

realizing the sacrifices they would have to make and the tragedies they would have to suffer, the faction led by General Franco, surmounting numerous difficulties, finally occupied Barcelona early this year and succeeded in pacifying the Catalonian sector. The Communist régime immediately collapsed, and Madrid finally capitulated on March 28th. The Spanish civil war which began two and a half years ago was thus brought to a close, culminating in a decisive victory for General Franco. The Powers in the Anti-Comintern front have early extended recognition to General Franco's Government and have been giving full support to that Government's work of subduing Communism.

The Japanese Government pays its profound respect to the brilliant achievement of the Spanish Government and at the same time earnestly hopes that the relations between Japan and Spain will, through increasing cooperation between them, grow in cordiality."

(The protocols exchanged with these countries are given at the end of this volume, as Appendix.)

Fishery Disputes with the U. S. S. R. The revision of the Russo-Japanese Fishery Agreement fell due in 1936, but the Soviet Government refused to sign it, and the Japanese Government was twice obliged to conclude a modus vivendi in 1936 and 1937. Negotiations were renewed in 1938 between Japanese Ambassador Togo and Foreign Commis-

sar Litvinoff at Moscow. During the latter half of 1938 and the beginning of 1939, there were many occasions on which disruption was considered inevitable. The patience of Ambassador Togo, however, finally conquered over the stubbornness of the Foreign Commissar, and negotiations came to a satisfactory conclusion on April 2, 1939 and a modus vivendi was signed at Moscow at midnight. (See Chapter VI, Foreign Relations, for a fuller account.)

Change of the Cabinet

On January 4, 1939, Prince Fumimaro Konoé, Prime Minister, tendered resignation to the Throne. H. I. M. the Emperor immediately called Mr. Kurahel Yuasa, Grand Keeper of the Imperial Seals, and sent him to the Genro, Prince Kimmochi Saionji, at Okitsu, Shizuoka prefecture to get his advice on the nomination of the next premier. The Imperial messenger brought back the Genro's recommendation in the evening, and the Emperor granted audience to Baron Kichiro Hiranuma, President of the Privy Council, at 10 p.m., and gave him order to form the new Cabinet.

Baron Hiranuma succeeded in his task with an unprecedented speed and the inauguration of the new cabinet took place in the Imperial palace in the afternoon of January 5, 1939.

At the time of the inauguration of the Hiranuma Cabinet, it consisted of the following 13 ministers:

Prime Minister	Baron Kichiro Hiranuma, former President of the Privy Council.
Minister without Portfolio	Prince Fumimaro Konoé, former Prime Minister.
Minister for Foreign Affairs	Hachiro Arita, remaining in office.
Minister for Home Affairs	Marquis Koichi Kido, M. H. P., former Minister of Welfare.
Minister of Finance	Sotaro Ishiwata, former Vice-Minister of Finance.
Minister of War	Lieutenant-General Seishiro Itagaki, remaining in office.
Minister of Marine	Admiral Mitsumasa Yonai, remaining in office.
Minister of Justice	Suchiko Shiono remaining in office.
Minister of Communications	"
Minister of Education	General Sadao Araki, remaining in office.
Minister of Agriculture and Forestry	Yukio Sakurachi, M. H. R., of the Minseito.
Minister of Commerce and Industry	Yoshiaki Hatta, M. H. P.
Minister of Overseas Affairs	" remaining in office.
Minister of Railways	Yonezo Maeda, M. H. R. of the Seiyukai.
Minister of Welfare	Hisatada Hirose, former Vice-Minister of Welfare.

At the same time Prince Konoé was appointed President of the Privy Council. On January 4, Prince Konoé announced reasons for his action as follows:

"It was not very long after I was commanded to become Premier in June, 1937, that the China incident occurred. With the China incident growing increasingly serious, the situation at home and abroad became gradually more complex. I often feared that my capacity was not sufficient to cope adequately with the situation arising from the incident, but the seriousness of the times did not allow a change of Cabinet until the present occasion. However, the China incident now has entered a new stage, and the time has come when the Government must concentrate its efforts on the construction of a new order so as to maintain lasting peace in East Asia. I am convinced that it is urgently necessary to enhance the confidence of the nation by formulating new policies under a new Cabinet. The unshakable fundamental policy of the Government toward the incident already has been established and approved by the Emperor. Having thus been freed from this important responsibility, I am filled with trepidation concerning my lack of ability to carry on my duties. This is the reason why I have tendered the resignation of my Cabinet."

According to the press comments on the occasion, the Konoé Cabinet was confronted with difficulties in carrying out wartime political, economic and social renovation measures. Another reason was in the failure of the efforts for the formation of a new political party sponsored by some members of the Cabinet and outsiders, and Prince Konoé, who was always unwilling to be brought forward as the president of the proposed party, was glad to be freed from this lure as well as premier's responsibility and leave the pending questions with a certain senior statesman.

The 74th Session of the Diet

The 74th Session of the Imperial Diet was convened on December 24, 1938, and closed on March 26, 1939. The strength or representation of different organizations and parties in the Houses on the day of its opening was as follows:

House of Peers:	
Body Represented	Membership
Imperial Princes	16
Kenkyukai	161
Koseikai	69
Kayukai	44
Koyu Club	35
Dowakai	31
Doseikai	21
Others	36
Total	413
House of Representatives:	
Party	Membership
Minseito	178
Seiyukai	170
The First Room Club	46
Social Mass Party	35
The Second Room Club	13
Tohokai	12
Others	6
Total	460

Note: Vacancies 6.

The Houses gave consent to the Governmental budgets which amounted to over ¥9,400,000,000, and passed all the 89 bills presented by the Cabinet, only 10 of which were amended in some minor points. Important bills passed and the budgets approved are mentioned below:

I. Budgets:	
Supplementary budgets for the fiscal year 1938-39	
1.	¥16,500,000
2. Revenue	¥7,839,000
Expenditure	¥19,805,000
Budget for the fiscal year 1939-40	¥3,694,686,000
Supplementary for the same	
1. Military expenditure	¥910,543,000
2. Civil expenditure	¥199,332,000
II. Extraordinary Military Expenditure:	
Army	¥3,143,000,000
Navy	¥812,000,000
Reserve fund	¥650,000,000
(Special reserve for concluding contracts outside of the general budget)	(¥700,000,000)

New Laws to be Promulgated:

1. Financial Laws; Revised China Affair Special Tax Law, Revised Special Profits Tax Law, Revised Temporary Land Tax Disposition Law, Law for the Exemption from or Postponement of Levying Taxes for the Relief of Calamity Stricken People, Revised Tariff Law, and four other laws on taxes. Nine laws for the floatation of public bonds. Three laws for special accounts. Four laws for readjustment of funds.

2. Laws pertaining to exploitation of resources; The Imperial Mining Company Law, Law for mining coal in Karafuto, The Japan Gold Mining Company Law, Revised Gold Mining Law, Law for the Manufacture of Light Metals, Revised Industry Law, Revised Mine Law, Rice Distribution Control Law, Taiwan Rice Importation Control Law, Horses Protection Law, and six other laws.

3. Laws on transportation; The Great Japan Aviation Company Law, The Sea Transportation Association Law, Shipbuilding Industry Law, and four other laws.

4. Military Laws; Military Resources Secrecy Protection Law, Revised Conscription Law, and five other laws.

5. Social or Cultural Laws; Officials' Health Insurance Law, Mariners Protection Law, Revised Health Insurance Law, Revised P. O. Annuity Law, Cinema Law, Copy Right Agent Law, and two other laws.

6. Educational or Religious Laws; Religious Organization Law, and five other laws.

7. Judicial Laws; Arbitration Law, Criminals Protection Law, Revised Court Formation Law, and four other laws.

8. Laws in relation to colonies; For Chosen five laws, for Taiwan one law, and for others four laws.

9. Others; Revised Insurance Law, Law on the way of taking Census, and one other law.

Ministerial Addresses Ministerial addresses at the 74th Session were delivered on January 21, 1939, the main points of which are quoted below:

Baron Kiichiro Hiranuma, Prime Minister, said in part as follows:

As for relief work for soldiers, His Majesty the Emperor was pleased some time ago to grant a gracious message together with a generous sum of money from the Imperial Privy Purse. Indeed, the Imperial benevolence knows no bounds. The Government, in conformity with the Imperial will, has established the Society for Relief of Soldiers as an Imperial Foundation, which, in conjunction with governmental establishments, is expected to make perfect the work of military relief and relieve the officers and men at the front from all cares and anxieties regarding their families at home.

In regard to the China Affair upon which both the Government and the people are concentrating their endeavours, there exists an immutable policy, for which Imperial sanction was obtained by the previous Cabinet, and in

accordance with which the necessary steps have been taken in various directions. Being, of course, committed to the same policy, the present Cabinet is determined to proceed at all costs to the achievement of the final purpose.

Obviously no lasting peace can be hoped for unless Japan, Manchoukuo and China, the three countries responsible for the stability of East Asia, are speedily united in the realization of the abovementioned common objective—the establishment of a new order to replace the old. "Overcome," said the Emperor Meiji, "the evil ways of the past, and follow the just principles of nature." Here we have, I believe, what must be the basis of government in our country. Here is the ideal which was handed down from time immemorial by the Imperial Ancestors, and in accordance with which all the Imperial Successors have ruled the land. To "follow the just principles of nature" means in the last analysis to enable all entities to find their own proper places, and therein lie also, I believe, the essentials of government. And this principle applies equally to internal politics and international relations. The construction of the new East Asiatic order should proceed on the basis of this ideal.

I hope the above intention of Japan will be understood correctly by Chinese so that they may cooperate with us without the slightest apprehension. Otherwise, the construction of the new order would be impossible. As for those who fail to understand to the end and persist even hereafter in their opposition against Japan, we have no other alternative than to exterminate them. On the other hand, those who desire to make of themselves pioneers of a new China and cooperate in the execution of our national policy should be encouraged to take part in this historic task. We should gladly help them to rescue the Chinese masses from misery and distress, and liberate them from the bondage of old prejudices. Happily in China today, enthusiasm for reconstruction is beginning to sweep over the whole country, with a growing number of men and women who fall in line with the measures put into practice by the authorities of the new Governments at Peking and Nanking and the autonomous Government of Mongolia. This is a matter for congratulations for the sake of the stabilization of East Asia, and also as the fruit of our country's national purpose.

Since Communism has become so rampant on the Asiatic continent as to

threaten to usurp the political power of China, its elimination is absolutely necessary if truth and righteousness are to prevail. In order to realize this, we must promote understanding with third Powers, and cooperation and collaboration especially with those Powers who fully understand us. Germany and Italy, as you are aware, have, from the beginning of the present conflict, consistently given us whole-hearted support, for which we are profoundly grateful. It is exceedingly gratifying that Japan's relations with these friendly Powers with whom we are bound by the Anti-Comintern Agreement are growing more intimate and cordial.

The notable development of Manchoukuo is a hopeful sign for the construction of a new East Asia. The measures calculated to maintain the inseparable relationship between Japan and Manchoukuo should be further strengthened. On the other hand, allow me to state that it is far from the thought of the Japanese Government to oppose needlessly the economic or cultural activities of third Powers. I earnestly hope that they will appreciate the true intentions of Japan and extend cooperation toward the construction of the proposed new order in East Asia.

The statement of the Japanese Government issued by the previous Cabinet which is based upon the basic policy vis-à-vis the China Affair, makes clear the guarantee required of China as a participant in the construction of the new order. The statement provides, I am confident, a principle most suited to the present situation for guiding the Chinese people and also for enlightening third Powers. Thanks to the valiant actions on the part of the Imperial forces and to the loyal support rendered by our people on the home front both in Japan Proper and overseas territories, the desired military victories have been won. The Kuomintang Government, still frantically pursuing its anti-Japanese and pro-Communist policy, has been reduced to the status of a local régime through its flight to a remote province. However, the final aim of our present campaign in China does not lie simply in military victories, but in the rebirth of China, and in the creation thereby of a new order uniting Japan, Manchoukuo and China on a relationship of mutual aid and collaboration. With the recent establishment of the China Affairs Board, it is now expected that all matters relating to China will proceed smoothly. Of course, it is not difficult to see that the way is long and beset with difficulties. In order to

surmount them and to make possible a glorious future, we should follow in the footsteps of our forefathers and devote our best efforts to the task on hand, rendering, in the spirit of national solidarity, united service to the Throne. It means the concentration of all the spiritual and material resources of the nation upon the accomplishment of one purpose. . . .

The Government deems it of urgent importance to develop and reinforce all systems of transportation and communication in accordance with the new conditions in East Asia and is taking appropriate measures. As for the various control measures carried out hitherto for economic activities, they must, of course, be continued within the bounds necessary for the maximum application of the total strength of the nation. However, while these measures have until now mostly been economic, to meet the immediate requirements of prosecuting military operations, we must henceforth put into operation, in addition, other control measures which are of a permanent and constructive character. Accordingly it is essential to strengthen the alignment of the national life in general mobilization,—namely, to invoke in due order the necessary provisions in the National General Mobilization Law, effecting at the same time various internal reforms.

On the other hand, the Government will carefully consider measures to be taken for coping with the problems of the suspension of business, unemployment arising among merchants and manufacturers, who will be affected by the governmental steps already described, as well as general measures for stabilizing the livelihood of the nation on the home front, such as promoting healthy development of the farming and fishing populations. And in order to accomplish this, it is essential to execute through free and active cooperation of the Government and people, unhampered by convention, the measures appropriate to the present situation.

It is with these considerations, that the Government is submitting budgetary and legislative bills in order to carry out its policies. As the present Cabinet was formed only recently, the bills prepared by the previous Cabinet, which have been found after careful study to be suited to the present situation, are being submitted for your consideration.

Foreign Minister Hachiro Arita's Address It is scarcely necessary to reiterate that Japan's foreign policy, based upon the fundamental principles of

our national polity, and designed principally for the fulfilment of Japan's moral responsibilities, has always been so conducted as to promote the interests and welfare of East Asia through the cooperation and collaboration of the peoples of that region, and to contribute to the general prosperity of mankind. Following the establishment of the Empire of Manchoukuo, the Japanese Government, having in view the neighbourly and inseparable relationship existing between Japan and that country, made it a policy to cooperate toward her healthy development as an independent State. Legal and administrative systems have been set up in due succession, and the work of developing natural resources is progressing, so that the 30,000,000 people of the land are living happily, secure of their livelihood. The national foundations have been consolidated more firmly than ever, and seven Powers have already extended recognition to the empire. The establishment of peace and order and the expansion of industries have notably benefited all other countries concerned, including Great Britain and the United States, whose trade with Manchoukuo is showing marked increases in volume as compared with the years prior to the Manchurian Incident.

As regards the present China Affair, the basic policy and the resolute aim of the Japanese Government have been set forth in its statement of the 3rd of November last year. What Japan desires is the creation of a new order which is to secure the permanent peace of East Asia, that is to say, the construction of a new East Asia upon a moral foundation, in which Japan, Manchoukuo and China, while each fully reserving her independence and individuality, will stand united and linked together for collaboration and mutual aid along all lines of political, economic and cultural activities. It is the firm conviction of the Japanese Government that such a new order is not only absolutely necessary for the existence and healthy development of Japan, Manchoukuo and China, but also conducive to the real peace and well-being of the whole world. Under date of December 22nd last the Japanese Government issued another statement declaring its intention of joining hands with far-sighted Chinese animated by similar ideals and aspirations, and to work together for the common purpose of constructing the new East Asiatic order and for the realization and mutual practice of neighbourly amity, eco-

nomie cooperation, and joint defence against Communism. It was also announced that what Japan asks of China is neither territory nor indemnity for the cost of military operations, and further that not only will Japan respect the sovereignty of China, but she is even prepared to give practical consideration to the questions of the abolition of extra-territoriality and the rendition of foreign concessions and settlements, a matter which is obviously required for China's complete independence.

Despite the repeated explanations given by the Japanese Government, there persist unfortunately misunderstandings in certain quarters abroad, ascribing to Japan an intention to close the doors of China. If we are to embark upon the creation of a new order in East Asia through mutual assistance and solidarity between Japan, Manchoukuo and China, it will of course be necessary to enforce certain restrictions and regulations in spheres having a vital bearing upon the national defence and economic independence of the three countries. But these measures will be confined to the minimum requirements, being directed toward no other purpose than that of enabling East Asia to function well as a link in the chain of world economy and to contribute to the general prosperity of mankind. Consequently there will be left open vast fields wherein not only will the rights and interests of other countries and commercial and other peaceful enterprises of their nationals remain absolutely unaffected, but wherein foreign participation will be really welcome, so that it is confidently expected that the economic activities of other Powers will be more than ever stimulated under the new order.

The Japanese Government, believing the removal of trade barriers of various kinds and the promotion of economic cooperation among the nations to be the best means of advancing the happiness and prosperity of mankind, have always striven toward the realization of those ends. Its future policy in this regard will sustain no change. In fact, it is in accordance with this very policy that the Japanese Government plans to limit to the necessary minimum all restrictions on the economic activities of other Powers under the proposed system for Japan, Manchoukuo and China. It is hoped and expected that the Powers concerned will understand the true intentions of Japan and extend active cooperation in the

task of constructing the new order in East Asia.

It is regrettable that the China Affair has given rise to circumstances prejudicial to the individual rights and interests of the nationals of other Powers in China, or has placed restrictions on their residence and travel. That these circumstances have been unavoidable owing to military necessities is, I believe, appreciated by all. On the other hand, the Japanese Government, paying careful attention to the matter, has followed the policy of expediting the settlement of pending cases as far as is permitted by circumstances and as soon as the necessary investigations are completed. Already not a few cases have thus been satisfactorily settled.

As regards the reported conveyance of arms through French Indo-China and other territories, the Japanese Government has from time to time called the attention of the Governments concerned to the matter; and when necessary, proper steps will be taken. The China Affair has now entered upon a new phase as the result of the fall of Canton and Hankow. While we will not relax our efforts for the overthrow of the anti-Japanese régime, we are obliged at the same time to address ourselves earnestly to the work of construction.

Although the Chiang Kai-shek régime is still professing its policy of a so-called "long-term conflict," it has already fled into a remote province and become a purely local régime, while, in the regions in the occupation of our forces sentiment is growing rapidly against the Comintern and in favour of friendship with Japan. The Provisional Government at Peking and the New Government at Nanking respectively and the Autonomous Government of Mongolia are all making healthy progress and steadily winning popular support and confidence. Moreover, in the fall of last year a Joint Committee was formed by the Provisional and the New Governments; and movements are coming to a head in Hankow and Canton for the establishment of other local governments. It is hoped that a new Central Government may be speedily organized which may cooperate with us for a settlement of the present conflict. As for the recent flight from Chungking of certain leaders of the so-called "peace faction" in the Chiang Kai-shek régime, the Government is watching carefully for consequent developments.

In order to cope with the destructive activities of the Communists, there was concluded some time ago the Japanese-

German Agreement for Safeguarding against the Communist International, to which Italy subsequently became a signatory. The manoeuvres of the Comintern are both insidious and elusive, but in Europe and in Asia wherever there is any disturbance of peace and order, there is invariably to be discovered the hand of the Comintern behind the scenes. The Civil War in Spain, now almost three years old, affords a most outstanding example of the activities of this organization, whose favourite procedure is to utilize a local affair as a fuse to set off a general conflagration in order to bolshevize the world. Indeed the Comintern is the arch-enemy of peace and order.

In East Asia, too, the Communists were active before the commencement of the present China Affair, instigating the Kuomintang Government and causing Chiang Kai-shek to pursue an anti-Japanese policy. Since the outbreak of hostilities, they have rapidly extended their sinister influence and have ultimately made their way into the inner councils of the Kuomintang Government so as to command positions of leadership in both military and political affairs. The so-called "long-term conflict" as well as guerilla tactics have originated in the recommendations of the Communist Party. They constitute a conspiracy which, by sacrificing the masses of China, aims at the postponement for as long as possible of a settlement of the present conflict and by that means at the bolshevization of China and of the entire world.

Fortunately, however, the Japanese-German-Italian Agreement against the Communist International has proved efficacious in checking to some extent in Asia, as well as in Europe, the destructive operations of the Comintern. In the light of experience we cannot but believe that the more this agreement is expanded and strengthened, the more potent will be the guaranty of world peace. The recent announcement by Manchoukuo and Hungary of their intention to participate in the agreement is gratifying as an extension of the anti-Comintern front.

Our relations with the Soviet Union became extremely strained at the time of the Changkufeng Affair, which, however, was settled through appropriate action on our part before it assumed serious proportions. In North Sakhalen the illegal interference with our concession rights pertaining to oil and coal have not ceased as yet, rendering the exercise of those rights more and more difficult. As regards the fishery

question, although we have continued to exert our utmost efforts for the conclusion of the treaty, the draft of which has long been mutually agreed upon, the negotiations have failed owing to the questions which have been injected into the discussions by the Soviet Government, and which have no relevance to the fishery treaty. In December last the Government entered into negotiations for the renewal of the *modus vivendi* which was to expire at the end of the year. But, even in this case, the Soviet Government put forward and insisted upon many unreasonable conditions, so that no agreement could be reached before the year-end. It was therefore decided to carry over the negotiations to this year, after requesting the Soviet Government to take no measures that might affect the status quo of the fishery situation. While it is expected that the Soviet Government will negotiate with sincerity and that ultimately a satisfactory agreement will be arrived at, Japan is, of course, prepared to take appropriate steps when it comes to a question of protecting her legitimate vested rights and interests.

Finance Minister Sotaro Ishiwata's Address With regard to the 1939-40 Budget, the preceding Cabinet completed the general compilation, and therefore we have arranged to take it over for introduction into the present Diet. The amount of the General Budget for the 1939-40 fiscal year is a little more than 3,694 million yen both in revenue and expenditure, which when compared with the budget amount for the preceding fiscal year, shows an increase of a little over 180 million yen.

This is made up, in round numbers, of 2,801 million yen from taxes and other ordinary revenue, 84 million yen brought over from the preceding fiscal year as a surplus fund, and 809 million yen as proceeds from public loans. The ordinary revenue just mentioned shows an increase of 294 million yen when compared with the corresponding budget amount for the preceding fiscal year, this estimated increase being largely due to estimated increases in tax proceeds. To be more exact, the income tax proceeds are estimated to increase by some 160 million yen, the provisional profit tax proceeds by 102 million yen, the business profit tax proceeds by 23 million yen, the inheritance tax proceeds by 13 million yen and other items by 23 million yen, totalling more than 323 million yen, while the brewery tax, stock and commodity exchange tax and other tax proceeds are estimated to decrease by a little more than 58 million

yen in all. Therefore, the tax revenue as a whole is to increase roughly by 264 million yen, and I am inclined to think that this estimated increase in revenue may roughly be taken to reflect a favourable trend in economic circles.

