The Navy

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

The Naval Policy Japan's naval policy was, and is, to maintain a fleet powerful enough to defend the country against any naval force which could be dispatched to the western Pacific by any naval Power of the world. This policy was embodied first in the expansion plan adopted in 1907, including the construction of 8 battleships, 8 battle-cruisers, 21 light cruisers, 64 destroyers, and 32 submarines. As a preliminary to carrying out the plan, it was decided to build 8 battleships, 4 battle-cruisers, 11 light cruisers and a number of destroyers and submarines at a total expenditure of ¥254,000,000. In 1916, the Diet passed the programme to be carried out in the seven years ending 1923. In 1917,

the programme was enlarged by a project covering the construction of 2 more battle-cruisers and a number of auxiliary ships in the six years ending 1923. In 1919, this programme was enlarged by a new project covering the construction of 8 capital ships and 85 auxiliary ships at a total expenditure of ¥750,000,000 to be appropriated in the eight years ending 1927. Thus, in 1921, Japan's naval expenditure amounted to about ¥500,000,000 or about one-third of the total amount of the budget.

The 1919 Programme The number and kind of ships to be constructed by the 1919 plan were 8 battleships armed with 16-inch guns (Nagato, Mutsu, Tosa, Kaga, etc.) and 8 battle-cruisers (Amagi, Akagi, etc., etc.), 26 light cruisers, 94 destroyers, and 93 submarines. As a result of the Washington Conference, the construction of these ships was abandoned, the Mutsu and the Nagato being retained on the list, while the Akagi and the Amagi were retained for conversion into plane carriers. (The great earthquake of 1923 made the Amagi unfit for service, and she was replaced by the Kaga).

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

a minimum of 78,000 tons. This made it necessary further to reinforce the auxiliary fleet.

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

The 1932 Plan The replenishment plan is accompanied by two other plans, the first of which covers the establishment of 12 naval flying corps on land and an aeronautic arsenal, the improvement and reinforcement of planes carried on plane-carriers and other ships, and the improvement of arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by 1936. On its completion, the plan is to be followed by another expansion plan covering the establishment of 2 more flying corps on land at a total expenditure of ¥50,000,000. The second plan supplementary to the 1931 Replenishment Plan covers a total expenditure of ¥44,950,000 to be appropriated for the modernization of capital and auxiliary ships, plane-carriers, submarines, and the replacement of guns, etc. When these replenishment programmes are completed, Japan will have 12 Treaty cruisers, 23 light cruisers, 4 plane-carriers, 4 submarine tenders, 6 mine-layers, 8 coast defence ships, 13 gun-boats, 79 first class destroyers, 34 second class destroyers, 33 first class submarines, 38 second class submarines, 4 torpedo-boats, 14 mine-sweepers, 3 training-ships, 1 target ship, 2 surveying ships, 17

transports, and 1 ice-breaker.

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

The Disarmament Question

The claim of the Powers as to naval limitation came to be known at the preliminary disarmament conference held at London in 1934. The contention of Japan at the conference was that in order to establish the principle of non-menace and non-aggression, the differential ratios which now exist between the great naval Powers should be withdrawn, and in their place a common maximum limit for the navy to be maintained by those Powers should be fixed; and that, in order to effect real disarmament, that maximum limit must be reduced to the lowest point possible. She contended further that navies which can be used for any offensive purpose must entirely be done away with, or, failing that, reduced to the minimum, and only navies which could be operated for defensive purposes should be provided. While it is important for the Powers to reserve the right to maintain a navy, the strength of which is equal to that of other Powers, still the importance of fixing a maximum limit must not be overlooked. Unless a maximum limit be fixed, construction competition will result among the Powers.

This is against the principle of disarmament and becomes a menace to peace.

Next, the reason why Japan holds that a common maximum limit should be fixed and that she should maintain a naval force equal to that of other Powers was in the change of conditions as enumerated below:

(1) The progress and development made recently in battleships, aeroplanes, etc. have made it extremely difficult to effectuate defence operations.

(2) The remarkable increases in the air forces of the U.S.S.R. and China, and the revival of the Far Eastern naval forces of the former.

(3) The establishment of the naval port of Singapore by Great Britain, and the extension and strengthening of the naval port of Hawaii by the U.S.A. have had a great effect on the naval plan of operations in Far Eastern waters.

(4) The birth of Manchoukuo has brought forth vast changes in Far Eastern politics. It has increased the responsibility of the Japanese Empire as the stabilizing power in the Far East.

The contention of Great Britain and the U.S.A. against the claims of Japan was that the present differential ratios should be maintained. The reason for this was that, although acquiescence in Japan's

claim for parity would not threaten the security of their national defence, allowing Japan to possess a naval force of equal strength would permit her to act as she pleases in the Far East. There are two points which are worthy of notice in this contention. One is that the security of Britain's and the United States' national defence can be established on the basis of the Japanese proposal and the other is that in spite of that fact they are not willing to consent to it, because of the fear that Japan may act independently in the Far East. In other words, the idea of naval armaments entertained by these two countries seems to be that the armaments must not stop short at maintaining peace and order in their respective country, but go beyond that and make the problems of another country, which have no connections with their own national defence, as a basis for an agreement on the disarmament question. This goes counter to the Japanese contention that a country's defence measures should start and end at securing its own peace and the conference adjourned without arriving at a definite result.

Naval Expenditures

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

Year	Running Expenses	Extraordinary Expenses	Total
1893-94 (Just before Sino-Japanese War)	¥ 5,141,000	¥ 2,960,000	¥ 8,101,000
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	48,828,000	113,906,000	162,734,000
1925-26	122,242,000	106,761,000	229,003,000
1926-27	127,428,000	109,879,000	237,307,000
1927-28	136,545,000	136,992,000	273,537,000
1928-29	143,026,000	125,106,000	268,132,000
1929-30	147,648,000	120,016,000	267,664,000

Year	Running Expenses	Extraordinary Expenses	Total
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	280,948,000	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

Navy Budget for 1935-1936

ORDINARY EXPENDITURES

(In yen)

I Department proper	
Salaries	317,935
Office expenses	167,640
Total	485,575
II Military expenses	
Salaries	50,647,145
Buildings and repairs	777,303
Miscellaneous expenses	4,580,450
Clothes and food	22,896,526
Construction and repairs of ships	86,961,141
Manœuvres	445,281
Medical treatments	998,759
Naval stations and ports	1,008,511
Construction of warships	40,776,994
Waterways	523,166
Educational expenditures	1,410,938
Aids to seamen's families	922,823
Grants to the mutual aid society	2,141,061
Detention	10,227
Secret services	63,300
Total	214,158,625
III Miscellaneous expenditures	1,273,630
Sum total	215,917,850

EXTRAORDINARY EXPENDITURES

(In yen)

I Construction of auxiliary ships	156,768,489
II Equipments in ports, schools, hospitals and factories	21,676,623
III Equipments of air forces	29,913,787
IV Equipments of warships	59,928,643
V Armaments	22,932,450
VI Buildings and repairs	5,550,000
VII Entrusted repairs	745,129
VIII Drawings and books on vessels	72,026
IX Technical and chemical studies	1,931,000
X Temporary grants	134,156
XI Allotment of the International Waterway Bureau	5,575
XII Repairs in the quake-stricken districts	1,499,210

XIII Dispatch of ships to the northern waters	100,000
XIV Expenses connected with the Manchurian Incident	9,612,051
XV Manœuvres	6,000,000
XVI Drawing weather charts, etc.	170,681
XVII Special increase of salaries	952,495
XVIII Educational armaments	400,000
XIX Investigation on pensions for the wounded	5,000
XX Books	9,390
XXI Relief of fire calamities at Hakodate and recovery of damaged articles	100,000
Total	313,765,604

Ordinary expenditures	¥215,917,850
Extraordinary expenditures	313,765,604
Total	529,683,454

Administrative Organization

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

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

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

The schools under the supervision of the Minister are :

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

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

(3) Naval Engineering College (Maizuru). This school is intended for the education of intending engineering officers. Warrant engineering officers are received under the same conditions as at the Naval College.

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

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

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

(1) Naval Gunnery School (Yokosuka). Officers, special service offi-

cers, warrant officers and seamen of special ratings are admitted.

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

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

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

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

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

Active Service Organization

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

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

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

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

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

The naval districts have each a naval barrack, which is responsible for the defence of the naval port where it is posted, besides being required to protect the neighbouring district from attack. In addition to the naval barrack, each naval station or auxiliary 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 auxiliary 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 might have necessitated military and naval actions in that country on the part of Japan and to meet the possible emergency the Navy Department of Japan issued a law in March, 1933, for the establishment of the Imperial Naval Office in Manchoukuo to be located

in Hsinking.

The Office takes charge of the watch and protection of the rivers and the coast lines of Manchoukuo. The commander is directly under the Emperor, and as to the administration he acts in accordance with the order of the Minister of the Navy of Japan. At present a provisional Naval Defence Brigade is quartered at Harbin and is guarding the banks of the Sungari.

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

The Standing Fleets

The standing fleets as reorganized on November 15th, 1934, are as follows :

Combined Fleet

The Combined Fleet is organized with the 1st and 2nd fleets.

1st Fleet

1st Squadron—Haruna, Fuso, Yamashiro, Isé.
8th Squadron—Nagara, Isuzu, Natori.
1st Destroyer Squadron—Abukuma, 21st, 22nd and 29th destroyer flotillas.
1st Submarine Squadron—Tama, 7th and 8th submarine flotillas.
1st Air Force Squadron—Hosho, Ryujo, and 5th destroyer flotillas.

2nd Fleet

4th Squadron—Takao, Atago, Maya and Chokai.
6th Squadron—Kinukasa, Furutaka and Aoba.
2nd Destroyer Squadron—Jintsu, 6th, 10th, 19th and 20th destroyer flotillas.
2nd Submarine Squadron—Yura, Chogei, 18th

28th, 29th submarine flotillas.
2nd Air Force Squadron—Akagi, and 9th destroyer flotillas.

3rd Fleet

10th Squadron—Kuma, Iwalé.
11th Squadron—Tsushima, Ataka, Toba, Seta, Katada, Hira, Hoizu, Atami, Futami, Urakazé, Tauga.
5th Destroyer Squadron—Tatsuta, 16th, 28th destroyer flotillas.

Training Squadron

Yakumo, Asama

The Naval Air Force

The Naval Air Force of Japan consists of:

(1) 7½ aeroplane corps, 5 aeroplane corps at Yokosuka, 5½ aeroplane corps at Tateyama, 1½ aeroplane corps at Sasebo, 2½ corps at Omura, 1½ corps at Kuré, 1½ Corps at Saheki and ½ Corps at Ominato, the number of planes belonging to these air corps are unavailable; and (2) the aircraft-carriers proper, Kaga, Akagi, Hosho, Noto, Ryujo, Kamoi and several other ships, the number of planes carried are unavailable. Flying officers and men number over 10,000.

The Personnel

The personnel of the naval service, including the air force, for the four years ending 1933 was as follows:

	Active Service	Reserve (1st & 2nd)	Total
1930	82,288	51,502	133,890
1931	81,290	53,355	134,645
1932	86,840	52,830	139,670
1933	87,387	52,031	139,418

Classified according to ranks, those on the active list were as follows in February, 1934:

Admirals to Rear-Admirals and non-executive officers	135
Captains to Lieut.-Commanders and non-executive officers	2,270
Lieutenants to 2nd Sub-Lieutenants and non-executive officers	2,500
Midshipmen	346
Special service officers	1,449

Warrant officers	1,805
Cadets at school	556
Petty officers and men	78,676
Total	87,787

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

Warship Building

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

The Tsukuba and Kawachi sank 18 and 17 years ago respectively as a result of an explosion of their magazines, the former at Yokosuka and the latter at Tokuyama, while the Satsuma and Aki were removed from the list and sunk in target practice.

The Settsu has been converted into a target ship of 16,130 tons and is still in service.

Independent of Foreign Material Up to recent years, Japan was dependent on foreign countries as regards war material, but is now almost independent in this connection. She has ample supplies of coal, iron, copper and zinc as long as she controls the mines in Manchuria. At present 95 per cent. of warship building materials is of home production and in case of international competitive building of warships Japan will lose little out of the competition in international payments. The supply of crude oil is still insufficient, but the rapid progress in the oil-shale industry of Manchuria, and the remarkable development of the oil industry in North Saghalién, Formosa, etc., show that the empire will shortly be self-sufficing in this respect also. The Imperial Iron Works at Yawata (Kyushu) has an annual output of about 200,000 tons armour plates, rails, etc., while the Muroran Steel Works of Hokkaido is turning out an ample quantity of steel for use by the Army and Navy. In the chemical industry also, Japan is now almost independent and prepared for any form of chemical warfare. In the Russo-Japanese War, the 6 bat-

tleships and 6 armoured cruisers of the Japanese fleet were all built in England, and the officers and men could fire no guns without optical implements made in foreign countries. The Navy of today is independent in every sense of the word.

List of Ships

The Navy consisted on July 30, 1935 of the following ships, classified by types with the total tonnage in each:

Type	Number	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	24	90,255
Aircraft Carriers	5	65,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	15,230
Coast Defence Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	76	89,439
2nd Class Destroyers	30	23,390
1st Class Submarines	37	43,057
2nd Class Submarines	30	23,822
Torpedo Boats	9	2,108
Mine Sweepers	16	9,258
Special Service Ships	22	227,477
Total	305	1,114,336

(Tonnage of ships under construction is not included.)

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

BATTLESHIPS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Kongo	29,330	1913	25.0	36(8) 15(16)	12.7(8)	4
Kirishima	29,330	1915	25.0	36(8) 15(16)	12.7(8)	4
Haruna	20,330	1915	25.0	36(8) 15(16)	12.7(8)	4
Fuso	29,330	1915	22.5	36(12) 15(16)	12.7(8)	2
Yamashiro	29,330	1917	22.5	36(12) 15(16)	12.7(8)	2
Isé	29,990	1917	23.0	36(12) 14(18)	12.7(8)	4
Hyuga	29,990	1918	23.0	36(12) 14(18)	12.7(8)	4
Nagato	32,720	1920	23.0	40(8) 14(20)	12.7(8)	6
Mutsu	32,720	1921	23.0	40(8) 14(20)	12.7(8)	6
Total 9	272,070 tons					

TRAINING BATTLESHIP

Hiei	19,500	1914	18.0	36(6) 15(16)	12.7(4)	—
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NATIONAL DEFENCE

1ST CLASS CRUISERS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Kako	7,100	1926	33.0	20(6)	12(4)	12
Furutaka	7,100	1926	33.0	20(6)	12(4)	12
Kinugasa	7,100	1927	33.0	20(6)	12(4)	12
Aoba	7,100	1927	33.0	20(6)	12(4)	12
Myoko	10,000	1929	33.0	20(10)	12(6)	12
Nachi	10,000	1928	33.0	20(10)	12(6)	12
Ashigara	10,000	1929	33.0	20(10)	12(6)	12
Haguro	10,000	1929	33.0	20(10)	12(6)	12
Takao	9,850	1932	33.0	20(10)	12(4)	8
Atago	9,850	1932	33.0	20(10)	12(4)	8
Chokai	9,850	1932	33.0	20(10)	12(4)	8
Maya	9,850	1932	33.0	20(10)	12(4)	8
Total 12	107,800 tons					

2ND CLASS CRUISERS

Hirato	4,400	1912	26.0	15(8)	8(2)	8(2)	3
Yahagi	4,400	1912	26.0	15(8)	8(2)	8(2)	3
Tenryu	3,230	1919	31.0	14(4)	8(1)	8(1)	6
Tatsuta	3,230	1919	31.0	14(4)	8(1)	8(1)	6
Kuma	5,100	1920	33.0	14(7)	8(2)	8(2)	8
Tama	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Kitakami	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Oi	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Kiso	5,100	1921	33.0	14(7)	8(2)	8(2)	8
Nagara	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Isuzu	5,170	1923	33.0	14(7)	8(2)	8(2)	8
Natori	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Yura	5,170	1923	33.0	14(7)	8(2)	8(2)	8
Kinu	5,170	1922	33.0	14(7)	8(2)	8(2)	8
Abukuma	5,170	1924	33.0	14(7)	8(2)	8(2)	8
Naka	5,195	1925	33.0	14(7)	8(2)	8(2)	8
Sendai	5,195	1924	33.0	14(7)	8(2)	8(2)	8
Jintsu	5,195	1925	33.0	14(7)	8(2)	8(2)	8
Yubari	2,890	1923	33.0	14(6)	8(1)	8(1)	4
Mogami	8,500	under construction	33.0	15.5(15)	12.7(8)	12.7(8)	12
Mikuma	8,500	"	"	"	"	"	"
Suzuya	8,500	"	"	"	"	"	"
Kumano	8,500	"	"	"	"	"	"
Tone	8,500	"	"	"	"	"	"
Total 24	90,255 tons (completed ones only)						

AIRCRAFT CARRIERS

Hosho	7,470	1922	25.0	14(4)	8(2)	8(2)	—
Kaga	26,900	1928	23.0	20(10)	12(12)	12(12)	—
Akagi	26,900	1927	28.5	20(10)	12(12)	12(12)	—
Ryujo	7,100	1933	25.0	—	12.7(12)	12.7(12)	—
Soryu	—	—	—	—	—	—	—
Total 5	68,370 tons						

SEAPLANE CARRIERS

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

LIST OF SHIPS

SUBMARINE TENDERS

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

MINE LAYERS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Tokiwa	9,240	1899	21.25	20(2) 15(8)	8(1)	—
Katsuriki	1,540	1917	13.0	8(3)	—	—
Shirataka	1,345	1929	16.0	—	12(3)	—
Itsukushima	1,970	1929	15.0	14(3)	8(2)	—
Yaeyama	1,135	1932	20.0	—	12(2)	—
Okinosima	—	—	—	—	—	—
Total 6	15,230 tons					

COAST DEFENCE VESSELS

Asama	9,240	1899	21.25	16(4) 15(12)	8(1)	4
Yakumo	9,010	1900	16.0	20(4) 15(12)	8(1)	2
Azuma	8,640	1900	16.0	16(4) 15(12)	8(1)	4
Izumo	9,180	1900	16.0	20(4) 15(14)	8(1)	2
Iwaté	9,180	1901	16.0	20(4) 15(14)	8(1)	4
Kasuga	7,080	1904	20.0	25(1) 20(2) 15(14)	8(1)	4
Tsushima	3,120	1904	20.0	15(6) 8(8)	8(1)	—
Total 7	55,450 tons					

GUNBOATS

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

1ST CLASS DESTROYERS

Urakazé	810	1915	28.0	12(1)	8(4)	—	4
Minekazé	1,215	1920	34.0	12(4)	—	—	6
Sawakazé	1,215	1920	34.0	12(4)	—	—	6
Okikazé	1,215	1920	34.0	12(4)	—	—	6
Shimakazé	1,215	1920	34.0	12(4)	—	—	6
Nadakazé	1,215	1921	34.0	12(4)	—	—	6
Yakazé	1,215	1920	34.0	12(4)	—	—	6
Hakazé	1,215	1920	34.0	12(4)	—	—	6
Shiokazé	1,215	1921	34.0	12(4)	—	—	6
Akikazé	1,215	1921	34.0	12(4)	—	—	6
Yukazé	1,215	1921	34.0	12(4)	—	—	6
Tachikazé	1,215	1921	34.0	12(4)	—	—	6

NATIONAL DEFENCE

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetre)	High angle guns (centimetre)	Torpedo tubes
Hokazé	1,215	1921	34.0	12(4)	—	6
Nokazé	1,215	1922	34.0	12(4)	—	6
Namikazé	1,215	1922	34.0	12(4)	—	6
Numakazé	1,215	1922	34.0	12(4)	—	6
Kamikazé	1,270	1922	34.0	12(4)	—	6
Asakazé	1,270	1923	34.0	12(4)	—	6
Harukazé	1,270	1923	34.0	12(4)	—	6
Matsukazé	1,270	1924	34.0	12(4)	—	6
Hatakazé	1,270	1924	34.0	12(4)	—	6
Oikazé	1,270	1925	34.0	12(4)	—	6
Hayaté	1,270	1925	34.0	12(4)	—	6
Asanagi	1,270	1924	34.0	12(4)	—	6
Yunagi	1,270	1925	34.0	12(4)	—	6
Muzuki	1,315	1926	34.0	12(4)	—	6
Kisaragi	1,315	1925	34.0	12(4)	—	6
Yayoi	1,315	1926	34.0	12(4)	—	6
Uzuki	1,315	1926	34.0	12(4)	—	6
Satsuki	1,315	1925	34.0	12(4)	—	6
Minazuki	1,315	1927	34.0	12(4)	—	6
Fumizuki	1,315	1926	34.0	12(4)	—	6
Nagatsuki	1,315	1927	34.0	12(4)	—	6
Kikuzuki	1,315	1926	34.0	12(4)	—	6
Mikazuki	1,315	1927	34.0	12(4)	—	6
Mochizuki	1,315	1927	34.0	12(4)	—	6
Yuzuki	1,315	1927	34.0	12(4)	—	6
Fubuki	1,700	1928	34.0	12.7(6)	—	9
Shirayuki	1,700	1928	34.0	12.7(6)	—	9
Hatsuyuki	1,700	1928	34.0	12.7(6)	—	9
Murakumo	1,700	1929	34.0	12.7(6)	—	9
Shinonome	1,700	1929	34.0	12.7(6)	—	9
Usugumo	1,700	1928	34.0	12.7(6)	—	9
Shirakumo	1,700	1928	34.0	12.7(6)	—	9
Isonami	1,700	1928	34.0	12.7(6)	—	9
Uranami	1,700	1929	34.0	12.7(6)	—	9
Ayanami	1,700	1930	34.0	12.7(6)	—	9
Shikinami	1,700	1929	34.0	12.7(6)	—	9
Asagiri	1,700	1930	34.0	12.7(6)	—	9
Yugiri	1,700	1930	34.0	12.7(6)	—	9
Amagiri	1,700	1930	34.0	12.7(6)	—	9
Sagiri	1,700	1931	34.0	12.7(6)	—	9
Oboro	1,700	1931	34.0	12.7(6)	—	9
Akebono	1,700	1931	34.0	12.7(6)	—	9
Sazanami	1,700	1932	34.0	12.7(6)	—	9
Ushio	1,700	1931	34.0	12.7(6)	—	9
Akatsuki	1,700	1932	34.0	12.7(6)	—	9
Hibiki	1,700	1933	34.0	12.7(6)	—	9
Ikazuchi	1,700	1932	34.0	12.7(6)	—	9
Inazuma	1,700	1932	34.0	12.7(6)	—	9
Hatsuharu	1,368	1933	34.0	12.7(5)	—	9
Nenohi	1,368	1933	34.0	12.7(5)	—	9
Wakana	1,378	under construction	34.0	12.7(5)	—	9
Hatsushimo	1,378	1934	34.0	12.7(5)	—	9
Ariaké	—	under construction	—	—	—	—
Yuguré	—	"	—	—	—	—
Shiratuyu	—	"	—	—	—	—
Shiguré	—	"	—	—	—	—
Murasamé	—	"	—	—	—	—
Yudachi	—	"	—	—	—	—
Harusamé	—	"	—	—	—	—
Samidaré	—	"	—	—	—	—

LIST OF SHIPS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main armaments (centimetres)	High angle guns (centimetre)	Torpedo tubes
Umikazé	—	under construction	—	—	—	—
Yamakazé	—	"	—	—	—	—
Kawakazé	—	"	—	—	—	—
Suzukazé	—	"	—	—	—	—
Total	76	89,439 (completed ones only)				

2ND CLASS DESTROYERS

Momo	755	1916	31.5	12(3)	—	6
Kashi	755	1917	31.5	12(3)	—	6
Hinoki	755	1917	31.5	12(3)	—	6
Yanagi	755	1917	31.5	12(3)	—	6
Kaya	770	1920	31.5	12(3)	—	4
Niré	770	1920	31.5	12(3)	—	4
Kuri	770	1920	31.5	12(3)	—	4
Nashi	770	1919	31.5	12(3)	—	4
Také	770	1919	31.5	12(3)	—	4
Kaki	770	1920	31.5	12(3)	—	4
Tsuga	770	1920	31.5	12(3)	—	4
Kiku	770	1920	31.5	12(3)	—	4
Aoi	770	1920	31.5	12(3)	—	4
Hagi	770	1921	31.5	12(3)	—	4
Susuki	770	1921	31.5	12(3)	—	4
Fuji	770	1921	31.5	12(3)	—	4
Tsuta	770	1921	31.5	12(3)	—	4
Ashi	770	1921	31.5	12(3)	—	4
Hishi	700	1921	31.5	12(3)	—	4
Hasu	770	1922	31.5	12(3)	—	4
Sumiré	770	1923	31.5	12(3)	—	4
Yomogi	770	1922	31.5	12(3)	—	4
Tadé	770	1922	31.5	12(3)	—	4
Wakataké	820	1922	31.5	12(3)	—	4
Kuretaké	820	1922	31.5	12(3)	—	4
Sanaé	820	1923	31.5	12(3)	—	4
Asagao	820	1923	31.5	12(3)	—	4
Yugao	820	1924	31.5	12(3)	—	4
Fuyo	820	1923	31.5	12(3)	—	4
Karukaya	820	1923	31.5	12(3)	—	4
Total	30	23,390 tons				

1ST CLASS SUBMARINES

Name	Tonnage (when afloat)	When completed	Speed (when afloat)	Armament (centimetre)	High angle guns (centimetre)	Torpedo tubes
I No. 1	1,955	1926	17.0	14(2)	—	6
I No. 2	1,955	1926	17.0	14(2)	—	6
I No. 3	1,955	1926	17.0	14(2)	—	6
I No. 4	1,955	1929	17.0	14(2)	—	6
I No. 5	1,955	1932	17.0	14(2)	—	6
I No. 6	1,955	under construction	—	—	—	—
I No. 7	1,955	"	—	—	—	—
I No. 8	1,955	"	—	—	—	—
I No. 21	1,142	1927	14.0	14(1)	—	4
I No. 22	1,142	1927	14.0	14(1)	—	4
I No. 23	1,142	1928	14.0	14(1)	—	4
I No. 24	1,142	1928	14.0	14(1)	—	4
I No. 51	1,390	1924	17.0	12(1)	—	8
I No. 52	1,390	1925	19.0	12(1)	—	8
I No. 53	1,635	1927	19.0	12(1)	—	8
I No. 54	1,635	1927	19.0	12(1)	—	8

Name	Tonnage (when afloat)	When completed	Speed (when afloat)	Armament (centi- metre)	High angle guns (cen- timetre)	Torpedo tubes
I No. 55	1,635	1927	19.0	12(1)	—	8
I No. 56	1,635	1929	19.0	12(1)	—	8
I No. 57	1,635	1929	19.0	12(1)	—	8
I No. 58	1,635	1928	19.0	12(1)	—	8
I No. 59	1,635	1930	19.0	12(1)	—	8
I No. 60	1,635	1929	19.0	12(1)	—	8
I No. 61	1,635	1929	19.0	12(1)	—	6
I No. 62	1,635	1930	19.0	12(1)	—	6
I No. 63	1,635	1928	19.0	12(1)	—	8
I No. 64	1,635	1930	19.0	12(1)	—	6
I No. 65	1,638	1932	19.0	10(1)	—	6
I No. 66	1,638	1932	19.0	10(1)	—	6
I No. 67	1,638	1932	19.0	10(1)	—	6
I No. 68	1,400	1934	20.0	10(1)	—	6
I No. 69	1,400	under construction	—	—	—	—
I No. 70	1,400	"	—	—	—	—
I No. 71	1,400	"	—	—	—	—
I No. 72	—	"	—	—	—	—
I No. 73	—	"	—	—	—	—
I No. 74	—	"	—	—	—	—
I No. 75	—	"	—	—	—	—
Total 37	43,057 tons (completed ones only)					

2ND CLASS SUBMARINES

Ro No. 17	735	1921	17.0	8(1)	—	6
Ro No. 18	735	1921	17.0	8(1)	—	6
Ro No. 19	735	1922	17.0	8(1)	—	4
Ro No. 25	735	1921	17.0	8(1)	—	4
Ro No. 26	746	1923	16.0	8(1)	—	4
Ro No. 27	746	1924	16.0	8(1)	—	4
Ro No. 28	745	1923	16.0	8(1)	—	4
Ro No. 29	655	1923	13.0	10(1)	—	4
Ro No. 30	655	1924	13.0	10(1)	—	4
Ro No. 31	655	1927	13.0	10(1)	—	4
Ro No. 32	655	1924	13.0	10(1)	—	4
Ro No. 33	—	under construction	—	—	—	—
Ro No. 34	—	"	—	—	—	—
Ro No. 51	893	1920	17.0	8(1)	—	6
Ro No. 53	893	1921	17.0	8(1)	—	4
Ro No. 54	893	1921	17.0	8(1)	—	6
Ro No. 55	893	1921	17.0	8(1)	—	6
Ro No. 56	893	1922	17.0	8(1)	—	6
Ro No. 57	889	1922	17.0	8(1)	—	4
Ro No. 58	889	1922	17.0	8(1)	—	4
Ro No. 59	889	1923	17.0	8(1)	—	4
Ro No. 60	988	1923	16.0	8(1)	—	6
Ro No. 61	988	1924	16.0	8(1)	—	6
Ro No. 62	988	1924	16.0	8(1)	—	6
Ro No. 63	988	1924	16.0	8(1)	—	6
Ro No. 64	988	1925	16.0	8(1)	—	6
Ro No. 65	988	1926	16.0	8(1)	—	6
Ro No. 66	988	1927	16.0	8(1)	—	6
Ro No. 67	988	1926	16.0	8(1)	—	6
Ro No. 68	988	1925	16.0	8(1)	—	6
Total 30	23,822 tons (completed ones only)					

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

TORPEDO BOATS

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main Armaments (centimetre)	High angle guns (cen- timetre)	Torpedo tubes
Chidori	527	1933	26	12(3)	—	4
Manazuru	527	1934	26	12(3)	—	4
Tomozuru	527	1934	26	12(3)	—	—
Hatsukari	527	1934	26	12(3)	—	—
Odori	527	1934	26	12(3)	—	—
Hiyodori	527	1934	26	12(3)	—	—
Kasasagi	527	1934	26	12(3)	—	—
Kiji	527	1934	26	12(3)	—	—
Total 9	2,108 tons					

MINE SWEEPERS

No. 1	615	1923	20.0	12(2)	8(1)	—
No. 2	615	1923	20.0	12(2)	8(1)	—
No. 3	615	1925	20.0	12(2)	8(1)	—
No. 4	615	1925	20.0	12(2)	8(1)	—
No. 5	615	1929	20.0	12(2)	8(1)	—
No. 6	615	1929	20.0	12(2)	8(1)	—
No. 7	1,030	1911	24.0	12(1)	8(4)	—
No. 8	1,030	1911	24.0	12(1)	8(4)	—
No. 9	770	1918	24.0	12(2)	—	—
No. 10	770	1918	24.0	12(2)	—	—
No. 13	492	1934	20.0	12(2)	—	—
No. 14	492	1934	12.0	12(2)	—	—
No. 15	—	under construction	—	—	—	—
No. 16	—	"	—	—	—	—
No. 17	—	"	—	—	—	—
No. 18	—	"	—	—	—	—
Total 16	9,258 tons (completed ones only)					

SPECIAL SERVICE SHIPS

Training Ships

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

Target Ships

Settsu	16,130	1912	21.0	—	—	—
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Surveying Ships

Koshu	2,080	—	10.3	8(2)	—	—
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Transports

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

Name	Displacement (ton)	When completed	Nominal speed (knot)	Main Armaments (centimetre)	High angle guns (centimetre)
Hayatomo	14,050	1924	12.0	14(2)	8(2)
Naruto	14,050	1924	12.0	14(2)	8(2)
Mamiya	15,820	1924	14.0	14(2)	8(2)
Tsurugizaki	15,820	1924	14.0	14(2)	8(2)
Takasaki	15,820	1924	14.0	14(2)	8(2)
Ice-breaker					
Ohtomari	2,330	1921	13.0	8(1)	
Total 22	227,477 tons				

The planes

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

The reconnoitering planes in use are of type 14. They are equipped with a 450 h.p. motor and can cover nearly 200 kilometres an hour. They are armed with a machine-gun mounted behind the seat of the reconnoitering officer, so that he can defend the machine against enemy

fire from behind. Their speed is considered too slow for satisfactory service in the future. There are also in use type 15 and type 90.

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

OCCUPANTS OF SENIOR COMMANDS

(July 31, 1935)

Name and Rank	Command
(1) FLEETS AND SQUADRONS:	
Admiral Sankichi Takahashi	Combined Fleet and 1st Fleet
Vice-Admiral Mitsumasa Yonai	2nd Fleet
Vice-Admiral Gengo Hyakutaké	3rd "
(2) YOKOSUKA NAVAL STATION:	
Admiral Nobumasa Suetsugu	Naval Station
Vice-Admiral Toyotaro Murata	Naval Dockyard
Vice-Admiral Kenji Maebara	Naval Aeronautical Arsenal
(3) KURÉ NAVAL STATION:	
Vice-Admiral Hisanori Fujita	Naval Station
Vice-Admiral Shigeru Matsushina	Naval Dockyard
(4) SASEBO NAVAL STATION:	
Vice-Admiral Nobujiro Imamura	Naval Station

(5) AUXILIARY NAVAL STATIONS:

Vice-Admiral Hajimé Matsushita	Maizura Auxiliary Station
Rear-Admiral Chonan Yamaguchi	Ominato "
Vice-Admiral Hiroshi Ono	Mako "
Vice-Admiral Seizaburo Kobayashi	Chinkai "
Rear-Admiral Kichijiro Hamada	Ryojun "
Vice-Admiral Shizue Tsuda	Manchoukuo Naval Office
Rear-Admiral Teiryō Araki	Landing Party at Shanghai

Presidents of Naval Schools

Vice-Admiral Tsugumatsu Inoué	Naval War College
" Koshiro Oikawa	Naval College
" Muneyoshi Ueda	Naval Engineering College
Surgeon Rear-Admiral Yoshiro Mukoyama	Naval Medical College
Paymaster Vice-Admiral Yasuo Ikebē	Naval Paymasters' College
Rear-Admiral Keigi Tabata	Naval Gunnery School
" Jugoro Arichi	Torpedo School
" Satoshi Furihata	Naval Communications School
Vice-Admiral Hoichi Wanami	Submarine School
Rear-Admiral Tomisaburo Otagaki	Navigation School
" Hiroshi Kawahara	Naval Mechanists' School

Naval Promotion

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

The regular course of promotion for them is: Midshipmen, over one year's service on a training ship; 2nd Sub-Lieutenants, over one year's service; 1st Sub-Lieutenants, over 18 months' service, including 6 months' service in Torpedo or Gun-

nery 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	Period determined by Imperial order subject to special merit

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

CHAPTER VIII

PUBLIC FINANCE

General Outline

The total revenue and expenditure of the Japanese Government at the beginning of the Meiji Era were maintained around the ¥30,000,000 mark, but in recent years they have reached as high as from ¥1,500,000,000 to ¥1,800,000,000 each (for general accounts only).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 post-war prosperity periods it was marked by phenomenal business and industrial expansion and increase in State revenue. During this time it became more than apparent that a thorough readjustment of the tax system was necessary, if the burden

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

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

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

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

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

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

Accounts System

In the second year of Meiji, 1869, Shigenobu Okuma (later Marquis Okuma) submitted to the Government a plan calling for the establishment of an accounts system to prevent a reckless disbursement of administrative expenses. In due course, and as a result of this plan, a Ministry of Finance and a fiscal year starting with October and ending with September were instituted. When Hirobumi Ito (later Prince Ito) came home from his inspecting trip to America in 1873, he offered valuable advice to the Government on a financial system and this caused the Government to announce its estimates of accounts. This marked an important point in the accounts system of Japan as it was the prototype of the Government budget, but because of the lack of system, the budget of each Ministry was subject to change by the administrative chief. The fiscal year was changed to from April to March in 1886, and has been so observed since. The opening of the Imperial Diet in 1890 brought about a great improvement in the accounts system of Japan, for each budget has since been subject to approval, and Government income and expenditure has thus come under supervision. The Board of Audit under direct control of the Emperor was also established and to it is assigned the duty of inspecting the

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

Government accounts. These perfected the constitutional accounts system of the Government and at the same time the Accounts Law was promulgated in 1889 and has been enforced since April 1, 1890. This law laid the foundation of the accounts system of Japan and in 1921 it was revised from the so-called "safe" system to the "deposit" system, i. e. the depositing of Government funds in the Bank of Japan.

Special Accounts

Special accounts for the Government's enterprises existed independently of general accounts, before the promulgation of the Accounts Law in 1889. Railway funds, readjustment loans, enterprise funds, hypothec funds and others were included among the special accounts, which were unified by a law issued in 1889. The number of special accounts for the 1890-91 fiscal year was 33, which increased to 61 in 1908. Mr. Yuko Hamaguchi, Finance Minister of the Katō (Takaki) Cabinet, made a substantial readjustment of special accounts in 1925 and reduced the number to 31. Subsequently, the health insurance special accounts, the postal annuity special accounts and live-stock reinsurance special accounts were established. In 1934 government steel works was omitted and communication enterprises was put into the list instead. The present number of special accounts is 34 and is as follows: (1) China Cultural Enterprise, (2) Health Insurance, (3) Government Mint, (4) Printing Bureau, (5) Monopoly Bureau, (6) Deposits Bureau, (7) Education Funds, (8) National Loan Readjustment Funds, (9) Public Loans, (10) Indemnity, (11) National Property Readjustment Funds, (12) Education Improvement and Agricultural Village Promotion Funds, (13) Korean Gov-

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

Finance of Sino-Japanese War

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

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

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

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

Finance during the Taisho Era

A financial retrenchment policy was adopted by the Government early in the Taisho Era. Japan's foreign trade witnessed a marked increase in the excess of imports and its national debts increased heavily. The specie reserve quickly dwindled. How to bring about an equilibrium in the international debit and credit relations formed a source of great concern. A great change was made in Japan's financial and economic conditions by the outbreak of the World War in July, 1914. Japan participated in the War on the Allies' side and sent its expeditionary force to Shantung. The Okuma Cabinet was responsible for Japan's participation. Prior to this, a two-Division increase controversy formed the cause of the downfall of the Saionji Cabinet, but the outbreak of the War solved the problem. Two army divisions were established in Korea. The army readjustment plan, the eight-four squadron programme, naval construction and other wartime expenses contributed to a financial expansion. The Government expenditure for the 1918-19 fiscal year totalled more than ¥1,000,000,000, showing a 40 per cent. gain over the year before. The continuation expenses commencing with the 1918-19 fiscal year totalled more than ¥1,000,000,000. The Government revised taxes, raised the income tax by 15 per cent., alcoholic drink tax by 14 per cent. and beer tax by 20 per cent. and established a war-time 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 war-time boom to carry out an inflation policy, funds being specially allotted to armament replenishment and to the perfecting of traffic and communication arrangements. In connection with the completion of the eight-eight battle squadron programme, sponsored by the navy, the continuation expenses of ¥408,000,000 for warship construction were increased by ¥750,000,000. National defence expenses involving the army and navy totalled ¥620,000,000, of which ¥242,000,000 was for the army and the rest for the navy. A new appropriation of ¥225,000,000 was added to the existing appropriation of ¥292,000,000 for the telephone enterprise, to be disbursed over eight years commencing 1920; and in the telegraphic enterprises ¥74,000,000 was to be spent in the following seven years. The enormous amount of ¥1,420,000,000 was set aside for railway enterprises, spread over 10 years. The Government expenditure for the 1922-23 fiscal year totalled ¥1,491,000,000. To raise this amount bonds were issued, the sinking fund was suspended and taxes increased. The great financial reaction that

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

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

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

Finance of the Showa Era

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

The reduction is classified as follows according to various Ministries:

Ministries	Amounts saved in administrative expenses	Expenses saved by postponing enterprises	Total amount saved
	(In ¥1,000)		
Foreign	241	—	241
Home	5,114	1,669	6,783
Finance	1,361	433	1,795
War	6,694	1,164	7,858
Marine	4,731	2,536	7,267
Justice	894	8	902
Education	883	589	1,472
Agriculture and Forestry	1,843	1,638	3,481
Commerce and Industry	237	171	2,502
Overseas	2,347	—	2,347
Total	26,733	8,330	35,063

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

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

Revenue and Expenditure, 1868 to 1935

The revenue and expenditures from 1868 to 1935 are given below:

	General accounts		Special accounts		Tax Revenue
	Revenue	Expenditures	Revenue	Expenditures	
	(In ¥1,000)				
1st period	33,089	30,505	—	—	3,157
6th period	85,507	62,679	—	—	65,015
1882	73,508	73,481	—	—	67,739
1887	88,161	79,453	—	—	66,255
1890	106,469	82,125	53,404	25,621	69,251
1895	118,433	85,317	160,925	106,216	70,848
1900	295,855	292,750	120,461	151,038	133,925
1905	535,256	420,741	246,981	192,188	251,275
1910	672,874	569,154	1,167,642	968,752	317,286
1915	708,616	583,270	899,612	657,156	312,745
1920	2,000,652	1,359,978	3,043,119	2,265,333	696,257
1925	2,071,360	1,524,989	3,236,475	2,663,719	894,809
1926	2,056,361	1,578,826	3,047,909	2,451,295	886,999
1927	2,062,755	1,765,723	3,447,764	2,832,532	898,678
1928	2,005,691	1,814,855	3,541,024	2,844,398	915,910
1929	1,826,445	1,736,317	3,724,214	3,063,458	893,505
1930	1,596,972	1,557,864	3,549,582	3,052,108	835,041
1931	1,531,082	1,476,875	3,191,785	2,691,390	735,504
1932	2,045,275	1,950,141	4,199,402	3,622,793	695,837
1933 ¹	2,331,759	2,254,662	5,456,664	5,117,628	748,566
1934 ²	2,142,528	2,142,528	7,271,077	6,883,589	755,268
1935 ²	2,193,414	2,193,414	—	—	828,741

Note:

The financial year begins on April 1st and ends on March 31st of the following year.