Apart from the tax revenue, some of the principal increases and decreases in the estimates for ordinary revenue include an increase in round numbers of 15 million yen in forestry proceeds, an increase of 7 million yen in levies on horse races, an increase of 40 million yen in proceeds from the enforcement of the Convertible Bank Note Consolidation Law, a decrease of 13 million yen in the Monopoly Bureau profits, a decrease of 19 million yen in revenue due to the non-payment of Manchoukuo's share of national defence expenses, etc.

The Budget for the 1939-40 fiscal year has been compiled so as not only to concentrate all governmental measures for the purpose of attaining the objective of the Affair, as in the preceding fiscal year, but also to consolidate them even more intensively. Naturally we have so arranged as to strengthen all measures connected with the Affair as far as possible, while we have refrained from estimating the other various expenses save for those whose urgent needs call for immediate attention. We have estimated fresh increases totalling a little over 97 million yen for the relief fund for soldiers' families, various expenses for military aids, various expenses for the protection of wounded soldiers and other expenses required for various other home-front measures. We have also estimated other fresh increases at roughly 56 million yen in the expenses relating to the expansion of productive power, 13 million yen in the expenses relating to the adjustment of the supply and demand of commodities, 18 million yen in the expenses relating to the promotion of export trade, 20 million yen in the expenses needed for the execution of the horse administration plan, 23 million yen in the expenses relating to emigrants to Manchuria, 24 million yen in the expenses relating to civil aviation and air defence.

Moreover, in view of the disastrous floods occurring in various places recently, we have seen an urgent need for expenses relating to river conservation, and we have established a basic plan for the prevention of landslides in all prefectures, working out at the same time river conservation plans for

the Tone, Yodo and other rivers. Accordingly we have estimated such amounts as will be required during the forthcoming fiscal year for these purposes.

In addition to these, required amounts have also been estimated to cover expenses relating to remedial measures for those losing employment or forced to change vocations, the expenses relating to the remedial measures for farming villages, the expenses relating to the promotion of medium-sized and small industries, the expenses relating to the enforcement of the compulsory education system at the Seinen Gakko (Young Men's and Women's Schools), etc. Further, the subsidies for local finances are estimated to amount to 130 million yen as in the preceding fiscal year, while, in order to meet the possible necessity of making expenditures in excess of, or outside of, the budget in connection with the Affair or other events, the first reserve fund has been increased by 10 million yen over the preceding fiscal year to 30 million yen and the second reserve fund has been fixed at 60 million yen. Mention may also be made of the amounts saved by cutting or postponing some of the estimated expenses previously fixed for the 1939-40 fiscal year as well as of the amounts saved due to the departure of some army and navy units and war vessels for the war front. These amounts are spread over all Departments of the Government and total a little over 317 million yen. Consequently the budget contains considerable changes in detail as compared with the preceding fiscal year.

Again, the estimated proceeds consequent upon the legislation of the China Affair Special Tax Law and other circumstances total some 351 million yen, showing an increase of 34 million yen as compared with the preceding fiscal year. These proceeds are to be entered in the special account for military expenditures as a financial resource for the provisional war expenses as originally planned. And, if the amount of this estimated entry were left out of calculation, the total amount of revenue and expenditure would be a little over 3,342 million yen.

The deficit in the General Account during the 1939-40 fiscal year will be made good by public loans, which will total roughly 809 million yen including 4 million yen from the Post-Quake Remedial Bonds, 8 million yen from the Road Bonds, and 795 million yen from the Revenue Supplementing Bonds.

Next, a few words on the Special Account Budget. The revenues and expenditures in the five special accounts for Chosen, Taiwan, the Kwantung Leased Territory, Karafuto and the South Seas Mandatory Islands, are all estimated to increase considerably in comparison with the budget figures for the preceding fiscal year. Of these estimated increases, those in revenue are mainly due to increases in tax proceeds, while those in expenditure have been estimated specially to cover such expenses as are deemed urgently necessary in view of the prevailing situation. The other special account budgets have also been compiled in line with the policy followed in the compilation of the General Account Budget.

For transference to the account for emergency military expenditures, 32 million yen has been estimated in the special account of the Chosen Government-General, 16 million yen in that of the Taiwan Government-General, 7 million yen in that of the Kwantung Bureau, 4 million yen in that of the Karafuto Government, 40 million yen in that of the Imperial Government Railways and 16 million yen in that of the Communications Department, totalling 116 million yen.

As for the amounts of public loans to be floated during the forthcoming fiscal year as estimated in the various special accounts, their total is given as 273 million yen, including 164 million yen for the Chosen Government-General, 6 million yen for the Taiwan Government-General, 80 million yen for the Imperial Government Railways and 22 million yen for the Communications Department. If the amount of 809 million yen estimated for public loan in the General Account as stated before, is added to the figures just given, the grand total of projected public loans will amount to 1,028 million yen.

Further, as regards the military expenses relating to the Affair, an additional budget for the special account for emergency military expenditures is expected to be laid before the Diet shortly for legislative approval.

As for the projected general reform of the central and local tax systems, the project has been shelved temporarily following the outbreak of the conflict. Now as the Affair has entered a stage of long-term construction, it is deemed necessary for us to effect readjustments in the tax systems, and therefore we are thinking of pushing careful investigation with sufficient attention paid to the future developments

of the situation. In the meantime, however, with a view to increasing the tax burden on industries which are gaining in earnings and at the same time helping in checking consumption, we have planned to effect revisions and increased collections of the temporary profit tax, commodity tax and other similar levies. Accordingly we are now making necessary preparations for the introduction of legislative bills for that purpose to the Diet during its current session.

Next, I take this opportunity to make brief mention of the conditions of economic circles in our country with reference to the situation with which the nation is now confronted.

Since the beginning of the China Affair, huge amounts of Government money have been poured into the financial market, and the Government has made it its basic policy to work for the appropriate and smooth accumulation and movement of capital by such means as encouraging savings and adjusting the supply of capital. Thanks to the understanding and cooperation on the part of the people, these measures are attaining notable results. Meanwhile, the Government is also giving careful thought to the question of when a public loan may be floated or Government money paid out for better results.

Thus, the financial market is making favourable progress with the supply and demand of capital adjusted properly on the whole, and quiet prevails in financial circles. During the year, the average issue of convertible bank notes amounted to 1,919 million yen, which is an increase of 384 million yen as compared with the year before last. But, in view of the fact that this increase was partly due to special causes, I think there is nothing particularly extraordinary about this increase in the issue of convertible bank notes if the recent economic conditions of our country are taken into consideration.

With respect to the people's savings, increases have been notable, bank deposits having increased by 3,370 million yen and postal savings by 689 million yen during the past year. Meanwhile, the call money market has continued to make favourable progress since the early part of last year. In the debenture market, too, considerable activity has been witnessed since its reopening in February last year, the company debentures newly issued totaling 1,160 million yen by the end of the year.

Furthermore, the Temporary Capital

Adjustment Law has also continued to be operated smoothly, and the capital invested in industrial equipment during the past twelve-month period exceeded 2,800 million yen, such investments having all been so calculated as to meet the purpose of expanding productive power of most immediate necessity in our country. In the future, too, the demand for capital is expected to continue to rise more and more for the expansion of industrial productivity and other purposes in view of the prevailing situation, and the Government makes it its policy to work for the accumulation of capital by further encouragement of savings, on the one hand, and effect appropriate regulation of capital so as to make the supply of capital for necessary purposes smoother than ever before, on the other.

I also take this opportunity to comment briefly on the invocation of Article 11 of the Law for National General Mobilization. The Government has, after necessary deliberation by the National General Mobilization Council last December, decided to put the provisions of the said article into operation, and is now preparing the drafts of relevant ordinances. In my opinion, in order to carry on long-term construction, it will be necessary to expand the productive power of required materials throughout Japan, Manchoukuo and China. The Temporary Capital Adjustment Law has been put into operation as a means to this end, and in order to meet future developments in the situation, we have deemed it necessary further to improve industrial operations and at the same time to take appropriate measures for active supplies of industrial capital. For this purpose, we are planning to provide appropriate restrictions on company dividends and also have the Government authorized to issue necessary orders to the Japan Industrial Bank regarding advances of capital. We expect these measures, coupled with the operation of the Temporary Capital Adjustment Law, to contribute toward the expansion of productive power and the consolidation of industrial foundations in the future.

Smooth absorption of public loans is a matter of pivotal importance for the operation of State finances, and the Government is paying close attention to this fact. In this connection, it is a matter for congratulation that, thanks to the cooperation of the people, loan absorption has made favourable progress, as approximately 3,800 million

yen of public loans have been absorbed during the past year. However, the public loans estimated for flotation during the 1939-40 fiscal year are expected to amount to a gigantic total, and it will be extremely important to effect smooth digestion of them. Under the prevailing situation, this digestion of public loans as well as the projected expansion of productive power throughout Japan, Manchoukuo and China depends largely on the people's savings for necessary capital, and for this reason, we intend to push our studies of various measures, and means to popularize public loans in particular, with the movement for the encouragement of people's savings as their axis.

Next, as regards foreign exchange, I think it most appropriate to maintain the existing exchange standard in view of the internal and international economic situation. In this connection it will be of extreme necessity to strive for improvement in international receipts and payments and for the replenishment of resources to make payments abroad, the latter of which will depend largely on the promotion of the export trade. During last year, the foreign trade of our country amounted to 2,896 million yen in exports and 2,836 million yen in imports, totaling 5,732 million yen. In the trade balance, there was left an export excess of a little over 60 million yen, which was a notable improvement as compared with the import excess for the year before last amounting to 635 million yen. However, we are required to make strenuous efforts to develop our export trade from the viewpoint of the desired acquisition of capital in foreign currency, and for this purpose the Government has already earmarked a portion of the specie reserve of the Bank of Japan to create the foreign exchange fund and is also taking other appropriate measures, which we intend to improve and expand after making sufficient studies.

It is natural that expansion of productive power should have its emphasis on what are known as heavy industries, and it is also of great importance to

promote such industries as are connected with the export trade as well as to maintain industries urgently needed for the livelihood of the people. Therefore, the Government is planning to provide appropriately for assuring supply of materials and for the smooth operation of financing for these branches of industries.

In order to balance the international receipts and payments favourably, we are required to work for increased production of newly-mined gold and concentration of gold simultaneously with endeavouring for the promotion of export trade. Having formulated its plan for the increased production of mined gold at an early date, the Government has been working for the increase of newly-mined gold through various measures, and is determined further to render efforts for the realization of the said plan. Meanwhile, the concentration of gold existing within the country is also going on with satisfactory results with the cooperation of various circles . . .

In recent years, the economic circles of our country have attained remarkable progress, and I think it a matter for sincere felicitations for the benefit of our country to see all economic activities going on quietly and steadily instead of showing uneasiness in connection with the current Affair. However, our nation has now launched itself on its way for long-term construction looking toward an unprecedented fulfilment of our national destiny, and in order to accomplish this task, I think it necessary further to amplify our economic resources and mobilize them all for the single purpose of attaining the desired objective. In other words I think it necessary to adjust and mobilize all production and consumption for the purpose of attaining this national objective.

Change of the Cabinet. The Hiranuma Cabinet resigned on August 28, 1939, and the new cabinet under General Nobuyuki Abé was formed on August 30th. As to the members of the Abé Cabinet see p. 103.

CHAPTER VI

FOREIGN RELATIONS

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

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

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

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

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

At this conference, Secretary Hughes of the United States proposed with regard to capital ships that the United States, Great Britain and Japan scrap respectively 30 ships totaling 845,740 tons, 23 ships totaling 583,375 tons and 17 ships totaling 448,923 tons, including those in course of building, and that the three countries be allowed to retain

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

As regards the replacement of obsolete ships, it was agreed that capital ships might be replaced after 20 years in service, providing that the new ships do not exceed 35,000 tons each in displacement. On completion of the replacement stipulated above, the United States and Great Britain were to have 15 capital ships totaling 525,000 tons each against 9 ships aggregating 315,000 tons for Japan, while France and Italy accepted a total capital ship tonnage of 175,000 tons each.

With regard to auxiliary ships, no agreement was reached on the total tonnage for each country, France claiming 350,000 tons in auxiliary ships and 90,000 tons in submarines, to which Great Britain and the United States were vigorously opposed. The proposal made by Britain favouring the total abolition of submarines added to the difficulties of making a total tonnage agreement regarding auxiliary ships. It was finally decided that an auxiliary ship must not exceed 10,000 tons in displacement and must not carry guns of more than 8 inches in calibre.

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

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

At this conference, Japan was repre-

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

Tri-partite Conference This conference opened on June 30, 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 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 "Hié", although she was allowed to retain it for training purposes.

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

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

London Conference in 1935 Japan was represented by Admiral Osami Nagano and Matsuzo Nagai, former Japanese Ambassador to Berlin, at the naval disarmament conference convened at London in 1935, in accordance with the London Naval Treaty of 1930, Part V (2). Admiral Nagano advocated the establishment of a common upper limit of naval armaments to be fixed as low as possible and reduction of offensive armaments to assure the principle of "non-menace and non-aggression." But Japan's proposal failed to obtain support from other nations, and so following the final presentation of Japan's formula and the other delegations' rejection of it, the Japanese delegation informed Viscount Monsell, on January 15, 1936, that it could no longer usefully continue participation in the conference and withdraw from it.

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

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

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

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

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

2. The Japanese Government wishes to give notice that Japan will maintain a surplus of a total of 26,657 tons including 11,059 tons in destroyers and 15,598 tons in submarines.

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

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

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

"According to the fixed ratio, the

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

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

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

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

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

As regards the formula of the projected agreement, Japan proposed to divide it into general and special agreements. In the general agreement, it was proposed to arrange for the qualita-

tive reduction of all vessels, and also the quantitative reduction of "offensive" vessels, belonging to Japan, Great Britain, the United States, France and Italy.

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

Relations with Great Britain

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

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

Simla Conference Opinion was divided among industrialists in Japan with regard to acceptance of the British proposal, but it was finally decided to send representatives both to London and Simla to confer with representatives of the British and Indian interests. For the Simla conference, which was scheduled to be held on September 22, with the British and Indian delegates present, Mr. Setsuzo Sawada, former chief of the Japanese Bureau of the League of Nations, Mr. Susumu Terao, chief of the Trade Bureau of the Commerce and Industry Ministry, and Mr. Tetsuhiro Miyaké, Consul-General at Calcutta, were appointed to represent the Japanese Government, although they were not given full powers because the British Government had made it known that any agreement to be reached at Simla was subject to the approval of the British Government, while no official assurance was obtainable as to

whether such an agreement would be adopted by the British Government without modification.

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

(1) Customs duties to be imposed on Japanese cotton piecegoods 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 Indian 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.

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

Revision of the Convention According to the proposal of the Japanese Government, which presented on April 24, 1936, for revision of the Japanese-Indian convention, negotiations were opened between Mr. Yonezawa, the Japanese Consul-General at Simla and the Commercial Secretary of the Government of India on July 20. After the commencement of the negotiations the British Gov-

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

ernment notified the Japanese Government on October 21 of its intention to abrogate the Japanese-Indian convention of July 12, 1934. Consequently the Japanese-Indian negotiations were continued at Delhi and resulted in an agreement.

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

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

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

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

The Ladybird Incident. On December 12, 1937, British men-of-war the Ladybird, the Bee, the Cricket and the Scarab were by mistake subjected to gunfire and aerial bombing by Japanese forces in the vicinities of Wuhu and Nanking in the course of Japanese attack on Nanking. On December 14, Foreign Minister Koki Hirota presented a note of apologies to Ambassador Sir Robert L. Craigie assuring that the Japanese Government had already taken necessary steps to prevent the recurrence of an incident of such character, that it would, upon the completion of investigations, deal appropriately with those responsible for the incident, and that it was prepared to make necessary indemnification for the losses sustained by the British.

On December 16, the British Govern-

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

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

Navigation on the Yangtze. In connection with restoration of commerce and navigation of vessels of third Powers on the Yangtze River, the Ambassadors of Great Britain, the United States and France in Tokyo respectively presented notes of proposals to the Japanese Government on November 7, 1938.

Foreign Minister Hachiro Arita handed official notes to the Ambassadors of the Powers concerned, on November 14, replying that, although the Japanese Government had no intention of ham-

pering deliberately the commerce and navigation of third Powers on the Yangtze, it held that the time had not yet arrived to warrant general opening of the river because of the following reasons:

1. The blockade at Kiangyin had not been opened beyond the stage where the river could be used for military purposes. For the time being, only navigation by Japanese warships and vessels for military purposes was possible.

2. Large-scale military operations were in progress above Hankow, and points between Shanghai and the upper river form an important commissary line. Navigation by commercial vessels in general would have seriously hampered Japanese military operations.

3. Areas along the Yangtze were infested with Chinese guerrillas, who frequently attacked Japanese warships and other vessels.

4. The Chinese forces frequently laid mines, taking the Japanese unawares, and navigation on the river was consequently very dangerous. This was indicated by the incident in which a vessel being used for military purposes was sunk.

5. It would take some time before Chinese mines had been completely cleared from the river and necessary navigation marks had been restored to normal.

Japano-Canadian Trade Relations

Japan applied the Commerce Adjustment and safeguarding Law against the Canadian goods in July, 1935 in answer to the latter's placing prohibitive high tariff walls against the Japanese goods. Circumstances surrounding the matter were treated in the Japan Year Book of 1935, pp. 443-445. Even then there was an indication that a new agreement would be arranged between the two countries. In the meantime negotiations were made between Minister Kato and Premier King and a new agreement was made on December 26, 1935, which has been in operation since January 1, 1936. The substance of the agreement is as follows:

The Canadian Government, in accordance with the general policy respecting trade and tariff matters, decided to make the following modifications in its customs regulation:

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

Canadian consumption.

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

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

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

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

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

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

The Canadian Government has decided to cancel on January 1, 1936, the surtax of 33 1/3 per cent ad valorem levied on goods the produce or manufacture of

Japan under the regulations made by Order in Council P.C. 2108 of July 22, 1935, as modified by Order in Council P. C. 2317 of August 3, 1935.

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

Trade Relations Between Japan and Australia

Japan was again compelled to apply the Commerce Adjustment and Safeguarding Law or Trade Protection Law (given in full at the end of Chapter XI) against Australia on June 25, 1936, under the circumstances explained in the declaration of the Japanese Government, full text of which was given in the Japan Year Book, 1936, pp.198-200. But the negotiations since succeeded in bringing about a provisional agreement between the two countries on December 26, 1936, and the Government of the Commonwealth of Australia decided to take the following actions as on and from January 1, 1937, in relation to trade between Australia and Japan:—

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

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

Cotton piece goods

- Tariff item 105 (A) (1) (a)
- 105 (A) (1) (c)
- 105 (A) (1) (d)
- 105 (B)
- 105 (C)
- 120 (D) (1)
- 130 (B) (1)

Artificial silk piece goods

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

To the following rates, viz.:—

Cotton piece goods

- Unbleached 1½ d per square yard
- Bleached, 1½ d per square yard
- Printed dyed or coloured 2 d per square yard

Artificial silk piece goods

- 4 d per square yard

3. The Commonwealth Government, in addition to according Japan the bene-

fits of Australian intermediate tariff on cotton piece-goods and artificial silk piece-goods admissible under the aforesaid items of the Australian Customs Tariff, will accord to Japan the benefits of Australian intermediate tariff on cotton piece-goods and artificial silk piece-goods admissible under the items 105 (A) (1) (e), 105 (A) (3) and 105 (A) (4).

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

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

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

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

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

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

Japan-Dutch Conference

On the heels of the Indo-Japanese trade conference, Japan decided to negotiate on trade terms with Holland. In the talks at The Hague in December, 1933, between the Dutch Premier and Japanese diplomatic representatives, it

was decided that Japanese and Dutch delegations negotiate in Java on the trade relations of Japan and the Dutch East Indies and that the outcome of their discussions be further debated at The Hague by representatives of both governments.

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

With the purpose, on the part of the Dutch East Indies, to adjust the one sided trade relation with Japan for it bought ¥157,487,000 and sold ¥55,700,000 in 1933, the Japan-Dutch trade conference was opened at Batavia on June 8, 1934.

General committee meetings were opened on June 26 and adjourned indefinitely without any result on December 21, 1934.

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

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

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

in Japan's favour has become 3 to 2.

In November of 1935 a shipping conference was held at Kobé, but both sides stuck to their own views and the conference brought about no satisfactory result. Later the matter was taken up again by the Japanese Consul-General Mr. Ishikawa at Batavia with the officials of the Dutch Government, and on June, 1936 an agreement was made between the two countries. According to this new agreement, the Japanese steamers have been enabled to load 64.28 per cent of the outgoing cargoes and 60 per cent of incoming cargoes.

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

Relations with Soviet Russia

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

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

pan in spite of the demand for withdrawal by the Soviet Government of Irkutsk on March 11, 1920, continued to station her troops in the vicinity of Vladivostok and Habarovsk for the professed purpose of protecting the Japanese residents there. On March 18 and 19, 1920, partisan troops attacked the Japanese consulate, Nikolaevsk, killing all the officials and guards. On March 31, the Japanese Government issued a statement to the effect that Japan had no territorial designs in Siberia, but that the withdrawal of troops was impossible in the circumstances. Japan maintained relations with the Far Eastern Republic, constituted an independent state in February, 1921, until January, 1922, when this region was incorporated in the U. S. S. R.

With a view to restoring diplomatic relations with Soviet Russia, with which she shared interests on the Asiatic mainland, Japan undertook to negotiate with the Russian representatives on several occasions at Changchun and Dairen. Such efforts were resumed in 1923 in Tokyo, where M. Joffe and Mr. Toshihiko Kawakami met in conference officially representing Soviet Russia and Japan through the good offices of Count Shimpéi 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. Karakhan, the Soviet representative, after seven months' negotiations.

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

Among other issues in this connection the most notable in recent years was that concerning the exchange rate of the rouble. This dispute originated in the inspection of the Vladivostok office of the Bank of Chosen by the local Soviet authorities and the subsequent

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

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

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

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

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

On February 25 the Russian authorities proposed a compromise which purported to permit Japanese bidders to enter new offers at 32.5 sen on February 28 for the remaining 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. As Japan thought it necessary to revise it, the Foreign Office caused Ambassador Tamékichi Ohta, in Moscow, to make a proposal to the Moscow Government in May, 1935, one year prior to the date of maturity, in conformity with Article XV of the treaty, for its revision.

On April 26, 1936 the Japanese Government proposed, at the conference held at the Embassy at Moscow, between the councillor Sako and Mr. B. I. Kozlovsky, second head of the eastern department of the Foreign Commissariat, to revise the 1928 fishery convention and to extend 1932 Hirota-Karakhan agreement for 12 years, which the Soviet declined. As the basic claim of Japan was not heeded the negotiation was impossible to come to a satisfactory close before May 27, which was the final date set for the revision of the convention. However, a provisional agreement for the extension of the 1928 convention was signed at Moscow on May 25. According to this agreement, the present convention has become valid till December 31, 1936.

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

Negotiations for Sale of the N. M. R. Through the good offices of the Japanese Government a conference was opened in Tokyo on June 26, 1933, between representatives of Soviet Russia and Manchoukuo regarding the proposed sale of the North Manchuria Railway (formerly the Chinese Eastern Railway). Japan took no active part in the railway negotiations, except that a few Japanese officials attended the sessions as observers.

According to a memorandum stating the fundamental principles for the transfer of the North Manchuria Railway submitted by the Soviet Russia at the third official meeting held on July 4, 1933, the sale price was put at 250,000,000 gold roubles. The price offered by Manchoukuo was 150,000,000. The Soviet side based its calculation on the amount of its investment totalling 411,600,000 gold roubles up to 1932 and, taking into consideration the depreciation of economic value of the railway and its condition of damage, it finally estimated the total amount of transfer at 250,000,000 gold roubles. The Manchurian side appraised the value on the basis of the prevailing construction cost. In March, 1934, the Soviet side brought down the price to 120,000,000, but the Manchurian side lowered it to 100,000,000 in April of that year. Through mutual concession, the price was fixed at 170,000,000 on September 21, 1934. During the intervening period Foreign Minister Koki Hirota held interviews with Ambassador Yourenoff ten times and Mr. Shigénori 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. (The Agreement is given in full in the Appendix.)

North Saghalien Oil Concession The North Saghalien Oil Concession contract, based on Article VI of the Japanese-Soviet Basic Treaty, concluded in October, 1925, has proved very disadvantageous to Japan as well as the Japanese-Soviet Fishery Treaty. The whole area where oil prospecting is to be undertaken is divided like a checker board. If one bloc of the board is assigned for Japan to prospect, the adjoining bloc is claimed by the Soviet side as its prospecting field. When Japan succeeds in turning out oil by prospecting, paying an enormous amount of expenses, and changes it into an oil mining section, the Soviet side enlists the adjoining bloc into its oil fields, thus profiting without much trouble and expenses. It is also disadvantageously provided for in the treaty that the term of oil prospecting in unexploited fields covering an area of 1,000 vershs in Ocha districts is fixed at only 10 years. Moreover, North Saghalien is open to the practicability of actual work for a brief period of only two or three months during summer. The actual period of

operation throughout 10 years is therefore only about 20 or 30 months. The term would have matured at the end of 1936. The North Saghalien Oil Company had been negotiating with the Soviet Government for extension of the term of prospecting since about seven years ago.

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

Changkufeng Incident A border trouble with the U. S. S. R. occurred at Changkufeng hill of Manchoukuo by the occupation of the hill by Soviet forces on July 13, 1938. Actual hostilities between Japanese and Soviet forces began at the end of July and continued for about 10 days. Despite its numerical inferiority, an unnamed detachment of the Japanese army repulsed attacks by the Soviets and held its position to the last. The Soviets mobilized three divisions of sharpshooters, 200 tanks and sent more than 100 airplanes.

During the 10 days of sustained engagements, a division of Soviet snipers was destroyed and about 100 tanks put out of commission. Without sending up a single machine, the Japanese brought down six Soviet planes. The Japanese casualties totalled 800.

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

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

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

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

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

Revision of Fishery Agreement Although the German-Japanese agreement was directed against the Comintern, with which the Soviet Government declared itself to have nothing to do, and was aimed at the creation of a common German-Japanese front against Communism, the Soviet Government suspected that the pact were directed against the Soviet Union. Out of this suspicion, the Soviet Government went the length of refusing to sign a new fishery agreement with Japan, which had already been initiated. As a result, the Soviet-Japanese situation was greatly aggravated because it became impossible to enforce a new agreement to replace the Soviet-Japanese Fishery Agreement and the Hirota-Karakhan Agreement, both scheduled to expire at the end of 1936. The situation was rectified only by making provisional arrangements for the extension of the terms of the said two agreements by one year.

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

In 1938 and 1939, negotiations on the fishery question were again carried on between the Japanese Ambassador to Moscow and the Foreign Commissar of the Soviet Russia, and came to a satisfactory conclusion on April 2, 1939. A modus vivendi was accordingly signed at midnight by Ambassador Togo and Foreign Commissar Litvinoff, and the Japanese participated in the auction of fishery areas in the northern waters held at Vladivostok on April 4. The results of the agreement may be summarized as follows:

(A) The Fishery Convention of 1923 remains in force until the end of this year.

(B) The contract for the special contract fishery lots is extended another year with the exception of four exempted lots, concerning which mention will be made later.

(C) As to stabilized fishery lots they are placed on auction with the excep-

tion of the exempted lots, of which mention will be made later, but

(a) The definite prospect is that Japanese fishing interests will acquire them.

(b) These acquired lots will be under lease for five years.

(c) The rent is not to be raised more than ten per cent.

(d) The four lots which were successfully bidden by the Soviet side on March 15th, are to be returned to the Japanese.

(D) The exempted fishery lots:

Thirty-seven fishery lots consisting of thirty-two of the stabilized lots, four of the special lots, and one of the lots under lease are exempted from auction as exceptions to Article 8 of the Protocol A of the Fishery Convention. But against these lots ten substitute lots are offered, nine of which are to be leased for five years by auction.

(E) The nine Japanese fishery lots which have been placed on auction because their lease expired will be successfully bidden by the Japanese for the term of five years.

(F) The fifty-two fishery lots which have been still under lease will continue to be leased by the Japanese.

(G) The rate of rouble exchange remains the same as before.

To sum up, the Japanese side has acceded to the Soviet contention regarding the placing of the so-called stabilized lots on auction because the term of their lease has expired. But the Japanese will successfully bid for all the fishery lots except the exempted ones and secure the stabilization of the fishery lots for five years. As for the exempted fishery lots, although we are not to operate twenty-seven of them, we can operate about three hundred and sixty fishery lots. In other words, Japan has acquired as the result of the recent negotiations about three hundred and sixty fishery lots in all, of which two hundred and sixty-four are to be stabilized for five years.

Relations with the United States

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

and it followed naturally that the Americans should sympathize with Japan in her desperate attempt in 1904-5 to force Russia out of Manchuria and leave the region open to all nations interested.

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

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

In the first article of this treaty, what are known as Root's four principles were incorporated, providing, first, that the sovereignty and independence as well as the territorial and political integrity of China should be respected, second, that most perfect and unrestricted opportunities should be offered China in order that she might be able to establish and maintain a powerful

stable government, third, that efforts should be made to establish and maintain the principle of equal opportunity for commerce and industry to be undertaken by people of all nationalities throughout the territory of China, and fourth, that the signatories should refrain from utilizing conditions in China to seek special rights or interests detrimental to the interests of the subjects or citizens of other friendly nations, or from recognizing actions detrimental to the welfare of such friendly nations.

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

However, on August 19, 1913 the State of California promulgated the Alien Land Law (the Webb Bill) prohibiting Japanese and other aliens ineligible for citizenship from owning land, in spite of three protests by Baron Suteimi Chinda, Japanese Ambassador in Washington. In 1919, the Japanese Government took the further precaution of stopping the emigration of so-called "picture brides" to the United States, but nevertheless an ever increasing anti-Japanese sentiment continued to prevail in the United States, and on April 19, 1920, the Federal Immigration Bureau revised the regulations governing the entry of the adopted children of Japanese parents. Moreover, the State of California enacted a second law of exclusion barring the Japanese and other aliens from leasing land, or owning land in the name of corporations or from operating land owned in the name of their American-born children.

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

in a communication to the Secretary of State, Mr. Hughes.

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

A resolution calling for ejection of Japanese farmers for the next 10 days from Arizona farmlands was adopted at a convention of about 200 American tenant farmers near Phoenix, the capital of Arizona State in the United States, on August 15, 1934. A movement of 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 the treatment accorded the American citizens.

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

Hirota-Hull Messages As soon as Mr. Koki Hirota took office as Foreign Minister he commenced to devote himself to strengthening Japan's friendly relations with her neighbouring countries. As one of the manifestations of such endeavour, he sent through Mr. H. Saito, the new Ambassador, his per-

sonal message to Mr. Hull, the Secretary of State of the United States, on February 21, 1934:

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

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

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

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

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

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

On December 14, Foreign Minister Koki Hirota sent a note of apology to American Ambassador Joseph C. Grew, in which he informed that the Japanese naval air force, acting upon information that the Chinese troops fleeing from Nanking were going up the river in steamers, took off to pursue them and discovered such vessels at

the abovementioned point, and due to poor visibility the aircraft, although they descended to fairly low altitudes, were unable to discern any mark to show that any one of the vessels was an American ship. Consequently the American ships, being taken for Chinese vessels, were bombed and sunk. And in the Note the Foreign Minister stated that the Japanese Government regretted most profoundly that it had caused damages to the American ships and casualties, that the Japanese Government would make indemnifications for all losses and deal appropriately with those responsible for the incident, and that it had already issued strict orders to the authorities on the spot with a view to preventing the recurrence of a similar incident.

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

On December 24, the Foreign Minister sent the second note to Ambassador Grew, saying as to "a recorded expression of regret and indemnifications no word needs to be added to what I have said in my aforementioned Note (of December 14). As regards the guarantee for the future the Japanese Navy issued without delay strict orders to exercise the greatest caution in every area where warships and other vessels of America or any other third Power are present, furthermore, rigid orders have been issued to the military, naval and foreign office authorities to pay greater attention to observance of the instructions that have been repeatedly given against infringement of or unwarranted interference with the rights and interests of the

United States and other third Powers. Simultaneously, the Japanese Government is studying carefully every possible means of achieving more effectively the above-stated aims, while it has already taken steps to ascertain in still closer contact with American authorities in China the locations of American interests and nationals, and to improve means of communicating intelligence thereof speedily and effectively to the authorities on the spot. Then the note stated that the Commander of the Flying Force concerned had been immediately removed from his post and recalled, and the staff members of the fleet and the commander of the flying squadron and all others responsible had been duly dealt with according to law.

On December 26, Ambassador Grew sent American note in reply to the Foreign Minister's note of December 24, which stated that the Government of the United States observed with satisfaction the promptness with which the Japanese Government in its note of December 14 admitted responsibility, expressed regret and offered amends, that the American Government regarded the Japanese Government's account, as set forth in the Japanese Government's note of December 24, of action taken by it as responsive to the request made by the American Government in its note of December 14, and that with regard to the facts of the origins, causes and circumstances of the incident the Government of the United States relied on the report of findings of the Court of Inquiry of the United States Navy.

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

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

A Protest On August 26, 1933, the American Government made protests against the unwarranted attack, on August 24, near Macao by Japanese airplanes upon a commercial airplane of the China National Aviation Corporation, and the Japanese Government replied, on August 31, stating that the incident was caused by the said corporation plane which within the Japanese field of operation acted in such a manner as to invite suspicions of its being a Chinese military craft, and that the company to which the aircraft belonged being a Chinese juridical person, the incident was not one which involved Japan directly with any third Power.

Antiquated Nine-Power Treaty On October 6, 1933, the American Government sent in a note of protest against the alleged discriminate treatment by the Japanese authorities of American citizens in China, violating the rights and interests of the United States. The Japanese Government answered the note, stating that there was no intention of interfering with American rights and interests in China and hinting at, for the first time, the inapplicability of the clauses of the Nine-Power Treaty to the new order of things in China, on November 10. The conclusions of the Japanese Note follow:

"As has been explained above, the Japanese Government, with every intention of fully respecting American rights and interests in China, have been doing all that could possibly be done in that behalf. However, since there are in progress at present in China military operations on a scale unprecedented in our history, it may well be recognized by the Government of the United States that it is unavoidable that these military operations should occasionally present obstacles to giving full effect to our intention of respecting the rights and interests of American citizens. Japan at present is devoting her energy to the establishment of a new order based on genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition of the very existence of Japan, but also constitutes the very foundation of the enduring peace and stability of East Asia. It is the firm conviction of the Japanese Government that in the fact of the new situation, fast developing in East Asia,

any attempt to apply to the conditions of to-day and to-morrow inapplicable ideas and principles of the past would neither contribute toward the establishment of a real peace in East Asia nor solve the immediate issues. However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other Powers in the great work of reconstructing East Asia along all lines of industry and trade; and I believe that the new régimes now being formed in China are prepared to welcome such foreign participation.

The Late Ambassador Saito and the President The former Ambassador Hiroshi Saito died in Washington on February 26, 1933. And in appreciation of his noble services for the maintenance of friendly relations between the United States and Japan, President Roosevelt extended courtesy and kindness toward the bereaved family and Japan by issuing an order to convey the remains of the deceased in honour to Japan on board the United States cruiser "Astoria". The cruiser, commanded by Captain R. K. Turner, with the remains of the late Ambassador, sailed from Annapolis on March 18 and arrived at Yokohama on April 17.

This friendly and thoughtful action on the part of the American President profoundly moved the Government and people of Japan who duly expressed their thankfulness both in words and action on the arrival of the "Astoria".

Relation with Germany

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

The conclusion of this agreement with Germany attracted a great deal of public attention all over the world as the most important diplomatic step taken by Japan since her withdrawal from the League of Nations in 1933. On Novem-

ber 25, 1936, the Japanese Foreign Office issued a statement announcing the signing of the agreement and explaining its significance as follows:

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

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

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

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

In Japan, the extreme leftist movement temporarily showed signs of decline after the Manchurian incident, but since the Seventh Congress of the Comintern it has again become energetic. It has crept into the channels of lawful agitation in conformity with the resolution of that congress and has

launched a unified front movement that is intended to be the basis for revival of the Communist movement.

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

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

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

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

Cultural Cooperation On November 25, 1933, the two countries entered into an agreement for furthering their traditional cultural relations. The Foreign Office Spokesman made the following statement on the same:

It is a matter for sincere congratulation that the cultural agreement between Japan and Germany, for whose conclusion negotiations have been going on for some time between the representatives of the two countries in Tokyo, has been signed and gone into effect today; the agreement will not only conduce to drawing still closer the cultural relations between the two nations, but be instrumental in enabling them to deepen their knowledge and understanding of each other.

Japan has recently severed all her relations with the League of Nations. This, however, does not mean that Japan has severed her cultural relations with foreign countries or suspended her co-operation with them in the cultural field, but on the contrary she is as ready as ever to co-operate in cultural undertakings with those foreign countries in friendly relationship with her, whether they are member states of the League or not.

The cultural agreement, signed between Japan and Germany today, is a manifestation of the earnest desire of the Japanese Government for strengthening cultural ties with foreign countries through agreements to be concluded separately on a basis of reciprocity. It is the first of the kind to be put into operation, but we hope that it will be followed by similar pacts to be concluded with as many foreign Powers as possible. For instance, a cultural agreement was already signed between Japan and Hungary on November 15 and expected to go into effect in the near future, while preparations are under way for concluding a similar agreement with Italy. It is the policy of the Japanese Government to accelerate conclusion of cultural agreements with those foreign Powers which are desirous of so doing.

The key-note of those agreements which are anticipated to be concluded with foreign Powers lies in an exchange and intermixture of Japanese culture (whose essence will be fostered and developed) and the essence of characteristic cultures of various foreign countries. The present cultural agreement between Japan and Germany provides for a general policy in cultural co-operation between the two countries under the above-mentioned guiding principle.

Various fields of activities, stipulated by Article II of the present agreement, are only given as examples. Cultural pacts between foreign countries usually have detailed stipulations, but the present agreement between Japan and Ger-

many is rather different in stipulating general provisions for cultural co-operation and leaving room for giving full play to them as occasion demands, while matters of detail shall be discussed and decided on between the competent authorities of the High Contracting Parties in case of necessity. (The text of the agreement is given in Appendix.)

Relations with Italy

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

The negotiations were aimed at the virtual recognition of Manchoukuo by the Italian Government, the creation of a Japanese consulate in Ethiopia and the maintenance and promotion of the economic interests of Japan in that territory. Announcements were issued on December 28, 1936, both in Tokyo and Rome, concerning the Italo-Japanese agreement which took the form of an understanding.

Anti-Comintern Agreement Italy entered the Agreement on November 6, 1937. The account is given in the "Tripartite Agreement against the Comintern Activity", contained in this Chapter.

Cultural Cooperation The relation of Japan and Italy was further strengthened with the conclusion of an agreement on cultural cooperation on March 23, 1939. The English translation of the text of the agreement is inserted in Appendix at the end of this volume; the statement of the Foreign Office Spokesman on the occasion follows:

It is a matter for hearty congratulation that the cultural agreement between Japan and Italy, for the conclusion of which negotiations have been going on in Tokyo between the representatives of both countries since the end of last year, has today been formally signed and gone into effect.

At the time of the conclusion of the Japanese-German Cultural Agreement, the Japanese Government declared that they would co-operate in cultural undertakings with those foreign countries

which are in friendly relationship with Japan through a bilateral agreement based on the principle of reciprocity, and not through the League of Nations. It is quite natural that, following the conclusion of such a cultural agreement with Germany, Japan should have entered into a similar agreement with Italy, with which our country has long enjoyed intimate cultural relations in the fields of arts and sciences. The fact that the cultural intercourse between the Japanese and Italian peoples will by virtue of the present agreement grow further in intimacy and that the two nations will further deepen their knowledge and understanding of each other will in no small measure contribute toward the promotion of understanding and amicable relationship between the two countries which has grown exceptionally cordial under the anti-Comintern agreement.

Of late, admiration in various countries abroad for Japanese culture has been increasing. At the same time the interest of Japan and Italy for the study of each other's culture is particularly keen, and the undertakings for their cultural exchange are growing too numerous to mention. In view of Japan's important cultural mission of contributing toward the cultural progress of the world through the creation of a new unified culture in East Asia we find the conclusion of the present agreement especially significant, providing as it does a firm basis for cultural co-operation between the two countries and the consolidation of their spiritual union. It gives an opportunity to demonstrate fully our culture, while absorbing at the same time the best in Italian culture.

The present agreement is similar to the Japanese-German cultural agreement in that, while providing a basic policy for the cultural co-operation between the two countries, it leaves concrete matters to be determined by consultation between the competent authorities of both countries as the occasion demands and to be put into practice freely and appropriately.

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

The Tripartite Agreement against the Comintern Activity

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

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

At 11:00 o'clock a.m. (7:00 p.m. Tokyo time) today, November 6, a Protocol concerning the participation of Italy in the Japanese-German Agreement against the Communist International has been signed in Rome between the delegates of Japan, Germany and Italy, and has immediately come into effect.

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

Now with the first anniversary of the conclusion of the Japanese-German anti-Comintern agreement close at hand, the significance and efficacy of the agreement are being more and more deeply appreciated everywhere. Today when we have before our own

eyes concrete evidence showing that, in the West, the internecine war of more than a year and a half in Spain, and, in the East, the surreptitious activities of the Communist Party and the Anti-Japanese People's Front which are disturbing the stability of East Asia, are both due to nothing other than the machinations of the Communist International, it is really encouraging that the anti-Comintern front formed by Japan and Germany has been further strengthened by the participation of Italy, which had been of late making a spectacular progress under the leadership of Premier Mussolini. This indeed is a matter for sincere congratulation in the interest of peace and civilization of the world.

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

Article 1

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

Article 2

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

Article 3

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

Manchoukuo and Hungary's Entrance On February 24, 1939, Manchoukuo and Hungary signed at Hsinking and Budapest respectively the Protocols on their participation in the Agreement for Safeguarding against the Communist International with Japan, Germany and Italy.

Manchoukuo had been endeavouring in cooperation with Japan to eradicate Communism. Her international position had been greatly strengthened through formal recognition extended by Hungary, following a similar step taken by Salvador, Germany, Italy and Spain, and now with her participation in the Agreement it was further strengthened so that she may act with a greater conviction in her own power as an important factor in the formation of the new East Asiatic Order.

A faction of communist radicals under Bela Kuhn usurped the power of government in Hungary, in 1919, by taking advantage of the confusion resulting from the World War, and attempted to form a socialistic league of nations by entering into a military alliance with the Soviet Union. But Hungary succeeded in suppressing the communist revolution, and has since continued to exert her utmost effort to combat the Comintern. When Hungary declared that she would join the Agreement, the Soviet Union recalled her Minister at Budapest, demanding at the same time the closure of the Hungarian legation at Moscow, in an attempt to check Hungary. Hungary, nevertheless joined the Agreement fully demonstrating her strong determination.

Spain's Entrance Spain, reborn under the leadership of General Francisco Franco, formally participated in the Anti-Comintern Agreement on March 27. The Comintern, which failed utterly in its efforts to bolshevize Germany and Italy in previous years, laid the front line in Spain for the bolshevization of all of Europe. As a result, Spain was divided into two opposing factions, and the faction led by General Franco, surmounting numerous difficulties, finally occupied Barcelona early in 1939 and succeeded in pacifying the Catalonian sector. The Communist régime immediately collapsed, and Madrid finally capitulated on March 28th. The Spanish civil war which began two and a half years ago was thus brought to a close, culminating in a decisive victory for

General Franco. The Powers in the Anti-Comintern front have early extended recognition to General Franco's Government and have been giving full support to that Government's work of subduing Communism.

Relations with France

Request of Japan In October, 1937, the French Government decided on their own volition to prohibit the transportation of arms and munitions into China through French Indo-China. The Japanese Government appreciated this friendly attitude and relied upon the sincerity of the French Government for the actual carrying out of that decision.