The figures for 1932-33 and the years preceding it represent the settled accounts,

¹ Represent the actual account on July 31, 1933.

² Represent the budget.

Budget for the Fiscal Year 1934-35

The Budget Estimates for the fiscal year 1934-35, comprising those for the General Account and Special Accounts, passed the Diet in the 65th

Session (December 1933 to March 1934). Of these, the Budget for the General Account, inclusive of the Supplementary Budget, is balanced at ¥2,142,528,079, as the following table shows:

Revenue	
Ordinary	¥ 1,248,543,502
Extraordinary	893,984,577
Normal Revenue	63,867,450
Receipts from the Issue of Public Loans	811,189,439
Transfer of Surplus from the Preceding Year	19,427,688
Total	2,142,528,079
Expenditure	
Ordinary	1,247,562,234
Extraordinary	894,965,845
Total	2,142,528,079

It should be noted that a Special Account for Postal, Telegraph and Telephone Services was created as from April 1, 1934, and with respect to such services no appropriations were made in the Budget for the General Account for the fiscal year 1934-35.

Comparison of 1934-35 with 1933-34 General Account. The Budget for 1934-35 shows, in comparison with the Budget for 1933-34, a decline of ¥177,976,146 in revenue and expenditure respectively. This decline is explained by the fact that the postal, telegraph and telephone services, for which appropriations had been formerly made in the Budget for the

General Account, were segregated into a Special Account as from April 1, 1934. If, however, the appropriations for postal, telegraph, and telephone services are separated from the Budget for the General Account for 1933-34 and such a Budget is called for the sake of convenience the "Adjusted" Budget, the Budget for 1934-35 will show an increase of ¥13,188,939 over the figures of ¥2,129,339,140 of the "Adjusted" Budget for 1933-34. The following are the comparisons of the Budget for 1934-35 with the Budget for 1933-34 and the "Adjusted" Budget for 1933-34:

	Budget	Budget	"Adjusted" Budget	Increase(+) or Decrease(-) compared with	
				Budget	"Adjusted" Budget
	1934-35	1933-34	1933-34	1933-34	1933-34
	Yen	Yen	Yen	Yen	Yen
Revenue					
Ordinary	1,248,543,502	1,292,203,029	1,115,507,779	(-) 43,659,527	(+) 133,035,723
Extraordinary	893,984,577	1,028,301,196	1,013,831,361	(-) 134,315,619	(-) 119,846,784
Normal Revenue	63,867,450	55,912,967	56,746,730	(+) 7,454,483	(+) 6,620,720
Receipts from the Issue of Public Loans	811,189,439	919,084,226	903,780,628	(-) 107,894,787	(-) 92,591,189
Transfer of Surplus from the Preceding Year	19,427,688	23,304,003	23,304,003	(-) 3,876,315	(-) 3,876,315
Borrowings	0	30,000,000	30,000,000	(-) 30,000,000	(+) 30,000,000
Total	2,142,528,079	2,320,504,225	2,129,339,140	(-) 177,976,146	(+) 13,188,939

Expenditure	Yen	Yen	Yen	Yen	Yen
Ordinary	1,247,562,234	1,374,669,853	1,209,226,114	(-)127,107,619	(+) 38,336,120
Extraordinary	894,965,845	945,834,872	920,113,026	(-) 50,868,527	(-) 25,147,181
Total	2,142,528,079	2,320,504,225	2,129,339,140	(-)177,976,146	(+) 13,188,939

Note:—(1) For comparison with the Budget for 1934-35, certain adjustments were made in the figures of the Budget for 1933-34.

(2) x The "Adjusted" Budget represents the Budget as calculated, for the sake of convenience, by excluding the estimated revenue and expenditure for postal, telegraph and telephone services from the Budget for the General Account for 1933-34.

Special Accounts. As the Special Account for Imperial Iron Works was abolished on March 31, 1934 and the Special Account for Postal, Telegraph and Telephone Services was created as from April 1, 1934, there

are, at present, 34 Special Accounts. The Budget for 1934-35 for the most important Special Accounts and comparisons with the Budget for 1933-34 are as follows:

(a) Imperial Government Railways' Special Account

	Budget 1934-35	Budget 1933-34	Increase (+) or Decrease (-) compared with 1933-34
Capital Account	Yen	Yen	Yen
Revenue	113,133,216	104,824,844	(+) 8,308,372
Expenditure	121,633,216	104,824,844	(+) 16,808,372
Stores Account			
Revenue	188,160,000	166,659,000	(+) 21,501,000
Expenditure	188,160,000	166,659,000	(+) 21,501,000
Profit and Loss Account			
Revenue	674,887,694	583,806,247	(+) 91,081,447
Expenditure	611,754,478	528,981,403	(+) 82,773,075

(b) Special Account for Postal, Telegraph and Telephone Services

	Budget 1934-35	* Budget 1933-34	Increase (+) or Decrease (-) compared with 1933-34
Capital Account	Yen	Yen	Yen
Revenue	35,813,338	27,399,426	(+) 8,413,912
Expenditure	35,813,338	27,399,426	(+) 8,413,912
Stores Account			
Revenue	34,472,677	28,243,555	(+) 6,229,122
Expenditure	34,472,677	28,243,555	(+) 6,229,122
Working Account			
Revenue	273,324,351	242,599,686	(+) 30,724,665
Expenditure	264,126,381	239,871,650	(+) 24,254,731

Note:—* The Special Account for Postal, Telegraph and Telephone Services did not exist in the fiscal year 1933-34, nevertheless, the figures were given for comparison in the above table by separating the amounts coming under such items from the Budget for the General Account for 1933-34.

(c) Special Accounts for Special Regions

	Budget 1934-35	Budget 1933-34	Increase (+) or Decrease (-) compared with 1933-34
(1) Chōsen (Korea)	Yen	Yen	Yen
Revenue	258,604,398	232,026,949	(+) 26,577,449
Expenditure	258,591,605	232,026,949	(+) 26,564,656
(2) Taiwan (Formosa)			
Revenue	110,821,261	104,085,344	(+) 6,735,917
Expenditure	110,821,261	103,160,243	(+) 7,661,018
(3) Kwantung	22,911,058	27,182,812	(-) 4,271,754
(4) Karafuto (Japanese Saghalien)	25,929,056	23,566,668	(+) 2,362,388
(5) Nanyō (Mandated Territories in the Pacific)	5,635,675	5,628,918	(+) 6,757

Note:—In the Special Accounts coming under (3), (4), and (5) revenue and expenditure balance exactly.

Public Loan Programme The issue of public loans for financing expenditure for the General Account and Special Accounts amounts during the current year to ¥907,167,975, representing a decrease of ¥104,642,894

compared with that in the Budget for 1933-34. The public loan programme for the fiscal year 1934-35 and comparisons with that of the preceding year are as follows:

Items	GENERAL ACCOUNT		Increase (+) or Decrease (-) compared with 1933-34
	1934-35 Yen	1933-34 Yen	
Loans for reconstruction works necessitated by the Earthquake of 1923	12,906,737	17,459,689	(-) 5,152,952
Loans for the improvement of roads	6,590,000	16,676,966	(-) 10,086,966
Loans for the expenditure in connection with the Manchurian incident	159,325,902	186,830,572	(-) 27,004,670
Loans for the covering of revenue deficits	632,966,800	683,313,401	(-) 50,346,601
Total	811,199,439	903,780,628	(-) 92,591,189
	SPECIAL ACCOUNTS		
Loans for postal, telegraph and telephone services and for reconstruction works necessitated by the Earthquake of 1923	15,000,000	15,303,598	(-) 303,598
Loans for the construction and improvement of Government Railways	48,000,000	48,000,000	0
Loans for public undertakings in Chōsen and for the expenditure in connection with the Manchurian incident	29,478,536	33,000,000	(-) 3,521,464
Loans for public undertakings in Taiwan	0	5,000,000	(-) 5,000,000
Loans for the expenditure in connection with the Manchurian incident in Kwantung Province	0	3,226,643	(-) 3,226,643
Loans for public undertakings in Karafuto	3,500,000	3,500,000	0
Total	95,978,536	108,030,241	(-) 12,051,705
Grand Total	907,167,975	1,011,810,869	(-)104,642,894

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

Sources of revenue	REVENUE (in yen)				
	1930-31	1931-32	1932-33	1933-34 (Budget)	1934-35 (Budget)
ORDINARY:					
Taxes:	835,041,051	735,504,074	695,837,069	692,034,720	775,263,313
Land tax	68,035,367	63,915,946	58,348,487	58,255,186	58,265,471
Income tax	200,616,410	144,501,197	136,131,821	138,103,700	165,076,524
Business tax	56,772	27,604	9,416	—	—
Business profit tax	54,286,406	37,904,278	35,282,349	36,124,923	44,225,189
Capital interest tax	15,651,646	14,770,665	14,253,351	14,961,260	14,443,418
Inheritance tax	32,904,624	30,169,832	30,216,086	26,017,260	23,781,666
Travelling tax	—	—	—	—	—
Mining tax	4,997,553	3,761,774	3,054,349	2,878,443	3,296,762
Tax on issue of bank notes	7,439,873	8,998,010	13,831,136	—	—
Tax on saké	218,854,670	188,798,530	177,395,900	180,459,356	218,571,876
Tax on soy	—	215	—	—	—

Sources of revenue	1930-31	1931-32	1932-33	1933-34 (Budget)	1934-35 (Budget)
Table water tax	3,680,910	3,266,374	3,030,649	3,172,529	3,409,195
Sugar excise	77,839,447	77,386,223	72,654,205	74,145,443	74,429,432
Textile consumption tax	83,834,188	33,748,169	29,149,519	30,099,838	30,669,690
Kerosene oil consumption tax	—	—	—	—	—
Tax on bourses	9,123,622	11,755,934	14,958,443	11,896,058	17,402,343
Customs duties	105,379,643	114,274,206	105,375,066	113,667,897	114,273,178
Tonnage dues	2,280,912	2,235,059	2,146,885	2,250,827	2,323,569
Other taxes	—	—	—	—	—
Stamp receipts	69,704,464	65,433,562	66,633,502	67,317,988	73,607,645
Receipts from Government undertakings and properties:					
Postal, telegraph and telephone services	487,860,045	472,706,101	466,741,279	461,192,870	254,923,745
Forests	229,263,789	229,139,387	243,019,626	242,439,355	—
Profits on monopolies	35,810,223	35,143,501	31,157,804	31,224,675	35,126,571
Other receipts from Government undertakings and properties	198,339,282	190,461,252	177,906,626	173,817,203	188,155,406
Payment by the Bank of Japan	21,446,753	17,961,960	14,657,221	14,211,637	31,641,768
Transferred from Special Account for Deposits	—	—	—	—	78,000,000
Transferred from Special Accounts for Deposits Bureau, Ministry of Finance	—	—	—	27,348,311	25,298,761
Transferred from Special Accounts of Funds for educational improvement and agrarian development	6,000,000	8,700,000	8,700,000	8,700,000	—
Other miscellaneous receipts	7,095,797	7,491,954	7,726,458	8,437,576	8,044,757
Total	1,422,059,549	1,314,911,859	1,287,038,893	1,292,195,287	1,248,543,502

EXTRAORDINARY:

Proceeds of sale of State property	4,400,640	3,645,716	4,446,878	3,918,100	5,779,357
Miscellaneous receipts	17,229,505	14,390,283	11,327,967	19,027,612	21,003,44
Local payment toward expenses incurred by the State for the benefit of certain prefectures	2,696,149	2,725,883	5,670,880	7,858,227	6,299,145
Local contributions to expenses incurred by the State for the benefit of certain prefectures	4,619,110	8,736,650	11,940,333	12,004,717	7,132,022
Funds belonging to Special Accounts transferred	14,235,796	6,870,023	7,234,501	8,745,765	9,580,680
Receipts from the issue of public loans	38,000,329	120,272,407	659,592,654	919,084,226	811,189,439
Payment from insurance companies	3,390,317	3,595,110	3,438,472	3,520,788	3,520,788
War profits tax	215	8,180	234	—	—
Transfer of the surplus of the preceding year	90,127,696	39,108,436	54,206,777	23,304,003	19,427,688
Receipts under the Export Credits Guarantee System	14,912	93,259	133,675	796,000	796,000
Other miscellaneous receipts	197,946	16,724,229	244,252	30,049,500	9,247,000
Total	174,912,618	216,170,183	758,236,675	1,028,308,938	893,984,577
Total revenue	1,596,972,168	1,531,082,042	2,045,275,568	2,320,504,225	2,142,528,079

EXPENDITURE

Branches of expenditure	(in yen)				
	1930-31	1931-32	1932-33	1933-34 (Budget)	1934-35 (Budget)
ORDINARY:					
Imperial Household	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000

Branches of expenditure	1930-31	1931-32	1932-33	1933-34 (Budget)	1934-35 (Budget)
Foreign Affairs:	16,152,205	15,221,321	15,653,651	16,602,999	16,954,613
Department proper	3,230,628	3,127,719	3,194,236	3,669,380	3,826,919
Embassies, Legations and Consulates abroad	12,552,758	11,747,422	12,010,395	11,310,811	11,807,540
Other expenses	368,818	346,179	459,019	1,622,808	1,320,254
Home Affairs:	45,718,707	44,546,207	40,823,408	51,012,168	49,651,515
Department proper	793,000	707,040	668,159	741,573	765,050
Prefectures (Do, Fu and Ken)	11,548,550	10,563,654	10,112,656	10,455,971	10,403,018
Other expenses	33,877,147	33,275,511	39,042,592	39,814,624	38,483,447
Finance:	318,913,022	251,453,075	326,517,411	441,472,367	435,604,222
Department proper	911,667	890,292	919,052	907,170	965,492
Interest on deposits and charges for its payment	—	—	—	—	—
Cabinet and Privy Council	1,025,200	989,117	1,041,818	1,063,670	1,058,857
House of Peers and House of Representatives	4,015,284	3,208,631	3,705,057	3,511,733	3,515,550
Court of Administrative Litigation and Board of Audit	582,410	555,224	545,883	576,559	589,275
Customs houses	4,362,604	4,178,130	4,499,043	4,396,515	4,392,166
Expenses for collection of inland tax	18,145,401	16,375,551	16,258,269	15,210,882	15,729,535
Transferred to National Debt Depreciation Funds	272,517,093	213,844,134	241,480,375	376,897,540	378,950,119
Other expenses	12,353,360	11,411,992	58,073,909	38,818,298	30,403,219
Army:	174,546,262	163,679,857	148,266,001	172,119,330	168,656,052
Department proper	690,385	652,677	611,021	618,191	613,191
Expenses for military affairs	173,034,526	162,029,480	146,499,049	170,755,835	167,219,177
Other expenses	821,350	997,696	1,155,930	750,304	823,684
Marine:	6,887,938	138,913,685	140,740,187	178,822,411	199,337,475
Department proper	557,285	521,834	485,531	485,575	485,575
Expenses for naval affairs	145,620,175	137,705,946	139,554,199	177,798,596	198,313,660
Other expenses	710,478	685,904	700,406	538,240	538,240
Justice:	33,848,715	31,764,748	31,840,213	34,603,396	33,344,969
Department proper	350,891	442,476	418,065	521,264	522,064
Judicial Courts	19,246,651	17,964,764	17,714,021	18,800,702	18,911,504
Prisons	14,202,235	13,301,551	13,651,234	15,156,036	13,738,461
Other expenses	48,936	55,956	56,892	125,394	122,970
Education:	131,207,607	129,224,601	128,031,939	129,280,973	129,639,771
Department proper	3,116,096	2,596,711	2,750,269	2,626,620	2,468,685
Educational institutions and libraries	31,297,168	30,596,509	29,490,412	30,680,475	31,081,316
Other expenses	96,794,323	96,031,380	95,791,257	96,078,878	96,082,770
Agriculture and Forestry	31,777,449	28,133,809	28,085,079	28,850,947	29,734,897
Department proper	1,413,822	1,362,002	1,328,401	1,405,261	1,502,413
Forestry expenses	24,822,431	21,128,380	20,045,972	20,822,064	20,742,434
Other expenses	5,541,195	5,643,426	6,711,605	7,153,622	7,490,050
Commerce and Industry:	5,002,153	4,735,517	4,616,857	5,234,451	5,346,489
Department proper	1,439,093	1,377,524	1,370,333	1,544,676	1,562,556
Patent Bureau and Mining Inspection Office	1,374,234	1,257,861	1,241,721	1,237,236	1,244,549
Other expenses	2,188,825	2,100,130	2,004,802	2,512,539	2,539,384
Communications:	296,218,813	297,308,346	302,665,987	310,163,199	172,820,376
Department proper	1,566,810	1,401,217	1,406,936	1,493,292	1,938,435
Communications expenses	143,868,457	140,312,670	139,438,036	143,340,392	1,237,317
Pensions and annuities	149,116,202	153,957,904	160,158,798	163,545,693	169,101,343
Other expenses	1,667,341	1,636,554	1,667,216	1,733,912	1,443,231
Overseas Affairs:	2,379,811	2,843,024	2,121,029	1,954,106	1,971,825
Department proper	796,872	739,869	707,090	717,254	718,454
Other expenses	1,582,938	1,603,154	1,413,939	1,236,852	1,253,371
Total	1,202,152,635	1,111,824,193	1,182,862,616	1,374,696,347	1,247,562,234

Branches of expenditure	1930-31	1931-32	1932-33	1933-34 (Budget)	1934-35 (Budget)
EXTRAORDINARY:					
Foreign Affairs	3,317,370	8,243,457	20,081,925	13,355,047	10,505,041
Home Affairs	92,369,495	92,833,933	170,043,107	188,851,145	127,409,058
Finance	21,564,107	15,523,098	15,278,509	42,062,263	31,092,169
Army	26,278,021	63,808,368	225,309,400	276,004,139	231,060,094
Navy	95,147,008	88,214,904	172,069,156	224,948,027	288,617,183
Justice	902,824	1,041,345	1,230,969	1,784,224	2,315,180
Education	12,112,304	8,014,654	20,051,303	22,891,587	23,426,018
Agriculture and Forestry	27,077,934	26,897,852	71,348,614	93,934,464	78,800,436
Commerce and Industry	5,921,673	5,656,570	6,651,695	8,720,061	8,230,933
Communications	39,277,095	31,508,725	41,242,255	44,965,311	17,005,141
Overseas Affairs	24,743,120	23,248,161	23,970,968	23,200,211	25,031,586
Total	353,711,046	365,051,071	767,278,007	945,807,878	894,065,84
Total expenditure	1,557,863,732	1,478,675,265	1,950,140,623	2,320,504,225	2,142,628,079

Budget for 1935-1936

The gist of Mr. Korekiyo Takahashi's explanation of the Budget for 1935-36 made for the 67th Session of the Diet on January 22, 1935, is taken in the following as giving a general trend of the finance of the country.

The total amount of the estimates of ways and means during 1935-36 is over ¥2,193,000,000 on both sides of revenue and expenditure. The estimate of revenue covers over ¥1,335,000,000 in ordinary account and a little over ¥857,000,000 in extraordinary account, while that of expenditure covers over ¥1,293,000,000 in ordinary account and a little over ¥900,000,000 in extraordinary account. Compared with the general budget of the previous year there is an increase of over ¥87,000,000 in the ordinary revenue and a decrease of over ¥107,000,000 in the extraordinary, which means a decrease of over ¥20,000,000 in revenue. As for expenditure, there was an increase of over ¥45,000,000 in the ordinary account, whilst there was a decrease of ¥65,000,000 in the extraordinary account, which means a decrease of over ¥20,000,000 in the total expenditure. As compared with the previous year, receipts from land, liquor and stock

exchange taxes decreased while that from the income tax increased by ¥30,800,000, the business profit tax by ¥6,200,000, the import tariff by ¥15,600,000 showing an increase of over ¥53,400,000 in the aggregate tax revenue. As for the receipts other than taxes there is an increase of over ¥8,500,000 from stamps, of over ¥5,900,000 from forests, of over ¥7,500,000 in the profit of the Monopoly Bureau and of ¥4,800,000 in the receipts from dividends and the net increase in the ordinary revenue amounts to over ¥87,000,000.

In making up the expenditure budget for 1935-36 the principle was that of cutting in nearly all items. Yet the outlay due to the Manchurian incident and that due to the changed exchange rate of yen reached to a considerable amount in continuation from the previous year. The present situation of international politics makes it imperative to spend an increasingly large amount for the replenishment of national defence. Various disasters occurring in many parts of the country in 1934 necessitated the expenditure of no small amount for relief purposes. It is due to all such unavoidable needs that the outgoing budget reached ¥2,193,000,000.

Outlays for the Manchurian incident comprise in the general account ¥3,600,000 under jurisdiction of the Foreign Department, ¥162,300,000 under the War Department and ¥9,600,000 under the Department of Marine and ¥5,000,000 as a reserve fund under the Finance Department, bringing about a total of ¥180,600,000, in addition to ¥3,700,000 from special accounts of the Chosen Government-General and the Kwantung Bureau. The grand total of the money which is to be expended in 1935-36 for the Manchurian trouble thus reaches ¥184,300,000, an increase of ¥25,000,000 over the previous year. This increase is chiefly due to the need of strengthening aerial forces. As for the outlay for the improvement of naval and military armaments, it totals ¥366,300,000, of which ¥228,400,000 is the amount already anticipated in the 1934-35 budget. The new demand which amounts to ¥137,800,000 is itemized as follows: ¥16,200,000 in the ordinary section and ¥20,000,000 in the extraordinary section both under the Department of War and ¥7,800,000 in the ordinary section and ¥93,700,000 in the extraordinary section both under the Department of Marine.

As regards the disbursements required to meet the emergent need arising out of the flood, typhoon and other calamities that occurred in various parts of the country in 1934 ¥66,100,000 is appropriated as a portion to be required in the fiscal year 1935-36. As for the outlays due to the changed exchange rates appropriation has been made for ¥74,500,000 in the general account and ¥12,300,000 in the special accounts making a total of ¥86,800,000.

Temporary profit tax. Under the present circumstances certain industries are realizing increased profits, and it was decided to impose a tem-

porary profit tax upon a part of their profits, the estimated revenue from this tax for 1935-36 is ¥30,000,000.

As regards the deficit in revenue for the fiscal year under review, it will be covered by loans. Bonds providing revenue for the General Account are ¥7,400,000 in the form of the earthquake disasters reconstruction loan, ¥5,500,000 in the name of the road construction loan, ¥170,700,000 in the name of the Manchurian incident loan and ¥565,800,000 for the revenue deficit, that is, ¥749,600,000 in the aggregate; for the Special Accounts, ¥24,000,000 for the Chosen Government-General, ¥38,000,000 for the State Railways and ¥14,500,000 for the communication works, i.e. a total of ¥76,500,000. The new floatation will, therefore, reach ¥826,100,000, a decrease of ¥150,900,000 as compared with the last fiscal year.

Bonds issued since 1932 are already colossal in amount, but so far results have been successful, most of them having been well consumed, evil effects have been averted, and new bonds may meet the same speedy digestion.

BUDGET FOR 1935-1936

(in yen)

ORDINARY REVENUE

I Taxes	Total	823,741,889
Income tax		195,888,036
Land tax		57,922,397
Business profit tax		50,499,989
Capital interest tax		14,903,819
Inheritance tax		23,983,788
Mining tax		3,903,194
Tax on liquors		212,562,359
Tax on soft drinks		3,537,498
Sugar excise		78,029,335
Consumption tax on textile fabrics		33,467,822
Tax on bourses		16,526,126
Customs duties		129,955,969
Tonnage dues		2,511,607
II Stamp receipts		82,205,016

III Receipts from public undertakings and state property	
Total	276,410,031
Forests	41,074,606
Monopoly Bureau	195,711,493
Printing Bureau	2,084,587
Senju Woollen Factory	5,420
Capital profit of Navy Factories	1,240,000
Profit of Navy Fuel Factory	850,000
Rent of State property	555,089
Dividend receipts	26,540,118
Prisons' receipts	8,848,710
IV From special account for communications	78,000,000
V From the Bank of Japan	25,864,568
VI Miscellaneous receipts	58,634,521
Certificates and fees	566,073
Penal fees and confiscated money	1,928,100
Indemnification and forfeit	412,395
Custom houses, miscellaneous	1,211,589
Receipts according to the Pension Regulations	2,780,319
Allotments according to the Pension Regulations	1,571,838
Charges according to the Pension Regulations for Special Accounts	20,982,485
Receipts from privately supported boys in the Military Preparatory School	87,000
Local receipts from Bonin Islands	1,288
Interests	143,465
Other miscellaneous receipts	8,999,009
VII Transferred from Special Account of Funds for Educational Improvement and Agrarian Development	6,231,819
Total	1,335,587,844

EXTRAORDINARY REVENUE

I Proceeds from the sale of State property	Total	10,599,886
Proceeds from the sales of lands		21,815
Proceeds from the sales of goods		4,181,041
Proceeds from the sales of livestock		237,080
Proceeds from the sales of Government owned silk		6,160,000
II Miscellaneous receipts	Total	22,075,561
Receipts from building and repairing works in trust		745,129
Receipts from investigations in trust		108,578
Money paid back		755,621
Share of the sale of fur-seal fur		62,183
Repayments of advances per the earthquake note settlement law		12,301,920
Reimbursement of advances for the reconstruction works clearance fund		65,633

Repayments of the earthquake advances	2,442,224
Contributions for national loans reimbursement fund	10,000
Receipts by treasury notes from the Kosaï R. W.	1,530,000
Receipts from the South Manchuria Railway Co.	1,460,733
Receipts from the Oriental Development Co.	92,829
Receipts from the Nippon Iron Foundry	1,263,356
Amounts received from the Special Fund for cultural work for China	1,000,000
Balance of running expenses for the League of Nations' office	237,255
III Payments by public bodies for repairing and construction of harbors	5,262,557
IV Shares assumed by public bodies for local public works	Total 8,496,892
For river-improvement works	5,490,484
For harbour equipments	609,908
For road-improvement works	1,516,500
For public works in agricultural communities as well as for urgent purposes	880,000
V Receipts for encouragement of scholarly researches	Total 80,000
Imperial donation	12,000
Contributions	18,000
VI Transferred from Special Accounts	Total 10,124,282
From Special Account of fund for the adjustment of State property	5,629,267
From Special Account of the Monopoly Bureau	524,134
From Special Account of the Mint	131,053
From Special Account for Deposit Bureau, Finance Department	100,000
From Special Account for Printing Bureau	50,000
From Special Account of Senju Woollen Factory	83,760
From Special Account of fund for schools and libraries	50,000
From Special Account of Communication works	2,429,448
From Special Account of Post Office Life Insurance	1,146,620
VII Payment by insurance companies	3,520,788
VIII Receipts under the Export Credits Guarantee System	796,000
IX Receipts from Manchoukuo for defence expenditures	9,873,000
X Extraordinary profit tax	30,395,799
XI Receipts from the issue of public loans	Total 749,651,580

Earthquake loans and temporary loans from Special Accounts	7,454,339
Road loans and temporary loans from Special Accounts	5,574,943
Manchurian incident loans and temporary loans from Special Accounts	170,754,797
Revenue deficiency loans and temporary loans from Special Accounts	565,867,601
XII Forwarded from the surplus of previous year	7,000,000
Total	857,826,445
Grand Total of Revenue	2,193,414,289

ORDINARY EXPENDITURE

Imperial Household:	4,500,000
Department of Foreign Affairs	
I Department proper	Total 3,243,410
Salaries	498,925
Office expenses	628,720
Salaries of foreigners	45,000
Telegrams	312,313
Entertainments	2,000
International allotments	24,176
Contributions for various organs of the League of Nations	160,614
Expenses of resident students abroad	69,788
For secret services	1,501,374
II Offices in foreign countries	Total 12,236,142
Salaries	5,476,766
Office expenses	2,643,568
Travelling expenses	1,493,041
Salaries of foreigners	40,849
Law court and registering expenses	41,376
Detention expenses	137,119
House and land rent	1,185,449
Telegrams	890,770
Entertainments	327,204
III Protection of resident Japanese abroad	Total 1,235,190
Salaries	222,961
Office expenses	1,012,229
IV Miscellaneous expenses	115,269
Total	16,830,011
Department of Home Affairs	
I Isé shrine	230,000
II Other State shrines	771,860
III Department proper	Total 853,792
Salaries	361,300
Office expenses	451,735
International allotments	9,475
Secret expenses	31,282
IV Bureau of Social Affairs	418,035
V Imperial Office of the International Labour Organization	142,530
VI National Juvenile Correction School	45,648

VII Wounded Soldiers' Hospital	123,733
VIII Employment Bureau	186,953
IX Police Training Institute	21,837
X Hygienic Laboratory	1,047,589
XI Aliment Research Institute	60,333
XII National Leper Asylums	379,972
XIII For Qualification Examinations for Physicians and Pharmacists	28,599
XIV Prefectural Offices	Total 10,429,601
Salaries	7,101,690
Office expenses	3,069,842
Protection and Relief of the Ainu	37,858
Imperial attendance	65,540
For Bonin Islands	53,408
Police expenses in the Seven Islands of Isu	19,214
Secret expenses	82,049
XV Conscription expenses	1,619,070
XVI Military relief expenses	2,074,902
XVII Joint payment for police expenses	22,675,825
XVIII Grants to social works	Total 6,721,398
Prevention of epidemics	1,470,234
Juvenile protection	144,440
Insane hospitals	238,217
Labour exchanges	284,395
Local social works	1,689,336
Relief works	2,834,776
Prevention of parasites	10,000
Prevention of ill-treatment of children	50,000
XIX Charges to the State Treasury for health insurance	2,796,434
XX Miscellaneous expenses	115,540
Total	50,743,151

Department of Finance

I Department proper	Total 965,775
Salaries	423,539
Office expenses	510,292
International shares	1,062
Custom house investigation committee	25,882
II Cabinet expenses	Total 1,028,543
Salaries	298,557
Office expenses	499,337
Rewards	94,325
Examination for high officials	54,000
Punishment of officials	1,570
Official service limitation committee	3,186
Contribution to international statistics association	1,000
Secret expenses	76,550
III Privy Council expenses	197,069
IV House of Peers	1,465,753
V House of Representatives	1,676,625
VI Board of Audit	478,485
VII Court of Administrative Litigation	107,191
VIII Bureau of Repairing and Property Overseeing	92,095

IX Custom-houses	4,653,720	Investigation and preservation of important historical places and natural monuments	39,802
X Tax collecting expenses in Japan proper	Total 16,309,852	Adult education	98,784
Salaries	5,665,300	II Meteorological observatories	734,835
Office expenses	3,177,866	III Latitude observatory	45,410
Committee meetings	213,199	IV Common education	90,497,047
Disposing expenses	282,294	National share of elementary school teachers' salaries	95,000,000
Stamps, etc.	56,607	Aid to elementary education expenses	1,950,000
Aid to local public bodies	6,008,328	Aid to normal school education	2,300,000
Aid to textile associations	365,266	Salaries of elementary school teachers called to military service	395,817
Aid to saké brewers' associations	450,992	Committee for qualification of special municipalities, towns and villages	3,352
XI Miscellaneous rebates, repayments and compensations	11,739,588	Miscellaneous expenses	347,878
XII Transferred to the national debt adjustment fund	889,228,175	Encouragement of school attendance	500,000
XIII Payment to Special Account of Deposit Bureau of the Department	2,500,000	V Business education	658,388
XIV Miscellaneous expenses	426,726	VI Social education	2,143,832
XV State Reserve Fund	14,000,000	VII Thought guidance	279,586
Total	444,870,197	VIII Deaf and dumb education	159,614
Department of War		IX Aid to additional salaries of public school teachers for long service	1,218,320
Total	179,503,775	X Aid to pension fund of private middle schools	129,600
(for details see Chapter VII.)		XI Disbursements for universities and libraries	Total 31,332,316
Department of Marine		Imperial universities	12,634,919
Total	215,917,830	Government universities	6,182,141
(for details see Chapter VII.)		Schools and Libraries	12,515,256
Department of Justice		X Miscellaneous expenses	3,955
I Department proper	Total 521,464	Total	129,587,975
Salaries	219,215	Department of Agriculture and Forestry	
Office expenses	178,555	I Department proper	Total 1,502,413
International allotments	4,161	Salaries	434,293
Aid to protection work of ex-convicts	83,575	Office expenses	389,172
Judicial investigations	31,268	International allotments	29,798
Aid to the Prison Police Training Institute	9,690	Supervision of fisheries	858,070
II Court expenses	Total 19,069,075	Castration of horses	167,625
Salaries	11,520,470	Encouragement of improvement and increase of horses	96,248
Office expenses	4,994,251	Inspection of stud-horses	27,207
Judicial and registering expenses	2,159,839	II Forestry expenses	21,474,773
Adjudication expenses	241,253	Salaries	2,199,455
Detention	72,608	Office expenses	1,164,436
Secret expenses	80,654	Enterprises	18,110,882
III Prison expenses	Total 16,232,944	III Experimental stations	1,596,693
Salaries	604,178	IV Raw Silk Conditioning Houses	1,666,071
Office expenses	6,277,384	V Stud and pasture	1,916,029
Detention expenses	9,851,882	VI Fisheries Institute	455,505
IV Miscellaneous expenses	61,074	VII Subsidies	Total 1,772,850
Total	35,884,557	To agricultural associations	122,744
Department of Education		To experiments and lecture meetings	25,496
I Department proper	Total 2,390,072	To the creation and maintenance of landed farmers	1,215,083
Salaries	399,786	To fishery associations	20,564
Office expenses	563,911		
Scientific investigations	353,226		
Physical investigations	115,446		
Protection of national treasures	190,000		
International allotments	29,859		
Expenses of investigators despatched abroad	594,485		
Council of Aeronautics meetings	4,823		

To prevention of silk-worm diseases	83,233	III Establishment of a new legation	103,000
To the local expenses for taking statistics	304,580	IV Subsidies to educational bodies	566,920
VIII Miscellaneous expenses	209,006	V Protection and overseeing of resident Japanese abroad	1,447,915
Total	30,593,340	VI Disbursements for various committees of the League of Nations	215,000
Department of Commerce and Industry		VII Protection of emigrants	430,000
I Department proper	Total 1,597,215	VIII Measures for the development of foreign trade	120,000
Salaries	617,505	IX International cultural enterprises	1,000,000
Office expenses	697,167	X Manchurian incident	3,656,472
International allotments	16,878	XI Extraordinary diplomatic works	1,520,000
Investigation committee of dumping	3,052	XII Investigation on resident Japanese abroad	35,000
Weights and measures	210,294	XIII Relief expenses	510,000
Geological investigation	52,819	XIV Extraordinary increase of salaries	2,914,500
II Patent Bureau	805,774	Total	12,821,582
III Mine Supervision Bureau	546,491	Department of Home Affairs	
IV Experiment Stations and Research Institutes	1,442,628	I Subsidies to local public bodies for water-works, river improvement, port construction, public works, etc.	10,205,421
V Direction Stations and Inspection Stations	908,715	II River improvement works	16,236,052
VI Subsidy for local investigations of commercial and industrial statistics	164,515	III Harbor improvements	7,690,557
VII Miscellaneous expenses	22,926	IV Road improvements	5,333,833
Total	5,488,264	V Promotion of farm-villages	14,447,610
Department of Communications		VI Aid for the improvement of smaller rivers	4,443,199
I Department proper	Total 1,055,874	VII Aid for improvement of smaller harbours	1,541,400
Salaries	455,653	VIII Investigation on public works	58,504
Office expenses	593,339	IX Investigation on city plans	38,004
Aid to the international navigation conference	2,000	X Subsidies for public road improvements and city plans	300,000
International allotments	4,882	XI Improvements in Hokkaido	23,490,000
II Communication expenses	1,250,404	XII Buildings and repairs	174,527
III Electro-technical Laboratory	411,292	XIII Isé Shrine Construction Office	35,184
IV Lighthouse Bureau	1,107,309	XIV Investigations on works relating to the Isé Shrine	9,000
V Annuity and Pension	Total 173,026,692	XV Extraordinary expenses for shrines	849,000
Annuities	12,065,899	XVI Training of Shinto priests and the investigation on shrines	11,066
Pensions	160,961,293	XVII Investigation of shrine system	15,403
VI Miscellaneous expenses	44,525	XVIII Special Institutions for police	1,352,939
Total	176,896,096	XIX Supervision of election	670,000
Department of Overseas Affairs		XX General election	1,024,830
I Department proper	Total 709,305	XXI Prevention of epidemics	1,360,429
Salaries	294,285	XXII Investigation and encouragement of sanitary works	422,452
Office expenses	368,560	XXIII National parks	84,389
Secret expenses	46,550	XXIV Medical treatment relief fund	1,800,000
II Transferred to Special Account of Karafuto Government from the profits of tobacco monopoly	1,232,966		
III Miscellaneous expenses	5,284		
Total	1,967,645		
Grand Total of Ordinary Expenditure	1,293,082,841		
EXTRAORDINARY EXPENDITURE			
Department of Foreign Affairs			
I Building expenses	252,028		
II Expenses for removal of legations	50,747		

XXV Promotion of public welfare of Loochoo Islands	399,878	Aid to the rehabilitation public works in Kyoto Prefecture	200,000
XXVI Promotion of public welfare of Oshima Island, Kagoshima	96,000	Aid to the rehabilitation public works in Hyogo Prefecture	1,315,500
XXVII Promotion of fisheries at Bonin Islands and Seven Islands of Izu	31,897	Aid to the rehabilitation public works in Niigata Prefecture	200,000
XXVIII Sand banks at Kamitaujima	7,196	Aid to the rehabilitation public works in Nagano Prefecture	868,100
XXIX Supervision of land cultivation	107,422	Aid to the rehabilitation public works in Akita Prefecture	200,000
XXX Investigation on local institution and finance	15,330	Aid to the rehabilitation public works in Ishikawa Prefecture	200,000
XXXI Investigation on the prevention of snow damages	18,000	Aid to the rehabilitation public works in Toyama Prefecture	557,500
XXXII Investigation on colonization works in Hokkaido	10,000	Aid to the rehabilitation public works in Tottori Prefecture	2,792,600
XXXIII Investigation and encouragement of social works	207,850	Aid to the rehabilitation public works in Shimané Prefecture	400,000
XXXIV Encouragement of public granaries	771,400	Aid to the rehabilitation public works in Okayama Prefecture	2,145,800
XXXV Improvements of local districts	554,484	Aid to other rehabilitation public works	874,580
XXXVI Investigation and encouragement of prevention of factory and mine disasters and hygienic equipments	32,729	Aid to sanitary measures and flood and typhoon disaster rehabilitation works	60,442
XXXVII Unemployment relief committee	18,000	Miscellaneous expenses for flood and typhoon disasters	94,000
XXXVIII Official expenses for housing associations	13,981	Total	110,641,536
XXXIX Emergency expenses for unemployment	3,443,604	Department of Finance	
XL Urgent measures for local improvements	680,000	I Buildings and repairs	11,180,692
XLI Promotion of farmer-resuscitation movement	50,000	II Miscellaneous investigations	739,710
XLII Travelling expenses of delegates to the International Labor Conference	215,531	III Covering deficits of running expenses of the Special Accounts	1,947,412
XLIII Clearances of residual matters of the Reconstruction Works	51,350	IV Library of the Cabinet	8,205
XLIV Aid to the Reconstruction Works	800,000	V Readjustment of State property	427,819
XLV Earthquake Rehabilitation Works	105,000	VI Compensation of principal and interest of the 4% Chinese loan	3,845,616
XLVI Enforcement of the Building Law in the cities affected by the Earthquake	61,415	VII Extraordinary expenses of the Board of Audit	59,003
XLVII Earthquake rehabilitation works in the districts of Izu and Sagami	70,000	VIII Earthquake reconstruction works	1,297,220
XLVIII Aid to the sand-bank works in the Sanriku districts	118,685	IX Extraordinary examination of lawyers	5,988
XLIX Rehabilitation works of the Hakodate fire disasters	1,049,935	X Remaking of the list of decoration holders	11,327
L Special increases of salaries	63,728	XI Compiling of the financial history of the Meiji and Taisho Eras	20,102
LI Expenses for disasters in 1934		XII Aid to advances to shipbuilding works by the Industrial Bank of Japan and other banks	185,290
Total	10,058,022	XIII Clerical work concerning reparations	149,072
Travelling expenses for the investigation of suffering prefectures	150,000	XIV Residues of bonds given to lords instead of their feuds	505
		XV Urgent expenses for the unification and utilization plans of natural resources	170,705
		XVI Special increase of salaries	49,172
		XVII Extraordinary financial and economic adjustment expenses	125,179