However, as there was much to be regretted in the manner of executing the policy, the Japanese Government repeatedly called the attention of the French Government. During 1938 the Japanese Government demanded the French Government on two occasions to reconsider their attitude.

Each time the French Government promised the enforcement of the prohibition. But according to reliable information there continued to prevail a situation which by no means agreed with the replies of the French Government. As the result of the capture of Canton which intercepted the connection of the Chiang Kai-shek régime with Hongkong, the most important of the routes left for the transportation of arms supply to that régime was one through French Indo-China, and China was reported to be now active there.

In view of the above circumstances the Japanese Government instructed Ambassador Sugimura at Paris to file a protest with the French Government requesting that Government to take appropriate steps immediately to prohibit the transportation of arms and munitions into China through French Indo-China, and stating at the same time that, in case the French Government failed to take such measures, Japan might be compelled in self-defence to take such measures as she deemed necessary.

Foreign Minister Prince Konoe requested the French Ambassador at Tokyo, Mr. Arsène-Henry, on October 28, 1938, to call at the Foreign Office and conveyed to the latter the same views of the Japanese Government mentioned above.

Occupation of Hainan Island On February 13, 1939, the French Ambassador Mr. Charles Arsène-Henry called on the Foreign Minister, Mr. Hachiro Arita, at the Foreign Office to seek the Japanese

Government's explanation regarding the object, duration and nature of the Japanese occupation of Hainan Island. Foreign Minister Arita assured the French Ambassador that Japan's occupation of Hainan Island had a military object to strengthen Japanese suspension of traffic against Chinese vessels off South China and thereby to accelerate the collapse of the Chiang Kai-shek régime, while in its nature and duration Japan's occupation of the said island did not exceed military necessity. Foreign Minister Arita made it clear that Japan had no territorial designs on the island. The French Ambassador appreciated Foreign Minister Arita's explanation.

The Spratley Islands In March 31, 1939, the Japanese Government published a statement concerning the administrative jurisdiction over the Spratley Islands in the South China Sea as follows:

Shinnan Gunto (or the Spratley Islands) are a group of small reefs lying in the South China Sea, off the coast of French Indo-China. These reefs had long been known as ownerless. However, in 1917 Japanese began, before the nationals of any other country, to embark upon the economic development of the reefs, which has continued ever since, by investing a considerable amount of capital and erecting various permanent establishments. The Japanese Government, officially recognizing the activities of these nationals, have on several occasions since sent warships to the reefs and been giving them various aids as occasion demanded. But the absence of administrative jurisdiction over the reefs has caused not only inconveniences with regard to the protection and regulation of the lives, property and enterprises of the Japanese nationals there, but has been liable to give rise to unnecessary disputes with France. Accordingly, the Japanese Government, in order to eliminate such inconveniences and disadvantages, have decided to place the reefs under the jurisdiction of the Government-General of Taiwan, and having published the fact under date of March 30, 1939, the Vice-Minister for Foreign Affairs, Mr. Renzo Sawada, notified the French Ambassador in Tokyo, Mr. Charles Arsène-Henry, to this effect on March 31.

France Protests The French Ambassador, Mr. Arsène-Henry, called on Foreign Vice-Minister Sawada at the Foreign Office at noon on April 5 and, under instructions from his home Government, handed to him a note protesting against the Japanese Government's

previous communication in connection with its decision to place the Shinnan Gunto under the jurisdiction of the Formosan Government-General.

The Foreign Vice-Minister told the French Ambassador that there is no room for consideration regarding the issue, which was decided on the basis of established policy, and that the Japanese Government would receive the note only as a matter of reference.

Japan-Siamese Relation

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

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

Japan and Transvaal

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

Japan and Turkey

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

treaty. The Turkish note addressed to treaty, and a new treaty was concluded in 1937.

Relations with South and Central America

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

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

Japan and Manchoukuo

The Manchurian Incident What is known as the Manchurian Incident broke out with the blasting of a section of the South Manchurian Railway near Liutiaokou by Chinese regular troops on September 18, 1931. It has brought about the foundation of a new nation in Manchuria and the withdrawal of Japan from the League of Nations. The incident though called in the singular was not really a single incident, but a series of incidents which followed one after 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 overthrow of the old régime of Chang Hsueh-liang, various groups came to declare independence in different districts of Manchuria.

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

Thus, on March 1, 1932, a manifesto was promulgated announcing that Manchoukuo was founded in response to the unanimous aspirations of the 30,000,000 people of Manchuria and Mongolia. On March 7, Mr. Henry Pu-yi, who had once reigned over the entire territory of China as the 12th Emperor of the Ching dynasty, consented to become the Chief Executive of Manchoukuo. This was followed by the installation in office of Mr. Henry Pu-yi and the ceremony celebrating the founding of Manchoukuo at Changchun on March 9. (For particulars see Chapter on Manchoukuo.)

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

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

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

independent State; and

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

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

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

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

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

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

Partial Abolition of Extraterritoriality
The basic treaty between Japan and Manchoukuo concerning the partial abolition of Japanese extraterritorial privileges in Manchoukuo, for which preparations had been underway for sometime, having been ratified by the Privy Councils of the two nations, was signed at Hsinking on June 10, 1936, by representatives of the two Governments concerned. The treaty was announced on June 12 and enforced on July 1.

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

Relations with the League of Nations

Japan's connection with the League of Nations began with the inception of the international organization in April,

1919, when the Covenant was officially adopted at Paris, and came to a virtual end on March 27, 1933, when Japan gave notice of her withdrawal from membership on grounds of dissatisfaction with the dealings of the Geneva body with the Sino-Japanese dispute, particularly with the report adopted by the League Assembly on February 24 and the recommendations for the settlement of the problem as contained therein. The withdrawal became completely effective on March 26, 1935, in accordance with the provisions of the League Covenant.

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

From the inauguration of the League until 1933, Japan served as one of the five permanent members of the Council. Moreover, she contributed a considerable sum to the revenue of the body, her annual subscriptions between 1926-1932 having amounted to 16.5 per cent of the total expenditure.

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

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

ingness 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, 1923).

(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, 1923). 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, 1923). 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, 1923). 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.

Sino-Japanese Issue and the League
Following the outbreak of the Manchurian Incident, the Council of the League of Nations held an urgent session in compliance with a request of Dr. Alfred Sze, the Chinese representative, on September 22, 1931.

Following the publication of the statement of the Tokyo Government, the intentions of Japan gradually came to be understood by the Powers, and the League Council adjourned on Septem-

ber 30 after adopting a resolution.

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

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

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

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

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

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

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

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

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

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

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

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

The Resolution of December 10 Before adjourning, the Council adopted a resolution by a unanimous vote on December 10. This resolution in effect provided that the Japanese Government should withdraw its troops 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 86th regular session on January 25, 1932, troubles broke out in Shanghai and Mr. W. W. Yen, the Chinese representative, appealed to the Council on January 29 to invoke Article 15 of the League Covenant in regard to the affair.

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

This committee sent in four reports successively, first under date of February 6, second under date of February 12, third under date of February 20 and fourth under date of March 6. Of these, the first report was very favourable to Japan, but the second report proved decidedly unfavourable to Japan, it declaring that the Japanese and Chinese troops had been in a state of open hostilities since February 3.

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

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

Shanghai Armistice On February 27,

1932, the Japanese delegation at Geneva unofficially notified the representatives of the 12 member Powers of the Council that Japan was willing to participate in a roundtable conference if the Powers would sponsor such a parley at Shanghai.

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

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

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

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

In the course of this preliminary re-

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

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

The contents of the report were considered comparatively impartial in its description of the outline of the history of the Sino-Japanese relations, Japan's interests in Manchuria and the general observations of the prevailing situation. However, that the Commission gave only a cursory account of the Shanghai incident, as if this incident had been outside the scope of its investigation work, was taken to show that the Commissioners did not fully understand what their true mission was. The Commissioners failed to recognize the military action taken by Japan on September 18, 1931, as an act of self-defence. The description of the circumstances pertaining to the founding of Manchoukuo was full of prejudiced misrepresentations and the last two chapters containing what they called "principles and conditions of settlement" and "consideration and suggestions to the Council" were practically superfluous, especially after the *de jure* recognition extended to Manchoukuo by Japan.

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

The report was on the whole based upon the Lytton Report and was distinctly unfavourable for Japan and Manchoukuo, one of the recommendations contained therein purporting to 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 despatched to Geneva addressed to the Secretary-General of the League of Nations notifying the body of Japan's withdrawal from its membership, and simultaneously with this the Emperor issued an Imperial rescript announcing the policy to be followed by Japan after this action.

The official translation of the Imperial rescript follows:

"When the League of Nations came into being upon the restoration of a general peace, Our Imperial Father was pleased to order the entry of Our Empire 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 con-

fronted 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."

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

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

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

The League of Nations, in the report adopted by it on the 6th of this

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

The Assembly of the League of Nations has even gone the length of assuring China of its moral support and of recommending its members to abstain from any action that might weaken that country's power of resistance and add to its difficulties in the present conflict, and also to study how they might individually give aid to China. By this procedure, the League Council deliberately refused to take into account the just intention of the Imperial Government, who propose to bring about a sincere co-operation between Japan and China, to secure an enduring peace in East Asia, and to contribute thereby to the peace of the world. In other words, the method followed by the League is one of encouraging the hostile disposition of one of the parties, and of prolonging the conflict instead of bringing it to an early settlement.

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

In these circumstances, the Imperial Government are constrained to believe that a frank and full discussion to bring about a just, equitable and realis-

tic solution of the conflict between Japan and China, cannot be expected from the Powers concerned at the proposed Conference.

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

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

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

Sanctions against Japan. On September 19, 1938, the Council of the League adopted China's appeal for the invocation of Article 17 of the League Covenant and sent an invitation to Japan, to which the latter replied declining to accept the invitation on the 22nd.

On the 30th of the same month, the Council adopted a report that the League members may individually apply Article 16 to Japan by virtue of paragraph 3 Article 17.

Complete Separation from the League. On October 3, 1938, Japan announced the withdrawal of her cooperation with all committees of the League of Nations, stating, "Japan, even after her withdrawal from the League, has continued to cooperate with that body in

social and technical fields. However, the League's organs even in these spheres have, since the outbreak of the present China Affair, gone beyond their proper duties and assumed a greatly deplorable attitude of indulging in political discussions and of slandering at every turn the actions of Japan in China. Now the adoption by the Council of the report concerning sanctions against Japan has made clear the irreconcilability between the position of Japan and the League, as a result of which Japan cannot but find it difficult to maintain the policy of cooperation she has hitherto pursued toward the League."

Relations with China

The Shanghai Affair Anti-Japanese feeling in China was increasingly accentuated following the Wanpaoshan affair, the conflict between Koreans and Chinese in Chosen and the Manchurian Incident in particular. Among other places Shanghai was the scene of most various and organized anti-Japanese activities, which culminated in the publication of an article disrespectful to the Imperial family of Japan by the Minkuo Jipao, a Chinese newspaper in Shanghai, in January, 1932. Shortly afterwards there occurred several untoward actions of the Chinese against the Japanese in the city.

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

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

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

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

On the completion of this achievement, General Shirokawa, 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.

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

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

After having been driven out of the province, however, the Chinese troops continued hostile operations on the Great Wall positions from the south, and the Japanese forces were obliged to advance south across the Great Wall more than once to destroy the bases of Chinese hostilities.

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

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

Exchange of Ambassadors In July, 1924, Japan and China agreed on the exchange of ambassadors, but, due to the subsequent internal problems of China, the matter had been left unrealized. Sino-Japanese relations assumed a sudden turn for the better early in 1935. Taking advantage of this situation, Foreign Minister Koki Hirota made a proposal to the Nanking Government for the promotion of the Japa-

nese Legation in China to the status of an embassy and the matter was formally announced in Tokyo and Nanking at the same time on May 17. The Japanese Government promoted Mr. Akira Ariyoshi, Minister to China, to Ambassador, and the Chinese Government promoted General Tsiang Tso-pin, Chinese Minister to Tokyo, to Ambassador. At the initiative taken by Japan, both Great Britain and the United States at once promoted their Ministers in China to Ambassadors.

Incidents in 1935 Infringement of the Tangku truce pact on the Chinese side and violation of an official note exchanged between the Japanese and Chinese Governments regarding the retrocession of Tientsin in 1902 were the real causes of the North China incidents in 1935. Sun Yung-chin, bandit chieftain, with his followers, was expelled from Jehol Province by Japan-Manchoukuo combined forces to 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 apparent instances of infringement of the Tangku truce pact.

Colonel Takashi Sakai, chief-of-staff of the Japanese Garrison in Tientsin, and Major Tan Takahashi, Japanese resident army officer in Peiping, called on General Ho on May 29 and blamed the dual policy of Generalissimo Chiang Kai-shek towards Japan, pointing out these two anti-Japanese incidents. They handed the following demands of Japan to the General Ho:

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

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

On June 10 the Nanking Government replied that it accepted all the demands made by Japan.

Establishment of Two Governments Towards the close of November, 1935, an independent government was established with the demilitarized zone as the centre, which was named as the East Hopei

Anti-Communist Autonomous Committee. Mr. Yin Ju-keng, special administrative inspector of the Lwanchow-Shanghai-kwan area of the zone, became its chairman. In December, the Committee was renamed as the East Hopei Anti-Communist Autonomous Government and appointed Mr. Yin its chairman.

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

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

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

The negotiations were commenced between Mr. Shigeru Kawagoe, the Japanese Ambassador to China, and General Chang Chun, the then Chinese Foreign Minister. Carrying the negotiations a step further, Ambassador Kawagoe had an interview with General Chiang Kai-shek, president of the Chinese Executive Yuan, on October 8. The negotiations were centered on the

North China question, the specific trade in North China, the control of anti-Japanese activities, the employment of Japanese advisers and the conclusion of a Sino-Japanese anti-Communist agreement.

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

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

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

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

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

It happened that the political change in

Japan during March brought about the formation of the Hayashi Cabinet in succession to the Hirota Ministry. On March 3, Dr. Naotaké Sato who had just returned home with the intention of resigning from the post of Ambassador to France and retiring from active diplomatic service was appointed Foreign Minister of the new Cabinet. Speaking before the House of Peers and the House of Representatives, on March 8 and 11 respectively, Minister Sato set forth his foreign policy, which was well received abroad.

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

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

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

Immediately following the outbreak of the Swatow affair, the Japanese

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

The North China Incident On Wednesday night, July 7th, a small unit of Japanese troops was engaged in maneuvers on their usual grounds, near Marco Polo Bridge, southwest of Peiping, and in the vicinity of Lukouchiao and Lungwangmiao when suddenly, at 11:40 o'clock the Japanese troops were fired upon by Chinese soldiers from the directions of Lukouchiao and Lungwangmiao. The Japanese were utterly unprepared to return the fire, for they were only 150 strong and had a supply of live ammunition amounting only to one ball-cartridge per person, which was being kept by the commanding officer. All that they could do at this critical moment was to halt their maneuvers, concentrate at a spot some distance from the Chinese, and send for help to their headquarters, situated about two and a half miles away in the former British barracks at Fengtai. Reinforcements came quickly, and with the Japanese replying with real shots to the Chinese fire, the first clash occurred.

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

China Affair in 1937-39 Since the beginning of the Sino-Japanese conflict on July 7, 1937, two years have elapsed during which time the issue has developed into major hostilities, the termination of which still remains remote. Japan's desire to co-operate with China in order to bring about the mutual welfare and prosperity of the two great neighbouring peoples has been frustrated by the Kuomintang Government, and she is now engaged in eliminating the obstructionist forces in China so as to make possible the political and social regeneration of that country by assisting the Chinese people according to the principles of Oriental peoples on the basis of Japan's progressive experience of the past 80 years. Japan is confident

that she can elevate thereby the cultural and economic levels of East Asia as a whole. But it is extremely regrettable that, in this case as in all others, destruction has had to precede construction.

The total area under Japanese occupation in China comprises the seven provinces of Chahar, Suiyuan, Hopeh, Shantung, Shansi, Kiangsu and Anhwei in their entirety, the greater part of Honan Province, wide areas in the four provinces of Chekiang, Kiangsi, Hupeh and Kwangtung and all of Hainan Island.

The Japanese occupied region in China covers an area of 1,562,938 square kilometres, about two-and-half times as large as Japan, the area of which is 675,365 square kilometres.

The proportion of the Japanese occupied area to China Proper, which has an area of 3,157,346 square kilometres, is 50 to 100, while the percentage of the Japanese occupied area to continental China (including the outlying provinces), which has an area of 10,059,877 square kilometres, is 18 to 100.

For the first 16 months of the conflict, hostilities were featured by mass troop movements and major engagements. The Chinese successively lost Shanghai, Nanking, Hsuechow, Canton and Hankow—crushing defeats all before they were convinced that they could not stand before the superior arms of the Japanese. The fall of Hankow, on October 27, 1938, marked a turning point in Chinese military strategy. From that date, scarcely a week after the loss of Canton, the Chinese abandoned large-scale military operations and took resort to guerilla warfare and behind-the-lines "hit-and-run" tactics.

These new tactics favoured the Japanese. Already in control of the most important areas of the country, they were able to concentrate on the consolidation of these areas and the establishment of peace and order therein, which was effected by the strengthening of garrison forces in the rear, the organization of peace preservation committees and other measures of an effective nature.

Peace and order have been restored to a large extent in North and South China. In central China, resistance to pacification has been stronger than in the other regions, owing to the proximity of the Japanese occupied area to the Nationalist Government's shrinking domain. (See Chapter on China.)

Chronological Index of Principal Events

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

OPENING OF THE COUNTRY

- 1853—Arrival of American fleet.
- 1854—First Japanese-American Treaty.
- 1856—Arrival of first American civil envoy, Townsend Harris.
- 1857—Harris concluded convention with the Shogunate.
- 1858—Japanese-American Commercial Treaty signed.

OCCUPATION OF TSUSHIMA BY RUSSIA

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

BOMBARDMENT OF KAGOSHIMA AND SHIMONOSEKI

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

IMPERIAL SANCTION OF TREATIES

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

TREATY REVISION

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

THE PERUVIAN SLAVE SHIP INCIDENT

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

EXPEDITION TO TAIWAN

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

EXCHANGE OF SAGHALIEN AND THE KURILE ISLANDS

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

BONIN ISLAND PROBLEM

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

CONVENTION OF TIENTSIN

- 1885—Count Ito and Li Hung-chang signed the convention defining Sino-

Japanese relations in Korea.

NON-ALIENATION OF FUKIEN PROVINCE

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

SINO-JAPANESE WAR

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

ANGLO-JAPANESE ALLIANCE

- 1902—Alliance signed in London.

RUSSO-JAPANESE WAR

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

JAPANESE-AMERICAN ARBITRATION TREATY

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

PROTECTORATE OF KOREA

- 1905—Protectorate convention concluded.

PEKING TREATY

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

EXCLUSION OF JAPANESE SCHOOL CHILDREN IN CALIFORNIA

- 1906—Movement started in California for exclusion of Japanese children from common schools.

FRANCO-JAPANESE AND RUSSO-JAPANESE AGREEMENTS

- 1907—Franco-Japanese Convention concluded.
- 1907—Russo-Japanese Agreement concluded.

NEW JAPAN-KOREAN AGREEMENT

- 1907—New Agreement concluded allowing Japan complete supervision of Korean domestic administration.

IMMIGRATION PROBLEM IN CANADA

- 1907—Japan exchanged on Dec. 3 a memorandum with Canada in connection with the immigration problem.

U.S.-JAPAN ARBITRATION TREATY

- 1908—Treaty concluded on Sep. 12.

JAPAN-AMERICAN ACCORD

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

ANTUNG-MUKDEN RAILWAY ISSUE

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

PROPOSAL TO NEUTRALIZE THE SOUTH MANCHURIA RAILWAY

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

RUSSO-JAPANESE AGREEMENT

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

FINAL TREATY REVISION

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

ANNEXATION OF KOREA

- 1910—Treaty of Annexation concluded.

INTERNATIONAL COPYRIGHT TREATY

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

FRANCO-JAPANESE AGREEMENT REGARDING PATENTS AND COPYRIGHT

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

NEW ANGLO-JAPANESE TREATY

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

PUBLICATION OF THE REVISED TREATIES

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

RUSSO-JAPANESE EXTRADITION CONVENTION

- 1911—Convention concluded on September 13.

ANTI-JAPANESE ALIEN LAND LAW IN CALIFORNIA

- 1913—Passage of the so-called Webb Bill.

NANKING INCIDENT

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

MANCHURIA RAILWAY TREATY

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

RECOGNITION OF THE CHINESE REPUBLIC

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

ABOLITION OF FOREIGN SETTLEMENTS IN CHOSŌN

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

THE GREAT WAR

- 1914—Japan declares war on Germany and Austria.

SINO-JAPANESE PARLEYS

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

SPANISH-JAPANESE TREATY

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

ANTI-INDEPENDENT PEACE AGREEMENT

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

WARNING TO CHINA

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

RUSSO-JAPANESE AGREEMENT

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

ISHII-LANSING AGREEMENT

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

SINO-JAPANESE MILITARY ENTENTE

- 1918—Entente concluded on May 16, and its text published by the Japanese Foreign Office on May 30.

SIBERIAN EXPEDITION

- 1918—Japanese participation announced.