XVIII Control of foreign exchanges	103,753	XIV Extraordinary measures for the preservation of historical places	27,847
XIX Extraordinary supervision of custom houses	67,236	XV Control and investigation of important art products	19,200
XX Rewards in connection with Manchurian incident	786,602	XVI Extraordinary measures for elementary school education	9,837,693
XXI Extraordinary adjustment of slided lands	35,554	XVII Extraordinary measures for the training of young men	400,000
XXII Control of the exports of cotton fabrics	10,899	XVIII Extraordinary measures for the thought guidance	47,000
XXIII Collection of extraordinary profit tax	682,063	XIX Improvement of the meteorological stations	300,000
XXIV 1934 disaster rehabilitation works	1,604,709	XX Rehabilitation works of the Central Meteorological Observatory and branch observatory at Osaka, etc.	174,422
XXV Treasury reserves	5,000,000	XXI Preservation of national treasures at places affected by typhoon and flood disasters in 1934	279,101
Total	28,513,903	XXII Preservation of famous places and natural monuments in disaster districts	29,187
Department of War: Total	313,155,204	XXIII Aid for the reconstruction of public elementary school buildings destroyed by the typhoon in 1934	123,667
Department of Marine: Total	313,765,604	XXIV Special allowances to students abroad	502,564
		Total	18,630,908
		Department of Agriculture and Forestry	
		I Subsidies for agricultural and fishery enterprises	19,601,810
		II Promotion of farm-villages	3,293,644
		II Investigations and researches	858,890
		IV Buildings and repairs	1,246,215
		V Prevention of live-stock plagues and noxious insects	991,053
		VI River improvement enterprises	2,000,000
		VII Public forestry enterprises	2,049,415
		VIII Encouragement of private forestry works	986,638
		IX Protection of fur-seals	180,295
		X Fishery registration	7,000
		XI Adjustment of coastal fishery grounds	34,662
		XII Control of fisheries in foreign seas	40,706
		XIII Enforcement of the Russo-Japanese Fishery Treaty	49,846
		XIV Preparation for the revision of the Russo-Japanese Fishery Treaty	40,000
		XV Inspection of Tsingtao meat	37,525
		XVI Superintending of game preserves	17,723
		XVII Transfer to the Special Account for cattle reinsurance	60,841
		XVIII Economic recovery of farm-villages	2,106,307

Department of Justice	
I Investigations on laws	28,010
II Buildings and repairs	557,869
III Earthquake reconstruction works	43,019
IV Extraordinary earthquake official works	46,725
V Special measures for the prevention of thought-crimes	165,890
VI Officiating debt arbitration cases	798,058
VII Extraordinary prison expenses	326,459
VIII Flood and typhoon disasters	117,558
IX Judicial system investigation committee	10,000
X Inspection of national and local elections	183,231
Total	2,296,120

Department of Education	
I Buildings and repairs	344,385
II Establishment and enlargement of higher schools	308,123
III Editing of a history of the Meiji Restoration	68,100
IV Special Institutes for the Training of Teachers	8,874
V Training of meteorologists	21,084
VI Investigations	124,585
VII Special lectures	199,680
VIII Travelling expenses of delegates to international scientific conferences	32,600
IX Subsidies to various educational and cultural works	1,266,310
X Earthquake rehabilitation works	2,221,640
XI Extraordinary disbursements for university and school libraries	1,967,305
XII Social educational measures	190,000
XIII Preservation of national treasures	138,041

XIX Irrigation and drainage works	84,000	VIII Establishmet of aerial routes	344,563
XX Disaster rehabilitation works	25,309,384	IX Installation of machines and machinery	169,000
XXI Aid to works for restitution of industries and others in the districts damaged by disasters	672,687	X Travelling expenses of delegates to the International Committee on Electricity and Light Observation	7,644
XXII Industrial encouragement of Loochoo Islands	776,076	XI Special increase of salaries	1,125
XXIII Industrial encouragement of Oshima, Kagoshima	845,000	XII Repairs of Muroto Light House, etc.	14,462
XXIV Prevention of tidal-wave disasters at Sanriku districts	106,353	XIII Repair of light-houses, etc., damaged by the typhoon in 1934	13,540
XXV Special increase of salaries	22,673	Total	12,987,676
Total	60,919,353		

Department of Commerce and Industry

I Subsidies for the encouragement of industries	3,301,177
II Promotion of industrial arts production	175,194
III Promotion of foreign trade	1,434,407
IV Control of foreign trade	85,190
V For the self-supplying of liquid fuel	1,931,025
VI Promotion, guidance and unification of medium and small-scaled industries	86,767
VII Investigations and experiments	287,358
VIII Buildings and repairs	181,576
IX Extraordinary outlays for Mine maps and Patent Bureau materials	54,223
X Enforcement of the new weights and measures law	10,247
XI Examinations and dispositions at the Patent Bureau	204,576
XII Industrial development works in Loochoo Islands	7,720
XIII Industrial development at Oshima, Kagoshima	14,884
XIV Extraordinary expenses of the Industrial Rationalization Bureau	220,156
XV Expenses for the iron industry valuation committee	7,000
XVI Residual works of the Iron Foundry	5,000
XVII Travelling expenses of delegates to the International Weights and Measures Conference	8,000
Total	7,967,500

Department of Communications

I Subsidies and encouragements	12,057,424
II Light houses	208,125
III Buildings and repairs	31,510
IV Investigation on shipbuilding iron materials	36,779
V Special researches at the Electro-technical Laboratory	22,791
VI Improvement of ships	47,469
VII Inspection of ships, etc.	33,245

Department of Overseas Affairs

I Training institute of emigrants	148,943
II Subsidies for encouragement and protection of emigration and colonization works	4,964,079
III Emigration to Manchuria	484,526
IV Subsidies to the Cotton Association and the Sheep-raising Association	200,000
V Replenishment to the Special Account of the Chosen Government-General	12,825,822
VI Special increase of salaries	8,692
Total	18,632,062
Total of Extraordinary Expenditure	900,331,443
Grand Total of State Expenditure	2,193,414,229

CONTINUATION EXPENDITURE

In Extraordinary Expenditure is included a number of items derived from Continuation Expenditure from which sums are annually earmarked for various expenses, the budget for Continuation Expenditure being spread over a period of years. The following are items with their total and the 1935-36 allotments.

Changes in totals as compared with the totals given in the Japan Year Book, 1934, p. 268 have resulted from additions or discounts according to decisions in the Extraordinary Session of the Diet in November, 1934, and the 1935 Ordinary Session.

Department of Home Affairs

(II) River improvements	
Total amount	¥667,780,482
The amount already expended 1935-36	515,211,189
	16,236,052
(XI) Land improvement in Hokkaido	
Total amount	47,494,774
1935-36	2,554,923
River improvements in Hokkaido	
Total amount	75,725,777
1935-36	3,259,030
Repairs of harbours in Hokkaido	
Total amount	92,400,648
1935-36	2,382,761

Department of Finance		(XVI) Recomposing of air units and others	
(VIII) Earthquake reconstruction works and new buildings		Total	66,960,715
Total	92,380,771	1935-36	16,176,779
1935-36	1,297,220		
Department of War		Department of Education	
(II) Replenishment of national defence		(X) Earthquake Reconstruction works; the Tokyo Imperial University building and other buildings	
Total	876,666,454	Total	72,600,836
1935-36	116,196,559	1935-36	2,221,640

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Account	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	8,699,705	2,957,466
Home Affairs	Health Insurance	28,295,924	128,295,924
"	Labour Accident Legal Insurance	2,710,231	2,710,231
Finance	Mint Bureau	13,219,187	8,936,376
"	Mint Bureau, Fund Section	9,438,747	21,595,609
"	Printing Bureau	9,198,331	7,113,744
"	Monopoly Bureau	373,380,735	181,371,977
"	(Transfer to General Account)		524,134
"	Deposits Bureau	174,813,288	124,134,183
"	(Transfer to other accounts)		10,039,000
"	Educational Fund	22,380	—
"	National Debt Readjustment Fund	4,281,659,668	4,281,659,668
"	National Loans	826,151,080	826,151,680
"		(Transfer to other accounts)	
"	State Property Readjustment Fund	5,629,495	5,629,267
"		(Transfer to General Account)	
"	Educational Improvement and Farm-villages Economic Development Funds	5,308,436	6,231,819
"	Kwantung Bureau	24,738,165	24,738,165
War	Arsenal	120,789,258	120,789,258
"	Senju Woollen Factory	6,098,225	6,092,805
Marine	Navy-arsenal	90,344,099	89,560,003
"	Powder-mill	8,246,733	8,246,733
"	Fuel House	24,791,413	24,441,413
Education	Imperial Universities (6 in number)	28,552,765	28,552,765
"	Imperial Universities Endowment Funds	2,018,092	4,477,342
"	Government Colleges	12,398,398	12,398,398
"	Government Colleges Endowment Funds	497,783	1,235,449
"	Schools and libraries	17,377,954	17,377,954
"	Schools and Libraries Endowment Funds	383,695	1,281,142
Agriculture and Forestry	Rice trade control	282,733,651	282,733,651
"	Cattle re-insurance	467,773	467,773
Communications	Communication business, funds	51,368,320	51,368,320
"	Communication business, necessities	43,033,007	43,033,007
"	Communication business, business operations	296,010,162	274,509,750
"	(Transfer to General Account)		78,000,000
"	Post Office Life Insurance	250,517,178	147,840,562
"	" " Annuity	15,629,125	6,271,125
Railways	State railways, capital account	141,287,532	161,111,532
"	" " , necessities a/c	204,723,000	204,723,000
"	" " , earnings a/c	749,159,887	647,872,355
Overseas Affairs	Chosen Government-General	288,348,664	288,348,664
"	Chosen railways, necessities	20,335,460	20,335,460

PUBLIC FINANCE

Ministry	Special Account	Revenue	Expenditure
Overseas Affairs	Chosen Post Office Life Insurance	7,801,736	4,531,871
"	Taiwan Government-General	118,980,495	118,980,495
"	Taiwan Government Railways, equipment funds	6,600,000	6,600,000
"	Karafuto Government	28,536,753	28,536,753
"	South Seas Government	5,977,696	5,977,696

Note: The Kwantung Government was abolished, and the account was transferred to the Kwantung Bureau, Finance Department in March, 1935.

CONTINUATION EXPENDITURES IN SPECIAL ACCOUNTS

Ministry	Item	Total Amount	1935-36 Amount
Communications	Telephone and telegraphic equipments	600,176,985	39,558,460
"	New post office buildings	5,387,687	1,407,219
Railways	Construction and improvement of railways and opening of bus lines	3,936,788,726	139,308,000
Overseas Affairs	Chosen Government-General:		
	Repairs and improvements of roads	50,619,840	1,833,000
	Repairs and improvements of harbours and bays	14,000,000	1,500,000
	Construction and improvement of railways	538,692,412	24,000,000
	Construction of salt fields	3,340,000	1,180,000
	Taiwan Government-General		
	Harbours and bays	85,563,703	3,162,509
	River improvements	28,065,438	3,303,889
	Repairs of main railway lines	13,523,329	1,037,318
	Opening of the Medical College, Taihoku		
	Imperial University	2,053,252	5,13,313

SUPPLEMENTARY BUDGETS,
1934-35 and 1935-36

General account	(In yen)	Home Affairs	38,950,182
Extraordinary revenue (from loans, etc.)	71,002,513	Finance	932,534
Ordinary expenditure		War	3,500,000
Ministry of Finance	114,337	Marine	555,000
Extraordinary expenditure		Justice	262,442
Ministry of Foreign Affairs	187,536	Education	2,068,489
		Agriculture and Forestry	24,023,582
		Commerce and Industry	251,670
		Communications	96,741
		Total	70,888,176
		Grand total of ordinary and extraordinary expenditures	71,002,513

Second Supplementary Budget 1934-35
(Published on March 14, 1935)

General Account	Item	Amount in yen
	Ordinary revenue	1,285,200
	Government business undertaking Section	
	Extraordinary revenue	8,960,425
	Balance transferred from the previous year	10,245,625
	Total revenue	
Ordinary Expenditure		423,829
Foreign Affairs	Telephone charges and salaries	1,829,187
Home Affairs	Conscription, military relief and police expenses	1,503,270
Finance	Parliamental office and various disbursements	382,325
War	Military expenses	572,339
Marine	Military expenses	1,394,633
Justice	Trial registration, and detention	1,411,994
Communications	Annuity and pension payments	7,517,577
	Total	

SUPPLEMENTARY BUDGETS

Item	Amount in yen
Extraordinary Expenditure	
Foreign Affairs	Disbursements in connection with Manchu Emperor's visit
Home Affairs	Disaster investigating travelling expenses, and disbursements in connection with the escort to Manchu Emperor and by-election of members of the House of Representatives
	134,000
Finance	Disbursements in connection with Manchu Emperor's visit
War	Imperial grants in recognition of merits and temporary increments in the allowances and salaries
	9,745
	87,809
Marine	Imperial grants in recognition of merits and temporary increments in the allowances and salaries
	65,512
Agriculture & Forestry	Prevention of cattle plagues and insects
Communications	Amount transferred to the Special Account of communications works
	108,915
	2,307,067
	Total
	2,728,048
	Total expenditure
	10,245,625

Special Account

Home Affairs		
Health Insurance		
Revenue premiums		2,914,755
Expenditure		2,768,235
Finance		
Kwantung Bureau	Revenue, Surplus of previous year,	168,484
Ordinary expenditure	Communication outlays	83,223
Extraordinary expenditure	Escorting the Manchu Emperor	85,261
Overseas Affairs		
Chosen Government-General		
Revenue	Revenues from governmental business undertakings and public property	15,305,676
Ordinary expenditure	Prison, monopoly bureau and railway outlays	11,254,961
Extraordinary expenditure	Subsidies and encouragements, relief measures, and escorting the Manchu Emperor	400,905
	Total expenditure	11,655,866
Chosen railway necessities funds		
Revenue	Revenue from necessities	428,284
Expenditure	Outlays for necessities	428,284
Taiwan Government-General		
Revenue	Revenues from Government business undertakings and Government property	2,094,781
Ordinary expenditure	Communications Bureau and Monopoly Bureau	1,305,253

First Supplementary Budget, 1935-36

(Published on March 27, 1935)

General Account		
Revenue	From deficit loans	551,668
Ordinary Expenditure		
Finance	Transfer to the national debt readjustment fund	7,482
Extraordinary Expenditure		
Foreign Affairs	Outlays in connection with the visit of Manchu Emperor	27,000
Home Affairs	" " " "	368,851

Ministry	Item	Amount in yen
Finance	Outlays in connection with the visit of Manchu Emperor	48,335
Marine	" " " "	100,000
	Total	544,186
	Grand Total of expenditure	551,668
Special Accounts		
Finance		
Revenue	Receipt to the National Debt Readjustment Fund	7,482
Expenditure	Disbursement from the National Debt Readjustment Fund	7,482
Loan		551,668
Revenue		
Expenditure	Transfer to the General Account	551,668
Kwantung Bureau		
Revenue (Extraordinary)	Transfer from the surplus of the previous year	90,022
Expenditure (Extraordinary)	Outlays in connection with the visit of Manchu Emperor	90,022
Overseas Affairs		
Chosen Government-General		
Revenue (Extraordinary)	Surplus of the previous year	23,000
Expenditure (Extraordinary)	Outlays in connection with the visit of Manchu Emperor	23,000
Second Supplementary Budget, 1935-36 (March 29, 1935)		
Extraordinary revenue	(In yen)	290,894
Loans	21,447,852	
Ordinary expenditure		
Ministry of Home Affairs	3,166	
Finance	15,627,894	
Justice	28,168	
Education	898,045	
Agriculture and Forestry	648,189	
Communications	1,010	
Overseas Affairs	5,734	
Total of ordinary expenditure	17,212,205	
Extraordinary expenditure		
Home Affairs	1,848,275	
Finance	93,073	
Justice	186,562	
Education	707,948	
Agriculture and Forestry	1,313,200	
Commerce and Industry	8,000	
Communications	78,589	
Total of extraordinary expenditure	4,235,647	
Grand total of ordinary and extraordinary expenditures	21,447,852	
Special Accounts		
Finance		
National Loan Adjustment Fund		290,894
Revenue		290,894

A General Survey of the Budget, 1935-36

In the budget for the fiscal year, 1935-36, two items attract at-

attention. The one is the appropriation of a large sum for replenishment of defence work and for the readjustment services of the Manchurian incident. The other is the charge

for relief of disasters caused by the flood and typhoon, the unseasonable cold or the dry weather. Together with these a third factor is to be noticed. It is the indication that the revenues from taxes is falling, although certain industries are realizing enormous profits on account of the international situation.

The features of the 1935-36 budget may be summarized as follows:

1. Creation of the extraordinary profit tax.
2. Confinement of disbursements for the improvement of armaments to the most urgent need.
3. Cut in the outlays under the item Manchurian Incident and an increase in the outlays for air corps and other military undertakings in Manchoukuo.

4. Appropriations for the disaster-relief works.

5. Appropriations for river and harbour improvements and other public works.

6. Reduction as far as possible of appropriations for new items other than unavoidable and inevitable outlays due to the decline in the exchange value of the yen for the reimbursement of principals of loans and the payment of interest thereon.

7. Covering of revenue deficits by means of loans.

The total budget for the fiscal year, 1935-36, is as follows (in yen):

	Revenue	Expenditure
Ordinary	1,335,587,844	1,293,082,841
Extraordinary	857,826,445	900,331,448
Total	2,193,414,289	2,193,414,289

THE BUDGET FOR 1935-36, COMPARED WITH THAT FOR 1934-35

Division	(In yen)		Comparison	
	1935-36	1934-35	In.	De.
Revenue				
Ordinary	1,335,587,844	1,248,543,502	87,044,342	—
Extraordinary	857,826,445	964,987,090	—	107,160,645
Normal receipts	101,174,765	64,450,950	36,723,815	—
Loan receipts	749,651,680	881,108,452	—	131,456,772
Forwarded from the previous year's balance	7,000,000	19,427,688	—	12,427,688
Total	2,193,414,289	2,213,530,592	—	20,116,303
Expenditure				
Ordinary	1,293,082,841	1,247,666,571	45,416,270	—
Extraordinary	900,331,448	965,864,021	—	65,532,573
Total	2,193,414,289	2,213,530,592	—	20,116,303

Note.—Figures given under the heading, 1934-35, include supplementary budget amounts voted for in the 66th Diet convened in November, 1934.

REVENUE BUDGET FOR 1935-36 IN COMPARISON WITH REVENUE BUDGET FOR 1934-35

	1935-36		1934-35		Comparison	
					In.	De.
Ordinary revenue						
Tax	827,741,880	77,263,313	53,478,576	—		
Income tax	195,888,036	165,076,524	30,811,512	—		
Land Tax	57,922,397	58,265,471	—	843,074		
Business profit tax	50,499,989	44,225,189	6,274,800	—		
Capital interest tax	14,903,819	14,443,418	460,401	—		
Inheritance tax	28,983,738	28,781,666	202,072	—		

	1935-36	1934-35	Comparison	
			In.	De.
Ordinary revenue				
Mining tax	3,903,194	3,296,762	606,432	—
Liquor tax	212,562,359	218,571,876	—	6,009,517
Soft drinks tax	3,587,498	3,409,195	178,303	—
Sugar excise	78,029,335	74,429,432	3,599,903	—
Textiles consumption tax	33,467,822	30,669,690	2,798,132	—
Tax on bourses	16,526,126	17,492,343	—	966,217
Customs duties	129,955,969	114,273,178	15,682,791	—
Tonnage dues	2,511,607	2,228,569	183,038	—
Stamp receipts	82,205,016	73,607,645	8,597,371	—
Revenues from Government undertakings and Government property				
From forests	276,410,031	254,923,745	21,486,286	—
Earnings of the Monopoly Bureau	41,074,606	35,126,571	5,948,035	—
Dividends	195,711,493	188,155,406	7,556,087	—
Receipts in prisons	26,540,116	21,661,991	4,878,125	—
Others	8,848,710	5,771,162	3,077,548	—
Dues from Special Account of communications business	4,235,106	4,208,615	26,491	—
Payment by the Bank of Japan	78,000,000	78,000,000	—	—
Miscellaneous receipts	25,364,568	25,298,761	65,807	—
Total	38,634,521	33,405,281	5,229,240	—
Total of Ordinary Receipts	1,329,356,025	1,240,498,745	88,857,280	—
Transfer from the Special accounts of the educational improvement fund and that for the promotion of farm villages				
Total of the Ordinary Receipts	6,231,819	5,044,757	—	1,812,038
Total of the Ordinary Receipts	1,335,587,844	1,248,543,502	87,044,342	—
Extraordinary revenue				
Proceeds of sales of State property	10,599,886	5,779,357	4,820,529	—
Miscellaneous receipts	22,075,561	21,003,449	1,072,112	—
Payments from public bodies for public works	5,262,557	6,299,145	—	1,036,588
Shares of public bodies for public works	8,496,892	8,034,671	462,221	—
Receipts of donations for the encouragement of scholarly researches	30,000	147,000	—	117,000
Transfer from Special Accounts	10,124,282	9,770,540	353,742	—
Dues from insurance companies	3,520,788	3,520,788	—	—
Receipts for export compensation	796,000	796,000	—	—
Receipts of Manchoukuo's share for the joint defence work	9,873,000	—	9,873,000	—
Extraordinary profit tax	30,395,799	—	30,395,799	—
Transfer of balances of Special Accounts	—	9,100,000	—	9,100,000
Total	101,174,765	64,450,950	36,723,815	—
Loans	749,651,680	881,108,452	—	131,456,772
Balance of the previous year	7,000,000	19,427,688	—	12,427,688
Total of the Extraordinary Receipts	857,826,445	964,987,090	—	107,160,645
Grand Total of Revenue	2,193,414,280	2,213,530,592	—	20,116,303

The Extraordinary Profit Tax (Ordinance No. 37 ; March 29, 1935) While the general economic trend of the country is not yet quite entirely free from the effects of depression, certain industries are recording a substantial boom, owing evidently to the unstabilized international situation. The creation of the extraordinary profit tax was undertaken in order to make these industries pay a part of their profits. The outline of the tax follows :

(1) As regards corporations, their entire profits come under the taxation, while as regards individuals, their profits accruing from their business enumerated under Business Profit Tax, are liable to this tax.

(2) The profits liable to this tax are calculated, in case of corporations, by subtracting the average earning of the three successive business years prior to 1931 from the earning realized in the current year

and, in case of individuals, by subtracting the average earning of the three successive business years prior to 1931 from the earning realized in the current year. When there is no such average earning or the average business earning or, when it is too small in amount, calculation is done by subtracting an amount equivalent to 7 per cent. per annum of the capital (including reserve funds) in case of corporations and ¥3,000 in case of individuals.

(3) Earnings liable to this tax are limited to sums over ¥2,000 per year.

(4) In case of individuals earnings below ¥6,000 are exempt from taxation.

(5) The rate is ten-hundredths.

It is estimated that the receipts from the profit tax will be ¥30,395,799 for the current year and ¥41,099,987 for each of the following years.

DISBURSEMENTS FOR THE IMPROVEMENT OF ARMAMENTS

(in yen)

Ministry	Appropriations already provided for	New increase	Total
Finance			
Extraordinary	204,844	—	204,844
War	83,495,894	36,322,082	119,817,976
Ordinary	7,285,058	16,265,534	23,550,592
Extraordinary	75,210,836	20,056,548	96,267,384
Marine	144,789,867	101,562,507	246,343,374
Ordinary	29,186,867	7,816,574	37,003,441
Extraordinary	115,594,000	93,745,933	209,339,933
Total	228,481,605	137,884,589	366,366,194

Manchurian Incident Appropriations Appropriations under the heading of Manchurian Incident are ¥180,627,797 in all for the year 1935-36 and are constituted of the following four items: ¥3,656,472 under jurisdiction of the Foreign Ministry, ¥5,000,000 under the Finance Ministry (from the 1st Reserve Fund), ¥162,359,274 under the War Ministry and ¥9,612,051 under the

Marine Ministry.

Disaster Relief and Reconstruction Appropriations Natural disasters that struck almost all parts of the country in 1934 compelled the Government to take prompt relief and reconstruction measures for which disbursements were decided to be made in the following way: ¥70,691,259 for 1934-35, ¥66,105,116 for 1935-36 and ¥79,279,968 for

1936-37 and after, bringing up a total of ¥216,076,343. The itemization of this continuous disbursement follows (in yen):

Ministry	Total	1934-35	1935-36	1936-37 and for years following	Remarks
Home Affairs	121,712,172	38,950,182	31,945,696	50,816,294	
Aid to public works	37,379,000	20,500,000	8,879,000	8,000,000	Until 1936
River improvement	25,168,025	1,230,815	3,764,386	20,172,824	Until 1950
Aid to restituting works of the Osaka harbor	10,994,250	700,000	700,000	9,594,250	Until 1946
Urgent public works for farm-villages	27,787,610	13,340,000	14,447,610		
Encouragement for building local storages	1,636,800	865,400	771,400		
Other purposes	18,746,487	2,313,967	3,333,300	13,049,220	Until 1955
Finance	2,606,869	983,153	1,553,716	70,000	Until 1936
War	5,500,000	3,500,000	2,000,000		
Marine	555,000	555,000			
Justice	380,000	262,442	117,558		
Education	16,588,919	2,068,489	4,725,377	9,795,053	
School-buildings	8,317,044	19,000	123,667	8,174,377	Until 1952
Aid to the emergent outlays of schools in the affected districts	3,000,000		3,000,000		
Encouragement of school-attendance of children in the affected districts	935,867	549,318	386,549		
Other purposes	4,336,008	1,500,171	1,215,161	1,620,676	Until 1933
Agriculture and Forestry	68,272,180	24,023,582	25,649,977	18,598,621	
Restitution works	37,036,568	8,315,031	10,337,731	18,383,756	Until 1939
Various readjustment works in the affected districts	21,585,612	11,179,851	10,190,896	214,865	Until 1963
Various measures for cocoon-raising districts	9,650,000	4,523,700	5,121,300		
Commerce and Industry	350,000	251,670	98,330		
Communications	111,203	96,741	14,462		
Total	216,076,343	70,691,259	66,105,116	79,279,969	

Fluctuation of Exchange Appropriations Outlays necessitated by the adverse fluctuation of exchange rates of yen are: ¥3,590,741 for reduced money value of yen in exchange for foreign currencies; ¥56,904,315 for reduced money value of yen for the payment of principals and interest of loans; and ¥14,062,916 for the increase in the residential allowances and salaries and the increase in other commodity expenses

¥19,427,688
13,653,358

Balance unused of the surplus of the 1932-33 budget
Surplus to grow anew in the 1933-34 budget

Of the above amount the following is the amount already disbursed in the next year's budget or the amount

which is to be used in the present fiscal year.

Amount used as a revenue in the fiscal year 1934-35 ¥19,427,688
Amount to be used as a revenue source in the fiscal year 1935-36 7,000,000
Balance 6,653,358

This surplus of ¥6,653,358 will be used as a source of revenue for the supplementary budget of the fiscal years, 1934-35 and 1935-36.

The 1935-36 Budget and After

The View expressed by Dr. Shigeyoshi Hijikata, of the Tokyo Imperial University, in "Contemporary Japan", March, 1935, is worth reproducing

The Japanese budget, which was smaller from 1929 to 1931 owing to retrenchment and the financial and economic depression, suddenly showed an increase of more than ¥470,000,000 in 1932. While the appropriations required after the outbreak of the Manchurian Incident contributed to this sudden increase, the change in the financial policy of the Government, from retrenchment to inflation, brought about incidentally by the Manchurian outbreak, is also partly responsible.

Those who were astonished by these figures following the abrupt change from retrenchment to inflation became extremely anxious over the situation arising from necessity of balancing the budget through the issue of loans, and feared that Japan might find herself in just such a predicament as that of Germany in 1923. The situation, however, has developed comparatively quietly without having recorded any remarkable rise in the prices of commodities.

The continued increase in the budget which amounted to some ¥350,000,000 for the fiscal year 1933-34 over the figures for the previous year. While the budget for the fiscal year 1933-34 was being widely discussed, the Government authorities stated in effect that "the Manchurian incident appropriations"

would be reduced to some ¥70,000,000 in the budget for the following year. Moreover, they held out hopes that, in addition to an expected natural increase in taxes and receipts from the various Government enterprises, it would be possible to work out a plan to increase general taxes and other revenues, and that the question of seeking new resources to make good the deficits in the revenues would be solved.

However, when the time came for the compilation of the 1935-36 budget expectations of a return to normal were frustrated. The estimated expenditure aggregated more than ¥2,190,000,000, which shows an increase of some ¥48,000,000 as compared with the budget for the fiscal year 1934-35. It should be borne in mind, however, that the budget for the fiscal year 1934-35 would have amounted to over ¥2,210,000,000, if the additional relief budget had been included. Thus the budget for the fiscal year 1935-36 may be taken to show a decrease of some ¥20,000,000.

Characteristic of the budget for the fiscal year 1935-36 is the reflection of the so-called "international crisis of 1935-36" in the military expenses. The estimates of the War Ministry amount to upwards of ¥490,000,000 and those of the Navy Ministry come to some ¥530,000,000. In short, slightly over 46 per cent. of the total budget is covered by military appropriations which total upwards of ¥1,000,000,000.

In the absence of a "follow-up" to the three-year plan of relief enterprises which was initiated in the fiscal year 1931-32, the ordinary expenses of both the Department of Home Affairs and the Department

of Agriculture and Forestry were increased to a certain extent. On the other hand, decreases of ¥56,000,000 and of some ¥44,000,000 respectively, were made in the special expenses of these Departments. This is why the special expenses in the budget for the fiscal year 1935-36 show a decrease of some ¥66,000,000, as compared with those in the budget for the preceding fiscal year, while the ordinary revenues are made to defray some ¥40,000,000 of the special expenses in addition to meeting the ordinary expenses. In other words, the special revenues in the budget for the fiscal year 1934-35 were barely able to defray the special expenses, while in the budget for the fiscal year 1935-36, some ¥40,000,000 of the special expenses are to come out of the ordinary revenues. Though this is a characteristic of the present budget, no clear line of demarcation is drawn between the special and ordinary items in the Japanese budget.

A third characteristic of this budget may be found in the fact that a natural increase of some ¥87,000,000 in taxes and receipts from the various Government enterprises is calculated, while the loan issue in the ordinary accounts is reduced to ¥750,000,000, or ¥130,000,000 less than similar figures in the budget for the fiscal year 1934-35. Further, a special profits tax amounting to some ¥30,000,000 is calculated in the revenues, and a tendency, slight as it is, toward the so-called "sound finance" is manifested by the intended gradual reduction of the "budget deficit" loan issue through defraying the ordinary expenses from the ordinary revenues.

The relief budget amounting to ¥70,690,000 may be more properly regarded as a part of the budget for the fiscal year 1935-36 rather than the budget for the preceding fiscal

year in view of the relations of time. This would mean that the budget for the fiscal year 1935-36 is virtually larger in volume than the budget for the fiscal year 1934-35. Similarly, the loan issue included in the budget for the fiscal year 1934-35 as a part of the relief fund may be regarded as a part of the budget for the fiscal year 1935-36, thereby augmenting it still further.

In view of these facts, not only can we remark no tendency toward a gradual restoration of the so-called "normal finance" that existed prior to the Manchurian outbreak, but it may be observed that the budget is likely to remain near the ¥2,000,000,000 mark for some time to come.

The principal appropriations confirm the above remarks. An examination of the nature of the military expenses which head the list of appropriations in the budget for the fiscal year 1935-36 would lead to the conclusion that the decision reached in the previous fiscal year, far from being reduced, may even show some increase until the fiscal year 1937-38 in the appropriations for the construction of auxiliary vessels included in the so-called second naval replenishment programme. As regards the appropriations for the re-equipment of ships and the maintenance of armaments, a new item amounting to some ¥100,000,000 is included in the budget for the fiscal year 1935-36. This is in addition to ¥145,000,000 previously agreed upon.

No sudden decrease can be looked for in the appropriations for the War Ministry in view of the additional plan to expand and equip the air force. In compiling the budget for the fiscal year 1935-36, the new demand of the Navy Ministry was reduced from ¥300,000,000 to ¥130,000,000 and that of the War

Ministry from ¥246,000,000 to ¥207,000,000, but it is most probable that the two departments will make efforts, as opportunity arises, to obtain the amounts reduced. Likewise the Department of Home Affairs and the Department of Agriculture and Forestry, whose claims were reduced by 27 per cent. and 39 per cent. respectively, in view of the existing conditions of the rural districts, will probably seek some means or other to cover the deficits. Thus it is almost certain the ¥2,000,000,000 mark of the budget will remain pending some definite changes in the situation.

Just as any sudden increase is to be avoided, so care must be taken in pruning amounts which have already been augmented. Not only does any reduction in an enlarged budget meet with opposition from various quarters, but such action is apt to cause unwished-for repercussions. There is room for argument over the advisability of the Government's policy in starting public works in rural districts as a relief measure, but a sudden discontinuance of such works, once started, would be stubbornly opposed.

Is there, then, any sign of the budget for the fiscal year 1935-36 being likely to cause an abnormal rise in the prices of commodities and bring about difficulties in the digestion of loans? As a rule, the bankers who control the vast sums involved in loans and the people of moderate means who deposit small sums are opposed to a decrease in the purchasing power of the currency and a rise in the prices of commodities. Of late, however, Japanese banks have invested heavily in the munitions industry, while the influence of the people of moderate means is too weak to restrain inflation. Since the autumn of 1934, deposits have not continued to in-

crease, while bankers have taken up fresh loans. In view of the information that many of the leading banks of the country are in possession of national loan bonds at the rate of between 20 and 30 per cent. of the deposits and that the proportion of the national loan bonds to the negotiable papers in their possession is more than 50 per cent., it is impossible to deny the threat of a dangerous degree of inflation. There is no certainty that difficulties will not be brought about by vigorous investments in the exportation business, an abnormal rise in the prices of commodities and failure to digest national loans, if there appear signs of better business in the United States and Great Britain, etc.

I have maintained the opinion that the issue of loans should be limited to ¥400,000,000 or ¥500,000,000 at the most, against the total incomes of individuals that are estimated at some ¥10,000,000,000, calculating that, on the average about 15 per cent. of the earned incomes of the people in Japan is set aside for savings or investment. The loan issue included in the general account of the budget for the fiscal year 1935-36 alone amounts to ¥750,000,000. Including the loan issue of the special accounts of the budget and the unissued amount of the loan issue of the budget for the fiscal year 1934-35, the national loans will reach the prodigious figures of ¥1,200,000,000 or ¥1,300,000,000 at the end of the next fiscal year. This amount is too large, even if the incomes of individuals have been increased to ¥13,000,000,000 or ¥14,000,000,000.

Nevertheless, it is impossible to say with any certainty that the economic world will be disturbed by a sudden rise in the prices of commodities and difficult absorption of the national loan on account of

these issues. In the event of reluctant absorption of the national loan, in all probability the Government will not hesitate in compelling the life insurance companies and trust companies, which are considered to be able to hold more loan bonds, to subscribe to them. Such compulsion is not impossible of realization so long as consciousness of the extraordinary situation remains. It also is likely that the Government will consider means of controlling exorbitant speculation on the exchanges and curbing excessive investment in new enterprises. The present conditions show that there will be no great inflation during the fiscal year 1935-36 in spite of many predictions to the contrary.

Where lie the defects and unsound factors in the 1935-36 budget? In answering this question, we have to consider whether or not the budget is excessive when compared with the national economy. As a criterion for such consideration, a comparison is made here of the changes in the volume of the budget and the earnings of the people.

	Earnings of the People	Expenditure in the General Account	Percentage
1919	10,657,190,000	1,172,328,000	11
1920	9,436,270,000	1,359,978,000	14
1921	9,982,593,000	1,489,856,000	15
1922	10,649,559,000	1,428,466,000	13
1923	10,627,532,000	1,521,050,000	14
1924	11,495,897,000	1,625,024,000	14
1925	12,353,623,000	1,524,989,000	12
1926	12,048,510,000	1,578,826,000	13
1927	12,040,327,000	1,765,723,000	15
1928	12,424,165,000	1,818,855,000	15
1929	11,918,853,000	1,736,317,000	15
1930	10,470,500,000	1,557,864,000	15
1931	9,421,424,000	1,476,875,000	16
1932	—	1,950,141,000	—
1933	—	2,309,415,000	—
1934	—	2,213,531,000	—
1935	—	2,193,414,000	—

The figures for the earnings of the people are my own calculations

and it is a matter for regret that materials for such calculation after 1931 are still unavailable. It is understood that the earnings of the people are closely related to the incomes of individuals. The above table shows that the proportion of the expenditure in the general account to the earnings of the people increased from 11 per cent. to 16 per cent. between 1919 and 1931. Suppose that the incomes of the people have remained unchanged since 1931, the percentage of the expenditure in the general account of the budget for the fiscal year 1935-36 would be more than 20.

However, it is clear that the earnings of the people have increased to some extent, although exact figures cannot be given now. If the same proportion of the annual expenditure to the earnings of the people, as was given in the table for 1919 to 1931 has been maintained, the earnings of the people in 1935 will amount to something between ¥13,700,000,000 and ¥14,900,000,000. This means that the expenditure in the general account is between 14 and 15 per cent. of the earnings of the people, which cannot be regarded as out of proportion.

As a matter of fact, however, individual incomes are always affected by the annual expenditure of the Government, which fact renders it impossible to decide whether the annual expenditure is in excess when compared with the earnings of the people.

During the sixteen years beginning in 1919 and ending in 1935, an annual increase of some ¥63,000,000 on the average was recorded in the expenditure, which is by no means abnormal as compared with the average increase of some ¥70,000,000 that was recorded during the nine years beginning in 1919 and ending in 1928 prior to the en-

forcement of the retrenchment policy.

That the annual expenditure increased suddenly following 1932 is to be regarded as a reaction against the sudden reduction amounting to some ¥340,000,000 that was made during the three years following 1929. In days of liberalism, it is normal for the public finance to increase or decrease along with private economy. Nations, however, found that reduction of public expenditure would aggravate the depression because of the decrease in private economy caused by the post-war depression, especially the world-wide depression following 1929. Therefore, retrenchment naturally changed into inflation. It follows that the budget for the fiscal year 1935-36 cannot be characterized as excessive or unsound simply because the total expenditure amounts to upwards of ¥2,000,000,000.

The question concerns the nature rather than the figures of the budget. The military expenses, which form about 46 per cent. of the total expenditure in the general account of the budget, certainly are not a small sum, but it should be borne in mind that Japan did not participate in the European War to such an extent as other European countries. In consequence, Japan missed the early opportunity to improve her aircraft and other weapons of war when the European countries spent enormous sums. Later, Japan kept pace with the world-wide tendency towards the reduction and limitation of armaments. Then changes in the international situation made Japan feel the necessity of replenishing her armaments. This fact, which accounts for the sudden increase of military expenses, should not be overlooked.

As Shinya Uchida, now Minister of Railways, pointed out during the

sixty-fifth session of the Imperial Diet, when he was chairman of the budget committee of the House of Representatives, the appropriations required by the first and second naval replenishment programmes to make good the defects in national defence arising from the conclusion of the Washington and London naval treaties, amounted to upwards of ¥1,200,000,000, but the greater part of these appropriations accumulated after 1932. The special expenses of the Navy Ministry which amounted to ¥120,000,000 in the fiscal year 1929-30, were reduced to ¥88,000,000 in the fiscal year 1931-32 and then suddenly increased to ¥172,000,000 and to ¥288,000,000 in the two subsequent years.

After all, the military expenses in the budget, enormous as they are, have increased on account of the specific conditions as mentioned before and as such they will tend to decrease to a certain extent sooner or later. It also is to be observed that military expenses are decided by the international situation and the conditions of the relative armaments of the various countries. Since it is inevitable that each country will maintain sufficient armaments to guarantee security, the reduction of military expenses depends to a great extent upon co-operation between nations and the course of diplomacy in the future.

To leave the international side of the question, there is no gainsaying the fact that the budget has what are to be regarded as unsound factors, in that the increased expenditures benefit the heavy industries too much and the impoverished agricultural districts too little. This fact also explains the statement that the present situation is a "lame prosperity." The authorities of both the War Ministry and the Navy Ministry also are greatly concerned

in this connection and are working for wider distribution of the munitions industry, direct purchase of munitions and employment of youths from agricultural districts. Due to the nature of the industry, the direct contribution toward the prosperity of the agricultural districts is nevertheless comparatively small. What is regarded as a possible contribution by the Navy Ministry during the fiscal year 1934-35 towards remedying the situation are the enterprise fund amounting to ¥153,000,000, the cost of material amounting to ¥70,000,000. The budget for the same fiscal year also enables the War Ministry to contribute through its enterprise fund amounting to ¥119,000,000 and estimated costs of labour amounting to ¥32,500,000. But what proportion of these sums will be spent in the interests of rural districts? It is clear that the above-mentioned expenses of the Navy Ministry will benefit the heavy industrial circles directly. As for the expenses of the War Ministry, ¥22,808,000 is to be spent in the interests of the rural districts through the supply of rabbit fur, floss-silk (or silk-wadding), and horses as well as upon rice, wheat, fodder, cowhide and clothing materials. Of course, much of the money spent by the heavy industries profit rural districts indirectly in the form of wages. From the standpoint of maintaining the peasantry, however, subsidiary occupations of the farmers should be further encouraged. In short, greater efforts must be made in the future to harmonize military expenses and the economy of rural districts.

There are various measures that will help in the relief of rural districts, including the lowering of the costs of production, and encouragement of subsidiary occupations in addition to the promotion of export business, the munitions industry and

public works. All these measures are being employed, but it is essential to see that the farmers are able to live by farming. For the realization of this purpose, the first thing to be done is to reduce or abolish various kinds of taxes, especially local taxes, for the farmers. For this purpose the Government will have to aid the local governments concerned or increase the allowance for compulsory education. An increase in the burdens of the urban consumers also will be unavoidable. In order to have the taxes in the agricultural districts reduced or abolished while increasing the burden of the urban consumers, it is necessary to effect a fundamental reform of the taxation system. Besides doing away with the practice of struggling for larger shares in the budget on the part of the various departments of the Government, it also will be necessary to effect a sweeping reform of the administrative organs.

When all the Powers concerned have perfected respective armaments in conformity with the actual conditions in their respective territories and avoided a useless race in armaments through the conclusion of an international agreement, the military expenses in the Japanese budget will gradually decrease and be restored to normal. It will then be easier to relieve the rural districts of their difficulties by means of farming or enterprises other than the munitions industry. It is earnestly hoped that such a day will not be long in coming.

Taxes and Duties

The land tax constituted the principal and largest tax of all during the feudal days of the Tokugawa Shogunate. The revenue then came direct from the tax on the territory under direct control of the Shogun, and that of provincial feudal clans was made independent of the Cen-

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

1st period	
2nd ..	
3rd ..	
4th ..	
5th ..	
6th ..	
7th ..	
8th ..	(Jan., 1876-June, 1876)
1876	(July, 1876-June, 1876)
1877	(July, 1877-June, 1878)
1878	(July, 1878-June, 1879)

TAX REVENUE

Land tax	¥50,345,327
Customs tax	1,718,732
Mine-lot tax	7,430
Government salary tax	92,625
Hokkaido marine products tax	342,526
Saké tax	2,555,594
Tobacco	206,748
Certificate stamp tax	498,228
Legal suit tax	63,714
Ship tax	128,514
Cart tax	213,192
Hunting tax	46,920
Cattle trading tax	90,833
Weights and measurements tax	2,019
Copyright tax	5,198
Open-port tax	2,774
Looshee Chan's contribution	48,189
Capitalized pension and honours tax	2,075,118
Raw silk, stamp and other taxes	28,918
Ship anchorage tax	28,020
Total	59,194,031

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

Land tax	Customs revenue
	(In ¥1,000)
2,009,018	72,866
3,355,965	502,807
8,218,969	648,453
11,340,983	1,071,630
20,051,917	1,331,560
60,604,242	1,685,974
59,412,428	1,499,257
67,717,946	1,038,103
50,345,327	1,718,732
43,023,425	1,988,667
39,450,551	2,358,653

1 Income Tax

The Income Tax Law, first instituted in 1887 under Imperial Ordinance, imposed a tax of from 1 to 3 per cent. on persons whose income from either property or business was ¥300 or more per annum. This law was subjected to a thorough revision in 1899 and was partially altered in 1901, 1905, 1918, and 1918. In 1920 it was subjected to a general revision, and was again revised thoroughly in 1926. The fundamental points are given in the following paragraphs:

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

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

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

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

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

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

The Law is applicable only to Ja-

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

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

Class I

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

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

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

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

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

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

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

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

Class II

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

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

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

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

Class III

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Those exempted from taxation by

the Income Tax Law are as follows:

Hokkaido, fu and ken (Prefectures), cities, towns, villages, other public corporations specified by an Order, Shinto and Buddhist temples, and associations incorporated in accordance with Article 34¹ of the Civil Code are exempted from Income Tax. The public corporations specified by the Order as mentioned above are as follows:

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

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

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

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

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

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

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

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

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

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

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

Persons or corporations exempted from the Tax are:

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

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

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

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

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

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

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

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

Items exempted from the Tax are:

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

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

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

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

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

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

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

Abatement from Incomes

A. Abatement from incomes from service.

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

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

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

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

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

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

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

C. Abatement of life insurance premium.

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

Minimum Liable to Taxation

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

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

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

Tax Rates

Class I

A. Ordinary income of a Corporation.

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

B. Excess profits of a Corporation.

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

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

That portion of the income in excess of 20% and under 30% of the capital4%

That portion of the income in excess of 30% of the capital20%

C. Net assets of Corporations at liquidation or amalgamation.

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

The total of reserves and income exempted by law from the income tax5%

Others10%

D. Undivided profits of a Family Corporation.

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

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

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

Class II

A Interest on public bonds..4%

Other interest5%

B Profits on dividends.....7%

Class III

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

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

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

1st period	Between July 1 and 30 of the current year
2nd "	" October 1 " 30 " " " "
3rd "	" January 1 " 31 of the following year
4th "	" March 1 " 31 " " " "

Protests and Petitions

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

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

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

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

Time of Payment

Class I

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

Class II

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

Class III

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Land Tax

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

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

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

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

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

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

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

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

3 Business Profits Tax

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

(1) Persons liable to the Business Profits Tax.

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

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

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

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

General and Temporary Exemption

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

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

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

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

(4) Publishing under the Newspaper Law;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Extraordinary Business Profit Tax (Imperial Ordinance No. 37 issued on

March 29, 1935) See "A Survey on the Budget for 1935-36, p. 283.

4 Capital Interest Tax

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

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

Basis of Assessment

Class A

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

Class B

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

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

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

(2) Interest on Savings Bonds

or the Reconstruction Savings Certificates.

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

For the capital interest under Class A:

At the time of payment of such interest.

For the capital interest under Class B:

Semi-annually, viz., the first payment between the 1st and 31st of August and the second payment between the 1st and 30th of November.

5 Succession Tax

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

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

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

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

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

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

B When the predecessor is not

domiciled in a place where the said law is in force:

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

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

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

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

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

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

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

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

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

The tax-rates vary, in the case of succession to the headship of a family, from 0.5% to 16% and in the case of succession to property,

from 1% to 21%, according to the amount of the property and to the kind of successors.

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

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

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

(1) On donations to relatives.

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

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

(1) When a creator of a trust causes another person to possess the

right to get the benefit accruing from the trust, that right shall be deemed to have been given or bequeathed at the time of such transfer, and the new possessor shall be taxed in conformity with the provisions of the Succession Tax Law.

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

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

6 Tax on Liquors

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

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

1st kind	Dakushu containing not more than 23° of alcohol	36 yen per koku
2nd kind	Seishu and Shirozaké containing not more than 23° of alcohol	40 yen per koku
	Mirin and Shochu containing not more than 30° of alcohol	
3rd kind	Shochu containing more than 30° and not more than 45° of alcohol	1.50 yen per koku for each additional 1° over the rate for the 2nd kind, i.e., 40 yen
4th kind	Seishu, Dakushu and Shirozaké containing more than 23° of alcohol	1.80 yen per koku for each 1° of alcohol
	Mirin containing more than 30° of alcohol Shochu containing more than 45° of alcohol	

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

The number of koku of saké and

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

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

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

No tax is levied upon wine or other alcoholic liquors made from fruits of any kind.

7 Sugar Excise

Sugar excise, introduced in 1901, is imposed in respect of sugar, molasses and syrups, which are taken delivery of from manufactories, custom-house compounds, bonded warehouses, customs temporary depots and in other places where the storage of foreign goods is permitted by laws and ordinances, for the purpose of domestic consumption. The rates vary from ¥0.9 to ¥9.5 per picul according to the kinds of articles. As a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to the reduction of this tax, the former rates which were from ¥1 to ¥10 were thus reduced. These rates are effective from January 1, 1932.

8 Table Water Tax

The table water tax was established in April, 1926, and is levied on the consumption of all kinds of aerated drinks like "citron" or soda water, except those that contain less carbonic acid gas than 5/10,000 of the gross weight, or those that contain more alcohol than 1% of the gross weight. Manufacturers of aerated water are liable to pay the tax.

The rates of the tax are as follows:

Class I Tama-ramuné (Aerated water sold in bottles with round glass stoppers suitable for permanent use) ¥7 per 1 koku.

Class II Aerated water sold in bottles other than those mentioned above ¥10 per 1 koku.

Class III Aerated water sold in receptacles other than bottles 3 yen per 1 kilogramme of carbonic acid gas used.

The tax is ordinarily collected at the time of dispatch of the goods, the manufacturers furnish declarations as to quantities and the Government uses these as the basis of calculating the amount of tax payable; the tax of the preceding month is due by the end of the next month.

9 Mining Tax

The mining tax is imposed upon persons holding mining rights under the Mining Law of 1905. The rates of the tax are as follows:

I Tax on mining sets:

(a) 30 sen for each 1,000 tsubo per annum in the case of prospecting.

(b) 60 sen for each 1,000 tsubo per annum in the case of mining.

II Tax on mining products:

1 per cent. of the value of products (gold, silver, lead and iron ores are exempted from this tax).

10 Placer Tax

The placer tax is imposed upon persons engaged in recovering gold-dust. The rates of the tax are as follows:

Alluvial 30 sen per annum per cho of placer area.

Non-alluvial 30 sen per annum per 1,000 tsubo of placer area.

11 Tax on Bourses

The tax on bourses has hitherto been levied upon bourses according to the amount of transactions carried on in such bourses; but in the revised tax law which came into force in September, 1914, this tax is subdivided into the bourse business tax and bourse tax.

The bourse business tax is levied upon bourses unless they are organized as corporations, at the rate of 15 per cent. of the total sale commissions received by such bourses.

With the revision in April, 1922 of the Bourse Law, the bourse tax was revised as follows:

(1) In respect of marginal bargains carried on at a bourse the bourse tax is levied at the following rates according to the amount of the transaction:

Class I Local loans and company debentures.

A Bargains to be settled within the limit of 7 days 0.6/10,000

B Others 1/10,000

Class II Negotiable paper.

A Bargains to be settled within the limit of 7 days 1.5/10,000

B Others 2.5/10,000

Class III Merchandise 2.5/10,000

(2) Bargains cancelled are not exempt from the tax.

12 Tax on the Issue of Bank Notes

A tax has hitherto been imposed on the issue of convertible bank notes against Government bonds and other specific securities. In June, 1932, however, amendments were made in the Convertible Bank Note Regulations, whereby both the issue against the securities up to the legal

limit of ¥1,000,000,000 and the additional issue over this limit which is not to continue beyond fifteen days have been exempt from the payment of the tax during and after the second half of 1932. Instead of the payment of the tax formerly imposed, a system of payments to the Government by the Bank of Japan has been newly created. For the system of payments to the Government and the tax on the additional issue over the legal limit which is to continue beyond fifteen days, see note on the Bank of Japan in Chapter IX.

13 Textiles Consumption Tax

The textiles consumption tax established in 1905 is levied at the rate of 9 per cent. of the value upon persons taking delivery, at the time of such delivery, of textiles from factories, custom-house compounds, bonded warehouses, temporary customs depots and other places where the storage of foreign goods is permitted by laws and ordinances. Formerly the tax was levied at the rate of 10%, but a part of the surplus revenue realized by the conclusion of the London Naval Treaty was applied to reduce the rate to 9%. Cotton fabrics and other fabrics of low grade defined by law are exempt from the tax.

The above amendment has been effective since December 1, 1931.

14 Tonnage Dues

Tonnage dues were introduced in 1899. Vessels entering a Japanese port from a foreign country must pay tonnage dues of 7 sen per registered ton or per ten koku of actual capacity; but by the payment of 21 sen per registered ton or per ten koku, they are for one year exempt from all further tonnage dues at that port.

15 Customs Duties

This subject is dealt with in the Chapter on Foreign Trade to which the reader is referred.

Stamp Receipts

Taxes and fees belonging to this category at present exceed four-score, chief among them are: the registration tax, stamp duties on legal documents, playing cards tax, shooting license tax, civil suit stamps, examination fees, and charges and dues levied according to the customs law and other regulations connected therewith. Of these, the registration tax is levied, by means of adhesive stamps, on the registration of real estate, ships, the mass of mortgage properties, commerce, lawyers, doctors, veterinary surgeons, mariners, copyrights, industrial patents, mining rights, alluvial mineral rights and fishery rights; and such registrations are charged either with an ad valorem or a fixed duty. The stamp duty is imposed, by means of adhesive or embossed stamps, upon legal documents and books certifying the acquisition, forfeiture and transfer of property, and a graduated or fixed duty applies thereto.

The registration tax was, however, revised by Law No. 63 promulgated on April 24, 1929, and it was decided that the registration of the premises of foreign embassies, legations and consulates in Japan should, upon condition of reciprocal agreements, be exempt from the registration tax.

Receipts from Government Enterprises

1 Tobacco Monopoly

In 1876 the Tobacco Regulations were for the first time promulgated and a tax was levied on tobacco;

but in 1898 this tax was abolished and the Leaf-Tobacco Monopoly Law was put into operation. In 1904 with a view to enforcing stricter control by introduction of a complete monopoly system on the one hand and from considerations of financial requirements on the other, the Leaf-Tobacco Monopoly Law was replaced by the Manufactured Tobacco Monopoly Law, which is the law still in force. According to the provisions of this law, the cultivation of leaf-tobacco is permitted to private individuals who have obtained the permission of the Government therefor; the leaf-tobacco gathered by them is taken over by the Government and payment is made according to quantity and quality; it is manufactured at Government factories and the manufactured article is sold at fixed prices by dealers licensed by the Government. Foreign tobacco cannot be imported except by the Government or persons appointed for the purpose by the Government, while tobacco can be exported only by persons who have been specially permitted to do so by the Government.

The wholesale tobacco business was placed under the direct management of the Government on and after July 1, 1931.

2 Salt Monopoly

The Government, from considerations of financial requirements and of the salt supply, issued the Salt Monopoly Law in January, 1905, which came into operation in June of the same year. According to the provisions of this law, salt can only be manufactured by persons licensed by the Government and all salt produced is taken over by the Government at prices varying with its quality. Formerly, the price at which the Government sold it was the cost-price plus a fixed rate of profit and

expenses, but as referred to below, no profit is at present added in arriving at the selling price. Salt is sold only by persons licensed by the Government. Foreign and Taiwan salt cannot be imported except by the Government or persons appointed for the purpose by the Government, while for the purpose of exportation, salt is sold by the Government at a specially reduced price and can be exported by anybody. Salt intended for use in industry, agriculture, mining and fishery of some kind receives special treatment and is sold at a specially reduced price. A considerable amount of profit was annually obtained from the salt monopoly up to the financial year 1917-18, but, in and after the financial year 1918-19, the idea of realizing profit was done away with from the view-point of social policy. Further, with a view to controlling the overproduction of salt resulting from the improvement in salt manufacture in Japan proper and the colonies and reducing the salt price, the Government promulgated in April, 1929 the Law regarding the Adjustment of Salt-fields. Thus it prohibited some domestic salt producers from manufacturing salt on two occasions during 1929 and 1930.

3 Camphor Monopoly

The Camphor Monopoly Law was first put into force in Formosa only; but the Government issued in June, 1903, and carried into effect in October of the same year, the Crude Camphor and Camphor Oil Monopoly Law to be operative both in Japan proper and Taiwan, which provides that the manufacture of crude camphor and camphor oil shall be confined to those persons who have obtained the permission of the Government therefor, and the article so manufactured shall be taken over

by the Government in return for suitable compensation according to quality. Formerly, the domestic consumption of camphor was confined to a small quantity, and a large portion of the Japanese camphor was exported to Europe and America. The rapid progress in the celluloid industry, however, has caused, of late, an increase in domestic consumption, which has resulted in the absorption of a large quantity of the camphor produced both in Japan proper and Taiwan.

4 Railways

From 1872 when the first railway in Japan (Tokyo-Yokohama) was laid as a Government undertaking, till 1905, the total length of railways, State and local lines combined, reached 7,687 kilometres, showing how steadily the railway net had extended throughout the country. The local lines aggregating 5,224 kilometres were distributed among 38 companies. This state of affairs was fraught with grave inconveniences, for even the ownership of trunk lines was divided between the State and private companies. The service lacked system, the work involved unnecessary expense, while the rolling-stock did not admit of common use. These resulted in a high freight tariff, delay in delivery and so forth. The Russo-Japanese War and the opportunity its termination afforded for expanding the State economic undertakings demanded the unification of the railway service in order to have it carried to a state of greater efficiency. In March, 1906, the Nationalization of Railways Law was enacted and the Government effected in the fiscal years 1906 and 1907 the acquisition of 4,540 kilometres of railways belonging to 17 companies. For the State railways that were thus suddenly

expanded, a Special Account was established.

Under the Imperial Railways Special Account Law revised by Law No. 6 of 1909, the receipts and expenditures of the Imperial Railways were set apart, as they are now, as a purely special account and independent of the General Account. The Imperial Railway capital, and funds for materials required for the Imperial Railways, and all moneys to be invested are made the capital of these railways and a special account is established by applying the annual revenue therefrom to the annual expenditure. The amounts required for the construction and improvement of railways are defrayed out of railway profits; and in the event of a deficit, or in case of consolidating or redeeming public or temporary loans chargeable to this account, the Government is authorized to issue, as a charge on the same account, public loans or make temporary loans from other special accounts or other sources. The public and temporary loans above referred to are the public loans already issued to defray expenditure required for carrying on the railway enterprise, the public loans already issued or to be hereafter issued for the consolidation or redemption of the loans last-mentioned, the public loans issued under the provisions of the Railway Nationalization Law, and the debts chargeable under the same Law to the Government which have not yet been completely repaid, all these loans are chargeable to the special account under consideration; and the amount required in each financial year for their redemption or payment of interest thereon is to be transferred to the Special Account for the National Debt Consolidation Fund. The Railway Special Account is subdivided into the Capital Account, the Re-

venue Account, and the Stores Account. The Capital Account has for its revenue the moneys transferred from the railway profit, proceeds of public and temporary loans, proceeds of sale of its property, receipts from materials and structures for railway use, and miscellaneous receipts belonging to it, and for its expenditure the cost of the construction and improvement of railways, redemption of its debts, cost of materials and structures for railway use, and other miscellaneous expenses chargeable to it. The Revenue Account has for its revenue various receipts from the working of railways, charges for the loan of articles forming part of its capital, interest on deposits and miscellaneous receipts belonging to it, and for its expenditure various expenses required for the working of railways, expenses for the upkeep, repair, and replacing of articles forming part of the capital, interest on debts, and miscellaneous expenses chargeable to it. Any balance of the total annual revenue over the total annual expenditure in the Revenue Account forms the profit, while what remains after deducting therefrom the amount to be transferred to the Reserve Account is to be transferred to the Capital Account. The Stores Account has for its capital the capital outlays hitherto expended and those to be expended hereafter and has for its revenue the revenue from the Railway Stores and Workshops and miscellaneous receipts, while expenditure consists of the expenditure on and in the Railway Stores and Workshops and miscellaneous expenses chargeable thereto.

Public Debts

The Japanese Government issued its first public bonds in London in April, 1870, to the amount of £1,000,000 (¥9,763,000) at a price of

98, bearing interest at 9 per cent., and maturing in 1882. In 1873 a 7 per cent. loan of £2,400,000 was issued at a price of 92.5 to mature in 1897. No other foreign loans were paid at maturity. Prior to the issue of the first bonds, frequent borrowings were made by the Government from wealthy merchants in Osaka and Kyoto. Also to redeem borrowings from France the Tokugawa Shogunate borrowed \$500,000 Mex. from the Oriental Bank, Yokohama, a British institution. The first internal bonds were issued in March, 1873, for the purpose of covering the whole debts inherited from the feudal clans. The amount of issue was ¥10,972,725, followed a little later by another issue of ¥12,422,825. In 1874 capitalized pension bonds were issued to the total amount of ¥16,565,850 and were distributed to those who returned their land to the Government. These bonds were replaced by hereditary pension bonds, which were issued in 1876, to the amount of ¥173,902,900. War debts issues by the Government were in the form of borrowings from the Fifteenth National Bank to the amount of ¥15,000,000 in connection with the Satsuma Rebellion of 1877. At the end of that year the outstanding funded debts of the Government totalled ¥236,000,000, a fairly large amount at that time. In 1878 the Enterprise Bond Act was promulgated and the first bonds of the kind were issued to the amount of ¥12,500,000 with an interest rate of 5 per cent. and issue price of ¥80. Finance Minister Masayoshi Matsukata undertook the readjustment of bonds in 1886 and in October of the same year the Readjustment Bond Act was promulgated. The outstanding funded debts with interest rate of more than 6 per cent. at the beginning of 1886 totalled ¥175,000,000, and this amount was

converted into readjustment bonds for redemption in the next 12 years and the interest rate was lowered to 5 per cent. thereby saving the Government about ¥3,000,000 a year. The national debt of ¥260,000,000 before the outbreak of the Sino-Japanese War (1894) increased to ¥350,000,000 in 1895 and ¥500,000,000 in 1899. A rapid increase was experienced through the Russo-Japanese War and in 1910 the outstanding debts totalled ¥2,600,000,000. This was due to the fact that money used to pay the expenses of the Russo-Japanese War was obtained through bond issues to the amount of ¥1,400,000,000. The taking over in 1906, of 17 of the principal private railways under nationalization was also responsible for a large increase. Bonds worth ¥476,000,000 at 5 per cent. were delivered to the private railway companies in payment for their undertakings being taken over by the government. Bonds during the Russo-Japanese War were frequently issued at home and abroad. In Great Britain and America, Japan issued the 1st 6 per cent. sterling bonds, £10,000,000; the 2nd 6 per cent. sterling bonds, £12,000,000; the first 4.5 per cent. sterling bonds, £30,000,000; and others totalling altogether £82,000,000, or about ¥800,000,000. In connection with Japan's sending of expeditionary forces to Tsingtao and Siberia on the Allies' cause, the Government issued bonds eight times with an aggregate of ¥499,000,000 between 1919 and 1922. Besides, "delivery" bonds of ¥115,000,000 were issued for conferment of war bonus. At the end of the Kiyoura Cabinet foreign loans involving ¥550,000,000 were raised to meet the great earthquake and fire reconstruction work.

After the Russo-Japanese War, the total indebtedness increased slowly until 1910 and then declined

slightly in the years immediately before the World War. The extent of the improvement in the government's credit is evidenced by the fact that in 1910 the government floated a 60-year loan of £11,000,000 in London, and another 60-year loan of 450,000,000 francs in Paris, both bearing interest at 4 per cent. and selling at 95 and 95.5 respectively. These loans were floated for the purpose of retiring domestic loans. From the end of 1913 to the end of 1916, the total debt was decreased by about ¥131,000,000. Then, during the next three years, it increased by more than ¥700,000,000. The large budget deficits of the post-war years are reflected in the virtual doubling of the public debt since 1918. Except 1930-1931 the national debt has been on the increase ever since, amounts outstanding at the end of the fiscal year 1932-1933 reaching ¥7,054,195,552.

According to the report of the Finance Ministry, at the end of the fiscal year 1933-1934, or March 31, 1934, the outstanding amount of national debt reached ¥8,139,038,392, an increase of ¥1,084,843,000 as compared with the preceding year. Besides, there is ¥543,645,000 of rice securities which increased ¥323,281,000 on the preceding year as a result of the promulgation of the Rice Control Law.

In the fiscal year 1934-1935 loans amounting to approximately ¥1,000,000,000 was floated, and at the end of March, 1935 the total amount of national debt reached ¥9,090,454,000, increasing ¥951,416,000 as compared with the previous year.

The table on national debts outstanding March 31, 1935, follows:

AMOUNTS OF NATIONAL DEBTS OUTSTANDING

(In ¥1,000)

Internal loans:	
Five per cent. loans	1,869,151
Five per cent. loan (Special)	120,516
Five per cent. loan (Mark "Ko")	396,608
Four per cent. loan (1st series)	164,590
Four per cent. loan (2nd series)	94,468
Four per cent. loan	43,817
Five per cent. Exchequer bonds	2,330,761
Four and a half per cent. Exchequer bonds	715,000
Four per cent. Exchequer bonds	2,051,906
Total	7,687,510
External loans:	
4% Sterling loan of 1899 (1st series)	91,337
5% Sterling loan of 1907	222,669
4% Franc loan of 1910	160,990
4% Sterling loan of 1910 (3rd series)	105,428
6 1/2% Gold bonds of 1924	235,522
6% Sterling loan of 1924	224,901
5 1/2% Sterling loan of 1930	122,036
5 1/2% Gold bonds of 1930	142,426
Sterling debenture of the South Manchuria Railway Company	97,630
Total	1,402,943
Grand total	9,090,454
Rice securities	522,300

The particulars of the national debts in 1933-34 are as follows:

GENERAL FEATURES OF THE NATIONAL DEBT IN THE FINANCIAL YEAR 1933-34

Kind of Loan	Rate of Interest	Date of Payment of Interest	Years of Issue
Internal Loans:—			
5% Loan { Mark: "Ka" "Ta" "Re" "So" "Tsu" "Ne" "Na" etc. "Sa" "Ki" "Yu" "Me" "Mi" "Hi" etc. }	5%	{ 1st Mar., 1st Sept. (1st Mar., 1st Sept.) (1st June, 1st Dec.) }	1906-1933
5% Loan (Mark: "Kō")	6%	June, Dec.	1908, 1909
5% Loan (Special)	"	"	1906
5% Loan ("Onshi")	"	{ (1st Mar., 1st Sept.) (1st June, 1st Dec.) Mar., Sept. }	1910, 1913
4% Loan { 1st Series 2nd Series }	4%	{ 1st June, 1st Dec. (1st Mar., 1st Sept.) }	1910-1912
4% Loan (Mark: "Ho")	"	1st June, 1st Dec.	1933

Kind of Loan	Rate of Interest	Date of Payment of Interest	Year of Issue
5% Exchequer Bonds { Mark: "12th" "18th" "19th" etc. }	5%	{ 1st Mar., 1st Sept. (1st June, 1st Dec.) }	1924-1933
4% Exchequer Bonds { Mark: "I" "Ro" "Ha" }	4%	{ 1st June, 1st Dec. (1st Mar., 1st Sept.) }	1932-1933
4% Exchequer Bonds (Mark "I" "Ro" "Ha") Total	4%	1st Mar., 1st Sept.	1933-1934
External Loans:—			
4% Sterling Loan of 1899 (1st Series)	4%	30th June, 31st Dec.	1899
5% Sterling Loan of 1907	5%	12th Mar., 12th Sept.	1907
4% Franc Loan of 1910 (issued in Paris)	4%	15th May, 15th Nov.	1910
4% Sterling Loan of 1910 (3rd Series)	"	1st June, 1st Dec.	"
6 1/2% Gold Bonds of 1924 (issued in New York)	6 1/2%	1st Feb., 1st Aug.	1924
6% Sterling Loan of 1924	6%	10th Jan., 10th July	"
5 1/2% Sterling Loan of 1930	5 1/2%	1st Jan., 1st July	1930
5 1/2% Gold Bonds of 1930 (issued in New York)	"	1st May, 1st Nov.	"
Sterling Debentures of the South Manchuria Railway Company { }	{ 5% 4% }	{ 15th Jan., 15th July (1st Jan., 1st July) }	{ 1923 1911 }
Total	—	—	—
Grand Total	—	—	—

Kind of Loan	Year of Redemption	Amount outstanding at the beginning of the year	Amount of Issue during the year	Amount of Redemption during the year	Amount outstanding at the end of the year
Internal Loans:—					
5% Loan { Mark: "Ka" "Ta" "Re" "So" "Tsu" "Ne" "Na" etc. "Sa" "Ki" "Yu" "Me" "Mi" "Hi" etc. }	1937	1,820,784,675	33,459,400	2,505,450	1,851,738,625
5% Loan (Mark: "Kō")	1953	396,702,750	—	4,400	396,698,350
5% Loan (Special)	1935	120,816,950	—	150	120,816,800
5% Loan ("Onshi")	1967	17,406,700	—	—	17,406,700
4% Loan { 1st Series 2nd Series }	1969	259,541,000	—	113,100	259,427,900
4% Loan (Mark "Ho")	1967	—	8,145,550	—	8,145,550
5% Exchequer Bonds { Mark: "12th" "18th" "19th" etc. }	1953	2,333,501,900	—	2,752,750	2,330,749,150
4% Exchequer Bonds { Mark: "I" "Ro" "Ha" }	1946	715,000,000	—	—	715,000,000
4% Exchequer Bonds (Mark "I" "Ro" "Ha") Total	1959	—	1,024,457,050	—	1,024,457,050
Total	—	5,663,753,975	1,066,062,000	5,375,850	6,724,440,125
External Loans:—					
4% Sterling Loan of 1899 (1st Series)	1953	91,337,747	—	—	91,337,747
5% Sterling Loan of 1907	1947	222,670,989	—	—	222,670,989
4% Franc Loan of 1910 (issued in Paris)	1970	161,036,811	—	40,055	160,996,756
4% Sterling Loan of 1910 (3rd Series)	"	105,428,684	—	—	105,428,684
6 1/2% Gold Bonds of 1924 (issued in New York)	1954	254,822,285	—	11,117,051	243,705,234
6% Sterling Loan of 1924	1959	232,605,037	—	3,738,204	228,866,833
5 1/2% Sterling Loan of 1930	1965	122,036,524	—	—	122,036,524
5 1/2% Gold Bonds of 1930 (issued in New York)	1965	142,426,000	—	—	142,426,000
Sterling Debentures of the South Manchuria Railway Company	1936	—	—	—	—
Total	1948	58,578,000	39,052,000	—	97,630,000
Grand Total	—	1,390,441,577	39,052,000	14,895,310	1,414,598,267
		7,054,195,552	1,105,114,000	20,271,160	8,139,038,392

Note: Besides the national debt there was Rice Purchase Notes amounting to ¥543,645,944 on March 31, 1933.

Administrative Readjustment and Limitation of Armament		Financial Adjustment		Tobacco and Salt Monopoly	
Redemption of Paper Money		Conversion			
5% Loan 116,657,117	4% Loan of 1st Series 1,652,147	5% Loan 35,190,168	4,, Loan of 1st Series 9,411,004	5% Loan 9,559,200	
	4,, Loan of 2nd Series 2,299,760	4,, Loan of 2nd Series 7,339,220		4,, Loan of 1st Series 5,534,213	
	4,, Franc Loan 5,902,299	5,, Sterling Loan 12,394,371		4,, Loan of 2nd Series 586,774	
	4,, Sterling Loan of 3rd Series 165,281	4,, Franc Loan 14,450,014		4,, Sterling Loan of 1st Series 1,885,725	
		4,, Sterling Loan of 3rd Series 10,079,064		4,, Franc Loan 2,336,451	
		6½% Gold Bonds 44,077,502		4,, Sterling Loan of 3rd Series 65,427	
		6% Sterling Loan 23,865,894		Total 19,967,790	
		5,, Exchequer Bonds 156,804,707			
		5½% Sterling Loan 30,986,038			
		5½,, Gold Bonds 36,163,088			
Total 116,657,117	Total 10,019,487	Total 380,761,070	Total 527,405,464		
	Grand Total				

Reconstruction works in districts damaged by the Earthquake		Financial Accommodation		Liquidation of the liabilities of three banks with respect to the loan to China	
Covering of revenue deficits		Export bill financing, etc.			
5% Loan 417,830,135	4½% Exchequer Bonds 338,375,900	5% Loan 74,407,371	5% Exchequer Bonds 321,008,613	5% Loan 126,822,835	
5,, Exchequer Bonds 124,069,692					
6½% Gold Bonds 9,661,360					
6% Sterling Loan 100,132,653					
Total 651,693,840	Total 338,375,900	Total 395,415,994	Total 898,159,473		
		Grand Total			

Financial Ac. (continued)		Military Affairs		Wars and incidents	
Completion of Armaments					
Compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills and Remedial Measures	4% Loan of 1st Series 5,582,664	5% Loan 219,137,394			
5% Loan 314,451,904	4,, Loan of 2nd Series 2,943,501	5,, Loan (Special) 120,816,950			
5,, Exchequer Bonds 61,468,750	4,, Sterling Loan of 1st Series 50,358,730	4,, Loan of 1st Series 99,696,289			
	4,, Franc Loan 12,254,740	4,, Loan of 2nd Series 26,800,589			
		5,, Exchequer Bonds 679,973,663			
		5,, Sterling Loan 210,276,618			
		4,, Franc Loan 37,704,962			
		4,, Sterling Loan of 3rd Series 43,217,267			
		4,, Sterling Loan of 3rd Series 7,717,649			
		6½,, Gold Bonds 200,583,422			
		6,, Sterling Loan 108,606,490			
		5½,, Sterling Loan 91,050,485			
		5½,, Gold Bonds 106,262,912			
Total 375,920,654	Total 78,857,284	Total 1,944,127,043			
	Grand Total	2,022,984,327			

Taiwan		Development of New Territory		Kwantung Province	
		Chosen	Karafuto		
5% Loan 28,288,449	4,, Loan of 1st Series 3,313,298	5% Loan 122,639,156	5,, Exchequer Bonds 242,469,781	5% Exchequer Bonds 1,618,758	
4,, Loan of 2nd Series 11,673,651	4,, Franc Loan 14,509,009	4,, Loan of 1st Series 936,352	5,, Exchequer Bonds 21,470,273	5,, Loan 3,520,756	
4,, Sterling Loan of 3rd Series 406,231	5,, Exchequer Bonds 57,188,364				
Total 115,329,002	Total 366,045,289	Total 80,018,962	Total 516,532,768	Total 5,139,514	
	Grand Total				

JAPANESE EXTERNAL LOANS AND THEIR BANKERS

Kind of Loan	Place of Issue	Issuing Banks
4% Sterling Loan of 1899 (1st Series)	Great Britain	Yokohama Specie Bank Parr's Bank Hongkong and Shanghai Banking Corporation Chartered Bank
5% Sterling Loan of 1907	Great Britain	Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank N. M. Rothschilds & Sons
4% Franc Loan of 1910 (issued in Paris)	France	Rothschild Frères
4% Sterling Loan of 1910 (3rd Series)	France	Rothschild Frères
6½% Gold Bonds of 1924 (issued in New York)	Great Britain	Parr's Bank Hongkong and Shanghai Bank Yokohama Specie Bank J. P. Morgan & Co. Kuhn, Loeb & Co. National City Company First National Bank of the City of New York
6% Sterling Loan of 1924	United States of America	J. Henry Schroder & Co. Westminster Bank, Limited Hongkong and Shanghai Banking Corporation Yokohama Specie Bank Baring Brothers & Co., Limited Morgan Grenfell & Co. N. M. Rothschilds & Sons
5½% Sterling Loan of 1930	Great Britain	Westminster Bank, Limited Hongkong and Shanghai Banking Corporation Yokohama Specie Bank Baring Brothers & Co., Limited Morgan Grenfell & Co. N. M. Rothschilds & Sons J. Henry Schroder & Co.
5½% Gold Bonds of 1930 (issued in New York)	Great Britain	J. P. Morgan & Co. National City Company Kuhn, Loeb & Co. First National Bank of the City of New York Yokohama Specie Bank
Sterling Debentures of the South Manchuria Railway Company	United States of America	Industrial Bank of Japan

Kind of Loan	Banks by which the Payment of Principal and Interest will be made	Rate of Exchange at which the Payment will be made
4% Sterling Loan of 1899 (1st Series)	London: Yokohama Specie Bank	—
5% Sterling Loan of 1907	London: Yokohama Specie Bank New York: Yokohama Specie Bank Paris: Rothschild Frères	New York: The payment is to be made at the current rate of exchange on London. Paris: fr. 25.25 per pound sterling.
4% Franc Loan of 1910 (issued in Paris)	London: Yokohama Specie Bank Paris: Rothschild Frères Tokyo: Bank of Japan	London and Bruxelles: The payment is to be made at the current rate of exchange on Paris. Japan: fr. 258 per ¥100
4% Sterling Loan of 1910 (3rd Series)	London: Yokohama Specie Bank Paris: Rothschild Frères Switzerland: Swiss Bankverein Tokyo: Bank of Japan	Each payment is to be made at the current rate of exchange on London.
6 1/2% Gold Bonds of 1924 (issued in New York)	New York: Yokohama Specie Bank London: Yokohama Specie Bank	New York: The payment is to be made in the gold coin of U.S.A. of the present standard of weight and fineness, or, at the option of the holder, in sterling money, at the fixed rate of exchange of \$4.8665 to the pound sterling.
6% Sterling Loan of 1924	London: Yokohama Specie Bank Tokyo: Bank of Japan	The payment is to be made at the current rate of exchange on London ruling on date of presentation.
5 1/2% Sterling Loan of 1930	London: Yokohama Specie Bank New York: Yokohama Specie Bank Switzerland: Swiss Bankverein	New York: \$4.8665 per pound sterling
5 1/2% Gold Bonds of 1930 (issued in New York)	New York: Yokohama Specie Bank London: Yokohama Specie Bank	London: \$4.8665 per pound sterling
Sterling Debentures of the South Manchuria Railway Company	London: Yokohama Specie Bank Switzerland: Swiss Bankverein	—

Provincial Finance

A uniform financial system was adopted in Japan in July, 1871, when prefectural governments were established to take over the power formerly wielded by the clans, which were then to be abolished. Taxes on people formed the largest source of revenue. The total revenue for prefectural taxes in 1873 was only ¥14,800,000, of which taxes on people totalled ¥14,200,000. Public expenses, school expenses and land tax revision expenses were the prin-

cipal items of expenditure. In July, 1878, regulations were issued by the Central Government, to the effect that a distinction should be made between the expenses of prefectures and other bodies, such as cities, towns and villages, and the budget of each prefecture for the next fiscal year was to be formulated before February and submitted to prefectural assemblies and then to both the Home and Finance Ministries. With the introduction of regulations concerning cities, towns and villages in 1887, the local self-government

system was consolidated and a great change in provincial finance was brought about. The self-government system for prefectural administrations was enforced in 1891, and the expenses of these bodies have considerably expanded as years have gone by. In 1914, when the World War broke out, their revenue totalled ¥374,000,000 and expenditure ¥327,000,000. Enterprises such as road and bridge building, harbour construction, public works and others, were undertaken, and disbursements increased proportionately. Expendi-

ture in 1924 totalled ¥1,300,000,000, and the Kato (Tomosaburo) Cabinet tried to bring about retrenchment in provincial finance, but no success was achieved.