- DECLARATION OF THE RENDITION OF SHANTUNG**
1919—Count Uchida, the Foreign Minister announced the restoration of complete Chinese sovereignty on May 17.
- SIGNING OF THE PEACE TREATIES**
1919—Prince Kimmochi Satonji signed the Versailles treaties at 3 o'clock in the afternoon of June 28.
- DEMAND FOR THE EVACUATION OF SIBERIA**
1920—The Soviet Government of Irkutsk sent an ultimatum to Japan on March 11.
- NIKOLAEVSK AFFAIR**
1920—Attack on Japanese consulate launched.
- DECLARATION OF SIBERIAN POLICY**
1920—Japanese Government issued statement re withdrawal of troops.
- ANTI-JAPANESE IMMIGRATION**
1920—Revision of regulations by the Immigration Bureau of the United States.
- RENEWAL OF THE ANGLO-JAPANESE ALLIANCE**
1920—The Japanese and British Governments notified the Secretariat of the League of Nation on July 14, that the duration of the Anglo-Japanese alliance will be extended for another year.
- REOPENING OF THE GERMAN EMBASSY IN TOKYO**
1920—Dr. Solf arrived in Japan as the first German ambassador after the Great War.
- WASHINGTON CONFERENCE**
1921—Conference opened with Japan participating.
- THE GENEVA TRI-PARTITE NAVAL DISARMAMENT CONFERENCE**
1927—Conference opened with Japan participating.
- THE LONDON NAVAL DISARMAMENT CONFERENCE**
1930—Conference opened with Japan participating.
- THE MANCHURIAN INCIDENT**
1931—Incident occurred at Mukden.
- THE JAPAN-MANCHOUKUO PROTOCOL**
1932—Protocol signed whereby Japan extends de jure recognition to the new State.
- THE WORLD ECONOMIC CONFERENCE**
1933—Conference opened with Japan participating.
- THE JAPAN-INDIA TRADE CONFERENCE**
1933—Conference held at Simla and New Delhi, India.
- 1934—New treaty signed at London, on July 12.
- MANCHOUKUO ESTABLISHED**
1934—The New State was proclaimed "Empire" and Mr. Pu-yi endorsed as Emperor, March 1.
- THE JAPAN-BRITAIN TRADE CONFERENCE**
1934—Conference adjourned on March 14 in failure.
- THE JAPAN-DUTCH CONFERENCE**
1934—Conference opened at Batavia on June 8 which adjourned on December 21 indefinitely.
- TRANSFERENCE OF NORTH MANCHURIA RAILWAY**
1935—Transference of North Manchuria Railway by the U.S.S.R. to Manchoukuo formally signed at Tokyo on March 23.
- JAPAN'S WITHDRAWAL FROM THE LEAGUE OF NATIONS**
1935—Became completely effective on March 26.
- THE VISIT OF THE EMPEROR OF MANCHOUKUO**
1935—The Emperor of Manchoukuo visited Japan and made a formal call upon the Emperor of Japan on April 6.
- SETTLEMENT OF NORTH-CHINA INCIDENT**
1935—All demands of the Japanese garrison at Tientsin on various problems relating to North China accepted by the Nanking Government.
- WITHDRAWAL FROM THE WASHINGTON NAVAL TREATY**
1935—Japanese Government notified the U.S.A. Government their intention to terminate the Washington Naval Treaty, December 29.
- JAPAN-GERMAN AGREEMENT**
1936—The Agreement guarding against the Communist International was entered into, between Japan and Germany on November 25, 1936.
- SINO-JAPANESE CONFLICT**
1937—Beginning of Sino-Japanese hostilities on July 7.
Beginning of the hostilities at Shanghai on August 13.
Occupation of Shanghai by Japanese forces on November 13.
Fall of Nanking on December 13.
1938—Defeat of the Chinese armies at Suchow on May 19.
- THE LEAGUE OF NATIONS ON THE CONFLICT**
1937—The League of Nations declared Japanese violation of the Nine

- Power Treaty on October 6, and Japan refuted it promptly.
A conference was convened at Brussels on the Sino-Japanese Conflict, and Japan was invited to the conference. But Japan rejected the invitation on October 27.
- THE TRIPARTITE AGREEMENT**
1937—Italy entered the German-Japanese Agreement against the Comintern and the Tripartite Protocol made public on November 6.
- THE CHANGKUFENG INCIDENT**
1938—Soviet forces occupied Changkufeng of Manchoukuo on July 12. Hostilities between Japanese and Soviet forces ceased by the agreement concluded on August 10.
- CAPTURE OF CANTON AND HANKOW**
1938—Canton was occupied by Japanese forces on October 21, and Wuhan cities on October 27.
- DEVELOPMENT OF ANTI-COMINTERN AGREEMENT**
1939—Entrance of Manchoukuo and Hungary into the Agreement on February 24.
Spain's formal participation took place on March 27.
- BLOCKADE OF TIENTSIN FOREIGN CONCESSION**
1939—English and French Concessions blockaded by Japanese Army on June 14.
- ANGLO-JAPANESE PARLEY**
1939—Tokyo Parley between Japan and Great Britain began on July 15.

List of Envoys to and from Foreign Countries

JAPANESE ENVOYS TO FOREIGN COUNTRIES

(July 31, 1939)

Country	Representative	Address
Great Britain	Mamoru Shigemitsu, Ambassador	Embassy of Japan, 37 Portman Square, London, W.I. England
"	Kiyoshi Uchiyama, Consul-General	Consulate-General of Japan, 15 St., Helen's Place, Bishopsgate, London, E.C. 3. England
France	Katsutaro Miyazaki, Chargé d'Affaires (ad interim)	Ambassade du Japon, 24 rue Greuze, Paris, (16 ^e) France
Germany	General Hiroshi Oshima, Ambassador	Ambassade du Japon, Berlin W. 62, Ahornstr., 1. Allemagne
"	Hiroshi Kawamura, Consul-General	Consulat Général du Japon, Hamburg, 1, Amsterdamm, 39, (Europahaus) Allemagne
Italy	Toshio Shiratori, Ambassador	Ambassade du Japon, Viale Regina Margherita, 260, Rome, Italie
Belgium	Saburo Kurusu, Ambassador	Ambassade du Japon, 1 Boulevard Général Jacques, Ixelles, Bruxelles, Belgique
The U.S.S.R.	Shigenori Tōgō, Ambassador	Ambassade du Japon, Malaya Nikitskaya 13, Moscou, U.R.S.S.
"	Funao Miyakawa, Consul-General	Consulat Général du Japon, 24 Pekinskaya Ulitsa, Vladivostok, U.R.S.S.
"	—	Consulat Général du Japon, 3 Ulitsa Imeni Dzerzinskavo, Alexandrovsk-Sakhalinsky, Sakhalin, U.R.S.S.
"	—	Consulat Général du Japon, 54 Komsomolskaya Ulitsa, Habarovsk, U.R.S.S.

Country	Representative	Address
Turkey	Toshihiko Taketomi, Ambassador	Ambassade du Japon, No. 59, Boulevard Tchankaya, Ankara, Turquie (Boîte Postale No. 357)
Manchoukuo	General Kenkichi Uyeda, Ambassador	Embassy of Japan, Hsinking
"	Taku Taniguchi, Chargé d'Affaires	Consulate-General of Japan, Harbin
"	Takeharu Miura, Consul-General	Consulate-General of Japan, Hsinking
The U.S.A.	Kensuké Horinouchi, Ambassador	Embassy of Japan, 2514 Massachusetts Avenue, N.W. Washington, D.C., U.S.A.
"	Kōsaku Mizusawa, Consul-General	Consulate-General of Japan, 1742 Nuuanu Avenue, Honolulu, T.H., U.S.A.
"	Toshito Satō, Consul-General	Consulate-General of Japan, Postal Telegraph Bldg., 22 Battery St., San Francisco Cal., U.S.A.
"	Kanamé Wakasugi, Consul-General	Consulate-General of Japan, 500 Fifth Avenue, New York City, N.Y., U.S.A.
Brazil	Kazué Kuwashima, Ambassador	Ambassade du Japon, 75 Rua dos Voluntarios da Patria, Botafogo, Rio de Janeiro, Brésil
"	Junzō Sakané, Consul-General	Consulat Général du Japon, Avenida Brigadeiro Luiz Antonio 487, São Paulo, Brésil
China	—	Embassy of Japan, Peking
"	Tateki Horiuchi, Consul-General	Consulate-General of Japan, Peking
"	Denjiro Kato, Consul-General	Consulate-General of Japan, Tsingtao
"	Manabu Arino, Consul-General	Consulate-General of Japan, Tsinan
"	Yoshiaki Miura, Consul-General	Consulate-General of Japan, Shanghai
"	Kimikazu Hori, Consul-General	Consulate-General of Japan, Nanking
"	Yoshitoshi Hanawa, Consul-General	Consulate-General of Japan, Hankow
"	—	Consulate-General of Japan, Fuchow
"	Katsuo Okazaki, Consul-General	Consulate-General of Japan, Canton
"	Goro Uchida, Consul-General	Consulate-General of Japan, Amoy
"	Shōhei Morioka, Consul-General	Consulate-General of Japan, Changchjakow
"	Shigenori Tashiro, Consul-General	Consulate-General of Japan, Tientsin
"	Shizuka Mochizuki, Chargé d'Affaires	Consulate-General of Japan, Huhehota
"	Tadashi Sakaya, Consul-General	Consulate-General of Japan, Haikou
Switzerland	Eiji Amō, Minister	Légation du Japon, 95 Thunstrasse, Berne, Suisse

Country	Representative	Address
Switzerland	Tsuneo Yanai, Consul-General	Consulat Général du Japon, 39, Quai, W. Wilson, Genève, Suisse
Spain	Makoto Yano, Minister	Légation du Japon, Villa la Cumbre, San Sebastian, Espagne
Portugal	Kikuji Yonezawa, Minister	Légation du Japon, Praça do Rio de Janeiro 14, Lisbôa, Portugal
Holland	Itaro Ishii, Minister	Légation du Japon, 1 Guliana van Stolberglaan, Den Haag, Pays-Bas
Sweden	Shigeru Kuriyama, Minister	Légation du Japon, 25 Standvägen, Stockholm, Suède
Finland	Yujiro Sugishita, Minister	Légation du Japon, 11, B, Parkgatan, Helsingfors, Finlande
Latvia	Shojiro Otaka, Minister	Légation du Japon, Jura Alunana ielā 2, dz 2, Riga, Lettonie
Poland	Shūichi Sakoh, Ambassador	Ambassade du Japon, Ulica Bronislawa Pierackiego 10, Varsovie, Pologne
Rumania	Taro Terazaki, Chargé d'Affaires (ad interim)	Légation du Japon, Boulevard Lascar Catargiu 29, Bucarest, Roumanie
Hungary	Kojiro Inoué, Minister	Légation du Japon, Hotel Dunapalota, Budapest, Hongrie
Iran	Shōichi Nakayama, Minister	Légation du Japon, Avenue Pahlavi, Téhéran, Iran
Thailand (Siam)	Kuramatsu Murai, Minister	Legation of Japan, 545 Rajaprarob Road, Makasan, Bangkok, Thailand
"	Shinichi Takasé, Consul-General	Consulate General of Japan, 545 Rajaprarob Road Makasan, Bangkok, Thailand
Canada	Motoichiro Omori, Chargé d'Affaires (ad interim)	Legation of Japan, Victoria Bldg., 140 Wellington St., Ottawa, Ontario, Canada
Mexico	Saichiro Koshida, Minister	Légation du Japon, Calle Colima No. 168, México, D.F., Mexique
"	—	Consulat Général du Japon, Calle Colima No. 168, México, D.F., Mexique
Peru	Masamoto Kitada, Minister	Légation du Japon, Avenida Arequipa 610, Lima, Pérou
Chile	Kanzo Shiozaki, Minister	Légation du Japon Avenida Pedro de Valdivia 522, Santiago, Chili
Argentine	Iwataro Uchiyama, Minister	Légation du Japon, Calle Reconquista 335, Buenos Aires, Argentine
Afghanistan	Kazuo Moriya, Minister	Légation du Japon, Kaboul, Afghanistan

Country	Representative	Address
Cuba	Sakaé Nanjō, Chargé d'Affaires (ad interim)	Légation du Japon, Avenida de Bélgica entre Avenida de los Aliados y Victoria, Altura de Al- mendares, Habana, Cuba
Colombia	Kiyoshi Yamagata, Minister	Légation du Japon, Edificio de Banco de la Repub- lica, Bogota, Colombie
Vénézuéla	Jun Ogimi, Chargé d'Affaires (ad interim)	Légation du Japon, Avenida de los Caobos, Plaza Mohedano, Caracas, Vénézuéla
Egypt	Masayuki Yokoyama, Minister	Légation du Japon, No. 6 Rue Hadika Garden City: Le Caire, Egypte
Union of South Africa	Kenichi Okada, Minister	Legation of Japan, Prudential House, Pretorious St., Pretoria, Union of South Africa (P. O. Box. 1225, Pretoria)
Singapore	Kaoru Toyoda, Consul-General	Consulate-General of Japan, Union Bldg., Collyer Quay, Singapore, Straits Settlements
Hong-Kong	Aigi Tajiri, Consul-General	Consulate-General of Japan, Prince's Bldg., 5. Ice House St., Hong-Kong
Philippines	Tanichiro Yoshida, Consul-General	Consulate-General of Japan, Willson Bldg., 143 Juan Luna, Binondo, Manila, P.I.
Dutch East Indies	Otoji Saito, Consul-General	Consulate-General of Japan, Scottweg 23, Batavia-Centrum, Java
British India	Torao Wakamatsu, Consul-General	Consulate-General of Japan, No. 5 Esplanade Mansions, Government Place East, Calcutta, British India
French Indo-China	Kiyoharu Urabé, Chargé d'Affaires	Consulat Général du Japon, 76 Boulevard Carnot, Hanoi, Tonkin, Indochine
Australia	Masatoshi Akiyama, Consul-General	Consulate-General of Japan, Grace Bldg., 77 York St., Sydney, New South Wales, Australia
New Zealand	Kijichi Gunshi, Consul-General	Consulate-General of Japan, Colonial Mutual Building, Wellington, New Zealand

FOREIGN ENVOYS TO JAPAN

(June 15, 1939)

Country	Representative	Address in Tokyo
Afghanistan	Zul Facar Khan, Minister	7 Aoba-cho, Shibuya-ku
Germany	General Eugen Ott, Ambassador	14, 1-chomé, Nagatacho, Kojimachi-ku
The U.S.A.	Joseph Clark Grew, Ambassador	1 Enokizaka-machi, Akasaka-ku
Argentina	Dr. Rodolfo Moreno, Minister	67 Shinsaka-machi, Akasaka-ku
Belgium	Pierre Attilis Forthomme, Chargé d'Affaires	5, Niban-cho, Kojimachi-ku
Brazil	Frederico de Castello-Branco Clark, Ambassador	2, 3-chomé, Omoté-cho, Akasaka-ku

Country	Representative	Address in Tokyo
Canada	E. D. McGreer, Chargé d'Affaires	16, 3-chomé, Omoté-cho, Akasaka-ku
Chile	—	7, 1-chomé, Shirokané Dai-machi, Shiba-ku
Colombia	Alfredo Michelsen, Minister	Yusen Kaisha Building, Marunouchi, Kojimachi-ku
Denmark	Lars P. Tillitse, Minister	52, Hikawa-cho, Akasaka-ku
Egypt	Abdel Wahab Daoud Bey, Minister	331, 3-chomé, Kamiosaki, Shinagawa-ku
Spain	Santiago Méndez de Vigo, Minister	2, 1-chomé, Ichibei-cho, Azabu-ku
Finland	Hugo Valvanne, Minister	62 Tansu-machi, Azabu-ku
France	Charles Arsène-Henry, Ambassador	33 Fujimi-cho, Azabu-ku
Great Britain	Sir Robert Craigie, Ambassador	1 Goban-cho, Kojimachi-ku
Greece	Athanase G. Politis, Minister	The Imperial Hotel
Iran	Mahmoud Bahadori, Chargé d'Affaires	55 Zaimoku-cho, Azabu-ku
Italy	Giacinto Auriti, Ambassador	28, 1-chomé, Mita, Shiba-ku
Manchoukuo	Yuan Chen-tuo, Ambassador	50 Sakurada-cho, Azabu-ku
Mexico	Primo Villa Michel, Minister	21, 2-chomé, Nagata-cho, Kojimachi-ku
Norway	Finn Koren, Minister	17 Aoyama Takagi-cho, Akasaka-ku
Holland	Général J.C. Pabst, Minister	1 Sakaé-cho, Shiba-ku
Peru	Dr. Ricardo Rivera Schreiber, Minister	2, Hiroo-cho, Azabu-ku
Poland	Thaddée de Romer, Ambassador	9 Mita-Tsuna-machi, Shiba-ku
Portugal	Dr. A. Carreiro de Freitas, Chargé d'Affaires	1 Sannen-cho, Kojimachi-ku
Rumania	Georges Paraschivesco, Minister	55 Zaimoku-cho, Azabu-ku
Thailand (Siam)	Phya Sri Sena, Minister	140, 1-chomé, Harajuku, Shibuya-ku
Sweden	Widar Bagge, Minister	22, Nishimachi, Azabu-ku
Switzerland	Walter Thurnheer, Minister	3, No. 1, Nibancho, Kojimachi-ku
Turkey	R. Husrev Gerede, Ambassador	47 Kamiyama-cho, Shibuya-ku
The U.S.S.R.	Constantin Smetanin, Chargé d'Affaires	1 Mamiana-cho, Azabu-ku

Japanese consulates are established in the following places:

Country	Situation of Consulates
Canada	Ottawa, Vancouver
Great Britain	Liverpool
France	Marseilles
Belgium	Anvers
Sweden	Stockholm
U. S. S. R.	Oha
U. S. S. R.	Petropavlovsk
Manchoukuo	Manchuli
Manchoukuo	Chinchow
Manchoukuo	Antung
Manchoukuo	Chengchiatun
Manchoukuo	Hailoerh
Manchoukuo	Yingkou
Manchoukuo	Chifeng
Manchoukuo	Chengte
China	Chefoo
China	Hangchow
China	Kiukiang
China	Shihkiachwang
China	Tayuan

Country	Situation of Consulates
Cochin China	Saigon
Thailand (Siam)	Bangkok
Burma	Rangoon
British Borneo	Sandakan
Java	Sourabaya
Sumatra	Medan
Celebes	Menado
India	Bombay
Ceylon	Colombo
Arabia	Beyrouth
Philippines	Davao
Maroc	Casablanca
Egypt	Port Said
Egypt	Alexandria
Union of South Africa	Cape Town
British East Africa	Mombasa
Italian Oriental Africa	Addis-Abéba
U. S. A.	Los Angeles
U. S. A.	Portland
U. S. A.	Chicago
U. S. A.	Seattle
U. S. A.	New Orleans

Country	Situation of Consulates	Country	Situation of Consulates
Cuba	Havana	Italy	Kobé, Yokohama, Taihoku, Dairen.
Panama	Panama	Mexico	Yokohama, Kobé.
Salvador	San Salvador	Norway	Tokyo, Yokohama, Kobé, Shimonoseki, Nagasaki, Tansui, Dairen.
Argentina	Buenos Aires	Holland	Tokyo, Yokohama, Kobé, Nagasaki, Taihoku, Keijo, Dairen, Shimonoseki.
Peru	Lima	Panama	Yokohama, Osaka.
Brazil	São Paulo	Peru	Kobé.
Brazil	Rio de Janeiro	Portugal	Tokyo, Kobé, Nagoya, Kyoto, Osaka, Moji, Shimonoseki, Nagasaki.
Brazil	Belén	U. S. S. R.	Hakodate, Keijo, Tauruga, Dairen.
Brazil	Santos	Sweden	Yokohama, Osaka, Kobé, Shimonoseki, Moji, Nagasaki, Dairen.
The following foreign consulates are registered.			
Country	Situation of Consulates	Switzerland	Tokyo.
Germany	Yokohama, Kobé, Dairen, Osaka.	Venezuela	Kobé, Tokyo, Yokohama.
Argentina	Yokohama, Kobé, Osaka, Nagoya, Tokyo.	Poland	Osaka, Tokyo, Yokohama.
Belgium	Yokohama, Kobé, Keijo, Dairen, Osaka.	Thailand	Osaka, Kobé, Nagoya, Yokohama.
Bolivia	Yokohama, Osaka, Kobé, Tokyo.	Handuras	Kobé.
Brazil	Kobé, Yokohama, Nagasaki.	Salvador	Tokyo.
Chile	Tokyo, Kobé, Yokohama.	Latvia	Tokyo.
Colombia	Yokohama, Kobé	Dominica	Kobé, Yokohama.
Cuba	Kobé.	Guatemala	Tokyo, Yokohama, Kobé.
Denmark	Tokyo, Yokohama, Kobé, Nagasaki, Osaka.	Turkey	Osaka, Yokohama, Tokyo.
U. S. A.	Tokyo, Yokohama, Nagoya, Kobé, Nagasaki, Taihoku, Keijo, Dairen.	Uruguay	Kobé, Yokohama.
France	Yokohama, Kobé, Dairen, Nagasaki, Tansui, Keijo.	Rumania	Osaka.
Great Britain	Tokyo, Yokohama, Osaka, Kobé, Shimonoseki, Nagasaki, Tansui, Keijo, Dairen, Jinsen, Hakodate, Otaru.	Luxemburg	Tokyo.
Finland	Kobé, Yokohama, Dairen,	Egypt	Tokyo.
Greece	Yokohama, Kobé, Osaka.	Yugoslavia	Osaka.
		Haiti	Kobé.
		Albania	Tokyo.
		Paraguay	Tokyo, Yokohama.
		Lithuania	Tokyo.
		Esthonia	Dairen.
		Manchoukuo	Moji, Niigata, Osaka, Shingishu.

CHAPTER VII

NATIONAL DEFENCE¹

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

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

¹ Note: The Imperial Army and Navy are fundamentally reorganized since July, 1937, and all matters connected with the changes are kept secret as a matter of course. We are, therefore, obliged to give only what was known before the present wartime reorganizations, although an explanation of the revision in the military service law is given at the end of this chapter.

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 unpardon-

able 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 ex-

amples.

(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 re-

spective General Staffs, who are thereupon required to submit their plans direct to His Majesty. The plans are then handed to the Prime Minister, who in his turn consults the Diet as to the necessary appropriations. Thus the Diet, while powerless to interfere with the actual naval and military projects, is entitled to determine the amount to be appropriated for their execution. If, however, the Service estimates are reduced in such a way as to render the original projects impossible of execution, this is deemed to be an infringement of the Imperial Prerogative under Article XII of the Constitution.

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

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

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

Present members specially nominated by the Emperor are:

Lieutenant-General
H. I. H. Prince Asaka
Lieutenant-General
H. I. H. Prince Higashikuni
Admiral Sanjichi Takahashi
Admiral Hisanori Fujita
General Hisaichi Terauchi
Admiral Nobumasa Suetsugu
Admiral Miné Ōsumi
Lieutenant-General
Kotaro Nakamura

The Military Service System The system of compulsory military service in Japan is by no means a new one. It was established for the first time at the political innovation of Taika (646

1 Note: In 1939 some important revisions are made in the system by the promulgation of the Law amending the Military Service Law, an explanation of which may be found at the end of this chapter.