Local Expenditures

Local expenditures as a whole have been on the decline since 1927, which was the peak, as a result of the retrenchment policy necessitated by the depression. It has turned, however, to rising tendency in these two or three years as a whole.

ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS
(Compiled by the Department of Home Affairs)

(In yen)

Financial Year	Prefectures (Dō, Fu & Ken)			Cities		
	Rates	Receipts from other sources	Total	Rates	Receipts from other sources	Total
1924-25	245,445,717	240,344,435	485,790,152	102,253,009	519,892,037	622,175,046
1925-26	232,435,302	234,259,876	466,695,178	112,150,018	600,451,871	712,641,889
1926-27	263,155,885	259,817,356	522,973,241	111,430,604	706,472,845	817,903,449
1927-28	248,820,485	296,848,724	545,669,209	109,031,256	984,380,468	1,093,411,724
1928-29	262,907,747	303,067,823	565,975,570	115,079,602	854,669,902	969,749,504
1929-30	264,801,968	281,123,097	545,925,065	122,789,419	702,604,925	825,394,344
1930-31	246,946,000	293,250,812	540,196,812	119,842,669	777,745,926	896,588,595
1931-32	221,939,715	317,361,600	539,301,315	107,828,291	638,635,669	746,463,960
1932-33	225,486,706	205,028,188	430,514,894	113,591,840	477,077,759	590,669,599
1933-34	220,734,996	278,963,508	494,698,504	133,242,258	675,063,644	808,805,902
1934-35	—	—	492,378,000	—	—	840,371,000

Financial Year	Towns and Villages		Grand Total	
	Rates	Receipts from other sources	Revenue	Expenditure
1924-25	452,153,650	269,110,098	1,613,589,779	1,306,100,505
1925-26	547,623,551	269,293,401	1,712,790,524	1,409,196,067
1926-27	644,418,221	279,233,090	1,912,002,496	1,593,997,417
1927-28	936,314,972	267,255,027	2,247,827,513	1,969,306,607
1928-29	841,725,457	278,728,831	2,156,917,676	1,893,808,617
1929-30	695,547,423	277,877,112	1,956,527,515	1,714,646,814
1930-31	776,350,757	236,613,665	1,968,261,798	1,752,736,575
1931-32	634,459,007	199,883,543	1,826,210,705	1,625,960,018
1932-33	590,575,682	213,170,006	1,473,451,698	1,473,073,363
1933-34	808,197,696	200,785,074	1,754,026,209	1,754,641,083
1934-35	840,114,000	—	1,793,126,000	1,792,632,000

Note: Since 1932-33 the figures represent the budget estimates.

Prefectural Finance in 1934-35 In the 1934-1935 fiscal year budget, the total revenue of the prefectures amounted to ¥492,176,000, and the average revenue of a prefecture was ¥10,472,000. The increase was

¥513,000 in the former and ¥11,000 in the latter. The most important source of revenue was taxes which represented 46 per cent. of the total revenue. The supertax on the direct state tax, which amounted to 24 per

cent., subsidies from State Treasury, and prefectural loans are also other important sources.

Of the expenditures which amounted to ¥492,176,000, 23 per cent. was for public works, 22 per cent. for education, 17 per cent. for police and 14 per cent. for various enterprises.

Of the prefectural expenditures, ¥55,156,000 of Tokyo prefecture was the largest, followed by ¥29,030,000 of Osaka, ¥25,164,000 of Aichi, ¥23,595,000 of Hyogo, and ¥19,870,000 of Fukuoka. The expenditure of Yamagata, Fukushima, Chiba, Kanagawa, Niigata, Nagano, Gifu, Shizuoka, Kyoto and Hiroshima was more than 10,000,000 each, while expenditure of most of other prefectures ran between ¥4,000,000 and ¥10,000,000. The expenditure of Nara and Okinawa prefectures was less than ¥4,000,000 respectively.

Outstanding Debts Outstanding funded debts of provincial self-governing bodies which at the end of 1897 amounted to ¥89,266,115, stood at ¥2,728,249,752 on March 31, 1933. Borrowings are mostly for public works, education, hygiene, industrial development, public utility and other enterprises. The list of these outstanding debts on March 31, each year, in ¥1,000, follows:

	Prefectural governments	Cities	Towns and Villages	Others and total
1924	193,204	624,844	81,655	924,532
1925	269,117	727,747	95,597	1,119,193
1926	282,474	839,746	115,699	1,267,943
1927	329,826	1,017,515	131,269	1,513,246
1928	379,438	1,258,941	167,541	1,844,434
1929	425,795	1,371,867	212,097	2,060,383
1930	482,412	1,461,953	235,736	2,221,703
1931	534,349	1,540,897	255,305	2,374,415
1932	580,128	1,596,468	312,832	2,535,096
1933	663,839	1,733,761	279,060	2,728,249

FOREIGN LOANS OF CITIES

Cities	Names of Loans	Outstanding amount (March 31, 1933) (In ¥1,000)	Years of issue	Years of redemption
Tokyo	Loans for consolidation of old debts, city improvement	6,537	1906	1916-1936
"	Loans for electric enterprise	62,659	1912	1916-1932
"	Reconstruction Work Loan	95,619	1926-27	1927-1961
Osaka	Harbour Works Loan	2,647	1899-1903	1903-1981
"	Loan for Electric Railways and Waterworks	17,912	1909	1919-1936
Yokohama	Waterworks Loan (2nd Series)	5,888	1909	1924-1953
"	6 % Reconstruction Works Loan (dollar)	35,850	1926	1927-1960
Nagoya	Waterworks Loan	3,126	1909	1917-1943
Total		230,241,079		

Deposit Bureau of the Department of Finance

Organization Although the Deposit Bureau of the Department of Finance has been in existence since 1877, it was only after many changes that the present system was established in 1925. The chief of this Bureau is under the control and supervision of the Minister of Finance and he is responsible for its

activities and efficiency. Its finances are segregated in a Special Account and the Bureau is given control over the expenditure of its entire revenue. The chief business of the Bureau is not merely confined to the control of deposits, but also includes the investment and management of other funds. The deposits, which are made according to laws and ordinances, consist, for the most part, of postal savings deposits received by the

Government; but the funds of the Deposit Bureau also include other deposits, reserves in the Special Account of the Deposit Bureau and surpluses. All business connected with receipt and payment of cash is transacted on behalf of the Bureau by the Bank of Japan in accordance with instructions from the Minister of Finance.

Investment of the Funds It is laid down by law that the funds of the Deposit Bureau are to be invested solely for the benefit of the State and the public in profitable and safe manner, and that such investments are to be made only after investigation of their purposes and methods in consultation with the Committee on Investments of the Deposit Bureau.

Committee on Investments This Committee consists of the following members: The Minister of Finance, as the chairman, the Parliamentary Vice-Minister of Finance, high officials of the Government Offices concerned, one of the Chief Auditors of the Auditing Board, the Governor of the Bank of Japan and other learned and experienced persons. The number of full members is not to exceed fifteen; but in order to meet special needs, temporary members may be appointed. The Committee is placed under the supervision of the Minister of Finance, and its function is to answer the questions of the Minister, after both investigation and study of matters relating to the investment of the funds of the Deposit Bureau. At the beginning of every fiscal year, the Minister of Finance is to draw up the necessary plan to govern the investment of the funds to submit it to this Committee, and the same process is to be undertaken should there be any occasion to supplement or to change this plan. In addition to answering the question of the Minister of Finance the Com-

mittee may send him proposals concerning the investment of the funds of the Deposit Bureau. The Minister should present to the Committee, after every fiscal year, a report stating particulars of important matters concerning conditions of investment of the funds of the Deposit Bureau and changes in the funds invested.

Method of Investment As mentioned above, the funds of the Deposit Bureau are to be invested for the benefit of the State and the public welfare in a profitable and the safe manner. Consequently, in conformity with this principle, the investment of funds is to be limited to the following items:

(a) The subscription to, underwriting or purchasing of national loans or making of loans to the General or Special Accounts of the Government.

(b) The subscription to, underwriting or purchasing of local loans or health insurance associations.

(c) The subscription to, 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.

Local funds representing the funds to be invested for the benefit of local districts to local public corporations, various associations and individuals are advanced from the Deposit Bureau to the borrowers either directly or through special banks and similar institutions. These funds are allotted for the following purposes:—

A Advances to be generally made every year for:

(a) Public utility undertakings of public corporations such as water supply works, prevention of disasters, sanitary arrangements, improvement of roads, rivers and harbours, road making and construction of bridges, reclamation works, construction of school-houses and teachers' dwelling-houses, electric and gas enterprises, and tramway, local railway and car enterprises.

(b) Social works such as housing reform and the establishment of public markets, public pawnshops, day nurseries and intelligence offices and others.

(c) Enterprises by various associations such as land adjustment associations, industrial associations, forestry associations, fishery associations, live-stock breeding associations, manufacturers' associations and commercial associations and those by federations of these associations.

B Advances to be made for urgent needs:

Repair works of disasters, reconstruction works necessitated by the earthquake, accommodation to the silk-raising industry, the relief of the employed, and accommodation to middle and lower class merchants, manufacturers and farmers.

C Advances to be made for:

Such institutions as public corporations and various associations in

the colonies. As to the rate of interest paid on the deposits, it is to be noted that the rate was reduced to 3 per cent. annum for the greater part of postal savings. The postal savings amount to about 71 per cent. of the total amount of the funds of the Deposit Bureau. Other deposits are divided into two classes, namely, fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 3 per cent. per annum, but the rate on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposits Bureau is 3.5 per cent. The rate on ordinary deposits is in principle 2 per cent. per annum, while that on deposits of corporations other than public corporations is 1 per cent. These rates have been effective since October 1, 1932. On the other hand, the rate for the greater part of the funds advanced before October 1, 1932 remains $4\frac{1}{2}$ per cent. and that for the new advances made after that time is $3\frac{1}{2}$ per cent.; but when advances are made through banks and similar institutions, these intermediate institutions gain $\frac{1}{10}$ per cent. and the actual borrowers must pay at the rate of $4\frac{1}{2}$ per cent. for the advances made before October 1, 1932 and $3\frac{9}{10}$ per cent. for those after that time.

Accounts of the Bureau Assets and liabilities of the Deposits Bureau at the end of 1933-34 fiscal year (March 31, 1934) totalled ¥4,074,209,662 each, showing an increase of ¥342,891,890 over the same period of the year before.

BALANCE SHEET OF THE DEPOSITS
BUREAU March 31, 1934
(In ¥1,000)

Liabilities	
Deposits:	
Postal savings and postal transfer system	2,332,106

Proceeds of Reconstruction Savings Certificates	76,998
Surplus fund of certain Special Accounts of the Government	325,559
Others	185,742
Reserves	348,541
Miscellaneous receipts	204,629
Checks payable	532
Total	4,074,209
Assets	
Government bonds	1,506,497
Loans to general and special accounts	303,244
Prefectural bonds	870,086
Health Insurance association debentures	—
Japan Hypothec Bank debentures	396,059
Japan Industrial Banks debentures	49,772
Hokkaido Colonial Bank debentures	76,908
Agricultural and Industrial Bank debentures	142,268
Oriental Development Co. debentures	54,377
Chosen Industrial Bank debentures	93,243
Central Chest for Industrial Ass. debentures	64,411
South Manchuria Railway debentures	8,112
Earthquake Reconstruction debentures	3,632
Miscellaneous advances	437,667
8% Conversion Loan Bonds of the Chinese Government	2,345
Chinese Government debentures	8,520
4% Internal Chinese bonds	17,584
British Exchequer bonds	5,359
Overseas deposits	1,350
Domestic deposits	11,000
Cash	143,702
Expenditures	121,002
Total	4,074,209

The same at the end of the fiscal year 1934-35 (March 31, 1935) was tentatively given by the Ministry of Finance as follows:

BALANCE SHEET OF THE DEPOSITS
BUREAU, March 31, 1935
(In ¥1,000)

Liabilities	
Deposits:	
Postal savings and postal transfer system	3,073,774
Proceeds of Reconstruction Savings Certificates	76,199
Surplus fund of Special Accounts	521,131
Reserves	392,884
Miscellaneous receipts	212,242
Total	4,276,232
Assets	
Government bonds	1,717,600
4% Internal Chinese bonds	15,903
British Exchequer bonds	

Chinese Government debentures	11,006
Prefectural bonds	914,248
Japan Hypothec Bank debentures	358,868
Japan Industrial Bank debentures	47,375
Other debentures	459,478
Loans to public bodies, banks and companies	451,637
Domestic deposits	187,426
Overseas deposits	2,465
Expenditures	110,165
Total	4,276,232

State Property

State property is defined under Article I of the State Property Law, promulgated by Law No. 43 in April, 1921 as follows:

"The State property under this Law includes the State-owned real estate and movable estate and rights provided in the Imperial Ordinance." The value of State property is shown below:

	General Accounts	Special Accounts	Total
	(In yen)		
1924	4,189,793,211	1,942,271,163	6,132,064,379
1925	4,221,005,238	2,122,681,903	6,343,687,142
1926	4,269,596,429	2,301,230,572	6,570,817,001
1927	4,729,822,213	2,527,426,509	7,257,248,723
1928	4,798,480,264	2,704,931,432	7,503,411,696
1929	4,914,642,478	2,922,347,476	7,836,989,955
1930	5,016,980,596	3,094,405,380	8,111,385,976
1931	5,083,477,781	3,228,063,095	8,311,540,876
1932	4,720,478,566	3,280,022,777	8,000,501,343
1933	4,839,306,128	3,353,423,688	8,192,729,816

The value of State property under the jurisdiction of the colonial Governments on March 31, 1933, was as follows:

Government-General of Korea	¥599,387,170
Government-General of Formosa	287,199,877
Government of Karafuto (Saghalien)	48,557,642
Government of Kwantung	158,636,081
Government of South Sea Mandated Islands	16,142,834
Total	1,109,923,616

Estate and Rights The State-owned movable estate and rights are as follows:

(a) Ships, floats, floating piers and floating docks,

(b) Appendages of real estate or movable estate given in (a).

(c) Machines and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills, and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and other rights similar to these rights.

(e) Rights relating to stocks and investments.

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.

Four Classifications Article 2 of the State Property Law divides State property into four classes, namely, public property, official property, property used for forestry management and miscellaneous property. Public property is that directly used or to be used for public service by the State; official property is that used or to be used, by the State, for Shinto shrines, or for State services and enterprises or for residences of officials and other personnel; property used for forestry management is that used or to be used, by the State, for the management of forests; while miscellaneous property is that not belonging to these three categories.

The Legal Limitation The Legal limitation of the content of the "State Property Account" and its categories:

Article 26 of the State Property Law requires the Government to

make a yearly statement of the increase or decrease in the State property, and, every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then are to be presented to the Imperial Diet.

The following are, however, excluded from the statements:

(a) Movable estate and rights owned by the State but not subject to the provisions of the Imperial Ordinance, that is, State property in reality if not in law (Art. 1, State Property Law; Art. 1, Imperial Ordinance concerning the State Property Law).

(b) State property belonging to the Governments of Chosen, Taiwan, Karafuto, Kwantung, and South Sea Mandated Islands in which the State Property Law has not yet been put into effect.

(c) Public property (Art. 28, State Property Law).

(d) The value of lands used for religious purposes by Buddhist temples, the public land of public corporations, and of sites of Shinto shrines (Art. 2 and 5, Ordinance No. 14, Department of Finance).

The figures given above are based on these official statements of State property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State property mentioned in (a)—(d) above will be much higher than the figures given herein. Paragraph (b) above excludes property in the colonies, but for the purpose of reference this has been added as an appendix to the table of State property. Recognizing that it is expedient to apply the State Property Law to these colonies, the Government is now making preparations therefor, and when this law is put into effect, the property in these

regions will be included in the statements. Further, as there prevails an opinion that the value and volume of property mentioned in (c) and (d) should be given in the statements, they will be included therein in the near future.

Administration of State Property The administrative service over State property includes both direct management and general administration, the former under the direction of the respective Departments, the latter under the Minister of Finance. Each Minister administers the State property of his Department; but the Minister of Finance also undertakes, as the competent Minister, the general management of all the property and, thus, unifies the direct management by keeping the different Ministers in touch with one another so as to secure the full use of the property.

The Increasing Tendency The tendency of State property to increase is indicated in the table of statistics given above, and is due to the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition of stocks and of rights due to investment, establishment of surface rights, etc.). Moreover, the revaluation of property made every fifth year causes an increase or decrease in the total value of State property.

Funds from the Adjustment of State Property With the exception of receipts coming under other special accounts and those from the disposition of state forests and plains or of uncultivated places in the Hokkaido, the receipts from the adjustment and disposition of State property and other miscellaneous receipts constitute the funds from the adjustment of State property and

the revenue and expenditure are segregated in a Special Account.

These funds are transferred to the General Account and then, in addition to being used for building and repair and other expenditure necessary for the adjustment of State property, are, in case of necessity, used for purposes other than those mentioned above in accordance with the Budget Estimates (Articles 1—4, Special Account Law for Funds from the Adjustment of State Property by Law No. 6, 1922; Exceptions in the Special Account Law for Funds from the Adjustment of State Property by Law No. 15, 1927).

The following are the statistics of revenue and expenditure in the funds from the adjustment of State property for the financial years 1925-26 to 1934-35:

Year	Revenue Yen	Expenditure Yen
1925-26	5,271,904	2,202,806
1926-27	8,802,504	2,566,297
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	7,700,317	5,906,325
1933-34	6,865,283	6,864,849
1934-35	6,259,334	6,259,077

Japan's National Wealth

The national wealth of Japan proper for 1930, the most recent date for this kind of investigation, was estimated at ¥110,188,000,000, according to the Cabinet Statistics Bureau. This included the following:

	(Estimates in thousand yen)
Land	41,091,348
Mines	6,499,651
Ports, harbour and canals	243,143
Bridges	483,000
Trees	6,706,815
Live-stock and poultry	346,356
Buildings	22,843,300
Industrial machines and apparatus	1,809,381

	(Estimates in thousand yen)
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	191,502
Total	110,188,004

The total is classified into Government property 12 per cent., public property 4 per cent. and private property 84 per cent. Land, buildings, trees and mines combined make a total of 81 per cent. in all. Manufactured goods, railways and tramways, shipping, electric and gas equipment and industrial machines and tools combined make a total of 13 per cent. The remainder is 6 per cent. The national wealth for 1930 per household was ¥8,672 and per one man was ¥1,710. The change of national wealth, investigated by Mr. Hideomi Takahashi, a statistical authority in Japan, follows:

Time of	Year	National wealth (in million yen)
Arrival of "Black Ships"	1851	5,085
Sakuradamon Murder Incident	1860	5,769
Meiji Restoration	1868	6,818
Abolition of feudal clans and establishment of prefectural government	1873	7,317
Satsuma Rebellion	1877	8,571
Promulgation of Imperial Constitution	1889	13,043
Sino-Japanese War	1894	16,667
Russo-Japanese War	1904	22,742
First Year of Taisho Era	1912	37,324
	1921	93,026
	June, 1924	101,978
	March, 1925	105,742

National Income The national income since 1887 in Japan proper has been as follows, according to the Cabinet Statistics Bureau:

Year	National income (in ¥ 1,000)	Index number
1887	233,522	100.00
1890	235,529	100.85
1900	846,030	315.06
1910	2,050,841	878.35
1915	2,342,040	1,003.05
1920	7,653,784	3,406.43
1922	13,391,022	5,735.07
1923	13,255,057	5,676.82
1924	12,832,761	5,517.39
1925	13,382,323	5,731.32
1930	10,635,785	4,554.51

CHAPTER IX

BANKING AND THE MONEY MARKET

When the Meiji Government announced that all taxes had to be paid in cash instead of rice, (see Chapter VIII, Taxes) which had been the sole substitute for money in tax payment during the Tokugawa régime, there arose a great demand and consequent shortage of money all over the country. The superseding of feudal clans by prefectural governments had necessitated the issue of bonds by the Meiji Government in order to pension off the daimyō and samurai. Furthermore, the Government had to readjust the inconvertible paper notes so recklessly issued toward the latter stage of the Tokugawa Administration. Such was the position when Shigenobu Okuma (the late Marquis), Minister of Justice, in conjunction with Kaoru Inouyé (later Marquis), Vice-Minister of Finance, instructed Hirobumi Ito (the late Prince), who was then visiting New York on his way home from an inspecting tour of England and Germany, to draw up a plan for a financial system for Japan. Ito met New York bankers and listened to their opinions on the adoption of a modern banking system in Japan. The United States at that time had a national banking system, and it was such a national bank system that was recommended to and finally adopted by Japan. The text of the scheme was brought home by Ito and the first difficulty that arose was in connection with the translation of the word "Bank" into Japanese. A new word had to be coined, and though "Ryogayé-ya", money exchange shop, and "Kinko" office to handle gold were

suggested, "Ginko", an office to handle silver, was the final selection on account of the country's decision to adopt the silver standard of currency.

National Banks

The Japanese National Bank Act was promulgated in November of the 5th year of Meiji (1872) and this formed the cornerstone of the banking business in Japan. The banks established in accordance with this Act were the First National Bank, Tokyo; the Second National Bank, Yokohama; the Fourth National Bank, Niigata; and the Fifth National Bank, Kagoshima. The First National Bank, founded by Eiichi Shibusawa (the late Viscount), was invested in jointly by the Mitsui-Gumi and Ono-Gumi to the amount of ¥2,000,000 out of the total capitalization of ¥3,000,000. The remaining amount of ¥1,000,000 was offered for public subscription. Due to the lack of knowledge of the people regarding the nature of public subscriptions to shares there is little wonder that only ¥448,000 was subscribed. The bank was opened on August 1, 1873. H. E. Shand, a clerk of the Oriental Bank, a British institution in Yokohama, was engaged by the bank to teach Japanese clerks banking business. With the revision of the National Bank Act in 1876, the number of banks in Japan greatly increased. There were 153 banks with a total capitalization of ¥37,000,000 and with authority to issue notes at the end of 1879. The National Bank Act provided for conversion of the national bank notes

into specie. An amendment was made in 1883 in the Act, by which the privilege of issuing notes was taken away from the national banks and granted exclusively to the newly-created central banking institution, the Bank of Japan, and suitable measures were taken for redemption of the national bank notes. Meanwhile, private banks and bank-like business companies, which did not come within the purview of the National Bank Act had increased in number, until their total number reached 954 in 1884, and there were no general provisions to control such banks and companies. To bring them under one efficient control, the Ordinary Bank Act and Savings Bank Act were promulgated in 1890 and put into force three years later. Side by side with these private banks, the national banks acted from the first as financial institutions of general trade. When the terms of their respective charters expired, most of them continued business as ordinary banks, and by February, 1899, national banks ceased to exist, so that there was no longer any difference between the economic functions and legal nature of the former national banks and other ordinary banks, all of which are controlled by general banking law. Ordinary banks are placed under control of the Minister of Finance, whose licence is required for the establishment of a new bank or the amalgamation of existing banks; he is also empowered to order at any time investigation into the business condition and property of a bank. Every bank must every half-year prepare and present to the Minister of Finance a balance-sheet and other business reports, the former to be published in newspapers or by some other means. Provisions are also made in the Act with regard to business hours and holidays.

Bank Act of 1927

Though a few amendments had been made from time to time since its enactment, the greater part of the Bank Act of 1890 became obsolete and inadequate on account of a rapid progress in the financial and economic conditions of the country. A new Act, therefore, was promulgated on March 29, 1927, in place of the old legislation, and was put into effect on and after January 1, 1928. The features of the new Act follow in summary:

(1) Banks as defined in the Banking Act are in principle institutions which carry on the operations of giving as well as receiving credits.

(2) Participation in banking business is confined to joint stock companies having at least the minimum capital¹ prescribed by the Act.

(3) The use of the word "Bank" (Ginko) in the trade name is made compulsory for every bank, and the use of the word is prohibited to businesses not being banks.

(4) Banks are strictly prohibited from engaging in business activities other than those prescribed in the Act.

(5) A bank shall, until the full amount of its capitalization is reached, set aside each time that a dividend is paid on profits 10 per cent. of such profits as a reserve fund.

(6) A strict audit system is established.

(7) Managers or managing-directors while actively engaged as such are not permitted to participate in the management of other companies without sanction of the Minister of Finance.

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.

(8) The Court of Justice shall exercise closer supervision over the liquidation of banks.

(9) The Minister of Finance is empowered to make necessary provisions respecting banks with head offices outside the area, desirous of doing banking business within the area in which the Act is in force.

(10) The power of the Minister of Finance respecting the cancellation of business licences and the giving of various sanctions to banks is greatly increased and the penalties for illegal acts by banks shall be made heavier.

Savings Banks

A Savings Bank Law enacted in 1921 superseded the Savings Bank Act of 1890 and was put into force from June 1, 1922. Certain amendments were made in 1931. The Tokyo Chozo Ginko, or Tokyo Savings Bank, is the only prototype of this kind of bank in Japan. Ten years before the enactment of the law of 1890 concerning savings banks in Japan this bank came into being. As the late Viscount Eiichi Shibusawa was a great benefactor of the present banking system of Japan, so also was the late Rokuro Hara, the founder of the Tokyo Chozo. This bank was founded in 1880 with a small capital of ¥20,000.

Essential points of the Savings Bank Law enacted in 1921 follow:

Savings banks are institutions carrying on the following business:

(1) The receiving of deposits at compound interest;

(2) The receiving of sums of less than ¥10 as deposits at one time;

(3) The receiving of deposits periodically or several times during a certain period and the fixing beforehand of the time of repayment; or

(4) The receiving of money periodically or several times during a

certain period under promise to pay a certain amount of money at a certain date. In addition, savings banks are authorized to take up subsidiary business, such as:

(a) The receiving of fixed deposits;

(b) The receiving of valuable articles for custody;

(c) The collection of debts;

(d) The receipt and payment of money as treasurers of public corporations or industrial associations;

(e) The receiving of deposits on demand from public corporations or industrial associations;

(f) The sale on the instalment plan of national bonds, prefectural bonds and debentures of corporations created under special laws; and

(g) The transacting of business in connection with the issue of national bonds and other bonds and debentures referred to above or the payment of their principal and interest.

While no savings bank can carry on business other than that mentioned above, no ordinary bank can carry on the proper business of savings banks. Savings banks shall not carry on transactions requiring the cashing of cheques against the deposits of (1) and (2) mentioned above under the heading of proper business. A savings bank must be a joint-stock company with a minimum capital of ¥500,000 and must obtain a licence from the Minister of Finance. Savings banks are not permitted to invest their funds in ways other than the following:

(1) To subscribe for, take up, or purchase national and provincial bonds and debentures or stocks approved by the Minister of Finance;

(2) To make loans on pledge of national bonds and other securities referred to above;

(3) To make loans on mortgage of real estate;

(4) To make loans to a depositor up to the amount of his deposits;

(5) To make loans to the amount of his deposits to a person who deposits money periodically or several times during a certain period under promise to pay a certain sum of money at a certain date;

(6) To make loans up to the amount already paid in to a person who receives the securities under a contract made with respect to the sale of securities on the instalment plan;

(7) To make loans redeemable within a period of one year to prefectures, cities, towns and villages;

(8) To make loans redeemable by instalments within a period of two years;

(9) To deposit money with banks or the Deposits Bureau of the Ministry of Finance or the post office;

(10) To deposit money or securities with trust companies in accordance with the Ordinance issued by the Ministry of Finance; and

(11) To purchase bills accepted by banks or trust companies.

Further restrictions on their business are as follows:

(1) Savings banks shall not own or take as security for loans or deposits more than one-fifth of the total stock of a company.

(2) Loans to a person shall not exceed one-tenth of the total amount of the paid-up capital and reserve fund of the bank.

(3) The total amount of loans on mortgage of real estate or the total amount of loans redeemable within a period of one year to prefectures, cities, towns and villages shall not exceed the total amount of the paid-up capital and reserve fund of the bank.

(4) The total amount of loans redeemable by instalments within

a period of two years shall not exceed one-fifth of the paid-up capital and reserve fund. In this case, loans to a person shall be less than ¥1,000 and reliable guarantees of more than two persons are required.

(5) The total amount of deposits with any bank and of bills purchased with the acceptance of such bank shall not exceed one-tenth of the amount of the deposits received and one-fourth of the paid-up capital and reserve fund of the said bank.

(6) A regulation given under (5) above is applicable correspondingly to property deposited with trust companies and the total amount of bills purchasable as accepted by the trust companies. Savings banks are obliged to deposit an amount of Government bonds with the Public Deposits Bureau of the Ministry of Justice as guarantee for repayment of the deposits, such bonds to be not less than one-third of the deposits. Savings banks may, however, replace these bonds with the deposits in the Deposits Bureau of the Ministry of Finance. When a savings bank is unable to meet its liabilities with its assets, the directors are jointly under unlimited liability as regards the deposits received before their registration of resignation, and this liability continues for two years after such registration. The above statements refer to ordinary and savings banks, but there exist in addition special banks which are controlled under special laws.

Present Status

In 1932 the number of banks in Japan was 652 with 6,690 branch offices, decreasing 146 and 558 respectively as compared with the previous year. Details of the conditions of banks in Japan proper in 1924-1933 follow:

PRESENT STATUS

BANKS

At the end of each year

(In ¥1,000)

Year	Number	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1924	1,798	2,913,035	10,489,064	11,112,892	387,221	172,701	10.5%
1925	1,698	2,896,082	11,089,804	11,710,718	376,973	166,949	9.8
1926	1,572	2,887,539	11,544,858	12,103,944	378,529	170,060	8.9
1927	1,422	2,872,635	11,557,791	11,693,366	347,988	142,053	10.4
1928	1,157	2,691,148	11,841,255	11,076,440	341,020	135,366	7.7
1929	1,001	2,632,732	12,208,003	11,008,455	338,881	136,256	7.6
1930	892	2,536,949	11,731,161	10,973,133	292,802	123,634	7.3
1931	791	2,458,027	11,156,940	10,995,733	266,518	109,779	6.6
1932	645	2,416,397	11,402,489	10,718,675	286,269	107,535	6.6
1933	621	2,359,724	11,946,907	10,442,889	319,074	101,796	6.4

Note: Exclusive of the number of banks in Chosen and Taiwan.

ORDINARY BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1924	1,626	2,405,684	8,039,920	8,224,392	313,630	131,674	9.9%
1925	1,534	2,389,761	8,662,676	8,731,791	302,195	126,950	9.2
1926	1,417	2,361,198	9,120,472	9,158,341	298,148	127,950	9.5
1927	1,260	2,344,990	8,969,985	8,124,813	268,281	104,654	8.3
1928	1,028	2,169,603	9,252,891	7,497,423	231,580	96,871	7.1
1929	878	2,158,687	9,237,697	7,335,710	216,792	94,895	6.9
1930	779	2,021,434	8,687,085	6,969,140	180,781	83,377	6.5
1931	690	1,939,462	8,215,123	6,696,228	163,307	71,769	5.7
1932	535	1,898,352	8,254,736	6,545,701	169,426	67,781	5.6
1933	513	1,843,179	8,749,566	6,453,890	176,059	63,082	5.4

SAVINGS BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Savings Deposits	Deposits Ordinary Deposits	Total
1924	135	89,451	685,295	104,618	789,913
1925	132	89,921	777,548	122,275	899,823
1926	123	96,941	957,919	103,698	1,061,617
1927	112	96,245	1,010,105	85,176	1,095,281
1928	99	88,145	1,153,656	89,373	1,243,029
1929	94	89,645	1,310,787	103,382	1,414,169
1930	89	87,895	1,481,268	50,369	1,531,637
1931	87	90,895	1,601,723	26,130	1,627,853
1932	86	90,395	1,667,464	11,678	1,679,142
1933	84	88,895	1,803,602	8,013	1,811,615

Advances

Year	Loans	Bills accepted	Total	Net Profit	Dividend	Rate of Dividend
1924	152,206	34,028	186,234	12,318	3,746	14.0%
1925	154,164	36,828	190,992	13,839	3,671	13.1
1926	217,815	45,494	263,309	15,543	5,141	10.1
1927	279,816	16,035	295,851	16,393	4,537	10.6

Year	Loans	Advances		Net Profit	Dividend	Rate of Dividend
		Bills accepted	Total			
1925	330,751	7,365	347,116	16,875	4,644	11.5%
1929	305,583	8,472	404,055	15,417	4,090	10.0
1930	470,725	4,276	475,001	16,002	6,157	15.0
1931	463,703	716	464,479	13,147	4,025	9.4
1932	401,887	1,254	403,141	13,775	4,071	9.4
1933	345,503	1,039	346,542	17,288	4,427	9.4

DEPOSITS AND LOANS OF THE BANKS THROUGHOUT THE COUNTRY ON MARCH 31, 1933.

Items	(In ¥1,000)		
	Special Banks	Ordinary Banks	Total (Savings Banks included)
Deposits			
Public money (State deposits in the Bank of Japan)	519,448 (500,786)	—	519,448 (500,786)
Current deposits	145,380	960,269	1,105,649
Special Current deposits	144,336	1,785,798	1,930,134
Deposits at notice	29,392	511,112	540,504
Fixed deposits	614,643	5,526,032	6,140,675
Other deposits	76,112	315,064	391,176
Ordinary and special			
Fixed deposits	—	2,245	2,245
Fixed reserves	—	1,349	1,349
Total	1,529,311	9,140,872	10,669,183
As compared with the previous year	in. 56,207	in. 382,385	in. 806,164
Loans			
Loans on bills	212,075	3,578,676	3,790,751
Loans on bonds	2,217,185	816,819	3,034,004
Call-loans outstanding	41,225	762,723	803,948
Discounts	1,088,401	749,878	1,838,279
Call-loans	52,816	353,676	406,492
Total	3,616,703	6,261,772	9,878,475
As compared with the previous year	de. 84,865	de. 126,814	de. 211,679
Negotiable papers in possession			
National loans	967,226	2,119,459	3,086,685
Public loans	29,508	344,181	373,689
Foreign bills	142,628	38,141	180,769
Debentures	106,878	1,176,542	1,283,420
Stocks	36,422	384,121	420,543
Total	1,282,162	4,059,444	5,341,676
As compared with the previous year	in. 122,157	in. 348,540	in. 470,697
Deposits on the day	123,921	324,280	448,201
Cash in hand on the day	290,596	377,386	667,982
Total	414,517	701,666	1,122,183
As compared with the previous year	de. 2,011	de. 50,345	de. 48,334

Note: Banks in Korea, Kwantung and South Seas are not included.

The Bank of Japan
(Nippon Ginko)

The Bank of Japan, the central bank of the Empire, was founded in 1882 as a joint-stock company. Its authorized capital, which was at

first ¥10,000,000, was increased three times and now stands at ¥60,000,000, of which ¥45,000,000 is paid up. The Bank is authorized to issue bank notes against gold and silver coins and bullion and further to issue such notes on security of Government bonds and Treasury bills, and other

bonds and commercial bills of a reliable nature. In June, 1932, amendments were made in the Convertible Bank Note Regulations, whereby the maximum amount of the issue against securities was increased up to ¥1,000,000,000 as from July 1 of the same year. The Bank is also authorized to issue notes against such securities beyond the maximum mentioned above. In case the issue in excess of this limit is to continue beyond 15 days, however, the approval of the Minister of Finance is required, and such issues to be made as from the 16th day are subject to a tax of at least 3 per cent. per annum. The payment of the tax formerly imposed on the issue of bank notes against securities was also replaced by a system of payments to the Government by the Bank of Japan, which was created by Law No. 10 of June 18, 1932. Under this system adopted during and after the second half of 1932, the Bank of Japan is required to pay to the Government for each half year one-half of the remainder of the net profits after deducting such amounts as (1) the amount equivalent to 6 per cent. per annum on the paid-up capital, and (2) the amount equivalent to the minimum to be set apart as reserve fund pursuant to Article 10 of the Bank of Japan Act. When the remainder of the net profits after the deduction of the amounts mentioned in (1) and (2) above and of the amount to be paid to the Government exceeds the amounts equivalent to 4 per cent. per annum on the paid-up capital, the Bank is further required to pay three-fourths of such excess amount to the Government. The payments to the Government under this system are to be effected not later than the last day of August in respect of the first half year and not later than the last day of February of the ensuing year in respect of the second

half year, and these payments are counted as losses in computing incomes under the Income Tax Law and net profits under the Business Profits Tax Law. The Advisory Council of the Bank of Japan was also created by Law No. 11 of June 18, 1932 which was put into effect as from July 1 of the same year. Its principal function is to act in consultation with the Governor of the Bank of Japan on the important operations of the Bank. It consists of the Governor of the Bank of Japan as president and not more than five members who are appointed by the Minister of Finance from among persons engaged in finance or industry, or men of learning and experience. Their term of office is three years. The business carried on by the Bank is principally as follows:

- (1) To discount or purchase Government bills, bills of exchange and commercial bills;
- (2) To buy or sell gold and silver bullion;
- (3) To make loans on security of gold and silver coins and bullion;
- (4) To collect bills for banks, companies and merchants, who are its regular customers;
- (5) To receive deposits and to accept for custody articles of value, such as gold, silver and other precious metals and documents; and
- (6) To make advances on current accounts, or grant loans for fixed periods on security of Government bonds, Treasury bills and other bonds and shares guaranteed by the Government.

The Bank is, in addition, entrusted with the management of Treasury receipts and disbursements.

On April 7, 1934, there was promulgated the Law concerning Purchase of Gold by the Bank of Japan. According to the provisions of this Law, the Government is authorized,

for the purpose of keeping gold in the country, to enable the Bank of Japan to purchase and hold gold as prescribed by the Minister of Finance. The Bank of Japan is required to obtain the approval of the Minister of Finance as to the price of gold to be purchased under this Law. It is also required to apply gold so purchased to the reserves for exchange against the convertible bank notes; provided, however, that this does not apply to the case in which the Government orders the Bank of Japan to transfer the gold purchased by the Bank to the account of the Treasury at the Bank at its purchase price for making payments abroad or for meeting other special requirements. In applying, however, the gold purchased by the Bank to the reserves for exchange against the convertible bank notes, the valuation of such gold is made at the legal rate, that is, at the rate of one yen per 750 milligrammes of fine gold, and as a result, the difference between the amount paid by the Bank of Japan for the gold purchased and the amount obtained by the valuation of the same gold at the legal rate will be loss to the Bank of Japan. The Government, therefore, by way of making compensation for the sum representing such difference, assumes an obligation to the Bank for an equivalent sum and delivers to the Bank a certificate of indebtedness therefor. This obligation, however, bears no interest and is not in excess of 100 million yen. When the Bank of Japan transfers, in accordance with the order of the Government, the gold purchased by the Bank to the account of the Treasury at its purchase price, the Bank will apparently realize some profit, and the Bank is required to pay to the Govern-

ment the sum representing such profit. In the case of any profit arising in respect of the gold purchased and held under this Law, the Bank of Japan is also required, as prescribed by the Minister of Finance, to pay to the Government the sum representing such profit. The Government repays the above obligation out of the payments of these two kinds made by the Bank of Japan. As the amount of tax paid by the Bank in respect of the issue of bank notes required for the purchase of gold under this Law becomes loss to the Bank, the Government makes compensation for such loss by delivering to the Bank, as prescribed by the Minister of Finance, the sum representing the tax on such issue. As has been mentioned above, this Law was promulgated on April 7, 1934 and put into effect on the same day, but, when the Government transfers to the Bank of Japan gold actually belonging to the account of the Treasury at the Bank at the time of the coming into operation of this Law, the gold so received by the Bank is considered as having been purchased under this Law.