A.D.). And the system underwent a number of changes in course of time. It was improved greatly by the Taihoréi promulgated by the Mommu Tenno in the year 701 A.D. According to this law the whole country was divided into several military districts to facilitate the operation of the law and one-third of the youth in each district was compulsorily enlisted for military discipline. The number of the trained men in Japan in those days is said to have reached more than 100,000. A long period of peace then ensued, with the result that the law gradually dropped out of practice, giving room to the emergence of a division of people into two classes; namely, warriors on the one hand and farmers on the other.

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

The fundamental aspects of the Japanese military service system are based upon the unique nature of the Japanese policy and the peculiar psychology of the Japanese people, who are not only willing, but deem it the highest honour, to serve in the army and the navy. All Japanese men, between 17 and 40 (except those who are disabled

or those who have been imprisoned for six years or more) are required to serve.

The service is divided as follows:

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

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

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

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

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

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

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 Young Peoples' School is reduced by six months, while that of the

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

The term of active service for graduates of middle schools and higher grade schools who have received full 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 month's active service they

	Total Number Examined	Class I	Class II		Class III	Class IV	Class V
			A	B			
1928	568,796	171,744	64,970	119,783	171,758	39,861	680
1929	585,819	175,979	69,372	119,721	178,790	41,075	882
1930	595,505	174,482	69,275	121,961	187,863	40,989	938
1931	619,146	178,355	72,817	124,942	200,263	42,245	724
1932	621,844	174,282	71,556	125,938	207,401	41,951	716
1933	631,099	178,994	72,796	132,681	205,777	40,141	710
1934	641,969	185,432	72,979	135,275	206,810	40,822	651
1935	633,886	188,470	72,833	130,041	201,716	40,108	718
1936	630,802	195,832	73,722	134,744	186,610	34,316	578

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

	Average Height	Average Weight
1928	1.596 m.	52.639 kg.
1929	1.602 m.	52.823 kg.
1930	1.598 m.	52.727 kg.
1931	1.600 m.	53.007 kg.

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

Examination for Conscription According to medical examination, conscripts are classified into six grades as mentioned above. The figures for the past 8 years, 1928-1936, were as follows:

	Average Height	Average Weight
1932	1.600 m.	52.841 kg.
1933	1.602 m.	52.816 kg.
1934	1.603 m.	52.994 kg.
1935	1.603 m.	52.950 kg.
1936	1.603 m.	53.176 kg.

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

	University	Higher School	Middle School	Higher Elementary School and Young People's School	Elementary School	Elementary School (Unfinished)	Uneducated
1928	81	1,209	43,309	266,611	209,413	42,200	5,973
1929	143	3,589	50,684	284,081	205,362	36,408	5,553
1930	493	7,303	65,944	296,829	197,312	31,812	4,812
1931	1,721	11,406	65,698	313,628	192,772	28,913	5,009
1932	3,741	13,188	69,147	324,204	182,064	25,323	4,177
1933	6,616	15,049	70,422	339,677	174,024	21,634	3,677
1934	9,031	16,467	72,622	356,135	165,240	18,802	3,672
1935	10,057	17,031	72,034	358,107	155,851	17,394	3,412
1936	10,285	17,155	70,992	373,823	140,910	14,591	3,046

Of those listed above as uneducated 3,463 for 1928, 3,045 for 1929, 2,873 for 1930, 3,090 for 1931, 2,543 for 1932, 2,268 for 1933, 2,433 for 1934, 2,220 for 1935 and 2,044 for 1936 were illiterates. The ratio of illiteracy, which was 4.28 per cent in 1903, 3.44 in 1911 and 2.17 in 1915, has been decreasing steadily, being

0.88 in 1925, 0.70 in 1927, 0.61 in 1928, 0.38 in 1934, 0.35 in 1935 and 0.32 in 1936.

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

Farmers	196,419
Fishermen	17,512
Miners	8,658
Industrial workers	192,348
Commercial workers	95,867
Transportation	24,486
Communications	5,807
Officials	16,698
Educators, priests, literary men, etc.	30,436
Miscellaneous	14,117
Unoccupied	28,454
Total	630,802

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

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

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

appeal.

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

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

The Army

Outline History The Army under the Imperial régime was organized for the first time in the fourth year of Meiji (1871), when the samurai of the Kago-shima, Kochi and Yamaguchi clans formed an Imperial Bodyguard consisting of a few battalions, and four regular army divisions were established in Tokyo, Osaka, Kumamoto and Sendai. In January, 1873, the Government adopted a conscription system, by which members of all social classes were held equally liable for military service. The divisions in Nagoya and Hiroshima, which were established that year, were the first fighting units in this country to contain members of the farmer, merchant and other non-samurai classes. The total strength of the Japanese Army at that time was seven divisions consisting of about 36,000 men on peace standing and 46,250 on a war footing. The number of soldiers to be mobilized was steadily increased after the Saigo

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

In 1922 Japan's Army strength reached twenty-one divisions consisting of 309,000 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 1,600 officers, 56,000 men and 12,000 horses was made. This corresponds to a reduction of about five divisions on peace standing. In May, 1925, four more divisions (the 13th, 15th, 17th and 18th) was abolished, and the

present strength of the Japanese Army is 17 divisions and about 230,000 men on peace standing, inclusive of the Taiwan and Kwantung Armies.

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

Year	Running Expenses	Extraordinary Expenses (In yen)	Total
1893-94 (Just before Sino-Japanese War)	12,420,000	2,301,000	14,721,000
1896-97	32,614,000	30,629,000	53,243,000
1903-04 (Just before Russo-Japanese War)	39,353,000	7,529,000	46,884,000
1906-07 (Just after Russo-Japanese War)	37,835,000	30,045,000	67,870,000
1912-13	80,175,000	23,950,000	104,125,000
1917-18	88,344,000	35,093,000	123,437,000
1923-24	176,224,000	47,704,000	223,927,000
1924-25	179,331,000	27,403,000	206,734,000
1925-26	170,761,000	44,044,000	214,805,000
1926-27	167,561,000	29,380,000	199,941,000
1927-28	174,190,000	43,913,000	218,104,000
1928-29	167,620,000	81,486,000	249,106,000
1929-30	178,898,000	48,356,000	227,255,000
1930-31	174,546,000	26,278,000	200,824,000
1931-32	163,679,000	63,808,000	227,488,000
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	453,694,000
1935-36 (")	179,803,000	313,155,000	492,958,000
1936-37 (")	190,900,000	317,400,000	508,310,000
1937-38 (")	217,804,071	510,161,269	727,965,340
1938-39 (")	165,783,439	398,810,750	564,594,189

Note: For details of 1938-39 and 1939-40 budgets see Chapter VIII Public Finance, where the military expenditure in relation to the Sino-Japanese hostilities is given also.

Administrative Organization

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

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

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

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

(c) The Bureau of Military Affairs is the real centre of military administration, and is responsible for the establishment of the system and organization of the Army, for the proclamation and withdrawal of martial law, and for all the affairs concerning ceremonies to be

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 con-

sists of the section for sanitary affairs and the section for medicine and surgery.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Field Organization

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

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

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

are attached one to each of the divisions.

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

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

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

The Peace Strength

A full statistical classification of the peace strength of the Army, with the total number of soldiers nearly 250,000, in 1936, is given below. In addition to the units listed, a force of gendarmerie 2,220 strong and a medical corps, about 1,500 strong are maintained.

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

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

Imperial Guard Division	
Divisional headquarters	Tokyo
Headquarters of 1st Infantry Guard Brigade	Tokyo
Guard Regiments 1st and 2nd	Tokyo
Headquarters of 2nd Infantry Guard Brigade	Tokyo
Guard Regiments 3rd and 4th	Tokyo
Headquarters of 1st Cavalry Brigade	Narashino
Cavalry Guard Regiment	Tokyo
13th and 14th Cavalry Regiments	Narashino
Headquarters of 4th Heavy Field Artillery Brigade	Tokyo
Artillery Guard Regiment	Tokyo
Heavy Field Artillery Regiments 4th	Shimoshizu
Heavy Field Artillery Regiments 8th	Tokyo
Engineer Guard Battalion; Commissariat Guard Battalion	Tokyo
Railway Regiment 1st	Chiba
Railway Regiment 2nd, Telegraph Regiment 1st	Tokyo
Air Force Regiment 5th	Tachikawa
Balloon Corps	Chiba
1st Division	
Divisional headquarters	Tokyo
Headquarters of 1st Infantry Brigade	Tokyo
Infantry Regiment 1st	Tokyo
Infantry Regiment 49th	Kofu
Headquarters of 2nd Infantry Brigade	Tokyo
Infantry Regiment 3rd	Tokyo
Infantry Regiment 57th	Sakura
Headquarters of 2nd Cavalry Brigade	Narashino
Cavalry Regiment 1st	Tokyo
Cavalry Regiment 15th and 16th	Narashino
Headquarters of Heavy Field Artillery Brigade 3rd	Kohnodai
Field Artillery Regiment 1st	Tokyo
Horse Artillery Battalion	Kohnodai
Heavy Field Artillery Regiment 1st and 7th	Kohnodai
Yokosuka Heavy Artillery Regiment	Yokosuka
Engineer Battalion 1st	Tokyo
Commissariat Battalion 1st	Tokyo

2nd Division

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

3rd Division

Divisional headquarters	Nagoya
Headquarters of 5th Infantry Brigade	Nagoya
Infantry Regiment 6th	Nagoya
Infantry Regiment 68th	Gifu
Headquarters of 29th Infantry Brigade	Shizuoka
Infantry Regiment 10th	Toyohashi
Infantry Regiment 34th	Shizuoka
Headquarters of 4th Cavalry Brigade	Toyohashi
Cavalry Regiment 3rd	Nagoya
Cavalry Regiment 25th and 26th	Toyohashi
Headquarters of 1st Heavy Field Artillery Brigade	Mishima
Heavy Field Artillery Regiments 2nd and 3rd.	Mishima
Field Artillery Regiment 3rd	Nagoya
Anti-aircraft Artillery Regiment 1st	Hamamatsu
Engineer Battalion 3rd	Toyohashi
Air Force Regiments 1st and 2nd	Gifu
Air Force Regiment 7th	Hamamatsu
Commissariat Battalion 3rd	Nagoya

4th Division

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

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

5th Division

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

6th Division

Divisional headquarters	Kumamoto
Headquarters of 11th Infantry Brigade	Kumamoto
Infantry Regiment 13th	Kumamoto
Infantry Regiment 47th	Oita
Headquarters of Infantry Brigade 36th	Kagoshima
Infantry Regiment 23th	Miyakonojo
Infantry Regiment 45th	Kogoshima
Cavalry Regiment 6th	Kumamoto
Field Artillery Regiment 6th	Kumamoto
Engineer Battalion 6th	Kumamoto
Commissariat Battalion 6th	Kumamoto

7th Division

Divisional headquarters	Asahigawa
Headquarters of 13th Infantry Brigade	Asahigawa
Infantry Regiment 25th	Sapporo
Infantry Regiment 26th	Asahigawa
Headquarters of 14th Infantry Brigade	Asahigawa
Infantry Regiment 27th and 28th	Asahigawa
Cavalry Regiment 7th	Asahigawa
Field Artillery Regiment 7th	Asahigawa
Hakodate Heavy Artillery Battalion	Hakodate
Engineer Battalion 7th	Arahigawa
Commissariat Battalion 7th	Asahigawa

8th Division

Divisional headquarters	Hirosaki
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Headquarters of 4th Infantry Brigade	Hirosaki
Infantry Regiment 5th	Aomori
Infantry Regiment 31st	Hirosaki
Headquarters of 16th Infantry Brigade	Akita
Infantry Regiment 17th	Akita
Infantry Regiment 32nd	Yamagata
Headquarters of 3rd Cavalry Brigade	Morioka
Cavalry Regiment 8th	Hirosaki
Cavalry Regiment 23rd and 14th	Morioka
Field Artillery Regiment 8th	Hirosaki
Engineer Battalion 8th	Morioka
Commissariat Battalion	Hirosaki

9th Division

Divisional headquarters	Kanazawa
Headquarters of 6th Infantry Brigade	Kanazawa
Infantry Regiment 7th	Kanazawa
Infantry Regiment 35th	Toyama
Headquarters of 18th Infantry Brigade	Tsuruga
Infantry Regiment 19th	Tsuruga
Infantry Regiment 36th	Sabayé
Cavalry Regiment 9th	Kanazawa
Mountain Artillery Regiment 9th	Kanazawa
Engineer Battalion 9th	Kanazawa
Commissariat Battalion 9th	Kanazawa

10th Division

Divisional headquarters	Himeji
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

11th Division

Divisional headquarters	Zentsuji
Headquarters of 10th Infantry Brigade	Zentsuji
Infantry Regiments 12th	Zentsuji
Infantry Regiment 22nd	Matsuyama
Headquarters of 22nd Infantry Brigade	Tokushima
Infantry Regiment 43rd	Tokushima
Infantry Regiment 44th	Kochi

Cavalry Regiment 11th	Zentsuji
Mountain Artillery Regiment 11th	Zentsuji
Engineer Battalion 11th	Zentsuji
Commissariat Battalion 11th	Zentsuji
12th Division	
Divisional headquarters	Kurumé
Headquarters of 12th Infantry Brigade	Fukuoka
Infantry Regiment 14th	Kokura
Infantry Regiment 24th	Fukuoka
Headquarters of 24th Infantry Brigade	Kurumé
Infantry Regiment 46th	Ohmura
Infantry Regiment 48th	Kurumé
The 3rd Battalion of this regiment is stationed at Saga	
Tank Corps I	Kurumé
Cavalry Regiment 12th	Kurumé
Headquarters of 2nd Heavy Field Artillery Brigade	Kokura
Field Artillery Regiment 24th	Kurumé
Independent Mountain Artillery Regiment 3rd	Kurumé
Heavy Field Artillery Regiment 5th and 6th	Kokura
Shimonoseki Heavy Artillery Regiment	Shimonoseki
Sasebo Heavy Artillery Battalion	Sasebo
Kechi Heavy Artillery Battalion	Kechi
Engineer Battalion 18th	Kurumé
Flying Air Force Regiment 4th	Tachiarai
Commissariat Battalion 18th	Kurumé
14th Division	
Divisional headquarters	Utsunomiya
Headquarters of 27th Infantry Brigade	Utsunomiya
Infantry Regiment 2nd	Mito
Infantry Regiment 59th	Utsunomiya
Headquarters of 28th Infantry Brigade	Takasaki
Infantry Regiment 15th	Takasaki
Infantry Regiment 50th	Matsumoto
Cavalry Regiment 18th	Utsunomiya
Field Artillery Regiment 20th	Utsunomiya
Engineer Battalion 14th	Mito
Commissariat Battalion 14th	Utsunomiya
15th Division	
Divisional headquarters	Kyoto
Headquarters of 19th In-	

Infantry Brigade	Kyoto
Infantry Regiment 9th	Kyoto
The 3rd Battalion of this regiment is stationed at Ohtsu	
Infantry Regiment 20th	Fukuchiyama
Headquarters of 30th Infantry Brigade	Tsu
Infantry Regiment 33rd	Tsu
Infantry Regiment 38th	Nara
Cavalry Regiment 20th	Kyoto
Field Artillery Regiment 22nd	Kyoto
Maizuru Heavy Artillery Battalion	Maizuru
Engineer Battalion 16th	Kyoto
Air Force Regiment 3rd	Yokkachi
Commissariat Battalion 16th	Kyoto
19th Division	
Divisional headquarters	Ranan
Headquarters of 37th Infantry Brigade	Kanko
Infantry Regiment 73rd	Ranan
Infantry Regiment 74th	Kanko
Headquarters of 30th Infantry Brigade	Ranan
Infantry Regiment 75th	Kainei
Infantry Regiment 76th	Ranan
Cavalry Regiment 27th	Ranan
Field Artillery Regiment 25th	Ranan
Engineer Battalion 19th	Kainei
20th Division	
Divisional headquarters	Ryuzan
Headquarters of 39th Infantry Brigade	Heijo
Infantry Regiment 77th	Heijo
Infantry Regiment 78th	Ryuzan
Headquarters of 40th Infantry Brigade	Ryuzan
Infantry Regiment 79th	Ryuzan
Infantry Regiment 80th	Taiko
The 3rd Battalion of the regiment is stationed at Taiden.	
Cavalry Regiment 28th	Ryuzan
Field Artillery Regiment 26th	Ryuzan
Anti-aircraft Corps of above regiment	Heijo
Heavy Artillery Battalion of Masan	Masan
Engineer Battalion 20th	Ryuzan
Air Force Regiment 6th	Heijo
The Headquarters of special units are distributed as follows:	
Tokyo Garrison Headquarters	Tokyo

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

Fortresses

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

Site	Division
(1) Yokosuka	1st
(2) Chichijima (Bonin Is.)	"
(3) Yura	4th
(4) Amamioshima	6th
(5) Hoyo	"
(6) Tsugaru	7th
(7) Shimonoseki	12th
(8) Tsushima	"
(9) Sasebo	"
(10) Nagasaki	"

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

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

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

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

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

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

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

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:

Engineering School	Chiba prefecture
Intendance School	Tokyo City
Army Medical School	Tokyo City
Army Veterinary School	Tokyo City
Gendarmerie Training School	Tokyo City

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

reconnoitering. The Akéno Flying School gives courses to army pilots on the aerial tactics, air navigation, handling of machine-guns on a plane and also on the construction of aerial weapons.

To raise the level of educational capacity and general efficiency among officers, certain special courses and facilities are arranged. Graduates from universities in science or engineering are now entitled to the position of engineer of artillery lieutenants after six months'

cadetship, while those from the medical and agricultural colleges are qualified to become surgeon and veterinary lieutenants respectively after three months' cadetship. Non-commissioned officers of ability may be promoted to the rank of lieutenant in virtue of a system adopted in 1930, after a short period of special training. Posts still higher, even to the supreme Marshalship, are open to non-commissioned officers of exceptional ability.

The Navy

Outline History As a result of the policy of seclusion strictly followed by the Shogunate Government of the Tokugawas, Japan was without anything worthy of the name of a navy, when Commodore Perry's fleet entered Uraga Bay in the 6th year of Kaéi (1853) with a view to inducing the Shogun's Government to open Japanese ports to the world. By the 4th year of Anséi (1857), however, Japan was in possession of a few warships given her by Holland and England. They formed the first squadron of the Western type that the nation ever had. By the efforts of the Meiji Government, this squadron developed into an efficient fleet of 28 fighting craft and 24 torpedo-boats, with a total tonnage of over 50,000 tons by 1894, when Japan declared war on China. After the Sino-Japanese War, Japan's navy grew very rapidly and in 1902, just before the outbreak of Russo-Japanese War, was in possession of 78 ships with a total tonnage of 250,816 tons.

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

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

The 1919 Programme The number and kind of ships to be constructed by the 1919 plan were 8 battleships armed with 16-inch guns (Nagato, Mutsu, Tosa, Kaga, etc.) and 8 battle-cruisers (Amagi, Akagi, etc., etc.) 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 other ships, and the improvement of planes carried on plane-carriers and arms to be mounted on naval planes. The total expenditure for this, amounting to ¥81,970,000, is to be voted by 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 num-

ber of torpedo-boats and mine-sweepers, and the establishment of 8 flying corps on land, all for completion in the 4 years ending 1936.

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

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

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

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

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

Naval Expenditure

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

Year	Running Expenses	Extraordinary Expenses (In Yen)	Total
1893-94 (Just before Sino-Japanese War)	5,141,000	2,960,000	8,101,000
1896-97 (Just after Sino-Japanese War)	7,351,000	12,655,000	20,006,000
1903-04 (Just before Russo-Japanese War)	21,530,000	14,588,000	36,118,000
1906-07 (Just after Russo-Japanese War)	27,991,000	33,885,000	61,876,000
1912-13	41,534,000	53,952,000	95,486,000
1917-18	48,528,000	113,906,000	162,434,000
1925-26	122,242,000	106,761,000	229,003,000
1926-27	127,428,000	109,879,000	237,307,000
1927-28	136,545,000	136,992,000	273,537,000
1928-29	143,026,000	125,106,000	268,132,000

Year	Running Expenses	Extraordinary Expenses (In Yen)	Total
1929-30	147,648,000	120,016,000	267,664,000
1930-31	146,888,000	95,147,000	242,035,000
1931-32	138,914,000	88,215,000	227,129,000
1932-33	140,740,000	172,069,000	312,809,000
1933-34	179,027,000	230,948,000	409,975,000
1934-35 (budget)	199,909,000	289,237,000	489,147,000
1935-36 (")	215,917,000	313,765,900	529,683,000
1936-37 (")	236,750,000	313,640,000	550,390,000
1937-38 (")	273,953,380	407,700,236	681,653,616
1938-39 (")	293,382,149	383,976,291	677,358,440

Note: For details of 1938-39 and 1939-40 budgets see Chapter VIII, Public Finance, where the Navy expenditure in relation to the Sino-Japanese hostilities is given also.

Administrative Organization

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

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

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

The schools under the supervision of the Minister are:

- (1) Naval War College (Tokyo). This school is intended for the training of advanced students selected from among naval officers.
- (2) Naval College (Etajima). This school is intended for the education of intending naval officers. Warrant officers are also educated here before they are promoted to the rank of special service officer.
- (3) Naval Engineering College (Malzuru). This school is intended for the education of intending engineering of-

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

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

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

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

- (1) Naval Gunnery School (Yokosuka). Officers, special service officers, warrant officers and seamen of special-ratings are admitted.
- (2) Torpedo School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.
- (3) Naval Communication School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.
- (4) Navigation School (Yokosuka). Officers, warrant officers and seamen specially selected are admitted.
- (5) Submarine School (Kuré). Officers, warrant officers and seamen specially selected are trained here for submarine warfare. Researches on submarine construction and operation are also conducted.
- (6) Naval Machinists' School (Yokosuka). This school is for the training of warrant officers and seamen aspiring to the rank of engineering officer, or special service engineering officer, or shipwright.

Active Service Organization

The Three Districts The coasts of

Japan and the seas surrounding the country are divided into three Naval Districts, and these districts are placed in 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, Ehime, Kagawa, Oita, Miyazaki, and the eastern part of Fukuoka prefecture, and the adjacent seas, is in the charge of the Kuré Naval Station.

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

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

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

Naval Office in Manchoukuo

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

ment of the Naval Department in Manchoukuo to be located in Hsinking.