Among the Governors of the Bank have been the late Baron Shinzen Matsuoka, the late Koichiro Kawada, the late Viscount Yataro Mishima, the late Baron Yanosuke Iwasaki, Mr. Korekiyo Takahashi, Minister of Finance, Baron Tatsuo Yamamoto, former Home Minister, the late Junnosuke Inoué twice Minister of Finance, Otohiko Ichiki, once Minister of Finance and Hisakira Hijikata. The present Governor is Yeigo Fukai. The term of governorship is five years, the holder being appointed by the Government. Important figures for the Bank at the end of each year, are:

THE BANK OF JAPAN

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1924	60,000	828,896	769,946	10,904	4,500	12.0%
1925	60,000	687,011	719,839	10,348	4,500	12.0
1926	60,000	670,922	699,127	10,358	4,500	12.0
1927	60,000	651,636	915,068	10,357	3,750	10.0
1928	60,000	470,442	470,817	10,366	3,750	10.0
1929	60,000	532,756	701,668	19,815	3,750	10.0
1930	60,000	456,763	779,138	19,865	3,750	10.0
1931	60,000	374,038	989,408	19,761	3,999	10.0
1932	60,000	355,143	819,179	33,256	5,850	18.0
1933	60,000	370,049	880,833	50,379	4,500	10.0

Yokohama Specie Bank
(Yokohama Shokin Ginko)

The Yokohama Specie Bank was founded in 1880 with an authorized capital of ¥3,000,000 with the object of affording financial facilities for foreign trade. Subsequently, its capital was increased several times and now stands at ¥100,000,000, all paid up by June, 1920. This bank heralded the semi-Government banks in Japan, being established two years before the founding of the Bank of Japan. The money market of Japan as regards foreign trade was almost monopolized by foreign banks such as the Oriental Bank, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, all having branches in Yokohama. Transactions in silver coins were handled almost exclusively by these foreign banks. A movement for restoring the national right and prestige was then gaining momentum among conservatives in Japan because of a rapid importation of Western material civilization in this country. This movement, coupled with a silver absorption policy, spread throughout the country and this culminated in an announcement by the Government of a plan for the establishment of a bank for the exclusive handling of specie in Japan. Michita Nakamura, an in-

fluential business man at that time, supported by Yukichi Fukuzawa, founder of Keio University, successfully persuaded the then Finance Minister Okuma to establish the Yokohama Specie Bank. It was planned that the bank should be capitalized at ¥3,000,000 silver, of which ¥1,000,000 was to be subscribed by the Government and the remaining ¥2,000,000 offered for public subscription. The shares were over-subscribed to the amount of ¥500,000. The business carried on by the bank consists of:

- (1) Dealing in foreign exchange;
- (2) Dealing in domestic exchange;
- (3) Making loans;
- (4) Receiving deposits of money and the custody of valuable articles;
- (5) Discounting and collection of bills of exchange, promissory notes, and other securities; and
- (6) Exchange of coins.

The bank also may buy or sell public bonds, gold and silver bullion, and foreign coins, if so required by the condition of its business. It may also be entrusted with matters relating to foreign loans and with the management of public money for international account. The bank has its head office in Yokohama and 36 branches and 8 sub-branches throughout the world. Its president is Mr. Kenji Kodama. During the Russo-Japanese War the bank under-

took the work connected with the floating of foreign loans for the Government. The bank also played an important part in Japan's economic activities in China after the Russo-Japanese War. Japan joined the Four-Power Consortium consisting of Great Britain, Germany, France and the United States in 1912. In 1913 the Yokohama Specie Bank, representing Japanese syndicate banks, concluded a 5 per cent. loan agree-

ment for China as member of the Six-Power Consortium (Japan and Russia added). During the World War the Japanese syndicate banks lent money to Russia, Great Britain and France and underwrote bonds of these Governments. At America's initiative a new consortium was organized by Japan, Great Britain, America and France in 1919 and the Yokohama Specie Bank represented Japan in the consortium.

THE YOKOHAMA SPECIE BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1924	100,000	521,117	321,677	18,298	12,000	12.0%
1925	100,000	555,404	312,902	18,888	12,000	12.0
1926	100,000	489,607	298,942	18,336	12,000	12.0
1927	100,000	508,096	334,895	18,081	10,000	10.0
1928	100,000	492,761	291,162	33,628	10,000	10.0
1929	100,000	646,009	344,700	36,153	13,000	15.0
1930	100,000	654,146	367,527	26,290	10,000	10.0
1931	100,000	547,761	363,185	22,815	10,000	10.0
1932	100,000	644,054	391,925	23,387	10,000	10.0
1933	100,000	558,689	368,864	27,517	10,000	10.0

The Hypothec Bank of Japan (Nippon Kwangyo Ginko)

The Hypothec Bank of Japan was created in 1897 for the purpose of making long-term loans at a low interest rate on mortgage of immovable property. Its authorized capital which was ¥40,000,000 till 1920 has been increased very often following mergers with 22 agricultural and industrial banks, so it now stands at ¥108,750,000, of which ¥84,626,063 is paid up. The business of this bank is mainly as follows:

(1) To make on mortgage of immovable property loans redeemable by annual instalments within a period not exceeding 50 years, or at a fixed time within a period not exceeding five years, provided in the latter case the total amount of such loans does not exceed twice the total amount of the paid-up capital and reserve fund. In the case, however,

of loans for the fishery industry, they may be made on mortgage of fishery rights. Railway and tramway foundations shall be regarded as immovable property. The amount of loans made on security of residential land or buildings, other than sites or buildings belonging to factory foundations and factories, which lie in localities where the City Organization Law is in force or on city land to be designated by an Imperial Ordinance or the amount of loans made on pledge of claims secured by these residential land and buildings (including real estate mortgage certificates), and the amount of loans made under the City Planning Law to land re-arrangement associations or federations of such associations shall not exceed one-half of the total amount of the paid-up capital and mortgage debentures issued;

(2) To make loans without se-

curity to prefectures, cities, towns, villages and other public corporations organized by law;

(3) To make loans without security, redeemable at a fixed time or by annual instalments in the case of the adjustment of arable land under the law for such adjustments;

(4) To make loans without security, redeemable at a fixed time or by annual instalments to industrial, staple export manufacturers, fishery, forestry, stock-breeding or building associations, or federations of such associations;

(5) To make without security loans redeemable at a fixed time within a period not exceeding five years or by mutual instalments within a period not exceeding 10 years to a party of at least 10 persons, combined with joint liability, who are engaged in agriculture, industry or fishery in any prefecture where no Agricultural and Industrial Bank exists;

(6) To make without any security loans redeemable at a fixed time or by annual instalments to land re-arrangement associations or federations of such associations in case they apply to borrow for the re-arrangement of land to be undertaken under the City Planning Law or in case they, combined with joint liability, apply to borrow for the same purpose;

(7) With money obtained by the issue of hypothec debentures with premium, to make loans on security of cultivated fields, salt-pans, forests, pastures, fish-farms or fishery rights or on pledge of claims secured by these items (including real estate mortgage certificates);

(8) To take up debentures issued by the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Bank for Co-operative Societies and Chosen Industrial Bank;

(9) To make loans redeemable by annual instalments on security of the claim on loans redeemable by annual instalments that are issued by these agricultural and industrial banks and of the mortgage in security for such loans;

(10) To make on pledge of claims secured by real estate (including real estate mortgage certificates) loans redeemable at a fixed time within a period not exceeding five years, and to buy and sell real estate mortgage certificates;

(11) To take deposits and take custody of gold and silver bullion and negotiable paper, provided that the total amount of deposits other than the fixed deposits and deposits of prefectures or cities shall not exceed the total amount of the paid-up capital.

Finally, the bank may employ the deposits and the money lying idle in the course of its business in the following manner only:

(a) To purchase with a sum equal to not less than one-fourth of the deposits national bonds or negotiable paper approved by the Minister of Finance or to deposit it in the Deposits Bureau of the Ministry of Finance or in banks approved by the Minister of Finance;

(b) To discount bills or make short-term loans on security of the above-mentioned negotiable paper or agricultural or marine products or industrial manufactures;

(c) To discount bills or grant overdrafts to industrial associations, staple exports manufacturers' associations, fishery associations or federations of such associations;

(d) To make short-term loans to public corporations;

(e) To make short-term loans without security to a party of at least ten persons, combined under joint liability, who are engaged in agriculture, industry or fishery in

any prefecture, where no Agricultural and Industrial Bank exists; and

(f) To use fixed deposits as funds for making on security of real estate or fishery rights or on pledge of claims secured by real estate (including real estate mortgage certificates) loans redeemable at a fixed time within a period not exceeding five years.

The Hypothec Bank is authorized, when at least one-fourth of its nominal capital has been paid up, to issue mortgage debentures to an amount not exceeding 15 times its paid-up capital, provided the amount of such debentures shall not exceed the total amount of outstanding loans redeemable by annual instalments or at a fixed time, and the

debentures of the Agricultural and Industrial Banks, Hokkaido Colonization Bank, Central Bank for Co-operative Societies and Chosen Industrial Bank in hand. These mortgage debentures must be redeemed by means of drawings taking place at least twice a year in amounts proportionate to the amount to be redeemed in the same year of the loans redeemable by annual instalments and the debentures of the above-mentioned banks in hand. In case any loans redeemable by annual instalments are repaid before they are due, the bank may with the amount so paid purchase and redeem its mortgage debentures. The present president of the bank is Dr. Eiichi Baba.

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
1924	94,000	54,195	709,047	10,984	6,988	10.0	628,975
1925	94,000	59,832	765,692	11,209	6,988	10.0	654,499
1926	94,000	59,009	781,271	11,359	6,988	10.0	683,435
1927	99,000	82,423	816,102	11,819	6,988	10.0	693,451
1928	99,000	89,143	879,808	18,000	7,488	10.0	732,000
1929	100,000	92,314	935,896	19,028	7,558	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	915,653
1933	108,750	145,888	1,094,070	19,961	8,463	10.0	852,806

Agricultural and Industrial Banks (Noko Ginko)

The Agricultural and Industrial Banks are prefectural financial institutions for accommodating provincials with long-term loans at a low rate of interest on security of immovable property and, being established in every prefecture, are most useful through their connection with their central institution, the Hypothec Bank of Japan. But with a view to affording further financial facilities to local districts, the law concerning the amalgamation of the Hypothec Bank and the Agricultural

and Industrial Banks was enacted in 1921. By virtue of this law the former was allowed to take over the business of the latter on condition that it established its branches in places where head offices and branches of the latter were in 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. These banks are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural

and industrial debentures to an 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. There were 19 of these banks in existence throughout the country at the end of 1933.

AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	Number of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1924	27	93,900	140,184	436,600	12,144	7,544	9.6%	277,775
1925	27	95,400	144,714	438,356	13,208	7,500	9.3	336,648
1926	27	105,400	149,778	539,113	14,747	8,231	9.2	377,454
1927	25	102,400	149,425	617,488	18,701	7,009	9.2	442,984
1928	25	104,400	176,926	686,953	21,043	8,488	9.5	463,890
1929	19	104,400	185,899	705,907	21,551	8,799	9.4	506,409
1930	19	88,900	148,654	651,762	19,837	8,125	9.4	469,797
1931	19	88,900	146,030	660,906	17,886	7,523	9.4	483,554
1932	19	88,900	154,333	699,170	16,773	7,432	9.2	506,129
1933	19	85,900	162,775	672,393	17,659	7,449	9.2	496,673

The Industrial Bank of Japan (Nippon Kogyo Ginko)

The Industrial Bank of Japan was founded in April, 1902. Its authorized capital is ¥50,000,000 fully paid up. Its business is as follows:

(1) To make loans on pledges of national and prefectural bonds and company debentures and shares;

(2) To subscribe for or underwrite national and prefectural bonds and company debentures;

(3) To receive deposits of money and accept articles of value for custody;

(4) To engage in trust business for mortgage debentures;

(5) To discount bills;

(6) To engage in the business of bills of exchange and documentary drafts;

(7) To make loans on security

of foundations created as subscribed by law;

(8) To make on mortgage of ships or ships under construction loans which shall be redeemable by annual instalments within a period not exceeding 15 years, or at a fixed time within a period not exceeding five years;

(9) To make loans on security of shipbuilding materials or equipment;

(10) To subscribe for or take up shares which have been approved by the Minister of State concerned;

(11) To subscribe for national or provincial bonds and company debentures, or to act as agent for receiving these instalments payable by general subscribers or paying principal and interest and dividends;

(12) To make call loans for a fixed term on security of sites and

buildings belonging to factories or of residential land or buildings lying in localities where the City Organization Law is in force or in city land to be designated by Imperial Ordinance, provided, however, that the total amount of such loans shall not exceed two-thirds of the amount of paid-up capital; and

(13) To purchase national or provincial loans or company debentures and shares or gold and silver bullion with available money which the bank may employ for the purpose.

The bank is authorized to issue debentures to an amount not exceeding ten times its paid-up capital, provided, however, that the amount of such debentures shall not exceed the total amount of outstanding loans, discounted bills, and national or provincial bonds, company debentures, shares and gold and silver bullion in hand. Only in the event of funds being required for enterprises for public benefit undertaken in a foreign country, the bank may, with approval of the Minister of Finance, issue debentures irrespective of the above-mentioned restriction. The bank played an im-

portant part in overseas investment. The first of this kind was that in public utilities and loans to private enterprises in Korea in 1906. The bank also became active in investments in China, not only making direct investments, but also indirectly through the Toa Industrial Development Company, Chunichi Industrial Development Company and Chukwa Exchange Bank. One of the most notable investments of the bank was its "political" loans to China in 1918. Loans also were made to Japan's industrial developments in the South Seas. The bank underwrote loans for the Russian and French Governments and also subscribed for shares of the Franco-Japanese Bank and Chukwa Exchange Bank, Peiping, in connection with the establishment of these institutions. The bank features in engaging in trust business in mortgage debentures. Through financial accommodation of the Deposits Bureau of the Ministry of Finance, the bank lent, for industrial rehabilitation, the first-aid loans to districts devastated by the Kanto earthquake and fire. Mr. Toyotaro Yuki is president.

THE INDUSTRIAL BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Capital Fund in Trust	Net Profit	Dividend	Rate of Dividend	Debentures
1924	50,000	71,594	302,745	123,450	6,893	5,000	10.0%	322,227
1925	50,000	64,411	283,516	182,598	5,413	4,000	8.0	286,269
1926	50,000	44,025	282,269	192,003	7,279	4,000	8.0	271,375
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	278,578
1930	50,000	46,858	455,836	165,011	6,491	3,000	6.0	338,303
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

The Hokkaido Colonial Bank (Hokkaido Takushoku Ginko)

The Hokkaido Colonial Bank was established with the object of sup-

plying capital for enterprises for colonizing and developing Hokkaido and Karafuto (the Japanese half of Saghalien), and especially for the purpose of facilitating the supply

of capital by making loans on security of agricultural products and company shares and debentures as well as making long-term loans at low interest rate on immovable property. The bank had at first a capital of ¥3,000,000, but on April 23, 1922, it was increased to ¥20,000,000, of which ¥12,500,000 has been paid up. The business scope is very much similar to that of the Hypothec Bank of Japan and the Agricultural and Industrial Banks. The bank is authorized to issue debentures of not less than ten yen face value to an

amount not exceeding 15 times its paid-up capital. Such debentures, however, must not exceed the total amount outstanding of the loans which are redeemable by annual instalments or at a fixed date, and when debentures of not more than twenty yen face value are to be issued by the bank, such issue may also be effected by sale. These debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount of the said loans to be redeemed in the same year.

THE HOKKAIDO COLONIAL BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1924	20,000	43,245	162,251	2,050	1,250	10.0%	107,642
1925	20,000	45,933	167,330	2,373	1,250	10.0	106,474
1926	20,000	49,348	171,572	2,759	1,250	10.0	98,649
1927	20,000	55,054	180,499	3,162	1,125	9.0	115,943
1928	20,000	66,103	178,071	3,318	1,125	9.0	103,238
1929	20,000	73,571	178,770	3,360	1,125	9.0	96,938
1930	20,000	75,058	188,232	3,391	1,125	9.0	102,753
1931	20,000	69,759	187,341	2,982	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

The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September, 1899, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War. It was capitalized at ¥5,000,000, when it opened. The bank was brought into being largely through efforts of the then Minister of Finance Masayoshi Matsukata, and was given the privilege of issuing notes for circulation in the island. In 1910 its capital was increased to ¥10,000,000, which was doubly increased in 1918. The bank served as the most influential financing organ not only for the island's principal industries such as rice, sugar, camphor, tea, coal and gold, but contributed a great deal toward

Japanese industrial development in South Seas countries and business activities in South China. Its reckless business expansion during the World War resulted in a tie-up of a large amount of loans, when the financial panic of 1920 took place. After 1922 the business sphere was narrowed. The great earthquake and fire of 1923 caused the collection of loans difficult. The bank wrote off ¥28,600,000 of its bad assets for the first half of 1925 and partially made good the loss by means of its reserves. In addition, it carried out a reduction of capital by ¥15,000,000. This was not enough. A bill providing for financial aid to the bank was adopted by the Diet and, consequently, the bank was accorded financial accommodation by the Bank of Japan. In November of the same

year it further cut its capital by ¥30,000,000. Readjustment has been progressing since then. Mr. Jiro Yasuda is its president.

THE BANK OF TAIWAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Loans	Advances Bills Discounted	Total
1924	60,000	52,500	13,780	224,984	106,608	610,105	716,714
1925	45,000	39,375	1,526	134,380	100,827	570,034	670,859
1926	45,000	39,375	1,766	92,806	181,944	484,543	666,487
1927	15,000	13,125	—	75,375	222,333	318,399	540,732
1928	15,000	13,125	—	76,090	147,751	138,160	285,911
1929	15,000	13,125	—	71,678	148,677	133,538	282,215
1930	15,000	13,125	414	73,661	144,668	128,575	273,243
1931	15,000	13,125	1,214	78,920	131,390	130,252	261,542
1932	15,000	13,125	1,744	95,070	128,160	117,378	245,538
1933	15,000	13,125	2,354	101,457	119,737	108,207	227,944

Profit and Loss Account

Year	Earnings	Expenses	Net Profit	Dividend	Rate of Dividend
1924	98,865	94,148	4,717	3,678	7.0%
1925	110,639	109,982	1,136	986	5.0
1926	76,829	74,429	2,400	1,971	5.0
1927	75,882	76,639	—	—	—
1928	54,827	57,203	—	—	—
1929	47,473	47,948	—	—	—
1930	39,934	39,075	859	—	—
1931	47,145	46,287	858	—	—
1932	45,765	44,700	1,065	395	3.0
1933	40,054	38,758	1,296	395	3.0

The Bank of Chosen
(Chosen Ginko)

The Bank of Chosen was established in March, 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, which was founded in October, 1909, following the transfer of the assets and liabilities of the Dai-Ichi (First) Bank. The bank is authorized to issue bank notes. In 1917 the bank's notes 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 and expanded its busi-

ness sphere to Japan proper, where it commenced foreign exchange business. The financial reaction following the World War caused it to narrow its business activities. It wrote off frozen assets to the amount of ¥36,000,000 for the first half of 1925 and halved its capital to ¥40,000,000. The bank borrowed a large amount of money from the Bank of Japan after 1920 on 10 years' repayment. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Korea to the Minister of Finance. The bank was unable to collect call loans in connection with the 1927 financial panic, but the extent of harm received was not so severe as that of the Bank of Taiwan.

THE BANK OF CHOSEN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Loans	Advances Bills Discounted	Total
1924	80,000	50,000	11,420	204,624	325,756	88,838	414,596
1925	40,000	25,000	873	132,736	285,975	70,699	356,674
1926	40,000	25,000	821	135,871	294,553	75,233	369,776
1927	40,000	25,000	1,001	197,713	261,041	54,874	315,915
1928	40,000	25,000	1,201	149,919	279,905	39,503	319,408
1929	40,000	25,000	2,101	151,150	290,462	24,260	314,723
1930	40,000	25,000	2,901	98,785	248,758	17,796	266,554
1931	40,400	25,000	3,701	111,462	273,673	23,726	297,400
1932	40,000	25,000	4,501	193,932	303,785	33,683	337,468
1933	40,000	25,000	5,301	215,105	322,950	31,558	354,508

Profit and Loss Account

Year	Earnings	Expenses	Net Profit	Dividend	Rate of Dividend
1924	53,753	50,458	3,294	2,820	6.0%
1925	75,768	75,058	706	587	2.5
1926	30,000	28,462	1,537	1,175	5.0
1927	25,328	23,946	1,382	940	4.0
1928	28,128	26,543	1,585	940	4.0
1929	26,186	24,321	1,865	940	4.0
1930	23,492	21,664	1,828	940	4.0
1931	24,366	22,531	1,835	940	4.0
1932	38,709	36,860	1,849	940	4.0
1933	41,477	39,624	1,853	940	4.0

Financial Panic of 1927

The financial panic that overtook Japan for about a month from the middle of March, 1927, was an unprecedented affair in Japan's financial circles. This incident brought about a revolutionary change in the Japanese financial system and a great banking readjustment followed it during the next year. The financial panic may be divided into three stages. The first period extended from the closing of the Tokyo Watanabé Bank and its sister institution, the Akaji Savings Bank on March 15 to March 23, when the so-called earthquake and fire readjustment bills were adopted by the Diet. The second period was marked by the progress of financial uncertainty spreading over all Japan and lasted from the time of the adoption of the bills to the middle of April. The third period was

featured by the opposition raised by the Privy Council against an urgent Imperial Ordinance for the relief of the Bank of Taiwan, when it was submitted to the Council, and the subsequent development of the situation was one of uncertainty in which the financial condition went from bad to worse until, on April 22, a moratorium was enforced throughout the country, to last for 3 weeks.

The Reaction of 1920 The financial panic had sundry causes before it really came to a head. When the financial reaction of 1920 overtook Japan, the country stood in need of carrying out thoroughgoing readjustments. Comparing prices of commodities in 1914 with those in 1920, the average index number was 338 on the basis of 100 taken in 1914. Soon after the financial panic the index number fell back to 280 and this declining trend lasted until the subsequent low point of 180 was

reached just before the 1927 panic. This heavy drop of prices dealt a severe blow to economic circles. By the drop in the value of mortgages, banks were given no little blow. Refunding of loans advanced became difficult and this caused many banks to incur losses. Following the 1920 reaction no readjustment was carried out.

The Quake-fire The Kwanto earthquake and fire of 1923 aggrandized the losses of banks. Bankers realized that thoroughgoing readjustment was unavoidable, but they lacked enough courage to carry out the reduction of capital or take other drastic steps, fearing loss of public credit. The shiftlessness of the bankers as the economic condition grew worse, aggravated the situation. When the relief bills, that is, the Earthquake and Fire Bill, Readjustment Bill and the Earthquake and Fire Loss Indemnification Bond Bill, were submitted to the 52nd session of the Imperial Diet on January 26, 1927, they provoked a great discussion in the Diet. In debating these bills, interpellations and answers exchanged on the Diet floor went too far, exposing in some cases the weak status of many banks, but on the whole this Diet debate allayed the uneasiness of depositors regarding the credit of the banks. Through a slip of the tongue on the part of Mr. Naoharu Kataoka, the then Minister of Finance, irregularities of the Tokyo Watanabé Bank were exposed to the Diet on March 14. The bank had made a large amount of loans to various business enterprises in which directors of the bank were interested, and the refunding of loans had become difficult. On March 15, the bank had to close its doors and it was similarly followed by its subsidiary institution, the Akaji Savings Bank. This proved an incident leading to the out-

burst of the great financial panic that ensued. Damaging rumours ran fast and runs on banks increased. On April 19, the Nakai Bank, Tokyo, suspended its business, and on April 22, four second-class ordinary banks in Tokyo and Yokohama, such as the Soda, Eighty-fourth, Nakazawa and Murai banks, closed their doors and announced business readjustments. The total amount of deposits of these six banks reached about ¥200,000,000. Because of the fact that depositors were mostly medium-sized business shops of Tokyo, the extent of damage was fairly wide. Inter-bank transactions were carried on only with great caution and call loan deals were nearly suspended. Instead, many banks asked for loans from the Bank of Japan. As the result of negotiations between representatives of large ordinary banks and the Bank of Japan, the latter finally decided to make emergency loan advances to relieve the situation. A joint statement of the Minister of Finance, Vice-Minister of Finance, and Governor of the Bank of Japan was issued on April 22, declaring that financial stabilization would soon be attained. The two post-earthquake and fire readjustment bills were meanwhile adopted by the House of Peers.

The Bank of Taiwan The panic by that time was mostly confined to banks in Tokyo and Yokohama, because of the fact that it was directly caused by earthquake bills. Effects on the stock market were not very severe, except for shares connected with the closed banks. However, the miserable plight in which one of the special banks, the Bank of Taiwan, found itself in April, intensified the financial uneasiness. The disposal of earthquake bills held by the Bank of Taiwan was made an object of

seathing criticism by the public. In accordance with a decision of the House of Peers that a Bank of Taiwan Investigation Commission should be organized, the Wakatsuki Cabinet appointed the members. The first thing done by the commission was to instruct the bank to suspend dealings with Suzuki Shoten, Kobé, on which responsibility mostly rested for the bank's present awkward predicament. New loan making to this great trading concern in Kobé was entirely suspended by the bank. This gave a great shock to Japanese economic circles, because this concern carried on business in a wide sphere, having more than 60 large and small business houses under its control. To the Bank of Taiwan alone the Suzuki's owed the enormous amount of ¥350,000,000. It was greatly feared by the public that the prohibition of new loans to the Suzukis might mean the eventual failure of the Bank of Taiwan. All banks making call loans to the bank began withdrawing loans and this was followed by an active run of depositors on the bank. No matter how strenuously the Government explained that the bank was quite safe it was not heeded by depositors. Business became more difficult daily and the situation forced the bank to ask the Government and Bank of Japan for relief. During the intervening period runs on banks in a mild form spread all over the country. The financial uncertainty grew steadily intense and this resulted in a sudden outburst of great confusion on the stock exchanges. When the Sixty-fifth Bank of Kobé, in which Suzuki Shoten was heavily interested, announced business suspension on April 8, the stock markets of Tokyo, Osaka and other cities were literally thrown into a chaotic condition.

The Cabinet Resigns The aggra-

vation of Sino-Soviet diplomatic relations and a clash of Japanese and Chinese soldiers in Shanghai brought further uneasiness to a turbulent market. The Government was very much concerned that the Bank of Taiwan situation had increased to such serious proportions and debated on relief measures. In consequence, an emergency loan advance by the Bank of Japan and the consequent issue of an urgent Imperial Ordinance for indemnification against loss for the Bank of Japan were approved at an extraordinary Cabinet meeting of April 13. The urgent Imperial Ordinance was submitted to the Privy Council on April 15. The bill provided for the Bank of Japan indemnification against loss to the amount of ¥200,000,000 against its unsecured loans to the Bank of Taiwan. A vigorous opposition was raised by the Privy Council against the urgent Ordinance on the reason that the action of submitting such an important bill within less than two weeks after the closing of the Diet was indiscrete and irresponsible. At a plenary session of the Council on April 17 the bill was shelved. The Wakatsuki Cabinet had to resign as the result. The situation threw financial circles into utter chaos. The Bank of Japan and other large banks could render no more relief to the bank. Eventually the bank closed the doors of its head office and all branches on April 18. On the same day the Omi Bank, one of the influential banks of Osaka, announced the closing of its doors. Financial confusion reached its height. Runs on banks spread throughout the country. One of the Big Five ordinary banks of Tokyo, the Jugo (Fifteenth) Bank, closed its doors on April 21. Foreseeing further spread of panic, all banks in Tokyo voluntarily closed their doors for two days, on April

22 and 23, to prepare against the runs.

A Moratorium Proclaimed By this time the Tanaka Cabinet had replaced the Wakatsuki Cabinet. A three weeks' Moratorium was proclaimed by the new Cabinet and the urgent Imperial Ordinance was adopted by the Cabinet on April 22. During the time that the moratorium was in force maximum payments were limited to ¥500 per day. An extraordinary Diet session opened for five days commencing May 3 to decide on relief measures. The Bank of Japan Special Loan Bill and Taiwan Financing Organ Relief Bill were submitted to it by the Government. This pacified the turbulent popular mind and the great financial panic came to a halt on April 22 with the enactment of the moratorium.

At that time the total deposits held by ordinary banks were estimated at ¥9,000,000,000, but it was unknown how much of the deposits were withdrawn by the public. Banks closed in connection with the panic were 30, of which 10 were in Tokyo, 3 in Osaka and 17 in other districts. The total deposits in these closed banks were ¥770,000,000 at the end of 1926. Loans of the Bank of Japan, which were about ¥200,000,000 about the middle of March, increased to more than ¥2,000,000,000 on April 20. The highest amount of note issue of the Bank of Japan during the panic was recorded at ¥2,600,000,000. The yen-dollar exchange rate fell back to \$46¼ during the crisis. The two relief bills were passed by the Diet on May 8. The bills provided for loss indemnification to the amount of ¥500,000,000 for the Bank of Japan in its financial relief in Japan proper and ¥200,000,000 for the same bank in its relief measures to financial organizations in Formosa. The Bank

of Taiwan resumed business on May 9. In both cases the Bank of Japan had to grant loans and the Government guaranteed its loss against these to the maximum amount of ¥700,000,000. The special loans made by the Bank of Japan before the maturity of the one year term of the guarantee, that is, May 8, 1928, amounted to ¥879,000,000, of which ¥687,000,000 was lent to banks in Japan proper and ¥191,000,000 to banks in Formosa. Altogether 90 banks received special loans from the Bank.

Trust Business

It was about 1906 that companies bearing the title of trust companies were first established in Japan, and, since that time the number of these institutions has steadily increased. This has been especially due to the unusual economic activity resulting from the World War and promotion of various new enterprises. The Government laid the projected Trust Law and Trust Business Law before the 45th session of the Imperial Diet and secured its approval. These two laws were effective on and after January 1, 1923. The gist of the Trust Business Law is as follows:

(1) Trust business can be carried on only by a joint-stock company whose capital is one million yen or more and which has obtained a licence from the Minister of Finance.

(2) Though the proper function of trust companies is not definitely laid down in law, it is clear that they are expected to act as trustees for the benefit of other parties, i. e., they must, with the intention of faithful managers, administer or dispose of the right of property established or transferred by the beneficiary for the benefit of the beneficiary or a third party. The properties that a trust company can

accept in trust are limited to the following items: money, negotiable paper, monetary claims, movables, land and things thereon, and superficies and leases of lands.

(3) The method of administering the trust property is specified in the Imperial Ordinance issued according to the provisions of the Trust Law.

(4) Business which trust companies can carry on as incidental to their main business are limited to the following:

(a) Reception of deposits for safe custody;

(b) Giving guarantees for debts;

(c) Acting as an intermediary in the sale of immovable properties;

(d) Acting as an intermediary in the loans of either money or immovable properties;

(e) Floatation of bonds, debentures or stocks, and receipts of payment from the subscribers;

(f) Payment of principal and interest or dividends of bonds, debentures or stocks;

(g) Execution of a will concerning property;

(h) Auditing;

(i) Acting as agents for the following matters: Acquisition or disposition of properties; Acquisition and liquidation of properties; Collection of claims; Performance of obligations.

Of the above, the guaranteeing of debts is subject to necessary limitation to be specified by Imperial Ordinance.

(5) Trust companies are forbidden to engage in any business other than those mentioned above, excepting business connected with secured debentures.

(6) Trust companies must in conformity with the provisions of ordinance, deposit national loan bonds

of not less than one-tenth of their capital as security, and beneficiaries are entitled to preferential rights as regards the national loan bonds thus deposited by trust companies. The rate of legal reserve fund has also been increased, while a certain limit is to be observed by the companies in using their own funds for the purpose of investment. These, together with other provisions for control, are intended to protect the interest of beneficiaries, at the same time preventing the companies from possible mismanagement.

(7) As stated in (5) the companies carrying on general trust business can also engage in similar business connected with secured debentures. Consequently, a revision was effected in this respect in the Secured Debenture Trust Law. Ordinary banks were formerly disqualified from carrying on a general trust business, but this privilege was allowed to the Bank of Taiwan, Industrial Bank of Japan and Hokkaido Colonization Bank. It being deemed necessary to confine the operation of these special banks in the particular line to business connected with secured debentures only, necessary revisions have been made in the laws relating to these banks.

Trust companies established under the provisions of the above-mentioned trust laws numbered 36 and had an aggregate nominal capital of ¥287,000,000 at the end of December, 1933. Before the enactment of the law there were about 500 "trust" companies, most of which were eliminated with the enactment. About 37 trust companies are carrying on business, and several of them, such as the Mitsui, Mitsubishi, Yasuda and Sumitomo trust companies, are run by Japan's wealthy families. Details concerning the trust companies in this country are given below:

MUTUAL LOAN COMPANIES

Year	ASSETS			
	Unpaid capital	Money yet to be paid in instalments (In ¥1,000)	Loans	Total, including others
1923	6,761	14,635	13,468	44,810
1924	10,638	20,847	14,389	62,012
1925	12,772	28,485	19,351	78,237
1926	14,835	34,668	21,899	89,600
1927	17,083	38,437	22,275	97,473
1928	18,719	42,634	25,226	111,542
1929	18,214	47,745	31,789	129,279
1930	18,580	56,512	36,769	149,162
1931	18,702	60,912	42,284	163,406
1932	19,393	71,933	41,728	177,911

Year	LIABILITIES			
	Authorized capital	Reserves (In ¥1,000)	Net profit	Total, including others
1923	12,255	1,427	758	44,810
1924	18,743	2,014	1,002	62,012
1925	22,388	2,748	1,431	78,237
1926	26,042	5,028	1,708	89,600
1927	29,932	4,814	1,959	97,473
1928	33,289	5,820	1,887	111,542
1929	34,372	6,713	2,154	129,279
1930	36,121	7,868	2,193	149,162
1931	36,400	8,827	1,998	163,406
1932	37,665	9,557	1,922	177,911

Co-operative Credit Associations

Credit Associations acquired a legal standing under a new system as defined by the so-called Co-operative Association Law, promulgated in March, 1900. The business of these associations is to lend money to their members in order to better their economic conditions and to employ their savings. By virtue of the revision of the law in July, 1917, the business of the Credit Associations has been expanded and they may use the savings of the families of their members, public corporations or legal persons who do not

aim at profit. Especially, the Credit Associations in cities or city areas designated by the competent Minister of State may, besides the business above described, discount bills for their members and handle savings of persons who are not their members but reside inside the same boundary. Therefore, they may be called the People's Banks in city areas, and are placed under the control of the Minister of Finance and Minister of Agriculture and Forestry. The actual number of these associations was 266 at the end of December, 1933.

Year	Money paid	Loans	Savings	Total B/S
1930	¥83,361,120	¥135,199,660	163,279,668	269,463,423
1931	61,496,440	143,046,032	165,351,942	272,554,757
1932	58,739,665	138,832,405	160,239,203	271,284,152

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 participated in the investment amounted to more than 80 per cent. of the total number existing. The principal business of the Central Chest for Co-operative Associations is as follows:

- (1) To make without security loans redeemable at a fixed time within a period of not more than five years to Federations of Co-operative Associations or Co-operative Associations;
- (2) To make loans without security redeemable by annual instalments within a period not exceeding

thirty years to the Federations of Co-operative Associations or Co-operative Associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to, Federations of Co-operative Associations or Co-operative Associations;

(4) To undertake exchange business for Federations of Co-operative Associations or Co-operative Associations;

(5) To receive money as deposits from Federations of Co-operative Associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for Federations of Co-operative Associations or Co-operative Associations; and

(7) To buy and sell on a consignment basis securities for Federations of Co-operative Associations or Co-operative Associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and Minister of Finance. The assets and liabilities of these associations follow:

Year	ASSETS				
	Unpaid investment	Loans made	Deposits in banks (In ¥1,000)	Securities	Total, including others
1925	11,071	2,629	8,238	5,332	33,992
1928	6,259	51,227	17,405	14,643	91,655
1929	4,459	47,535	31,537	14,018	100,233
1930	2,614	78,774	23,149	13,183	120,880
1931	1,159	99,298	16,908	11,823	127,891
1932	381	127,332	40,145	18,493	192,073

Year	LIABILITIES				
	Investment by Government	Investment by others	Co-operative debentures (In ¥1,000)	Fixed deposits	Total, including others
1925	15,000	15,700	600	625	33,992
1928	15,000	15,700	18,370	34,012	91,655
1929	15,000	15,700	24,210	36,291	100,233
1930	15,000	15,700	41,240	35,661	120,880
1931	15,000	15,700	41,419	32,447	127,891
1932	15,000	15,700	59,503	59,624	192,073

The Big Six

In the commercial banking world, of non-governmental banks there are six which stand out from all the others in importance, these are the Mitsui, Mitsubishi, Dai-Ichi, Sumi-

tomo, Yasuda and Sanwa, the last named was created by the amalgamation of three banks, i. e. Konoike, Yamaguchi and the 34th in December, 1933. A table of comparative statistics at the end of 1934 follows; figures are in ¥1,000:

	Mitsui	Mitsubishi	Daiichi	Sumitomo	Yasuda	Sanwa
Authorized capital	100,000	100,000	57,500	70,000	150,000	107,200
Paid-up capital	60,000	62,500	57,500	50,000	92,750	72,000
Reserve	50,200	42,000	66,300	35,000	64,600	23,000
Deposits	748,556	722,648	852,104	872,527	807,130	1,077,165
Loans and discounts	383,634	265,344	422,318	466,091	548,412	496,211
Foreign bills purchased	57,759	29,820	9,087	12,785	4,476	2,046
Profit for half year	15,468	10,937	7,239	8,601	8,537	4,904
Total B/S	949,824	896,710	1,014,756	1,028,145	1,071,698	1,264,270

FOREIGN BANKS WITH BRANCHES IN JAPAN

Name	Nationality	Number of Branches in Japan	Places of Branches in Japan
Hongkong & Shanghai Banking Corporation	Great Britain	3	Kobé, Yokohama, Tokyo
Chartered Bank of India, Australia & China	"	2	Yokohama, Kobé
National City Bank of New York	U. S. A.	4	Kobé, Yokohama, Tokyo, Osaka
Banque Franco-Japonaise	France	2	Tokyo, Kobé
Nederlandsche Handel-Maatschappij	Holland	1	Kobé
Nederlandsch-Indische Handelsbank	"	2	Kobé, Tokyo
Bank of China	China	1	Osaka

Clearing Houses

The establishment of the first clearing house in Japan took place in Osaka in 1879, preceding by eight years that in Tokyo, where one was established in 1887. Cash transactions marked the commercial society of this country early in the Meiji era and no transactions in bills or cheques were then conducted. Viscount Shibusawa and other business leaders encouraged paper transactions among business men at large and the time soon came when it was necessary for Tokyo to establish a clearing house, one being eventually brought into existence by the Bankers' Association in 1887. The

first president of the institution was the late Viscount Shibusawa and the present holder of that office is Mr. Manzo Kushida, Chairman of the board of directors of the Mitsubishi Bank. In June, 1934, there were 43 clearing houses in Japan. The total of bills cleared at the clearing-houses throughout the country in the year 1933 reached 36,785,658 bills and ¥66,771,199,000, which are pretty near to the records of 1928 and 1929. As compared with the preceding year the number of bills increased by 2,645,000 (7.7%), while the amount gained was ¥14,073,000,000 (26.7%). The amount of clearings in Tokyo and Osaka and All-Japan were as follows:

BILLS CLEARED AT THE CLEARING-HOUSES THROUGHOUT THE COUNTRY

Year	Tokyo		Osaka		Total (Others included)	
	Number of Bills	Amount	Number of Bills	Amount	Number of Bills	Amount
1923	10,532	¥30,715,120	8,611	¥23,903,188	28,791	¥68,058,429
1924	11,463	30,739,301	9,298	26,830,403	31,499	73,956,977
1925	13,041	37,320,356	9,619	27,577,761	34,274	83,338,305
1926	14,307	39,460,447	10,279	28,386,749	37,622	88,792,553
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	68,592,905
1929	13,525	25,070,553	10,390	22,374,043	38,338	63,343,632
1930	12,721	21,366,617	9,725	17,889,655	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	52,751,946
1933	13,577	31,549,888	10,412	22,175,225	37,290	66,869,523
1934	14,254	25,338,571	9,548	24,438,934	37,230	64,194,422

Postal Savings Deposits

The postal savings deposits system of Japan was adopted from the Post Office Savings Act of Great Britain. It was established by an Imperial Ordinance of August, 1874, and was enforced in May of the following year at 22 post offices in the country. The history of this service in Japan is one of the oldest in the world, older than that of Germany or France and 36 years older than that of America. At first the annual interest rate was 3 per cent., the same as at present, which has been enforced since October 1, 1932. The maximum amount one could deposit was at first ¥500. In the first year of enforcement the amount totalled ¥15,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and 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 Deposit Bureau in the Ministry of Communications. (See Chapter VII.)

The number of depositors and amount of savings since 1925 have been as follows:

March 31,	Number	Total Amount
1925	30,386,806	¥1,131,250,271
1926	31,549,989	1,166,998,703
1927	32,410,752	1,253,589,935
1928	34,425,812	1,636,255,042
1929	36,485,875	1,863,703,742
1930	37,968,850	2,201,245,552
1931	38,257,981	2,497,154,253
1932	39,066,040	2,815,868,019
1933	35,020,351	2,679,065,760
1934 (estimate)	37,765,173	2,748,620,646

Currency System

Coinage The present coinage system is based on the Coinage Law, issued in 1897, which established the gold monometallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.75 grammes) of pure gold, that is, one-half of the former gold unit, and is to be denominated one yen.