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

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

The Standing Fleets

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

Combined Fleet

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

1st Fleet

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

2nd Fleet

4th Squadron—Takao, Maya.
5th Squadron—Nachi, Haguro, Ashikaga.
2nd Destroyer Squadron—Jintsu, 7th, 8th and 19th destroyer flotillas.
2nd Submarine Squadron—Jingéi, 12th, 23rd and 30th submarine flotillas.
2nd Air Force Squadron—Kaga, 22nd destroyer flotilla.
12th Squadron—Okishima, Kamoi, 23rd destroyer flotilla.

3rd Fleet

10th Squadron—Izumo, Tenryu, Tatsuta.
11th Squadron—Ataka, Toba, Séta, Katada, Hira, Hotzu, Atami, Futami, Kuri, Tsuga and Hasu.

5th Destroyer Squadron—Yubari, 13th and 16th destroyer flotillas, Saga is appended.

Training Squadron

Yakumo and Iwaté.

The Naval Air Force

The Naval Air Force consists of:

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

The Personnel

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

Admirals to Rear-Admirals and non-executive officers	148
Captains to Lieut.-Commanders and non-executive officers	2,395
Lieutenants to 2nd Sub-Lieutenants, non-executive officers, midshipmen and special service officers	3,951
Warrant officers	1,953
Cadets at school	348
Total	8,802

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

Warship Building

The first warship built in Japan was the Séiki (870 tons) launched at Yokosuka in 1875. She played an important part in the civil war of 1877. The Hashidaté (4,228 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 (13,200 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 as still insufficient, but the rapid progress in the oil-shale industry of Manchuria, and the remarkable development of the oil industry in North Saghalien, Formosa, etc., show that the empire will shortly be self-sufficing in this respect also. The Imperial Iron Works at Yawata (Kyushu) has an annual output of about 200,000 tons armour plates, rails, etc., while the Muroran Steel Works of Hokkaido is turning out an ample quantity of steel for use by the Army and Navy. In the chemical industry also, Japan is now almost independent and prepared for any form of chemical warfare.

List of Ships

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

Type	No.	Tonnage
Battleships	9	272,070
Training Battleship	1	19,500
1st Class Cruisers	12	107,800
2nd Class Cruisers	25	107,255
Aircraft Carriers	6	68,370
Seaplane Carriers	3	31,050
Submarine Tenders	5	31,015
Mine Layers	6	19,630

Type	No.	Tonnage
Coast Defence Vessels	7	55,450
Gun Boats	11	5,045
1st Class Destroyers	80	95,479
2nd Class Destroyers	30	23,390
1st Class Submarines	37	49,157
2nd Class Submarines	25	20,027
Torpedo Boats	12	2,108
Mine Sweepers	12	6,642
Special Service Ships	21	219,935
Total	302	1,134,823

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

The Planes

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

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

Promotion

Commanders—Lieutenant-Commanders	2 years
Captains—Commanders	2 "
Rear-Admirals—Captains	2 "
Vice-Admirals—Rear-Admirals	2 "
Admirals—Vice-Admirals	2 "

Minimum Service in Lower Rank

Commanders—Lieutenant-Commanders	2 years
Captains—Commanders	2 "
Rear-Admirals—Captains	2 "
Vice-Admirals—Rear-Admirals	2 "
Admirals—Vice-Admirals	2 "

Period determined by Imperial order subject to special merit

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

Revision of the Military Service Law

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

Manchoukuo Government schools.

Revision of the Term of Service Both the development of the China Affair and the rapid change in the trend of international politics require that the Imperial forces be strengthened quickly through increases in the number of men in the services. To maintain sufficient forces, the term of service needs to be lengthened and the number of new conscripts must be increased.

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.

Naval Promotion

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

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

Special service 1st Sub-Lieutenants, over two years' service; Special service 2nd Sub-Lieutenants, over three years' service. Special service Lieutenants (combatants, engineers and paymasters) may be promoted to Lieutenant-Commander by special appointment.

The qualifications for subsequent promotion are as follows:

Accordingly, under the new Law the term of the supplementary reserve service for the Army has been lengthened from 12 years and four months to 17 years and four months, while that of the first reserve service for the Navy has been prolonged from four years to five years and that of the second reserve service from five years to seven years.

Change in Method of Conscription of Young Men To meet the demand for a stronger national defence, a sizable increase in the number of conscripts is inevitable. The physical standard of soldiers must be upheld, if not raised, since the technical progress of and growing complications in modern armies require a high degree of strength and endurance in the individual soldier. Unfortunately, the physical condition of young men in Japan has tended to deteriorate in recent years, making it difficult to obtain the increased number of conscripts without adopting revisions in the old method of conscription. Therefore, necessary changes have been made in the method of selecting the young men at the physical examination for military service.

According to the old provisions pertaining to the physical standards of young men to be taken as conscripts, the minimum height of those fit for service, i.e. men who may be classed medically in Classes I and II, was fixed at 1.5 metres, and the active service men and the first supplementary untrained reservists were to be chosen from among the men with heights of 1.6 metres or above. The final selection was made by a drawing participated in by those whose height was 1.6 metres or above and who were classed medically as fit for the said service. All those who were lower in height, no matter what their other physical qualifications were, were exempted from the drawing and were enlisted as second supplementary untrained reservists.

In case the required number of those eligible for first-reserve service was unobtainable from those who measured 1.6 metres or above, the standard height was to be lowered by one millimetre at a time until the quota was filled. It may be seen that according to this method of lowering the standard height for eligibles before the final drawing took place, it was possible for a certain number of those under the standard height to be selected instead of those who measured 1.6 metres or above.

To prevent this, the new Law provides for a new method to be adopted

wherein the supplementary eligibles are not allowed to draw lots with the originally eligible men measuring 1.6 metres or more.

Revised Method of Calling Ex-service Men for Training Ex-service men constitute the most valuable asset, as it were, for recruiting soldiers in time of war. Obviously, they must be called out for training regularly to be instructed in new kinds of drills in order to keep them competent as well-trained reservists. Only in this way will the Army and the Navy be able to mobilize first-class forces quickly in time of war. The following revisions have been made in the method of calling out ex-service men for periodical training.

1. According to old provisions, the duration of training for ex-service men was fixed at less than 35 days for the Army and less than 70 days for the Navy, while the latter could be increased up to 50 days when deemed necessary. The new regulation extends this lengthening privilege to the Army also in view of the necessity of drilling army ex-service men in the advanced and more complex technique of present-day military science.

2. Formerly, first supplementary untrained reservists only were called out for actual training. Now, second supplementary untrained reservists may also be called out for this purpose.

3. Formerly, when there was a shortage in forces even with the recalling of all those under leave of absence at the time of special need, such as the stationing of garrisons, only those ex-soldiers who were in the first year of their first-reserve service were summoned to cover the shortage. But the actual conditions on the Asiatic Continent are now such that a considerable number of soldiers must be stationed in different districts, and the number of ex-service men resident on the Continent is relatively small. It is considered that a time may come when the armies on the Continent supplemented only with recruits from the first-reserve service men in their first year of service will be altogether insufficient for garrisons or for other military purposes. To eliminate this danger, the new provisions empower the Army to call out when necessary all men in the first reserve list, regardless of the year of service they are in.

4. Conscripts may be found non-effective at the time of medical examination on their entrance to the barracks to which they are assigned, as a result of suffering disease or accident in the in-

terval between enrolment and the actual call to service. According to the old provisions, these men were exempted from service altogether. The revised provisions prescribe that "They shall be called to active service at a later date or year, or may be exempted from it." The proper application of this provision is left to the judgment of competent authorities.

Abrogation of the Short-term Service System The short-term service system for teachers in elementary schools is peculiar to Japanese conscription. The reason for the survival of this system through all former revisions in the military service law may be found in the fact that the Government was anxious not to weaken the teaching force in elementary schools by the absence of teachers from their duties even for purposes of national defence. The short-term system allowed these teachers to remain only five months in active service and this period was devoted to making them acquire a knowledge of military affairs so that they could accomplish their duty as educators of the people both in scientific and military subjects. The system worked well as a result of the complete understanding between the military and educational authorities.

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

Hitherto, those entitled to the short-term service entered the service without drawing lots or passing the conscription medical examination. Now, they are handled in the same manner as all other young men as regards physical standards and methods of selec-

tion. The number of conscripts taken from among elementary school teachers may be comparatively small. It is undeniable that the number of those who are thus taken will not be so large as might be expected because of the change in the regulations for conscripts taken from other sources whereby these will be unproportionately increased in the near future, while a large number of men in the reserve service may be trained in peace-time. Once taken into the defence services, these teacher-soldiers and -sailors will not only be trained much more thoroughly in military affairs than in the past but also many of them will be chosen as cadets, with the result that they will gain the military point of view and when they are released from active service they will achieve greater distinction in the eyes of their pupils in elementary schools and may accordingly achieve brilliant success in their chosen field.

Revisions in Postponement of Student Conscription The strength of an army is subject to the amount of mental vigour and physical strength of its soldiers. Both of these qualities are, as a rule, the possessions of young men with life before them. Therefore, conscripts should be chosen before they advance over the fixed age of twenty. But the medical examination and enrolment of students who reach the age of twenty has been postponed for as many years as they pursue their studies in schools and consequently many are much older than other young men at the time of their examination and enrolment, whereas their earlier enrolment is desirable since most of them may become important constituents of the army as reserve or non-commissioned officers.

The revised system, therefore, places a certain limit to the term of postponement, shortening it by an extent that will not deter their studies in schools, yet that will amend the irrationality which formerly arose by the application of rules under which they were conscripted according to certain fixed ages, regardless of the month of their birth or the number of years they needed to complete their respective studies. A comparison of the new and old regulations concerning the maximum years of age up to which conscription is postponed follows:

OLD SYSTEM

Students in:	Maximum Year of Age (at which they are sub- jected to examination)
Middle Schools Higher Schools, Middle-school Departments Business Schools (Middle-school Grade)	22
Normal Schools Higher Schools, College Departments and Special Courses	
Universities, Preparatory Departments Colleges of Three or Four Years Higher Normal Schools (Post-graduate Course omitted)	
Temporary Institutes for Training Business Schools or Young People's Teachers' Schools	25
Colleges of Five Years or More Higher Normal Schools, Post-graduate Courses Universities	

NEW SYSTEM

Students in:	Maximum Year of Age (up to which conscription may be postponed) Those who were born	
	Before or on April 1	On or after April 2
Middle Schools Higher Schools, Middle-school Department Business Schools (Middle-School Grade)	—	21
Normal Schools Higher Schools, College Departments Universities, Preparatory Departments Institutes for Training Young People's School Teachers Temporary Institutes for Training Teachers	22	23
Institutes for Training Business School Teachers Higher Schools, Special Courses Colleges of Three or Four Years Higher Normal Schools (Post-graduate Course Omitted)	23	24
Colleges of Five Years or More Higher Normal Schools, Post-graduate Courses Universities (Medical Department Omitted)	24	25
Universities, Medical Department	25	26

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

These new rules will come into force from December 1, 1939. Those who are in schools on that day shall remain under the old rules so as not to interfere with their course of study.

Extension of Privilege of Postponement of Conscription to Japanese Stu-

dents Abroad Japan is eager to assist Manchoukuo in her efforts to develop her national life and to give her all aid in such matters as educational enterprises which are most important in the mutual development of the two countries. Thus, the Japanese Government has extended the application of the system for the postponement of conscription for students to Japanese subjects studying in the government schools of Manchoukuo whose grades of study and school status are analogous to the above-mentioned schools in Japan.

CHAPTER VIII

PUBLIC FINANCE

Finance of the Showa Era

For the first six years of Showa, 1926-32, two Séiyukai and two Minséito (incarnation of Kenséikai) Cabinets came into power in turn. The former stood for a traditional inflation policy, while the latter for deflation policy. Financial retrenchment was carried out by the Minséito Cabinet and the gold embargo was lifted by the Hamaguchi Cabinet (Minséito) on January 11, 1930. Mr. Junnosuké 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 Inukai Cabinet that succeeded the Wakatsuki Cabinet on December 16, 1931, decided to adopt the budget drafted by the preceding Cabinet, due to lack of time to formulate a new one. However, the new Cabinet determined not to abolish the Overseas Ministry and other administrative organizations, which were decided on by the Wakatsuki Cabinet, but decided to carry out administrative readjustment. The sinking fund system was temporarily suspended and the deficient income was to be met by loans.

Expansion of National Budget

The first expansion of Japanese finance had come with the World War when it had passed the ¥1,000,000,000 mark and the next one came with the Manchurian incident, and in 1932 it approached the ¥2,000,000,000 mark. The increase of the national ways and

means has continued since and the budget for 1937-38 reaches ¥2,815,000,000, an increase of ¥510,000,000 or 18 per cent as compared with the previous year.

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

The per capita national wealth, national revenue and national expenditure have all increased greatly since 1912, the index numbers on the base of that year taken as 100 being 290.2 for national wealth in 1930, 289.7 for national revenue in 1934 and 293.3 for national expenditure in 1936, or the rate of their increase is almost on a par with each other.

Among the resources of national revenue the rate of increase of loans is much more ahead of those of taxes and others. The outstanding national loans which amounted to ¥2,570,000,000 at the end of 1912 increased to ¥9,850,000,000 at the end of 1935, or the per capita debt increased from ¥50 for Japan proper and ¥37 for the Empire in 1912 to ¥145 for Japan proper and ¥102 for the Empire in 1935. The amount of national revenue from taxes increased, but its proportion to the total revenue decreased and the per capita amount of taxes also decreased as compared with 1926 as given in the following table.

As to the finance of local governments its increase is still more rapid than that of the central government, its index number in 1935 being 555.65 against 371.71 for the latter as compared with 1912.

Note: For the detailed historical accounts of public finances up to the Tai-sho Era see previous numbers of the Japan Year Book.

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

(Amount in ¥1,000)

	Expenditure, General Account		Revenue, General Account			
	Amount	Revalued according to the current value of the yen (Amount divided by the average index No. of prices)	Total Amount	From Loans		Amount
				From Taxes Amount	Proportion to the Total	
1912	593,596	449,456	687,392	360,970	52.51	18,327
1913	573,634	433,520	721,975	369,480	51.18	10,895
1914	648,420	513,356	734,648	343,708	46.79	12,689
1915	583,270	456,536	708,616	312,745	44.13	1,705
1916	590,795	382,218	813,309	348,673	42.87	1,577
1917	735,024	377,904	1,084,958	430,604	39.69	16,984
1918	1,017,036	399,198	1,479,116	519,293	35.11	28,355
1919	1,172,328	375,770	1,808,633	672,386	37.18	19,090
1920	1,359,978	396,276	2,000,652	696,257	34.80	53,632
1921	1,489,856	561,955	2,065,711	785,852	38.04	53,033
1922	1,429,690	551,855	2,087,345	896,404	42.94	26,926
1923	1,521,050	577,292	2,045,298	787,203	38.49	35,041
1924	1,625,024	594,811	2,127,391	887,238	41.71	127,970
1925	1,524,989	571,499	2,071,369	894,609	43.20	46,590
1926	1,578,826	667,157	2,056,361	886,990	43.13	34,033
1927	1,765,723	785,988	2,062,755	898,673	43.57	61,094
1928	1,814,855	802,678	2,005,691	915,910	45.67	157,085
1929	1,736,317	789,845	1,826,445	893,505	48.92	99,863
1930	1,557,864	860,793	1,596,972	835,041	52.29	38,000
1931	1,476,875	955,025	1,531,082	735,504	48.04	120,272
1932	1,950,141	1,210,816	2,045,276	695,837	34.02	659,593
1933	2,254,662	1,256,219	2,331,760	748,567	32.10	753,038
1934	2,163,004	1,217,633	2,246,982	843,183	37.53	742,542
1935	2,206,478	1,189,733	2,259,321	899,899	40.99	678,371
1936	2,282,175	—	2,372,098	1,007,080	42.75	609,621

	Proportion to the Total	From Others Amount	Proportion to the Total	Loans Outstanding at the end of the year	National Wealth (In ¥1,000,000)	National Income
1912	2.67	308,095	44.82	2,573,219	—	2,944
1913	1.79	339,600	47.04	2,584,123	32,043	3,030
1914	1.45	380,251	51.76	2,506,371	—	3,130
1915	0.24	394,166	55.62	2,489,234	—	3,030
1916	0.19	463,059	56.93	2,467,702	—	3,055
1917	1.59	637,370	58.75	2,698,741	45,696	3,527
1918	1.92	931,468	62.97	3,051,776	—	4,670
1919	1.06	1,117,157	61.77	3,277,873	86,079	6,384
1920	2.68	1,250,763	62.52	3,777,284	—	8,284
1921	2.57	1,226,826	59.39	4,077,116	—	10,855
1922	1.29	1,164,015	55.77	4,341,896	—	13,389
1923	1.71	1,223,054	59.80	4,729,956	—	13,252
1924	6.02	1,112,183	52.28	4,863,013	102,341	12,904
1925	2.25	1,129,970	54.55	4,999,176	—	13,382
1926	1.66	1,135,329	55.21	5,171,766	—	12,503
1927	2.96	1,102,988	53.47	5,397,867	—	11,637
1928	7.83	932,696	46.50	5,831,261	—	11,434
1929	5.47	833,077	45.61	5,959,457	—	11,510
1930	2.38	723,931	45.33	5,955,817	110,188	10,636
1931	7.86	675,306	44.11	6,187,657	—	8,716
1932	32.25	689,846	33.73	7,054,196	—	8,539
1933	32.29	830,155	35.60	8,139,038	—	9,719
1934	33.05	661,257	29.43	9,090,454	—	11,247
1935	30.03	654,867	28.99	9,854,301	—	—
1936	25.70	755,397	31.55	10,574,506	—	—

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

(In yen)

	Expenditure, General Account	Taxes	Loans Outstanding The Empire	Japan Proper	National Wealth	National Income
1912	11.47	7.13	37.52	50.88	—	58
1913	10.95	7.20	36.82	50.37	600	59
1914	12.08	6.60	34.99	48.16	—	60
1915	10.71	5.92	34.15	47.19	—	57
1916	10.70	6.51	33.33	46.13	—	57
1917	13.12	7.95	35.93	49.85	815	65
1918	17.51	9.48	40.09	55.75	—	85
1919	20.84	12.21	42.81	59.56	1,530	116
1920	24.52	12.55	48.94	68.09	—	149
1921	26.56	14.01	52.20	72.69	—	194
1922	25.19	15.79	54.93	76.50	—	236
1923	26.47	13.70	59.09	82.30	—	231
1924	27.93	15.25	59.91	83.59	1,759	222
1925	25.88	15.19	60.81	84.85	—	227
1926	26.43	14.85	61.15	86.57	—	209
1927	29.08	14.80	63.22	88.89	—	192
1928	29.47	14.87	67.46	94.70	—	186
1929	27.79	14.30	68.05	95.38	—	184
1930	24.61	13.19	67.14	94.10	1,741	168
1931	22.99	11.45	67.57	96.34	—	136
1932	29.99	10.70	76.91	108.50	—	131
1933	34.14	11.34	87.27	123.25	—	147
1934	32.33	12.60	96.15	135.87	—	168
1935	32.60	13.68	102.74	145.58	—	—
1936	33.64	14.05	—	—	—	—

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

YEARLY COMPARISON OF REVENUE AND EXPENDITURE
OF LOCAL GOVERNMENTS

(In ¥1,000)

	Expenditure			Expenditure			
	Amount	Revalued according to the current value of the yen	Revenue	Amount	Revalued according to the current value of the yen	Revenue	
1912	330,467	250,221	387,215	1924	1,308,100	478,075	1,613,590
1913	320,595	242,288	367,924	1925	1,409,196	528,105	1,712,791
1914	320,433	253,688	366,224	1926	1,593,997	673,567	1,912,002
1915	311,636	243,923	359,474	1927	1,969,307	876,611	2,247,828
1916	328,558	212,563	379,876	1928	1,893,809	837,598	2,156,918
1917	378,569	194,637	472,927	1929	1,714,647	779,988	1,956,528
1918	495,041	194,309	588,912	1930	1,752,737	968,470	1,998,262
1919	652,387	209,112	809,664	1931	1,625,969	1,062,447	1,826,211
1920	949,166	276,572	1,153,424	1932	1,898,928	1,179,019	2,097,910
1921	1,078,450	406,778	1,337,528	1933	1,534,905	1,412,361	2,761,632
1922	1,288,896	497,509	1,567,242	1934	1,792,632	1,009,137	1,793,126
1923	1,253,754	475,844	1,541,055	1935	1,836,237	990,099	1,837,117

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

STATE REVENUE AND EXPENDITURE FOR 1938-39
COMPARED WITH 1937-38

Sources of Revenue	1938-39 Budget	1937-38 Working Budget	Comparison	
			Increase	Decrease
Ordinary:				
Taxes:		(In yen)		
Income tax	1,577,141,047	1,250,722,354	326,418,693	—
Land tax	648,679,929	429,524,381	219,155,548	—
Business profits tax	50,360,097	58,760,697	—	8,400,600
Capital interest tax	90,477,681	73,475,167	17,002,514	—
Tax on the capital of corporations	33,129,297	29,176,704	3,952,593	—
Succession tax	23,600,193	15,454,980	8,145,213	—
Mining tax	36,015,151	33,475,676	2,539,475	—
Special tax on foreign currency securities	8,238,716	5,859,028	2,379,688	—
Tax on liquors	2,714,345	2,793,739	—	79,394
Table water tax	269,499,606	235,210,774	34,288,832	—
Sugar excise	4,917,140	4,139,591	777,549	—
Textiles consumption tax	136,645,171	98,743,607	37,901,564	—
Gasoline tax	35,192,211	43,040,849	—	7,848,638
Tax on bourses	16,156,800	14,913,855	1,242,945	—
Tax on the transfer of securities	39,256,306	19,279,858	19,976,448	—
Customs duties	3,424,227	4,624,717	—	1,200,490
Tonnage dues	175,825,497	179,300,612	—	3,475,115
Stamp receipts	3,008,680	2,948,119	60,561	—
Receipts from government undertakings and properties:	100,056,184	86,748,493	13,312,691	—
Forests	367,081,200	336,895,080	30,186,120	—
Profits of monopoly	54,828,568	48,561,490	6,267,078	—
Dividend receipts	254,050,017	235,104,624	18,945,393	—
Prisons receipts	29,410,048	28,958,902	451,146	—
Other receipts from Government undertakings and properties	21,145,376	19,069,241	2,076,135	—
Receipts from the Special Account for postal, telegraph and telephone services	7,647,191	5,200,823	2,446,368	—
Payments to the Government by the Bank of Japan	81,500,000	81,000,000	500,000	—
Miscellaneous receipts	15,066,086	13,087,561	1,978,525	—
Transfers from Special Account of funds for educational improvement and agricultural village development	56,162,034	57,142,057	—	980,023
Total	6,755,227	7,495,307	—	740,080
Extraordinary:	2,203,761,778	1,833,085,852	370,675,926	—
Proceeds of sale of State property				
Miscellaneous receipts	6,779,805	6,620,789	159,016	—
Receipts from the issue of public loans	19,985,802	45,979,277	—	25,993,475
Local payment to expenses incurred by the State for the benefit of certain prefectures	1,008,062,080	827,395,329	180,666,751	—
Local contributions to expenses incurred by the State for the benefit of certain prefectures	5,165,719	7,122,439	—	1,956,720
Payment from Insurance Companies	7,938,709	10,912,633	—	2,973,924
Transfers from Special Accounts	3,047,607	3,162,652	—	115,045
Receipts from the Special Profits Tax	3,542,623	8,875,368	—	5,332,745
Total	117,090,508	58,522,658	58,567,850	—