(2) The standard gold coins are of three denominations, namely, five yen, ten yen and twenty yen; the former gold coins pass for double their nominal value.

(3) The subsidiary silver coins are of two denominations, namely, twenty sen and fifty sen; the former

five-sen, ten-sen, twenty-sen and fifty-sen silver pieces are allowed to circulate.

(4) The other subsidiary coins are the nickel five-sen and ten-sen pieces and the bronze one-sen and five-rin pieces; the former five-sen nickel as well as two-sen, one-sen, five-rin and one-rin copper pieces are allowed to circulate.

(5) The fineness and weights of the coins prescribed in the Coinage Law are as follows:

(a) Fineness	
Gold coins	pure gold 900 Copper 100
Silver coins	pure silver 720 Copper 280
Nickel coins	pure nickel 1000
Bronze coins	copper 950 Tin 40 zinc 10
(b) Weights	
Gold coins:	
Denominations	Weights Grammes
20-yen pieces	16.6666
10-yen pieces	8.3333
5-yen pieces	4.1666
Subsidiary coins:	
Denominations	Weights Grammes
50-sen silver	4.95
20-sen silver	1.98
10-sen nickel	4.00
5-sen nickel	2.80
1-sen bronze	3.75
5-rin bronze	2.10

Paper Notes of Small Denominations

In order to make good the deficiency of subsidiary silver coins caused by the war, paper notes of small denominations, namely, fifty-sen, twenty-sen and ten-sen, were issued as a substitute in accordance with the Imperial Ordinance No. 202 promulgated on October 29, 1917. The issue of these petty notes went on increasing in volume till at the end of February, 1922, it reached 218 million yen, the largest on record. After that time the volume gradually dwindled in consequence of the minting of new subsidiary coins to displace the notes, the latter coming down, by the end of December,

1932, to ¥11,380,000, consisting of ¥5,649,000 50-sen notes, ¥1,123,000 20-sen notes and ¥4,608,000 10-sen notes.

Convertible Bank Notes In May, 1884, there was promulgated the Convertible Bank-notes Law providing for the issue by the Bank of Japan of bank-notes which were to be converted into silver, but on the adoption of the gold standard in 1897, these notes became convertible into gold. Certain amendments were, however, made in the law in June, 1932, and put into effect on and after July 1. The principal points may be summarized as follows:

The Bank of Japan is required to hold as a conversion reserve against the issue of notes gold and silver coins and bullion to the same amount as that of the notes issued; and the total value of silver coins and bullion must not exceed one-fourth of the entire conversion reserve. The Bank of Japan may, in addition to the notes specified in the preceding paragraph, issue bank-notes to the amount of ¥1,000,000,000 against Government bonds, Treasury notes and other reliable securities or commercial bills. The Bank may also be allowed to issue notes against such securities beyond the maximum mentioned above. In case the issue in excess of this limit lasts more than 15 days, however, the approval of the Minister of Finance is required, and such issues outstanding after a period of 15 days are subject to a tax of at least 3 per cent. per annum of the amount so issued. The bank-notes are of 7 denominations, namely, one yen, 5 yen, 10 yen, 20 yen, 50 yen, 100 yen and 200 yen.

Currency System of Formosa and Korea As regards the currency system of Formosa, up to October, 1908, recognition was given to the circulation at the market price in gold of

the silver yen, similar to that in circulation in Japan proper until the revision of the Coinage Law in 1897; but the exchange of silver was brought to a conclusion at the end of April, 1909, and in the same month of 1911, the Coinage Law of the Empire was brought into operation in the island, so that the system in Formosa is now absolutely identical with that in force in Japan proper. The Bank of Taiwan issued, at first, bank-notes convertible into silver yen, but these notes were, upon the reform of the currency system, withdrawn from circulation by April, 1909. In June, 1904, the bank was allowed to issue bank-notes convertible into gold coins, holding as conversion reserve gold and silver coins and bullion to the same amount as that of notes issued. It may further issue notes to the amount of ¥20,000,000 on security of reliable securities. Should it be necessary to issue notes over and above the amounts just mentioned, the permission of the Government must be obtained and an issue-tax of not less than five per cent. must be paid in respect of the excess issue.

The currency system of Korea had fallen into such a state of disorder and confusion that the credit of legal tenders was entirely gone, and consequently commodity prices perpetually fluctuated. In 1905, at

the time of the protectorate régime of Japan, a radical reform of the system was started, the coinage regulations were revised and new coins equal in quality and weight to those of Japan were minted. At the same time, the use of the old nickel coins was prohibited on and after December 31, 1909. After the annexation (1910), with the object of unifying the coinage of Korea with that of the Empire, the minting of coins under the Coinage Regulation was suspended and the circulation of Japanese coins was encouraged; the old Korean coins in circulation steadily diminished. The Imperial Coinage Law was put in force in April, 1918 in Korea and the use of the old Korean coins as legal tender was permitted till the end of 1909 only, the Government undertaking to exchange them during the five subsequent years. The use of "Yo-sen" (bronze pieces), however, was left free for the time being in consideration of economic conditions in Korea. Bank-notes issued by the Bank of Chosen are convertible notes. Besides issuing, under the Charter of the Bank of Chosen, on the security of gold specie, gold and silver bullion and the Bank of Japan's convertible notes, the bank is authorized to issue notes up to the limit of ¥50,000,000 on the security of exchequer bills and other reliable bills or trade bills.

AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

Year	Balance brought over from the preceding year	Notes issued			Balance
		Amount newly issued	Total	Amount withdrawn	
1924	¥1,708,509,512	¥4,607,491,945	¥6,401,088,457	¥4,738,773,251	¥1,662,315,226
1925	1,662,315,226	5,016,400,463	6,678,715,689	5,046,931,730	1,631,783,959
1926	1,631,783,959	5,298,896,423	6,930,180,387	5,360,472,219	1,569,708,168
1927	1,569,708,168	7,406,086,253	8,975,794,421	7,293,403,979	1,682,390,441
1928	1,682,390,441	5,829,830,203	7,511,770,644	5,772,674,342	1,739,096,302
1929	1,739,096,302	5,684,181,253	7,423,277,555	5,781,425,719	1,641,851,836
1930	1,641,851,836	5,459,394,965	7,101,246,801	5,664,951,294	1,436,295,507
1931	1,436,295,507	4,835,679,182	6,271,974,689	4,941,899,373	1,330,575,316
1932	1,330,575,316	5,021,874,744	6,352,452,060	4,926,293,103	1,425,158,957
1933	1,425,158,957	4,526,876,038	5,952,034,995	4,408,297,301	1,544,797,694

for 100 tl., and on Bombay 79.63 Rs. for ¥100, which showed a decline of yen as compared with the previous year. In January of the same year, quotations were on New York \$20.75, on London ¼.8d., on Paris 5.24 fr., on Shanghai 71.85 tl., and on Bombay 80.50 Rs. In December, they were \$30.25, ½.1d., 4.95 fr., ¥110.75 and 78.75 Rs. respectively.

In 1934 Increase of deposits and the increasing difficulties in finding proper outlets for the swelled deposits were its features in the last three years. According to the investigation of the Ministry of Finance, at the end of December, 1934, deposits in the ordinary city banks reached ¥9,300,000,000, an increase of ¥500,000,000 compared with 1933 and of ¥1,300,000,000 compared with 1932. Meantime, fresh demands for advances and bill discounting were sparse. Business corporations were in fashion of trying to obtain needed capital by means of issuances of debentures. The percentage of discounts and advances against deposits became lower and lower. It dropped from 82% of the end of 1931 to 44% at the end of 1934, the total excess of deposits then reaching ¥1,500,000,000 to ¥3,100,000,000. The only resort banks could appeal to was the purchase of bonds. Thus the holdings of banks of liquidable notes and public bonds increased by leaps and bounds and finally up to ¥4,000,000,000, 41% of the total deposits.

DEPOSITS, ADVANCES AND SECURITY HOLDINGS OF ORDINARY BANKS THROUGHOUT JAPAN (¥1,000,000)

	Deposits	Advances	Security Holdings
Dec., 1931	8,259	6,749	2,929
Dec., 1932	8,319	6,602	2,929
Dec., 1933	8,727	6,344	3,305
Feb., 1934	8,812	6,452	3,513
Apr., 1934	8,950	6,333	3,870
June, 1934	9,144	6,269	3,904
Aug., 1934	9,034	5,117	4,046
Oct., 1934	9,025	6,165	4,038
Dec., 1934	9,335	6,239	3,872

General condition such as mentioned above necessitated the money rate remaining continuously and increasingly slow and low which had necessitated the lowering of interest on deposits, with the result that the member banks of the Clearance Houses lowered it to 4% per annum as from June, 1934. Call money was also cheap during the first half of 1934, but as the payments for shares and bonds subscribed increased following the progress and execution of extension schemes of various productive industries and the purchases of Government bonds by banks increased, the short call money became steadily stiffened. The worsened economic condition of agricultural communities and the resultant shattering of industrial shares only served to aggravate the stiffening condition of money markets. But as a whole the money rate remained at a low level compared with 1931.

TREND OF MONEY RATE IN TOKYO

(Sen per day)

	Commercial Bills	Index	Call	
			(in the day following)	Index
1931	1.153	100	0.900	100
1932	1.419	123	1.183	132
1933	1.057	93	0.690	77
1934	1.039	92	0.683	79

According to the investigation of the Hypothec Bank of Japan the total amount paid up into bonds, debentures and stocks during 1934 was ¥4,729,000,000 which was about ¥700,000,000 less than in the previous year. But this was due to the decrease in the Government bonds. As for corporation debentures and shares, the total of the two showed

an increase of ¥380,000,000, or in 1933 about 50% was Government bonds, being a double amount of corporation debentures, but in 1934 Government bonds were reduced by ¥1,000,000,000 and corporation debentures gained ¥250,000,000 and shares ¥130,000,000. This is why the percentage of Government bonds became so small as 36%.

PAYMENTS INTO BONDS, DEBENTURES AND SHARES

	(¥1,000)		
	1932	1933	1934
National Bonds	1,374,181	2,728,343	1,717,808
Prefectural Bonds	97,026	743,372	710,916
Corporation Debentures	448,836	1,488,007	1,722,149
Shares	149,634	448,834	577,868
Total	2,069,677	5,408,555	4,728,742

A great portion of the corporation debentures was either for conversion to cheaper rated ones or for consolidation of running debts. It is not, therefore, in the debenture floatation, but in the increased payments for subscribed shares that the bright prospects of the enterprising industrial world was well reflected. As for the issuance terms, the ruling rate throughout 1934 was 4% for Government bonds and 4.3% for prefectural bonds and special banks and first rated industrial debentures.

Stability of Foreign Exchanges Exchange markets of the world which experienced tremendous disturbances in 1933 following the gold embargo in the United States recovered their normal conditions by January, 1934, when the American Government announced and executed its dollar devaluation programme. The dollar exchange in Japan also followed the world current toward stability. Meantime, the setting aside of \$2,000,000,000 as the exchange settlement fund and the adoption of Governmental ownership of gold in the United States served as salutary actions for the wiping out of

all causes of uneasiness and instability. This setting up of the exchange settlement fund in the United States and the similar action taken in England led to the quick restoration of stability in the cross rate, and following it the Yokohama-New York exchange remained quite stable at 29-30 throughout the year 1934, the average rate in that year being 29.69 in contrast to 25.39 of the previous year. At the end of 1934 it was 50% higher than in the corresponding period of 1933. But the price level in the United States improved during the same period from 78 to 109 which of course counteracted on the American trade of Japan against the latter's interest. During all this period the exports of silk experienced a sharp drop, which, however, can not be attributed only to the so much restoration of the exchange power of Yen. Its major causes were undoubtedly the prolonged depression in America and the appearance of artificial silk. As a whole, however, the effect of the recovery of foreign exchange on the export price level was not so great as had been feared of in 1933.

Capital Flight Prevention Law

The outflow of capital from the country that started at the time when the money market remained extremely easy after the return to the gold standard in January, 1930 began to assume heavy proportions from July, 1931, according as speculation in exchange and investment in securities in foreign currencies, both made in anticipation of the depreciation of the yen, became more active. In particular, side by side with the general advocacy of the re-imposition of the gold embargo that had prevailed in the country since Great Britain went off the gold standard in September, 1931, purchases of foreign currencies went on, resulting in considerable shipments of gold abroad. Facing this aggravation of the situation, the Government was obliged to impose again an embargo on the export of gold in December, 1931. The re-imposition of the gold embargo thus effected caused the external value of the yen to deviate, as a natural result, from gold value and to depreciate sharply. With the commencement of 1932, however, the downward movement of the yen exchange somewhat slowed down, and speculation in exchange declined to a remarkable extent. But a sharp decline in the prices of Japanese bonds in foreign markets resulting from loss of confidence led to active investments in profitable securities in foreign currencies, thus causing the outflow of capital to be much heavier. In view of these developments, the Government, in order to control the movements of capital in and out of the country and to maintain the external value of the yen, submitted to the Diet in the 62nd session a bill for the prevention of the flight of capital. The Capital Flight Prevention Law that had thus passed the Diet and the Ordinances

of the Department of Finance issued in accordance with the Law were put into operation as from July 1, 1932, and have been effective until the Foreign Exchange Control Law came into operation in May, 1933. This Law, the principal object of which was to prevent the flight of capital, was analogous to foreign exchange control laws now in force in other countries, but was entirely different in its object and the extent of control. It vested the Government with authority to prohibit or restrict transactions or acts likely to create the flight of capital. The scope of transactions or acts coming under this Law and the manner of control were, however, provided for in detail in the Ordinances of the Department of Finance issued in accordance with the Law. The contents of the Ordinances may be summarized as follows:

1. Scope of transactions or acts.

Unless permission of the Minister of Finance has been obtained, the following transactions or acts are not permitted:

(a) Remittances to foreign countries or the purchase of foreign currencies or foreign exchange to be made with the object of transferring capital to foreign countries, with the exception of remittances to Kwantung Province or to the South Manchuria Railway's leased districts to be made for investment in these territories.

(b) The purchase of foreign currency securities (public bonds, company debentures and shares, expressed in foreign currencies), with the exception of the purchase of foreign currency securities which were in existence on July 1, 1932 (the date of the coming into operation of the Capital Flight Prevention Law) and of foreign currency securities imported after such date under licence from the Minister of Finance and

the purchase by foreigners of foreign currency securities with the funds which they hold abroad.

(c) The import of foreign currency securities, with the exception of the import, for the purpose of obtaining payment, of securities of which the place of payment is in Japan, within three months prior to the date of maturity or after such date.

(d) Conclusion, for whose account soever, of a contract of deposits or loans expressed in foreign currencies.

(e) The issue of company debentures expressed in foreign currencies.

2. Report and examination of transactions or acts.

Persons engaged in foreign exchange business, dealers in securities, and other persons are under obligation to present the following reports to the Government in respect of matters relating to transactions or acts prescribed by the Ordinances. The Government may, in case of necessity, make examinations of their books and other documents.

(a) Persons engaged in foreign exchange business are required to present, within the following month, a detailed statement of sales and purchases of foreign exchange, forward exchange contracts, remittances to foreign countries, collections of money from abroad, and letters of credit issued.

(b) Dealers in securities are required to present, within the following month, a detailed statement for each month of sales and purchases of foreign currency securities or of their brokerage business.

(c) Persons holding on July 1, 1932 foreign currencies, foreign exchange, deposits or loans expressed in foreign currencies, or foreign currency securities and those holding company debentures and deposits and loans from others, expressed in for-

foreign currencies, are required to report, not later than July 31, 1932, the amount of their holdings and other details.

(d) Persons who acquire or liquidate, on and after July 1, 1932, claims expressed in foreign currencies as mentioned in (c) above or those who incur or are freed of obligations expressed in foreign currencies are required to report the amounts thereof and other details within the following month.

3. Order respecting the compulsory disposal of assets expressed in foreign currencies.

The Government is authorized to require persons in possession of foreign currencies, foreign exchange, or securities or other claims expressed in foreign currencies to sell them to the Bank of Japan or to others to be designated by the Government.

4. Penal provisions.

As in the case of legislation in different countries of the world, the principle of severe punishment has been adopted in applying penal provisions to acts of violation specified in the Ordinances. Thus, persons contravening the prohibitions or restrictions of transactions or acts as prescribed in the Ordinances are liable to punishment by penal servitude or imprisonment for a term not exceeding 3 years or to a fine not exceeding 10 thousand yen (or not exceeding three times the value involved in the transaction in question in case three times the value of said transactions exceeds 10 thousand yen), and persons not presenting reports or refusing the examination of books and other documents are liable to imprisonment for not more than 6 months or a fine of not more than 5 thousand yen.

5. Impress of stamp on foreign currency securities.

Foreign currency securities which were in existence in this country on

July 1, 1932 and which have been reported within a period as specified by the Ordinances and those imported subsequently under licence from the Minister of Finance may be presented by the owner or other party at interest to the Bank of Japan, and

impressed with stamp. This system has been created for the purpose of certifying that such securities as referred to above would, after being impressed with stamp, be the objects of sale and purchase in the country.

CHAPTER X

HOME TRADE AND COMMERCE

Development of Business Houses

Origin of Tokyo Chamber of Commerce The Yedo (Tokyo) City Assembly was the predecessor of the present Tokyo Chamber of Commerce and Industry, and dates back 133 years. It was Lord Etchu-no-Kami Matsudaira, the then Vice-Premier (Roju) of the Shogunate Government, who advanced a plan to organize a public business body to accommodate merchants with funds and to carry out relief enterprises is now known as the Tokyo Chamber of Commerce and Industry. The late Viscount Eiichi Shibusawa was the first President of the Chamber and served in that capacity for 30 years, until his resignation in 1902.

International Chamber of Commerce Japan first attended the plenary conference of the International Chamber in 1923 in London, when Mr. Raita Fujiyama, then president of the Tokyo Chamber and All-Japan Chamber was the representative. The present chairman of the Japanese Committee of the International Chamber of Commerce is Mr. Manzo Kushida, chairman of the board of directors of the Mitsubishi Bank, and Baron Seinosuké Goh holds the dual position of president of the Tokyo Chamber of Commerce and Industry, and of the Japan Economic Federation.

Business Companies The Mitsui-Gumi, Ono-Gumi, Shimada-Gumi and several other business concerns were founded early in the Meiji Era, but the system and management of these concerns were primitive and the companies were quite different from

business companies in the modern sense of the term. The Meiji Government encouraged the development of the country's foreign trade and this resulted in an accumulation of capital and growth of modern businesses in large cities and ports. So-called trading companies and exchange companies were established under Government encouragement and financial help in such cities and towns as Tokyo, Saikyo (Kyoto), Osaka, Yokohama, Kobé, Niigata, Tsuruga and Otsu. These institutions were the precursors of the joint-stock companies of later years though for a time, with the abolition of the Trade and Commerce Commissioner in July, 1871, they ceased to exist. During the period of their non-existence the Government tried to disseminate a knowledge of commerce and industry by distributing books written by the late Mr. Genichiro Fukuchi and the late Viscount Shibusawa. As a result of the establishment of national banks following the revision of the National Bank Act in 1876 and also stimulated by the situation following the Satsuma Rebellion of 1877, joint-stock companies of various natures were established. The Tokyo Marine Insurance Company, Tokyo Horse Tramcar Company, Japan Railway Company, Osaka Spinning Company, Yokohama Specie Bank and other concerns were created one after the other. At the end of 1882 the number of trading concerns in the country was 968, but at the end of 1886 it had decreased to 315, due to a business depression. After the establishment of the convertible note sys-

tem in 1896 business concerns began to increase once more and a great many concerns such as shipbuilding, machine manufacturing, weaving, mining, electricity, gas, paper milling, oil refining etc., were founded. With the promulgation of the Commercial Code in 1889 business concerns acquired a legal standing and in 1892 a revision was made in the laws concerning companies, bills and bankruptcy. A thoroughgoing revision was introduced into the Code in 1899. Regulations concerning debenture flotations were issued at the same time.

Business was greatly stimulated by the Sino-Japanese War, Russo-Japanese War and the World War, and wide expansions took place at these times. Before the World War, the fostering of new business was a feature of this country but business expansion and enlargement by merger characterized the situation during the World War. Large concerns absorbed small concerns until joint-stock companies with capitalization of ¥5,000,000 each accounted for 65 per cent of the total number of these companies after the War. The increase in size and concentration of capital gave rise to the monopolistic tendency of a limited number of large business concerns wielding great power. For example, in electric power circles the so-called "Big Five" electric power concerns, namely, the Tokyo Electric Light Company, Toho Electric Power Company, Daido Electric Power Company, Nippon Electric Power Company, and Ujigawa Electric Company absorbed many small companies and now control 66 per cent of Japan's total power of 2,240,000 kilowatts generated by 62 concerns. In the spinning business, the two largest companies, that is, the Kanegafuchi Spinning Company and Toyo Spinning Company control 14

and 13 affiliated concerns respectively. This monopolistic trend has become more pronounced since the 1927 panic in banking circles. The Big Five ordinary banks, namely, the Dai-ichi, Mitsui, Mitsubishi, Sumitomo and Yasuda Banks handle nearly 40 per cent of the total deposits. In life insurance circles also, the five largest concerns, namely, the Nippon Life, Chiyoda Life, Meiji Life, First Mutual Life and Teikoku life have more than 45 per cent of the total life insurance contracts in Japan. This tendency has naturally solidified the foundations of big business houses such as the Mitsui, Mitsubishi, Sumitomo and Yasuda. For instance, the Mitsui interests now control 120 subsidiary and affiliated concerns, with a total capitalization of about ¥1,600,000,000, or 15 per cent of all capital invested in business.

Formation of Cartels The formation of cartels by various kinds of industries is a feature of recent years. Free competition in business usually contributes to industrial development, but, in case supply is excessive, sundry troubles appear, and in order to counteract such troubles, cartels have been organized in various industries. The first curtailment of production in Japanese industry was carried out for eight days and nights per month for three months, commencing June 15, 1890, by the Japan Spinners' Association (founded in 1882). Such a practice was observed by many other industries after the Russo-Japanese War and the World War. Leading cartels in Japan are, the Coal Mining Association, Electro-Copper Joint Sales Office, Steel Manufacturers' Society, Pig Iron Joint Association, Steel Traders' Association, Super-Phosphatic Fertilizer Traders' Association, Japan Paper Mill Association, Joint Foreign-Style Paper

Sales Guild, Joint Pulp Sales Company, Japan Portland Cement Association, Japan Spinners' Association, Spun Silk Association, Rayon Sales Association, Woollen Industry Society, Central Silk Association, Sugar Producers' Association, Japan Flour Association, Beer Sales Agreement, Joint Ice Sales Guild, Canned Crab Marine Product Association and many others.

Economic Conditions in 1934

The General Situation The year 1934 was marked by the reappearance of the inflation boom stimulated by the gold dollar devaluation policy adopted in the United States. It greatly affected the prices of commodities and stocks throughout the world. Its effect was also felt in Japan. Another factor that worked as stimulant on the economic and commercial circles was the rapid recovery in the price of rice due to the promulgation of the Rice Control Law. Though at first much doubt was entertained as to the effect of the Law in view of the huge rice stock brought over from the preceding year, the Government's purchases which amounted to 7,000,000 koku up to the end of January, gave a salutary effect on the rice market. Moreover, arms industries were prosperous; money rates were easier; and overseas trade was rapidly growing. The favourable reports of the business condition of the latter half of 1933, of most of the big corporations caused the Stock market to maintain a firm tone from the beginning of 1934 and purchases of miscellaneous shares went up to a record figure during February and March. According to the Tokyo Stock Exchange, the index number of the average price of shares rose from 117 of December, 1933, to 135 in March, 1934, the rise

being 15%. The market value of all stocks in the country rose from ¥16,000,000,000 to ¥19,000,000,000. A setback, however, took place as from April. One of the causes of this change was the altered economic condition of the world. Shares and commodities which had been moving upwards in Europe as well as in the United States suddenly took a reverse turn, the United States taking the lead in the downward movement. Steel which was firm at \$59 in February fell to \$33 in July, and the average price of 30 industrial shares fell from \$111 in February to \$34 in July. At the same time commodities fell from 106.4 in February to 105 in May, according to the American price index number. This naturally affected this country.

The second cause was the record fall of silk. In December, 1933, it was barely able to maintain the ¥660 basis at the highest, which, however, rose to ¥674 in February due to stimulation from the United States. But in March, it paled off to ¥606 and in June further down to ¥500. Naturally the cocoons dropped to ¥1.50, a 50% fall as compared with 1933, which proved a serious blow to the economic life of the agricultural communities.

The third cause was the uneasiness in regard to the political situation. This was caused by the uncertainty whether or not the Saito Cabinet would resign. All these causes combined could not help affecting the stock market, causing a fall in the index number from 135 in March to 129 in April. In May there was a little revival but the general weak tone remained unchanged. Meanwhile, the price level of commodities maintained an upward tendency until May, due to artificial measures taken by the Government keeping up the prices of the daily necessities. But

other commodities continued to go downward after April. This condition was well reflected by the decrease in the volume of railway traffic and an increase of goods stocked in warehouses. The effect was also visible in the diminished amount of bills cleared and in the slow pace of all domestic business transactions. The overseas trade, however, continued prosperous. The money market remained as a whole as dull as ever, and so the last half of 1934 proved to be as sluggish as the second quarter of the year.

Slow to Recover The situation was not much improved by the advent of the Okada Cabinet. The new Cabinet was a de facto continuation of the Saito Cabinet and it was thought that nothing new could be expected of it. Moreover the finance policy of Mr. Fujii, new Finance Minister was such that caused apprehension in financial circles for the possible increase in taxation. A third cause that rendered the revival difficult was the restrained tone of the money market, especially of the short call, which was 2 or 3 rin above the level in the first half of the year. A fourth cause was the increasingly distressed condition of the agrarian economies. Following the slump of the cocoon industry due to the collapse in the price of cocoons in the course of spring to autumn, the damages wrought by typhoon and flood in September on crops brought about a big loss in the harvest. A fifth cause was the condition in foreign markets which worsened, especially that of the United States. The United States was still in the throes of depression. Steel dropped to a level below \$30, a record since the gold re-embargo. Crops were much worse

than what had been forecast. The price situation alone was rather firm on account of the rise in the prices of agricultural products. This, however, was of short duration, for September saw the reappearance of the price level of earlier days of 1934, thus dispersing the much expected devaluation boom. In Europe uneasiness in the international political situation was working to arouse public apprehension of the approaching collapse of the gold bloc. All these contributed to the difficulty of the economic revival of the country. In the meantime the expectation of the outcome of the Anglo-Japanese trade parley and, later, of that between delegates of Japan and the Netherlands proved unreal. The typhoon and flood disasters in the manufacturing centres of the Kansai districts came on its wake. Then as if to aggravate the situation, the tax-increase programme of the Finance Minister Fujii leaked out, which caused a sharp fall in the stock market. In December, however, Mr. Fujii resigned on account of illness and Mr. Takahashi was reappointed Finance Minister, which gave a soothing effect on the stock market.

Prices of commodities were taking a uniform onward movement throughout the latter half of 1934. Principal factors in this were the rise of the price of rice due to artificial Governmental policy and the advanced price of building materials due to the typhoon and flood disasters. Other commodities simply followed the lead by the aforesaid groups of commodities. Overseas trade as a whole continued to be as prosperous as in the preceding half year, and so was the general situation in all the productive industries.

INDEX NUMBERS SHOWING VARIOUS ITEMS IN THE FINANCIAL WORLD

(According to investigations made by the Asahi, Tokyo Stock Exchange and the Mitsubishi Keizai Kenkyusho)

	Prices of Commodities	Short Call Int. Rate	Prices of Shares	Amounts of Bills Cleared	Produc- tion	Railway Traffic
January	100	103	103	109	99	98
February	102	110	103	121	66	100
March	103	115	105	123	97	97
April	104	110	97	106	98	95
May	104	113	111	111	101	93
June	104	113	95	104	101	90
July	102	112	118	107	101	92
August	104	111	111	114	101	97
September	106	106	124	98	100	96
October	109	103	111	99	104	103
November	108	97	116	100	—	102
December	108	102	108	100	100	105

December 1933=100

Inflation A marked feature in the financial and economic world of the country throughout the year was the continued expansion of the Government's budget. Though the amount that was to be met by the issuance of bonds showed a slight decrease as compared with the previous year, the amount of bonds actually issued was greater than in the previous year. To make the issuance of the large amount of bonds easier and economical to the Treasury, the Government policy tended towards keeping the market rate of money as cheap as possible. This caused an abundant utilization of funds and made possible the promotion and extension of various industries, which, assisted by the activities of heavy industries, made industrial conditions, in general, fairly prosperous. Another factor that should be noted was the exchange situation. The sterling exchange was homologous as ever before. The dollar exchange recorded a recovery of 50% on account of the devaluation of gold dollars, but its beneficial effect on Japan's trade with the United States was greatly diminished by the sub-

sequent advancement in the commodity price range in that country. However, its stabilizing effect on the exchange markets throughout the world was a stimulant to the general overseas trade activities of Japan which showed an increase of 10% in exports and 19% in imports. The increased export business went on alongside with the lively activities of various export manufacturing industries. This, together with the brisk condition of the heavy industries, has made the whole financial aspect brighter.

Various financial indicators are fairly conclusive on this point. As compared with 1933 there was an increase of 16% in the capital investment, of 8% in the manufacturing production and of 18% in the aggregate net profit of business corporations. This gainful condition of industrial circles is well reflected in the workingmen's employment statistics of the Bank of Japan, which indicate an increase of 10%. No gains in wages were reported, but the increase in the number of the employed was itself a good thing, as it meant a corresponding increase in the aggregate of wage-earners' in-

comes.

Agrarian Villages In sharp contrast to this prosperous condition of the urban communities the agrarian villages continued to be hard-hit throughout the year. Rice, cocoon and barley are the three most important agricultural products. Only in the barley harvest there was seen an increase. Rice dropped by 30% on account of the various disasters caused by nature. Though the revival in the price of rice by the control of the Government did much in relieving the hardships of rice producers yet the decrease was estimated at 10%. The worst condition was witnessed in the case of cocoon raisers. Affected by the tremendous fall in the price of silk yarns, cocoon production was 60% less than in the previous year. The painful condition in the agrarian communities owing to the unsatisfactory state in the two staples hampered much the natural course of inflation.

INDEX NUMBERS OF BASIC PROSPERITY INDICATORS

(Compiled by the Asahi)

	1931	1932	1933	1934
Prices of commodities	100	120	137	142
Prices of shares	100	126	182	220
Railway traffic	100	101	114	127
Bills cleared	100	111	140	135
Overseas trade	100	119	158	187
Capital for business promotion	100	79	204	237
Men and women in employment	100	107	136	160
Engineering production	100	100	111	122
Agricultural production	100	105	121	131
Profits of corporations	100	126	159	138

A Setback Though the economic condition in 1934 was as a whole better than that in the preceding year, the rising percentage of all index numbers in 1934 was lower than in

1933 and in the amount of bills cleared as well as in the agricultural production there occurred a material decline. As to agricultural products, the decrease was largely caused by natural disasters. The decrease in the former, however, reflects a decrease of commercial transactions, a setback in the economic activities in general.

COMPARISON OF RISING RATE OF INDEX NUMBERS IN 1933 & 1934

(Compiled by the Asahi)

	1933	1934
Prices of commodities	14	3
Prices of shares	44	21
Railway traffic	13	10
Bills cleared	26	4 lower
Overseas trade	33	18
Capital for business promotion	158	16
Profits of corporations	27	18
Men and women in employment	11	10
Manufacturing production	15	0
Agricultural production	26	13 lower

This hesitant tone in the onward march of recovery can be explained by the following:

1. Adoption in many countries of anti-Japanese measures.
2. Diffusion of cheap-rated money reaching a saturation point to almost all parties in need of it and the unification of monetary policies by the Bank of Japan.
3. Tendency to over-production on account of the extension of productive capacities.
4. Diminishing of purchasing power on account of the poverty stricken condition of the agrarian communities.

Business Transactions in 1934 In 1934, the aggregate quantity of railway traffics was 5,526,000 kilotons, an increase of 529,000 kilotons (11%) as compared with the previous year.

RAILWAY TRAFFIC MOVEMENT

(Report of the Ministry of Railways)

	Monthly Average (1,000 metric tons)	Index Number	Compared with the Previous Year %
1929	5,672	100	—
1929	5,633	99	(-) 1
1930	4,867	86	(-) 13
1931	4,369	77	(-) 11
1932	4,399	78	1
1933	4,907	88	14
1934	5,526	97	11

Chief railway traffics were steel and iron, mineral ores, coal, oil, copper, etc., most of which were for use in heavy industries. Next in importance were cotton yarns, lumber, etc. The increase in the cotton yarn is indicative of a corresponding increase in the overseas trade and the increase in the lumber traffic was the natural outcome of the typhoon and flood disasters that occurred in the latter half of 1934.

RAILWAY FREIGHT INCREASE

(Report of the Ministry of Railways)

	1934 (1,000 metric tons)	Comparison with 1933 %	Comparison with 1931 %
Rice	3,543	14	18
Lumber	6,904	17	44
Sand	2,961	7	17
Steel and iron	910	29	71
Cement	1,237	3	23
Coal	23,139	9	9
Manure	2,944	11	7
Cotton yarns and cotton fabrics	589	12	29

Of the 35 kinds of principal goods those which dropped as compared with the previous year were cattle, calves, pigs, beverages and stones and those which remained stationary were wheat flour, salt, dried fishes, artificial manure, sugar, saké, etc. It should be noted that most of these goods were for home consumption, some being agricultural products and other requisites for farmers. The non-increase in the traffic of home

consumption goods is indicative of the fact that the post gold embargo inflation prosperity was a prosperity that had grown up independent of the purchasing power of the masses. The stationary condition of agricultural requisites is a reflection of the depressed condition of the farm communities.

The railway traffic condition is also reflected in the movement of goods in warehouses. The total amount of goods brought to or away from principal warehouses in 6 big cities of the country was 128,000,000 packages in 1934, an increase of 15% as compared with the previous year and 43% as compared with 1931, the lowest post world-war record. As regards the total amount of goods brought in, the increase compared with 1933 was 14% and, as regards the total taken away, the increase was 17%. The increase rate of the total stocks at the end of 1933 in comparison with the previous year was 26% which at the end of 1934 decreased to 10%, indicating a turn for the better so far as the movements of goods are concerned.

Expansion of Enterprises An important fact that characterized the business world in 1934 was the great increase in the amount of capital and number of new industrial establishments stimulated, of course, by the favourable exchange rate of the yen and the boom of heavy industries, new schemes aggregating ¥1,334,000,000, an increase of ¥199,000,000 (17%) as compared with 1933 and of 204% as compared with 1932. Metallic and manufacturing industries took about 60% of this huge total amount and of the manufacturing industries about one half was for chemical and mechanical undertakings. In banking, insurance, warehouse, aquatic production, agriculture, forestry and gas and yarn

manufacturing it was the reverse that took place, indicating a great change in the industrial life of Japan. Silk and cotton were two pillar industries of Japan, but they are no longer so today. Silk is rapidly being displaced by artificial silk, and cotton yarns and fabrics seem to have reached their saturating point, and in place of them new ones represented by mechanical, precision mechanical, and chemical industries has made a marked headway. From light industries to the heavy industries and from coarse mechanical industries to the precision mechanical industries, this was the trend that could well be discerned in Japan's industrial history of 1934.

INVESTMENT OF BANKS AND CORPORATIONS IN 1934

(Compiled by the Bank of Japan)

(In ¥1,000)

	1934	1933	1932
Banking	1,000	4,025	35,400
Insurance and Warehouse	2,000	47,000	4,600
Transportation	222,920	434,523	54,635
Mining	177,720	47,700	11,030
Electricity	212,935	50,118	120
Manufacturing enterprises	549,808	368,119	180,665
Gas	1,950	3,900	600
Spinning			
Fabric Manufacturing	71,178	65,200	11,000
Chemical	303,910	169,870	73,096
Paper Manufacturing	4,900	1,470	650
Machine & Machinery Making	66,820	37,740	14,585
Ceramic Manufacturing	49,435	13,000	800
Metal Manufacturing	77,150	20,080	4,290
Brewery	16,810	5,900	400
Foodstuff	6,750	22,463	2,355
Silk Yarn	200	1,200	425
Aquatic Production	18,400	4,190	31,682
Agriculture and Forestry	4,200	1,350	2,900
Trading	73,330	69,707	59,455
Others and			
Total	1,334,452	1,135,718	439,499

Productive Activities The increased new capital and extended employment of the hitherto unused capital gave the mining and manufacturing industries a further stimulus and made them possible to realize activities of 131% as against 121% in 1933 and 100% in 1931, the percentage of increase in 1933 being 15% as compared with 1932 and that in 1934 8% as compared with 1933.

Artificial silk made the most notable stride of all manufacturing industries in the past three years, the annual percentage of increase in comparison with the previous year having been 37% in 1932, 35% in 1933, and 50% in 1934. The progress in 1934 is specially notable because all other industries suffered a relative decrease in that year. While the average monthly production was 39,000 casks in 1931, it jumped to 120,000 casks in the last month of 1934. This is of course due to the almost perfect equipment, the much lower rate of the labour cost and the favourable exchange rate which had made possible the marked expansion in its overseas trade.

The bulk of cotton goods is for exporting abroad, 70% being manufactured for that purpose. Despite various measures taken in foreign countries to check its influx the overseas trade of cotton goods is still on the increase, the 1934 returns disclosing its gain over the British output. Thus, the production of cotton yarns leaped from the monthly average of 210,000 bales in 1931 to 300,000 bales in the closing month of 1934, the percentage of increase in the 3 years being 50%.

The expansion of artificial silk necessarily followed the great stride of artificial silk fabrics, the expansion percentage in the 3 years ending 1934 being over 100. Steel materials, pig iron, bleaching-powder,

caustic soda and soda ash all made an expansion of 50-100% in the same period of years. Principal mining and manufacturing industries as represented by the index number to show their expansive business records follow:

INDEX NUMBER OF MINING AND MANUFACTURING INDUSTRIES

(Compiled by the Mitsubishi Keizai Kenkyusho)

Export Manufacturing	1931	1932	1933	1934
Silk yarn	100	88	88	97
Cotton yarn	100	109	121	134
Cotton fabrics	100	109	120	128
Artificial silk	100	137	100	290
Artificial silk fabrics	100	145	162	202
Military Necessaries				
Steel materials	100	123	151	194
Pig iron	100	109	145	168
Coal	100	101	117	150
Home Making in Substitute of Imports				
Bleaching powder	100	116	150	175
Soda ash	100	114	160	197

BUSINESS OPERATIONS OF REPRESENTATIVE INDUSTRIAL CORPORATIONS

(Compiled by the Asahi)

	Net Profit Percentage	Index Number	Dividend Percentage	Reserved Dividend Percentage
1931 Second half	10.8	100	6.8	33.8
1932 Second half	12.3	113	6.5	44.5
1933 First half	15.2	141	7.5	54.5
Second half	16.6	153	7.1	55.4
1934 First half	18.0	168	7.8	54.4
Second half	18.1	168	8.0	53.4

The causes of these encouraging results of industrial corporations were, beside the general favourable conditions on account of the brisk export trade and the expansion of industries manufacturing military supplies, (1) the conversion of high rated working capital to the lower rated one, the process of which had penetrated into almost all industries, (2) the increase in the efficiency percentage of the working capital to the maximum extent because of the reimbursements of debentures and the writing-off of bad assets made out of the reserved profits which had been

	1931	1932	1933	1934
Caustic soda	100	114	142	152
Paper (Western style)	100	99	109	120
Sulphate of ammonium	100	125	104	99
Cement	100	104	133	135
Plate or sheet glasses	100	99	123	140
Consumption Goods Manufacturing				
Beer	100	100	131	131
Sugar	100	82	97	93
Wheat flour	100	101	117	120

Business Results of Corporations The business results of all industrial corporations showed a decided increase in the year under review. 89 normally operated business corporations 16.6% profit for the last half of 1933, 18% for the first half of 1934 and 18.1% for the second half of the same year. Compared this with the second half of 1931, the last half year before the gold embargo was instituted, the increase rate was 68%.

accumulated during the past several business terms, (3) the increase of production owing to the extension of productive and business scales, (4) the mobilization in the case of certain industries of the hitherto unused working capital by the lifting up of artificial bans long in operation for the restriction of production, and (5) the rise in the per unit price of products. But the fact that, while the business results in 1934 were continuously on the increase as a whole, the expansive power of the profit percentage came to a standstill in the second half of the same

year and that the profit reserving percentage decreased in the two continuous half yearly business terms can be taken as an indication of the inflation boom facing its end temporarily as it might be, if not as a final event.

If the business results are studied dividing industries as between manufacturing and auxiliary, there is shown a big difference. While auxiliary industries were able to obtain satisfactory results in the second half of 1934 continuously from the previous business terms with their profit percentage tending further upward, manufacturing industries were forced to be satisfied with a lowered rate.

PROFIT PERCENTAGE ACCORDING INDUSTRIES

(Compiled by the Asahi)

Manufacturing Industries	1933	1934	1934
	Second Half	First Half	Second Half
Food stuffs	22.9	25.7	25.9
Cotton yarn spinning	26.8	31.1	32.1
Other fiber spinning	44.3	39.5	37.2
Mineral refining	19.5	23.6	23.6
Machines and machinery manufacturing and shipbuilding	6.1	7.8	9.9

COMPANIES CLASSIFIED ACCORDING TO THE BRANCHES OF ENTERPRISE

(Compiled by the Ministry of Commerce and Industry)

	Agricultural		Industrial	
	Nos.	Paid-up capital (In ¥ 1,000)	Nos.	Paid-up capital
1923:				
Joint-stock companies	497	120,415	7,463	4,229,774
Limited partnerships	225	5,985	3,914	320,817
Unlimited partnerships	171	17,775	1,824	95,918
Total	893	144,175	13,201	4,646,510
1925:				
"	498	143,912	7,164	4,576,386
"	245	12,900	4,521	304,900
"	177	19,348	1,878	106,391
"	920	176,151	13,558	4,987,678
1927:				
"	499	171,056	7,065	5,296,979
"	298	12,737	5,596	320,844
"	207	16,101	2,084	128,441
"	1,004	199,895	14,745	5,748,265

	1933	1934	1934
	Second Half	First Half	Second Half
Chemical goods	15.7	15.5	16.3
Ceramics	33.6	32.0	22.0
Oil	11.6	7.4	7.4
Collective	22.1	23.7	23.6
Auxiliary Industries			
Electricity and Gas	10.9	12.0	11.9
Land transportation	12.6	12.5	12.9
Sea transportation	21.6	19.9	25.4
Trading and others	11.6	13.8	14.2
Trust business	23.2	24.3	20.6
Land and buildings	7.6	7.4	7.4
Bourses	12.4	10.2	9.1
Collective	12.3	12.7	12.9

In the manufacturing industries ceramics on account of overproduction, oil on account of reckless competition, and miscellaneous fibre industries on account of the depression of the wool market recorded declines in business; but refining of minerals, and machinery, shipbuilding and chemical industries are all making substantial profits. In the auxiliary industries excepting the sea transportation industry none had made a good record. Exchanges were worsened on account of the decrease in the amount of transactions made. As for the real estate business, it showed no difference with the conditions prior to 1932. (As to foreign trade and money market see the chapters concerned.)

	Agricultural		Industrial			
	Nos.	Paid-up capital (In ¥ 1,000)	Nos.	Paid-up capital		
1929:						
Joint-stock companies	495	199,050	7,147	5,829,537		
Limited partnerships	368	16,375	7,425	202,421		
Unlimited partnerships	219	15,778	2,445	139,912		
Total	1,082	231,204	17,017	6,171,871		
1930:						
"	493	190,317	7,117	5,871,033		
"	425	15,707	8,651	209,758		
"	232	11,971	2,813	149,980		
"	1,150	217,996	18,581	6,230,772		
1931:						
"	471	175,712	7,222	5,946,113		
"	565	17,149	9,964	218,063		
"	263	11,233	3,166	152,528		
"	1,299	204,094	20,352	6,316,704		
1932:						
"	480	204,312,154	7,308	5,907,726,770		
"	913	15,920,505	12,055	232,920,795		
"	286	10,573,241	3,601	153,997,259		
"	1,679	230,805,900	22,964	6,294,644,824		
1933:						
Commercial						
Nos.	Paid-up capital	Transportation		Total		
Nos.	Paid-up capital	Nos.	Paid-up capital	Nos.	Paid-up capital	
1923:						
Joint-stock companies	7,944	3,595,289	1,658	894,393	17,562	8,839,872
Limited partnerships	4,967	362,056	556	15,765	9,662	704,625
Unlimited partnerships	2,736	527,154	185	9,051	4,865	649,900
Total	15,646	4,484,501	2,349	919,209	32,089	10,194,398
1925:						
"	8,119	3,750,795	1,822	1,062,828	17,603	9,533,924
"	6,169	401,918	604	12,902	11,539	782,622
"	3,014	755,964	139	8,506	5,203	890,211
"	17,302	4,908,678	2,565	1,084,233	34,345	11,156,757
1927:						
"	8,238	4,036,758	2,223	1,248,560	18,025	10,755,355
"	7,888	440,232	748	15,593	14,530	789,407
"	3,460	935,196	210	9,962	5,961	1,089,701
"	19,586	5,412,187	3,181	1,274,116	38,516	12,634,465
1929:						
"	8,614	4,285,556	2,739	1,448,559	18,995	11,762,704
"	11,421	641,427	1,104	19,411	20,318	836,571
"	4,446	982,708	269	10,018	7,379	1,119,215
"	24,481	5,909,692	4,112	1,477,989	46,692	13,161,495
1930:						
"	8,574	4,334,323	2,906	1,457,672	19,390	11,853,345
"	13,645	660,837	1,274	20,518	23,995	906,822
"	5,172	1,013,080	308	10,539	8,525	1,187,472
"	27,691	6,009,141	4,488	1,488,730	51,910	13,946,640
1931:						
"	9,014	4,270,444	2,901	1,470,575	19,698	11,862,844
"	5,867	683,520	1,459	21,614	27,855	940,347
"	5,913	983,064	331	10,371	9,673	1,157,195
"	30,794	5,937,028	4,781	1,502,560	57,226	13,960,386
1932:						
"	3,008	1,489,808,432		20,057		11,897,688,990
"	1,718	23,118,741		34,059		977,045,248
"	357	14,129,183		10,925		1,171,869,779
"	5,083	1,527,056,356		65,041		14,046,604,017

FACTORIES

(Compiled by the Ministry of Commerce and Industry)

End of	No. of factories worked by motors	Factories worked by motors					
		Steam		Gas	Petroleum	Water	
		engines H.P.	turbines H.P.			Turbines H.P.	Pelton's H.P.
1924	37,141	477,561	760,311	55,030	12,818	595,062	245,242
1925	38,221	461,029	696,552	38,581	15,746	683,948	119,631
1926	41,514	535,834	1,160,279	37,617	21,277	871,403	225,821
1927	43,726	493,190	1,639,189	33,276	26,920	1,153,218	253,854
1928	46,247	617,337	1,683,786	30,893	30,474	1,345,445	375,562
1929	48,822	377,283	1,567,690	20,956	25,113	2,038,347	555,503
1930	51,407	309,742	1,475,504	17,543	27,811	2,310,865	527,424
1931	53,442	323,628	1,753,451	16,459	32,873	2,415,288	533,713
1932	56,453	213,916	1,863,302	16,759	43,146	2,755,866	519,080
1933	61,203	189,781	2,870,009	17,606	55,896	2,992,158	523,744

End of	Factories worked by motors		Total no. of factories	No. of operatives employed			
	Water Japanese H.P.	Electric motors H.P.		No. of factories not worked by motors	Male	Female	Total
1925	11,531	1,767,163	10,940	49,161	852,554	955,827	1,808,381
1926	5,598	1,794,644	10,392	51,906	893,834	981,361	1,875,195
1927	5,292	2,148,961	9,954	53,680	923,201	975,671	1,898,872
1928	5,410	2,300,761	9,701	55,948	948,876	987,373	1,936,249
1929	12,162	4,930,951	11,065	59,887	855,187	969,835	1,825,922
1930	8,086	3,859,560	10,827	62,234	796,222	887,281	1,683,563
1931	7,231	3,263,337	10,994	64,436	775,236	886,266	1,661,502
1932	6,150	2,922,149	10,865	67,318	846,307	887,204	1,733,511
1933	5,420	3,054,478	10,737	71,940	967,659	933,432	1,901,091

OUTSTANDING AMOUNT OF BANK AND CORPORATION

BONDS (At the end of the year)

Compiled by the Bank of Japan

Bank Bonds	Internal Bonds			
	1926	1927	1928	1929
Hypothec Debentures	¥683,435,380	¥633,451,060	¥732,008,760	¥779,866,260
Savings Bonds	1,053,355	606,060	477,975	—
Reconstruction Savings Certificates	62,052,155	72,938,265	82,210,295	81,414,350
Debentures of the Industrial Bank of Japan	216,967,309	238,368,531	262,873,876	265,210,000
Debentures of the Hokkaido Colonial Bank	96,228,950	113,623,280	101,018,170	94,632,300
Debentures of Agricultural & Industrial Banks	377,453,561	442,963,557	468,889,777	475,683,157
Debentures of the Chosen Industrial Bank	144,537,000	173,445,000	177,223,000	199,685,000
Total	1,582,027,800	1,735,415,753	1,824,701,853	1,899,491,097
Corporation Bonds				
Railway & Tramway	355,001,640	447,476,860	541,519,860	577,715,300
Shipping & Shipbuilding	129,500,000	141,500,000	197,350,000	193,600,000
Mining & Metallurgy	50,637,500	45,800,000	52,175,000	50,275,500
Electric & Gas Works	491,967,500	580,032,500	753,529,000	852,171,500
Spinning & Weaving	93,494,000	115,930,000	112,890,000	150,010,000
Manufacturing	259,577,910	308,417,844	372,370,172	373,614,570
Commercial, etc.	156,923,30	201,902,350	186,840,050	183,710,826
Total	1,567,106,850	1,841,059,754	2,217,674,082	2,331,097,756
Total Internal Bonds	3,149,134,650	3,576,475,507	4,042,375,935	4,280,588,853

Bank Bonds	External Bonds			
	1926	1927	1928	1929
Debentures of the Industrial Bank of Japan	54,407,753	10,129,308	10,129,308	10,129,307
Debentures of the Hokkaido Colonial Bank	2,420,100	2,320,100	2,220,100	2,120,100
Total	56,827,853	12,449,408	12,349,408	12,249,407
Corporations Bonds				
Railway & Tramway	39,052,000	39,052,000	39,052,000	39,052,000
Electric & Gas Works	216,574,595	228,982,708	344,977,069	340,819,952
Commercial, etc.	35,981,622	34,948,532	74,065,532	73,302,249
Total	291,608,217	302,983,240	458,094,601	453,174,201
Total External Bonds	348,436,070	315,432,648	470,444,006	463,423,608
Grand Total	3,497,570,720	3,891,908,155	4,512,819,944	4,746,012,461
Internal Bonds				
Bank Bonds				
Hypothec Debentures	¥853,011,110	¥896,654,260	¥915,516,950	¥851,232,600
Savings Bonds	—	—	—	—
Reconstruction Savings Certificates	60,678,490	79,933,490	79,165,075	78,412,995
Debentures of the Industrial Bank of Japan	323,048,000	333,093,500	393,630,000	313,162,250
Debentures of the Hokkaido Colonial Bank	100,635,300	100,609,400	122,328,100	122,777,300
Debentures of Agricultural & Industrial Banks	468,054,037	483,659,082	504,394,163	490,977,457
Debentures of the Chosen Industrial Bank	242,158,000	247,558,000	260,992,800	253,482,000
Total	2,067,584,937	2,141,597,682	2,276,027,088	2,110,044,602
Corporation Bonds				
Railway & Tramway	617,869,160	655,778,510	734,864,860	780,471,210
Shipping & Shipbuilding	192,650,000	182,350,000	119,350,000	103,140,000
Mining & Metallurgy	48,853,000	47,855,000	47,125,000	37,405,000
Electric & Gas Works	936,527,000	966,687,500	952,429,500	997,626,000
Spinning & Weaving	151,186,750	136,495,350	134,745,350	130,685,350
Manufacturing	366,875,589	380,891,150	382,817,100	320,400,470
Commercial, etc.	104,107,240	199,987,860	211,387,578	204,866,852
Total	2,508,020,739	2,509,995,370	2,582,699,888	2,583,594,882
Total Internal Bonds	4,575,605,676	4,711,593,052	4,858,726,476	4,693,639,484
Bank Bonds				
Debentures of the Industrial Bank of Japan	10,129,307	10,129,307	10,107,633	—
Debentures of the Hokkaido Colonial Bank	2,020,100	1,920,100	1,820,100	—
Total	12,149,407	12,049,407	11,927,733	—
Corporations Bonds				
Railway & Tramway	39,052,000	39,052,000	39,052,000	—
Electric & Gas Works	333,196,867	384,308,491	349,234,823	319,573,722
Commercial, etc.	71,468,765	70,001,376	67,557,065	63,543,059
Total	443,717,632	493,361,867	455,843,888	383,116,781
Total External Bonds	455,867,039	505,911,274	467,771,621	383,116,781
Grand Total	5,031,472,715	5,217,504,326	5,326,498,097	5,076,756,265

IMPORTS OF FOREIGN CAPITAL INTO JAPAN

Year	National bonds issued abroad	Domestic bonds sent abroad	Provincial bonds issued abroad	Debentures issued abroad	Total	Comparison with the preceding year
1924	1,514,265	25,954	127,403	193,460	1,861,084	+270,297
1925	1,500,215	8,712	124,627	331,557	1,965,111	+104,028
1926	1,477,868	9,657	220,223	347,634	2,055,413	+ 90,300
1927	1,460,232	14,768	257,640	315,500	2,048,140	- 7,273
1928	1,458,092	31,397	254,163	470,406	2,209,029	+160,888
1929	1,446,894	31,779	245,666	465,623	2,189,963	- 19,065
1930	1,567,325	84,178	245,173	455,867	2,352,544	+162,580
1931	1,477,334	59,181	240,697	505,964	2,283,177	- 69,367
1932	1,398,296	51,428	235,502	467,821	2,153,047	-130,129
1933	1,421,211	50,019	230,984	383,116	2,085,331	- 67,716

EXTERNAL LOANS OF PRIVATE COMPANIES

(At the end of 1933)

Companies	Year of Issue	Rate of Interest	Issue Price	Amount of Issue	Amount outstanding at the end of 1933
		%		(Yen)	(Yen)
Outstanding Issue					
Oriental Development Co., Ltd	Mar., 1923	6.0	92.0	\$ 19,900,000 (39,919,400)	\$ 15,028,500 (30,147,171)
Do	Nov., 1928	5.5	90.0	\$ 19,900,000 (39,919,400)	\$ 16,648,000 (33,395,399)
Nippon Electric Power Co., Ltd.	Jan., 1928	6.5	94.0	\$ 9,000,000 (18,054,000)	\$ 7,568,000 (15,181,408)
Daidō Electric Power Co., Ltd.	Aug., 1924	7.0	91.5	\$ 15,000,000 (30,090,000)	\$ 9,700,000 (19,458,200)
Do	July, 1925	6.5	86.0	\$ 13,500,000 (27,081,000)	\$ 10,976,000 (20,212,450)
Tokyo Electric Light Co., Ltd.	June, 1928	6.0	90.5	\$ 70,000,000 (140,420,000)	\$ 51,145,000 (102,356,870)
Do	June, 1928	6.0	90.0	£ 4,500,000 (43,933,500)	£ 4,009,000 (39,145,725)
Do (Shinyetsu Electric Power Co. Ltd.)	Dec., 1927	6.5	93½	\$ 7,650,000 (15,345,900)	\$ 6,480,000 (12,968,580)
Ujigawa Electric Power Co., Ltd.	Mar., 1925	7.0	91.0	\$ 14,000,000 (28,084,000)	\$ 9,230,000 (18,495,320)
Toho Electric Power Co., Ltd.	Mar., 1925	7.0	90.5	\$ 15,000,000 (30,090,000)	\$ 11,805,000 (23,720,950)
Do	July, 1925	5.0	97.0	£ 300,000 (2,928,900)	£ 211,700 (2,067,415)
Taiwan Electric Power Co., Ltd.	July, 1931	5.5	93½	\$ 22,800,000 (45,736,800)	\$ 22,800,000 (45,736,800)
Total	—	—	—	(461,602,900)	(383,116,781)
Redeemed					
Kansai Railway Co., Ltd.	Dec., 1905	4.5	97.5	£ 1,000,000 (9,763,000)	—
Hokkaidō Colliery Steamship Co., Ltd.	Jan., 1906	5.0	98.5	£ 1,000,000 (9,763,000)	—
South Manchuria Railway Co., Ltd.	July, 1907	5.0	97.0	£ 4,000,000 (39,052,000)	—
Do	June, 1908	5.0	98.0	£ 2,000,000 (19,526,000)	—
Do	Dec., 1908	5.0	97.5	£ 2,000,000 (19,526,000)	—
Do	Jan., 1908	4.5	98.0	£ 6,000,000 (58,578,000)	—
Matsui Mousseline Spinning Co., Ltd.	Apr., 1909	6.5	100.0	(250,000)	—
Oriental Development Co., Ltd.	Mar., 1913	5.0	96½	Fr. 50,000,000 (19,350,000)	—
Industrial Bank of Japan	Aug., 1924	6.0	99.0	\$ 22,000,000 (44,132,000)	—
Tokyo Electric Power Co., Ltd.	Aug., 1925	6.0	89½	\$ 24,000,000 (48,144,000)	—
Do	Mar., 1925	6.0	94.0	£ 600,000 (5,857,800)	—
Do	June, 1923	6.0	94.0	£ 3,000,000 (29,289,000)	—
Toho Electric Power Co., Ltd.	July, 1925	6.0	98.5	\$ 10,000,000 (20,060,000)	—
Do	July, 1929	6.0	96½	\$ 11,450,000 (22,968,700)	—
Industrial Bank of Japan	Dec., 1908	5.0	97.0	£ 2,000,000 (19,526,000)	—
Hokkaidō Colonial Bank	June, 1910	5.0	91½	(5,000,000)	—
Nippon Electric Power Co., Ltd.	Feb., 1931	6.0	—	£ 1,500,000 (14,644,500)	—
Total	—	—	—	(385,430,000)	—

Stock and Produce Exchanges

Tokyo Stock Exchange The exchange system in Japan dates back to an early period of the Tokugawa era, but it was then confined mostly to deals in rice. Exchange houses in this country are of three kinds, namely, stocks, rice and other commodities. There are 29 exchange houses devoted to dealings in securities, either exclusively or in combination with other commodities. The exchanges here are more on the European continental plan than those of either England or America, and are subject to strict control by the Ministry of Commerce and Industry or other supervising authorities of the Government. Such controlling authority is empowered to interfere in the business of an exchange when it is considered that the exchange is abusing its privileges or acting in an irregular way.

The Tokyo Stock Exchange was established in 1878 after the Satsuma Rebellion, when the issue of public bonds was rapidly increasing and the country's business was beginning to get active because of the successive establishment of national banks and concerns conducting business analogous to the banking business. Under the auspices of Viscount Eiichi Shibusawa and other influential business men of the day the Tokyo Stock Exchange was established at Kabuto-cho, Nihombashi-ku. Kabuto-cho has become a synonymous term for the exchange, as Wall Street is to the New York Stock Exchange. The initial capital was ¥200,000. When the exchange was established the scope of business was limited mostly to new and old pension bonds, Tokyo Stock Exchange shares, First National Bank shares and Tokyo Rice and Produce Exchange shares. The goodwill claimed by a licensed broker

attached to the Exchange was very small, a striking contrast with the ¥200,000 to ¥500,000 demanded in recent years for a seat. As security for good faith a licensed broker was required to deposit ¥100 with the Exchange, to-day the broker has to deposit ¥150,000, and this not with the Exchange but with the Ministry of Commerce and Industry. The number of futures dealt in, as registered on the exchange, was in 1882, 3,601 shares, which number had increased to 3,572,110 shares for 57 different securities by 1897, after the Sino-Japanese War; to 12,013,120 shares for 106 varieties by 1907, after the Russo-Japanese War; and to 37,274,040 shares for 300 listed securities by 1920, after the World War. The Osaka Stock Exchange was founded in July in 1878, two months later than the Tokyo Stock Exchange. After 1882 the Government adopted a policy of restricting speculative transactions and the stock exchange business was hard hit, but in later years a more generous policy regarding the establishment of bourses was adopted and, consequently, the number of rice and produce exchanges, which was only 13 at the end of 1892, had increased to 83 by the end of 1894. There were three stock exchanges only at the end of 1892, but 37 at the end of 1896. With a rapid increase in business prosperity after the Sino-Japanese War enthusiasm for speculation increased and many exchanges with a small capitalization cropped up. The same was observed after the Russo-Japanese War and during the World War boom. The great World War stock boom lasted till about the middle of March, 1920, when a financial reaction took place in Japan. Before the World War, 12,588,000 shares valued at ¥1,340,000,000, in 1907 was the largest number dealt in, but in 1915 the deals

amounted to 19,560,000 shares with an aggregate of ¥1,670,000,000, and a further gain to 40,870,000 shares totalling ¥6,185,000,000 was made in 1919. The March deals in 1920 amounted to 6,570,000 shares with an aggregate of ¥1,150,000,000. In line with activity in securities there was heavy dealing in commodities, and a sharp increase in the price of rice following speculative dealings caused a serious social situation. The spot rice price of ¥10 per koku in the autumn of 1914 had gone up to ¥20 in 1917, and in September of that year the Government issued an anti-profiteering act for the prevention of high prices in rice and other staple commodities, but the rapidly rising prices could not be checked. In August of 1917 the rice price went up to as high as ¥40 per koku. This finally resulted in the outbreak of a big rice riot throughout Japan, following which a heavy reaction took place in stock and commodities prices. The price of the Tokyo Stock Exchange Company's shares, the leading issue of all, attained the height of ¥549.90 in March, 1920, but fell to as low as ¥274 on April 14. This heralded a panicky decline of prices and, consequently, the Tokyo Stock Exchange had to partially suspend business from April 14 to May 10. The exchange borrowed ¥40,000,000 from the Bank of Japan through 16 banks and advanced money to brokers to allow them to effect out-of-the-market compromises.

Prices of Shares in 1934 The economic aspect in 1934 was best reflected in the price of commodities and shares. While shares were boomish with the index number of 220 as against 182 in 1933, the price level of commodities showed an improvement of only 3% at 142 against 137 in 1933. But the official monthly report shows that the general trend of shares resulted in the 2% decline

by the end of 1934 in comparison with the earlier days of the year, while during the same period prices of commodities made an advance of 3%. All this was partly due to the abundant antecedency character of shares with reference to the economic prospect but was greatly due to the Government's artificial operations to lift up the price of rice and the enhanced price range of building materials. It would not be mistaken to conclude that though the price level went upward as de facto conditions, as a matter of forecast it was draggish and on the decline.

INDEX NUMBERS OF SHARES

(Prices in 1921 taken as 100)

(Compiled by the Tokyo Stock Exchange)

	Shares in General	Quan- tity	Prin- cipal Shares	Amount of Shares (in ¥1,000,000)
Average of 1933	98	117	148	—
1934 Jan.	121	89	143	17,268
March	185	112	148	19,154
May	132	95	141	19,103
July	131	91	126	19,894
Sept	124	78	121	19,791
Nov.	114	62	113	18,244
Average of 1934	126	84	132	—

Another feature which characterized the 1934 stock market was the equalization of the prices and yields of shares. All first rated shares of mining, fibre spinning, manufacturing industries and of the Stock Exchanges had dropped sharply or at least remained stationary, and, on the contrary, public utilities, shippings, miscellaneous transportations, fisheries, etc. made sharp boundings.

After all, the continued attempts in foreign countries to curb the influx of Japanese goods and the seemingly increasing overproduction induced enough warnings to the stock market, and these conditions coupled with the increased holding off of speculative stocks due to the prospective spreading of the economic uni-

fication programme were the causes of the aforesaid reversed tendency. It was, in fact, the real invest-ment market as against the speculation market that won out during 1934.

INDEX NUMBERS OF SHARES

(Compiled by the Tokyo Stock Exchange)

	Nov., 1931	Dec., 1933	Dec., 1934	Comparison with 1933 %	Comparison with 1931 %
Utilities	48	91	118	30	146
Banking and insurance	140	156	169	8	21
Mining	29	154	139	(-)	379
Spinning	42	79	75	(-)	79
Manufacturing	25	72	74	3	185
Commercial undertakings	32	37	37	—	16
Shipping and Miscellaneous					
Transportations	22	45	55	22	150
Miscellaneous	40	103	155	50	288
Exchanges	88	147	116	(-)	32
Total	52	117	119	2	130

BOURSES

(Department of Commerce and Industry Figures)

JOINT-STOCK COMPANIES

At the End of Year

Year	Number of Companies	Number of Brokers	Capital	
			Authorized	Paid-up
1924	32	1,246	¥137,652,200	¥90,144,700
1925	32	1,008	137,652,200	90,170,700
1926	34	1,137	137,852,200	97,120,700
1927	34	1,089	137,852,200	97,120,700
1928	34	957	137,852,200	97,678,200
1929	34	923	138,902,200	98,203,200
1930	32	863	138,902,200	98,103,200
1931	31	838	138,902,200	98,103,200
1932	31	861	138,802,200	105,628,200
1933	29	918	138,802,200	105,745,200

During the Year

Year	Receipts			Expenses		
	Fees	Others	Total	Tax on Bourses	Others	Total
1924	¥11,690,476	¥6,354,448	¥18,044,924	¥ 1,771,206	¥5,499,632	¥7,270,928
1925	13,490,407	6,471,845	19,961,752	2,088,317	5,387,102	7,475,419
1926	17,077,364	7,573,039	24,650,403	2,567,886	6,223,559	8,790,945
1927	12,356,186	6,308,842	18,665,028	1,849,807	5,550,898	7,400,705
1928	11,378,712	6,513,665	17,892,377	1,731,680	6,206,673	7,938,353
1929	9,808,216	5,370,184	15,178,400	1,469,014	5,758,319	7,227,333
1930	9,953,828	5,078,418	15,032,246	1,540,853	5,406,713	6,947,566
1931	11,718,041	5,699,828	17,417,869	1,775,125	6,431,315	8,206,440
1932	13,700,918	6,236,902	19,937,820	2,076,346	6,902,606	9,068,952
1933	18,856,435	6,963,927	25,820,362	2,840,617	8,810,732	11,651,349

During the Year

Year	Number of Companies	Net Profit		Loss		Dividend
		Sum	Number of Companies	Sum	Number of Companies	
1924	32	¥10,773,996	—	—	—	¥ 8,954,285
1925	32	12,486,333	—	—	—	10,489,547
1926	33	15,865,406	1	¥ 5,948	—	12,156,434
1927	32	11,294,632	2	30,309	—	9,136,450
1928	34	9,954,024	—	—	—	8,452,468
1929	33	7,951,304	1	237	—	6,462,306
1930	30	8,087,621	2	2,941	—	6,423,218
1931	28	9,230,713	3	19,284	—	6,642,108
1932	29	10,924,830	2	24,195	—	7,997,109
1933	29	14,197,632	2	28,612	—	9,639,337

ASSOCIATIONS

Year	Number of Associations	At the End of Year		Reserve Funds
		Number of Members	Contribution Amount	
1924	2	80	¥315,000	¥ 5,739
1925	3	120	405,500	56,327
1926	3	112	405,500	125,626
1927	4	120	443,500	323,378
1928	5	142	459,830	377,449
1929	5	128	527,560	438,702
1930	5	120	530,740	478,157
1931	5	111	530,740	514,926
1932	6	183	559,270	593,564
1933	6	187	562,950	732,537

Year	During the Year			Expenses
	Fees	Receipts Others	Total	
1924	¥ 79,522	¥ 9,942	¥ 89,464	¥ 43,587
1925	165,506	23,344	189,850	112,111
1926	346,737	44,580	391,317	204,103
1927	289,631	52,096	321,727	189,717
1928	219,159	60,007	279,166	168,820
1929	165,142	61,039	226,181	164,447
1930	144,832	56,575	201,407	127,878
1931	136,730	55,405	192,135	154,469
1932	239,024	73,575	312,599	162,681
1933	316,993	76,923	393,916	161,044

AMOUNT OF SHARES, BONDS AND PRINCIPAL COMMODITIES TRANSACTED AT THE BOURSES

Year	Number of Bourses	Shares			
		Long Term		Short Term	
		Amount of Sales	Amount of Deliveries	Amount of Sales	Amount of Deliveries
		Shares	Shares	Shares	Shares
1924	11	41,489,500	3,619,800	85,619,250	4,739,450
1925	11	64,074,910	7,687,100	61,275,390	10,316,640
1926	11	72,708,490	10,313,760	94,256,830	11,878,850
1927	11	51,162,160	7,946,110	76,998,030	10,195,310
1928	11	37,159,940	7,332,900	66,810,640	9,617,310
1929	11	27,983,480	5,473,340	82,303,490	12,811,520
1930	11	36,512,680	4,215,690	96,078,300	14,773,330
1931	11	30,360,080	4,013,940	139,008,640	16,941,130
1932	11	46,236,900	6,857,770	165,252,540	22,829,120
1933	11	57,275,810	11,316,750	216,429,210	26,872,090

Year	Number of Bourses	Bonds		Number of Bourses	Rice	
		Long Term			Amount of Sales	Amount of Deliveries
		Amount of Sales	Amount of Deliveries			
		Yen	Yen		Hectolitres	Hectolitres
1924	—	—	—	28	531,739,453	2,273,107
1925	1	fr. 42,080,000	fr. 3,225,000	26	409,500,739	2,207,204
		fr. 7,200,000	fr. 1,450,000			
1926	2	fr. 179,726,000	fr. 37,801,000	25	327,429,399	2,713,261
		fr. 3,550,000	—			
1927	2	fr. 126,774,000	fr. 16,335,000	28	317,627,783	1,635,605
		fr. 44,200,000	fr. 11,475,000			
1928	2	fr. 443,051,000	fr. 108,247,000	27	320,372,792	2,248,033
		fr. 145,975,000	fr. 48,810,000			
1929	2	fr. 349,410,000	fr. 76,305,000	26	324,978,355	1,757,910
		fr. 107,155,000	fr. 23,920,000			
1930	2	fr. 295,620,000	fr. 33,410,000	25	398,580,769	1,616,303
		fr. 45,980,000	fr. 11,070,000			
1931	2	fr. 793,835,000	fr. 166,950,000	25	369,669,508	2,176,045
		fr. 289,770,000	fr. 84,620,000			
1932	2	fr. 740,755,000	fr. 148,845,000	24	400,031,293	3,061,235
		fr. 279,210,000	fr. 39,420,000			
1933	2	fr. 536,370,000	fr. 126,190,000	24	224,276,342	2,248,032
		fr. 624,970,000	fr. 87,760,000			

Year	Number of Bourses	Raw Silk		Cotton Yarn		
		Amount of Sales	Amount of Deliveries	Number of Bourses	Amount of Sales	
		Kg.	Kg.	Bales	Bales	
1924	1	11,850,380	133,200	3	5,183,322	19,635
1925	1	13,261,620	399,000	3	8,788,080	40,845
1926	1	21,662,580	580,800	3	13,146,095	48,575
1927	1	18,733,140	285,000	3	12,103,260	79,015
1928	1	15,516,840	749,400	3	10,878,320	61,430
1929	2	11,957,940	322,800	3	7,817,150	47,900
1930	2	29,641,596	480,000	3	10,048,140	54,530
1931	2	44,030,220	2,328,000	3	8,162,960	20,870
1932	2	41,077,140	1,250,400	3	10,492,050	58,000
1933	2	44,379,840	652,800	3	9,398,060	28,625

PRICES OF PRINCIPAL BONDS AND SHARES IN TOKYO

(Compiled by the Bank of Japan)

Year	5% Loan (Mark: "Ko")			4% Loan (1st series)		
	Face value	Highest	Lowest	Face value	Highest	Lowest
1924	¥100.00	¥85.85	¥82.90	¥100.00	¥75.10	¥72.25
1925	100.00	86.70	83.00	100.00	75.60	72.35
1926	100.00	87.55	86.40	100.00	76.90	73.85
1927	100.00	93.60	88.30	100.00	79.90	74.30
1928	100.00	98.00	89.30	100.00	90.00	76.70
1929	100.00	96.30	90.60	100.00	83.90	77.00
1930	100.00	92.90	86.95	100.00	80.00	75.50
1931	100.00	98.35	86.15	100.00	84.60	72.60
1932	100.00	99.50	86.50	100.00	90.00	73.60
1933	100.00	104.10	94.70	100.00	100.40	82.60

Year	Bank of Japan Shares			Yokohama Specie Bank Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥200.00	¥728.00	¥695.00	¥100.00	¥176.00	¥157.00
1925	200.00	735.00	640.00	100.00	199.00	169.60
1926	200.00	820.00	735.00	100.00	200.30	185.30
1927	200.00	790.00	660.00	100.00	206.00	178.50
1928	200.00	723.00	633.00	100.00	234.50	198.00
1929	200.00	648.00	539.00	100.00	217.00	186.20
1930	200.00	580.00	743.00	100.00	203.00	139.50
1931	200.00	554.00	475.00	100.00	180.00	141.00
1932	200.00	535.00	475.00	100.00	187.50	137.00
1933	200.00	554.00	485.00	100.00	200.50	160.00

Year	Industrial Bank of Japan Shares			South Manchuria Railway Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥50.00	¥53.80	¥49.60	¥100.00	¥113.70	¥99.90
1925	50.00	52.20	44.00	100.00	125.30	110.50
1926	50.00	51.00	46.60	100.00	130.50	122.60
1927	50.00	47.20	39.40	100.00	135.00	120.00
1928	50.00	42.30	33.10	100.00	145.20	129.20
1929	50.00	39.80	32.90	50.00	71.70	63.50
1930	50.00	35.30	13.80	50.00	72.60	49.70
1931	50.00	30.70	23.40	50.00	63.90	45.30
1932	50.00	47.20	24.30	50.00	67.60	48.30
1933	50.00	50.20	35.00	50.00	74.00	54.00

Note:—The highest and lowest prices of the 5% and 4% loans represent flat prices.

PRICES OF PRINCIPAL BONDS AND SHARES IN
TOKYO (Continued)

Year	Nippon Yusen Kaisha Shares			Osaka Shosen Kaisha Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥50.00	¥87.50	¥67.80	¥50.00	¥43.00	¥35.20
1925	50.00	91.00	67.50	50.00	56.50	42.20
1926	50.00	83.80	74.00	50.00	58.50	49.40
1927	50.00	82.30	66.10	50.00	54.20	43.00
1928	50.00	72.30	66.20	50.00	49.50	43.30
1929	50.00	69.70	55.20	50.00	45.80	37.50
1930	50.00	57.40	25.20	50.00	36.00	17.80
1931	50.00	45.00	29.30	50.00	30.50	18.60
1932	50.00	58.50	28.30	50.00	48.50	19.80
1933	50.00	57.20	41.00	50.00	48.80	28.00

Year	Tokyo Electric Light Company Shares			Kanegafuchi Cotton Spinning Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥50.00	¥60.30	¥51.30	¥50.00	¥322.00	¥166.60
1925	50.00	72.70	50.00	50.00	385.00	221.50
1926	50.00	65.80	50.90	50.00	278.50	246.10
1927	50.00	58.70	46.40	50.00	267.50	215.00
1928	50.00	57.00	50.20	50.00	280.50	245.00
1929	50.00	53.90	39.30	50.00	274.50	225.50
1930	50.00	41.90	15.50	50.00	222.50	119.00
1931	50.00	24.70	14.00	50.00	220.50	138.90
1932	50.00	24.30	12.70	50.00	273.90	184.60
1933	50.00	33.90	13.40	50.00	267.90	168.10

Year	Meiji Life Insurance Company Shares			Nippon Oil Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥100.00	¥ 613.00	¥ 613.00	¥50.00	¥ 87.50	¥67.50
1925	100.00	1,650.00	506.00	50.00	101.50	83.50
1926	100.00	2,320.00	1,510.00	50.00	99.30	65.00
1927	100.00	2,136.00	1,600.00	50.00	70.30	46.20
1928	100.00	2,055.00	1,620.00	50.00	68.40	56.00
1929	100.00	2,005.00	1,680.00	50.00	68.30	40.00
1930	100.00	1,680.00	1,160.00	50.00	44.10	20.40
1931	100.00	1,700.00	1,280.00	50.00	44.00	27.80
1932	100.00	1,570.00	1,035.00	50.00	58.60	36.60
1933	100.00	1,300.00	1,100.00	50.00	66.50	47.10

Year	Keihin Electric Tramway Company Shares			Tokyo Stock Exchange Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1924	¥50.00	¥64.80	¥53.30	¥50.00	¥134.80	¥104.00
1925	50.00	69.80	62.20	50.00	184.50	111.00
1926	50.00	76.60	64.00	50.00	209.00	166.00
1927	50.00	72.70	51.60	50.00	200.00	140.00
1928	50.00	61.20	54.20	50.00	204.50	169.00
1929	50.00	56.30	50.40	50.00	168.00	111.00
1930	50.00	52.70	28.00	50.00	121.00	96.80
1931	50.00	41.50	34.00	50.00	169.50	104.50
1932	50.00	40.80	31.80	50.00	209.00	129.50
1933	50.00	39.50	31.30	50.00	218.00	128.00

YIELDS OF STOCKS AND DEBENTURES
(Prepared by Hypothec Bank of Japan)

Year	Leading stocks 65 kinds		Bonds and debentures				
	Average yields	Index numbers	Gov't bonds	Municipal bonds	Hypothec Bank deb.	Agr. and Ind. Bank deb.	Corporate deb. (20)
		(1914 July, 100)					
1914	7.43%	100	—	—	—	—	—
1919	7.51	104	—	—	—	—	—
1921	9.41	181	6.13%	7.30%	7.38%	8.41%	8.21%
1922	8.87	123	6.26	7.30	7.66	8.37	8.41
1923	8.72	121	6.11	7.37	7.84	8.59	8.74
1924	8.68	121	6.17	7.67	8.05	8.77	8.97
1925	7.80	108	6.08	7.26	7.32	8.35	8.17
1926	6.90	97	5.90	6.82	7.13	7.64	7.70
1927	7.13	99	5.67	6.50	6.79	7.43	7.45
1928	6.17	86	5.16	5.87	6.14	6.86	6.79
1929	6.85	95	5.08	5.88	5.98	6.43	6.43
1930	8.10	113	5.37	6.09	6.17	6.43	6.54
1931	6.82	93	5.40	5.91	5.87	6.29	6.49
1932	6.01	83	5.59	6.07	6.00	6.44	6.84
1933	5.03	—	4.812	5.334	Bank deb. 5.443		5.96
1934 (June)	4.68	—	4.442	4.928	4.974		5.43

AGRICULTURAL AND INDUSTRIAL PRODUCTIONS IN JAPAN PROPER

	1931 and 1932	
	(In ¥1,000)	
	1931	1932
Agricultural products	1,199,064	1,615,413
Horticultural products		
Fruits, vegetables, etc.	231,382	237,444
Tobacco-leaf, rape-seed, etc.	77,131	78,890
Cocoons, tea and others	320,180	339,829
Domestic animals	170,882	169,317
Forestry products	199,153	205,446
Marine products; fish, etc.	246,231	240,873
Marine products; manure, oil.	130,708	130,662
Mine products	436,595	512,787
Textiles	2,195,562	2,551,285
Ceramic products	196,349	220,209
Foodstuffs	808,784	859,411
Metal industry products	307,996	400,527
Machines	443,341	543,841
Chemicals	722,377	839,693
Wooden manufactures	237,938	242,197
Other industrial products	345,401	401,217
Tobacco	83,062	84,133
Total	8,353,036	9,674,126

TOTAL VALUE OF PRODUCTS OF ALL
FACTORIES IN JAPAN IN 1933

Production of Factories where more than five operatives are employed ("Factories Statistics" Published by the Ministry of Commerce and Industry)

	(In ¥1,000)	1933
Spinning and textile products		2,014,155
Metallic products		878,691
Machinery and instruments		888,195

Ceramic products	220,743
Chemical products	1,288,083
Lumber and wood work	189,520
Printing and binding	181,588
Foodstuff industry	1,017,037
Miscellaneous industries	293,348
Total value	7,871,364

Production of Minor Factories There are many industries in Japan which are engaged in by innumerable minor factories where less than 5 persons