Sources of Revenue	1938-39 Budget	1937-38 Working Budget	Comparison	
			Increase	Decrease
Transfer of the surplus from the preceding year	—	20,649,102	—	20,649,102
Tax on Dividends	6,700,000	67,890,000	—	61,190,000
Receipts from Certain Special Accounts	36,637,060	—	36,637,060	—
Tax on Interest on National Bonds and Company Debentures	2,079,538	—	2,079,538	—
Travelling Tax	7,906,098	—	7,906,098	—
Admission Tax	10,334,726	—	10,334,726	—
Special Admission Tax	110,000	—	110,000	—
Tax on Commodities	53,910,362	—	53,910,362	—
Other Receipts	21,469,000	24,711,280	—	3,242,280
Total	1,310,759,637	1,081,841,527	228,918,110	—
Total Revenue	3,514,521,415	2,914,927,379	599,594,036	—
Branches of Expenditure	1938-39 Budget	1937-38 Working Budget	Comparison	
Ordinary:			Increase	Decrease
Imperial Household	4,500,000	4,500,000	—	—
Foreign Affairs:	18,950,517	18,036,167	914,350	—
Department proper	3,788,261	3,557,965	230,296	—
Embassies, legations and consulates abroad	14,316,612	13,440,914	875,698	—
Other expenses	845,644	1,037,288	—	191,644
Home Affairs:	45,151,036	45,853,566	—	702,530
Shinto shrine	1,251,720	1,251,360	360	—
Department proper	1,031,620	969,398	62,222	—
Prefectures (Dō, Fu and Ken)	12,035,800	11,710,177	325,623	—
Police	24,957,620	25,989,198	—	1,031,578
Other Expenses	5,874,276	5,933,433	—	59,157
Finance:	732,719,024	507,525,101	225,193,723	—
Department proper	1,996,265	1,561,847	434,418	—
Cabinet and Privy Council	1,705,442	1,769,005	—	63,563
House of Peers and House of Representatives	4,032,533	4,761,323	—	728,790
Custom-houses	6,279,322	5,818,414	460,908	—
Expenses for the collection of inland taxes	26,538,159	21,231,404	5,306,755	—
Taxes returned and exchange loss, compensation, etc.	23,709,606	19,040,932	4,668,674	—
Transferred to national debt consolidation fund	581,798,448	417,168,355	164,630,093	—
Funds in reserve	80,000,000	33,000,000	47,000,000	—
Other expenses	6,659,249	3,175,821	3,483,428	—
Army:	165,848,841	217,804,071	—	51,955,230
Department proper	651,918	647,531	4,387	—
Expenses for Military Affairs	164,434,926	216,098,066	—	51,663,140
Other expenses	761,997	1,058,474	—	296,477
Navy:	294,093,290	273,953,380	20,139,910	—
Department proper	620,615	537,771	82,844	—
Expenses for military affairs	292,571,852	272,191,269	20,380,583	—
Other expenses	900,823	1,224,340	—	323,517
Justice:	47,003,699	43,864,783	3,118,916	—
Department proper	771,036	747,719	23,317	—
Judicial courts and office consignment	20,895,294	20,106,235	789,059	—
Prisons	25,282,234	22,975,405	2,306,829	—
Other expenses	55,133	5,424	—	289
Education:	133,843,589	133,136,264	707,325	—
Department proper	2,275,988	2,457,707	—	181,719

Branches of Expenditure	1938-39 Budget	1937-38 Working Budget	Comparison	
			Increase	Decrease
(In yen)				
Education grants	96,836,085	96,618,980	217,105	—
Government educational institu- tions and library	32,141,383	32,205,249	—	63,866
Other Expenses	2,590,133	1,854,328	735,805	—
Agriculture and Forestry:	39,086,605	39,825,232	—	738,627
Department proper	1,245,261	1,284,325	—	39,064
Forestry expenses	27,689,932	23,853,150	3,836,782	—
Other expenses	10,151,412	14,687,757	—	4,536,345
Commerce and Industry:	7,306,547	6,724,213	582,334	—
Department proper	1,641,986	1,541,201	100,785	—
Patent bureau and mining inspec- tion Office	1,456,483	1,372,020	84,463	—
Other expenses	4,208,078	3,810,992	397,086	—
Communications:	200,337,451	185,414,412	14,923,039	—
Department proper	864,546	832,961	31,585	—
Pensions and annuities	195,191,945	180,867,457	14,324,488	—
Other expenses	4,280,960	3,713,994	566,966	—
Overseas Affairs:	2,413,782	2,302,874	110,908	—
Department proper	848,325	837,153	11,172	—
Other expenses	1,565,457	1,465,721	99,736	—
Welfare:	76,192,138	49,821,275	26,370,863	—
Department proper	1,007,572	916,307	91,265	—
Other expenses	75,184,566	48,904,968	26,243,098	—
Total	1,767,446,519	1,528,781,338	238,665,181	—
Extraordinary:				
Foreign Affairs	30,898,697	35,550,747	—	4,652,050
Home Affairs	233,942,952	228,259,715	5,683,237	—
Finance	(a)417,619,430	66,683,443	350,935,987	—
Army	(b)400,906,845	510,461,269	—	109,554,424
Navy	(c)386,290,061	410,004,912	—	23,714,851
Justice	3,788,810	3,396,952	391,858	—
Education	12,707,400	12,852,126	—	144,726
Agriculture and Forestry	90,457,835	85,914,081	4,543,754	—
Commerce and Industry	45,341,001	31,729,292	13,611,709	—
Communications	28,819,357	22,505,667	9,313,690	—
Overseas Affairs	28,713,937	31,109,302	—	2,395,365
Welfare	67,588,571	14,442,344	53,146,227	—
Total	1,747,074,896	1,452,909,850	294,165,046	—
Total Expenditure	3,514,521,415	2,981,691,188	532,830,227	—

Note:—For comparison with the Budget for 1938-39, certain adjustments have been made in the figures of the Budget for 1937-38.

Budget for the Fiscal Year 1938-39

General Features In the compilation of the Budget Estimates for the fiscal year 1938-39, comprising those of the General Account and Special Accounts, endeavours were made to increase as much as possible expenditures for the undertakings connected with the China incident, while at the same time, retrenchment was effected in other categories of expenditure. On the side of revenue, not only were tax increases of temporary nature made to apply the receipts to a part of the expenditure for the China incident, but a consider-

able growth in the tax and other receipts, arising from activity in the economic sphere, was also estimated. Deficits were to be covered by the proceeds of public loans.

The Budget Estimates approved by the Diet in the 73rd Session (December 1937 to March 1938) consisted of the original Budget and Supplementary Budgets Nos. 1, 2 and 3 for the General Account, and the original Budget and the Supplementary Budgets Nos. 1 and 2 for the Special Accounts. The sequence of the original Budget and the Supplementary Budgets for the General Account will be stated below:—

(1) The original Budget was as follows:

	¥
Revenue	
Ordinary	2,023,028,727
Extraordinary	844,768,128
Normal revenue	150,604,389
Receipts from the issue of public loans	694,163,739
Total	2,867,796,855
Expenditure	
Ordinary	1,640,536,301
Extraordinary	1,227,260,554
Total	2,867,796,855

(2) The Supplementary Budget No. 1 was as follows:

	¥
Revenue	
Ordinary	164,218,985
Extraordinary	222,273,345
Normal revenue	149,231,510
Receipts from the issue of public loans	73,041,835
Total	386,492,330
Expenditure	
Ordinary	69,195,890
Extraordinary	317,296,440
Total	386,492,330

(3) The Supplementary Budget No. 2 was as follows:

	¥
Revenue	
Ordinary	15,671,723
Extraordinary	155,334,135
Normal revenue	1,515,112
Receipts from the issue of public loans	153,819,023
Total	171,005,858
Expenditure	
Ordinary	55,199,594

Extraordinary Total 115,806,264
Total 171,005,858

(4) The Supplementary Budget No. 3 was as follows:

	¥
Revenue	
Ordinary	842,343
Extraordinary	88,384,029
Normal revenue	1,346,546
Receipts from the issue of public loans	87,037,483
Total	89,226,372
Expenditure	
Ordinary	2,514,734
Extraordinary	86,711,638
Total	89,226,372

When these amounts are included, the total figures of the Budget Estimates for the General Account for the fiscal year 1938-39 were as follows:

	¥
Revenue	
Ordinary	2,203,761,778
Extraordinary	1,310,759,637
Normal Revenue	302,697,557
Receipts from the issue of public loans	1,008,062,080
Total	3,514,521,415
Expenditure	
Ordinary	1,767,446,519
Extraordinary	1,747,074,896
Total	3,514,521,415

Comparison of the Budget for 1938-39 with the Budget for 1937-38

General Account The following are the comparisons of the Budget for 1938-39 with the revised Budget for 1937-38:—

	1938-39	1937-38 (In yen)	Increase (+) or Decrease (-) compared with 1937-38
Revenue			
Ordinary	2,203,761,778	1,833,085,852	(+) 870,675,926
Extraordinary	1,310,759,637	1,081,841,527	(+) 228,918,110
Normal revenue	302,697,557	233,797,096	(+) 68,900,461
Receipts from the issue of public loans and borrowings	1,008,062,080	827,395,329	(+) 180,666,751
Transfer of surplus from the pre- ceding year	0	20,649,102	(-) 20,649,102
Total	3,514,521,415	2,914,927,379	(+) 599,594,035
Expenditure			
Ordinary	1,767,446,519	1,528,781,338	(+) 238,665,181
Extraordinary	1,747,074,896	1,452,909,850	(+) 294,165,046
Total	3,514,521,415	2,981,691,188	(+) 532,830,227

Note:—For comparison with the Budget for 1938-39, certain adjustments were made in the Budget figures for 1937-38.

Special Accounts The Budget for the 1938-39, and comparisons with the Budget for 1937-38 are as follows:—

(a) Imperial Government Railways Special Account.

	1938-39	1937-38 (In yen)	Increase (+) or Decrease (-) compared with 1937-38
Capital Account			
Revenue	218,115,676	199,277,173	(+) 18,838,503
Expenditure	244,955,676	222,812,407	(+) 22,143,269
Stores Account			
Revenue	285,740,000	231,350,099	(+) 54,389,901
Expenditure	285,740,000	231,350,099	(+) 54,389,901
Profit and Loss Account			
Revenue	985,519,962	888,423,034	(+) 97,096,928
Expenditure	823,915,286	737,245,861	(+) 85,669,425

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

	1938-39	1937-38 (In yen)	Increase (+) or Decrease (-) compared with 1937-38
Capital Account			
Revenue	79,981,551	91,930,679	(-) 11,949,128
Expenditure	93,611,598	100,865,664	(-) 7,254,066
Stores Account			
Revenue	53,856,092	50,900,253	(+) 2,955,839
Expenditure	53,856,092	50,900,253	(+) 2,955,839
Working Account			
Revenue	431,470,498	367,360,642	(+) 64,109,856
Expenditure	386,864,560	330,892,843	(+) 55,971,717

(c) Special Accounts for Special Regions.

	1938-39	1937-38 (In yen)	Increase (+) or Decrease (-) compared with 1937-38
(1) Chōsen (Korea)			
Revenue	518,915,028	427,653,964	(+) 91,261,064
Expenditure	518,915,028	425,123,781	(+) 93,791,247
(2) Taiwan (Formosa)			
Revenue	183,014,971	164,794,579	(+) 18,220,392
Expenditure	183,014,971	163,906,929	(+) 19,108,042
(3) Kwantung			
Revenue	24,056,582	27,663,748	(-) 3,607,166
Expenditure	24,056,582	27,663,748	(-) 3,607,166
(4) Karafuto (Japanese Saghalien)			
Revenue	38,688,529	37,274,037	(+) 1,414,492
Expenditure	38,688,529	37,274,037	(+) 1,414,492
(5) Nanyō (Mandated Territory in the Pacific)			
Revenue	9,904,471	8,682,482	(+) 1,221,989
Expenditure	9,674,669	8,682,482	(+) 992,187

Current Accounts of Revenue and Expenditure for 1938-39

(As outstanding on May 31, 1939)

According to the report of the Finance Ministry the revenue and expenditure of the General Account for the fiscal year 1938-39 stood on May 31, 1939, as follows:

	Amount	Increase as compared with May, 1938 (Unit ¥1,000)
Revenue,		
Ordinary	2,052,350	376,873
Extraordinary	1,252,256	459,131
Total	3,304,606	836,004

	Amount	Increase as compared with May, 1938
Expenditure		
Ordinary	1,597,127	188,385
Extraordinary	1,372,821	74,202
Total	2,969,948	262,587

Increase of Revenue Increase of revenue from ordinary taxes amounted to ¥36,000,000 as compared with the similar figures in May, 1938 for the fiscal year 1937-38. Customs duties decreased by ¥18,000,000, and revenue from the land tax, the foreign bond special tax, the negotiable papers transfer tax, the gasoline tax, the tax on bourses, and tonnage dues also decreased. But, in all

other items it showed a remarkable increase, headed by ¥254,193,000 of the income tax.

Receipts from public undertakings and State property increased by ¥11,660,000, revenue from the Bank of Japan ¥3,432,000, and that from the special profits tax ¥83,470,000.

Revenue from all taxes amounted to

¥1,983,185,000, consisting of ¥1,689,726,000 from ordinary taxes and ¥293,439,000 from extraordinary taxes, resulting from the measures for the increase of revenue from taxes and natural increase of taxes on account of the industrial boom in the emergency.

Details of the revenue account follow:

	Amount	Increase or decrease (-) as compared with May, 1938 (Unit ¥1,000)
Ordinary:		
I Taxes		
Income tax	732,516	254,193
Land tax	51,509	- 6,940
Business profit tax	105,277	14,019
Capital interest tax	33,121	5,822
Juridical person capital tax	21,942	12,587
Inheritance tax	45,481	9,629
Mining tax	10,735	3,291
Foreign bond special tax	2,700	- 73
Tax on liquors	278,668	37,208
Tax on soft drinks	5,371	635
Sugar excise	145,357	50,129
Textile consumption tax	46,898	7,959
Gasoline tax	13,494	- 3,839
Tax on bourses	25,038	- 5,063
Negotiable papers transfer tax	2,359	- 495
Customs duties	166,422	- 18,540
Tonnage dues	2,562	- 205
Tax on the issue of bank notes	267	162
Total	1,689,726	360,481
II Stamp receipts	91,408	- 1,867
III Receipts from public undertakings and State property	115,996	11,660
IV From Special Account for Communications	81,500	500
V From the Bank of Japan	13,104	3,432
VI Miscellaneous receipts	60,613	2,665
Total of Ordinary Revenue	2,052,350	376,879
Extraordinary:		
I Sale of State property	7,598	702
II Miscellaneous receipts	19,088	- 25,633
III Payment by public bodies for the repairing and construction of harbours	2,898	- 4,766
IV Shares assumed by public bodies for local public works	7,733	- 2,942
V Receipts for encouragement of scholarly researches	32	- 1
VI Transfers from Special Accounts	547	- 1,686
VII Payment by insurance companies	3,514	97
VIII Receipts under the Export Credits Guarantee System	388	- 85
IX Refunding of the loans to exporters	12	-
X Special Profits tax	185,941	83,470
XI Tax on dividends	35,445	35,445
XII Tax on the interests of public loans and corporation shares	1,042	1,042
XIII Transit duty	8,087	8,087
XIV Entrance tax	8,278	8,278
XV Special entrance tax	72	72

	Amount	Increase or decrease (-) as compared with May, 1938
	(Unit ¥1,000)	
XVI Tax on commodities	54,574	54,574
XVII Receipts from Special Accounts	6,700	- 61,190
XVIII Loans	685,475	248,284
XIX Brought forward from the balance of the previous year	205,313	115,390
XX From Manchoukuo for national defence	19,500	—
Total of Extraordinary Revenue (including others)	1,252,256	459,131
Grand Total	3,304,606	836,004

Expenditure increased by ¥262,587,000 as compared with the similar figures in May, 1938, for the fiscal year 1937-38. The following table shows the amounts expended by different Departments.

Department	Ordinary	Extraordinary
	(Unit ¥1,000)	(Unit ¥1,000)
Imperial Household	4,500	—
Foreign Affairs	18,040	30,135
Home Affairs	49,389	242,701
Finance	579,998	94,013
Army	130,701	358,301
Navy	286,837	392,408
Justice	48,459	4,133
Education	133,188	12,479
Agriculture and Forestry	38,426	94,281
Commerce and Industry	6,791	45,939

Department	Ordinary	Extraordinary
	(Unit ¥1,000)	(Unit ¥1,000)
Communications	194,808	24,973
Overseas Affairs	2,367	26,273
Welfare	103,616	47,179
Total	1,597,127	1,372,821
Grand Total	2,969,948	

Public Loan Programme

The issue of public loans for financing expenditure for the General Account and Special Accounts amounts during the current fiscal year to ¥5,628,052,018, representing an increase of ¥2,338,800,285 as compared with that in the revised Budget for 1937-38. The public loan programme for the fiscal year 1938-39 and comparisons with that of the preceding fiscal year are as follows:

GENERAL ACCOUNT

Items	1938-39	1937-38	Increase (+) or Decrease (-) compared with 1937-38
Loans for reconstruction works necessitated by the earthquake of 1923	8,804,031	7,353,733	(-) 3,549,702
Loans for the improvement of roads	9,166,350	10,598,771	(-) 1,432,421
Loans for expenditure in connection with the Manchurian incident	124,617,380	265,904,526	(-) 141,287,146
Loans for the covering of revenue deficits	870,474,319	538,594,549	(+) 331,879,770
Loans for expenditure for the North China incident	0	4,943,750	(-) 4,943,750
Total	1,008,062,080	827,395,329	(+) 180,666,751

SPECIAL ACCOUNTS

Loans for postal, telegraph and telephone services and for reconstruction works necessitated by the earthquake of 1923	18,500,000	36,000,000	(-) 17,500,000
Loans for the construction and improvement of Government railways	42,000,000	42,000,000	—
Loans for public undertakings in Chosen	106,000,000	65,000,000	(+) 41,000,000
Loans for expenditure for the North China incident	0	401,185,246	(-) 401,185,246

Items	1938-39	1937-38	Increase (+) or Decrease (-) compared with 1937-38
Loans for expenditure for the China incident	4,453,489,938	2,022,671,158	(+) 2,430,818,780
Total	4,619,969,938	2,568,856,404	(+) 2,053,133,534
Grand Total	5,628,052,018	3,394,251,733	(+) 2,233,800,285

ANNUAL STATE REVENUE AND EXPENDITURE

Financial Year	Ordinary	Revenue		Expenditure Ordinary
		Extraordinary	Total	
(In yen)				
1921-22	1,283,812,503	781,898,683	2,065,711,186	841,749,861
1922-23	1,428,206,040	659,139,395	2,087,345,435	891,257,440
1923-24	1,303,832,042	741,166,225	2,045,298,267	960,593,700
1924-25	1,238,640,171	688,751,153	2,127,391,324	1,051,010,011
1925-26	1,443,234,938	628,134,374	2,071,369,313	1,016,289,096
1926-27	1,452,409,833	603,951,528	2,056,361,361	1,081,993,470
1927-28	1,484,779,896	577,975,441	2,062,755,337	1,171,777,282
1928-29	1,505,012,997	500,678,107	2,005,691,104	1,184,241,592
1929-30	1,481,143,304	345,301,447	1,826,444,751	1,212,726,880
1930-31	1,422,059,449	174,912,618	1,596,972,168	1,202,152,685
1931-32	1,314,911,859	216,170,183	1,531,082,042	1,111,824,193
1932-33	1,287,038,893	758,236,675	2,045,275,568	1,182,862,616
1933-34	1,391,418,998	940,340,595	2,331,759,594	1,313,017,990
1934-35	1,342,930,935	904,050,670	2,246,981,605	1,224,782,544
1935-36	1,405,426,797	853,894,509	2,259,321,306	1,268,992,250
1936-37	1,561,649,514	810,449,098	2,372,098,612	1,320,140,686
1937-38*	1,945,998,351	968,472,140	2,914,470,491	1,409,250,592
1938-39†	2,203,761,778	1,310,759,637	3,514,521,415	1,767,446,519

Financial Year	Expenditure		Gross Surplus	Net
	Extraordinary	Total		
(In yen)				
1921-22	648,105,752	1,409,855,613	575,855,573	117,741,946
1922-23	538,432,182	1,429,689,622	657,655,813	272,824,121
1923-24	560,456,605	1,521,050,305	524,247,962	141,519,583
1924-25	574,014,062	1,625,024,073	502,367,251	224,099,454
1925-26	508,699,494	1,524,988,590	546,380,723	178,046,963
1926-27	496,832,955	1,578,826,425	477,534,936	102,923,106
1927-28	593,945,708	1,765,723,080	297,032,257	52,512,693
1928-29	630,613,419	1,814,855,011	190,836,093	42,665,325
1929-30	523,590,194	1,736,317,055	90,127,696	—
1930-31	355,711,046	1,557,863,732	39,108,436	5,991,200
1931-32	365,051,071	1,476,875,265	54,206,777	19,193,075
1932-33	767,278,007	1,950,140,623	95,134,944	29,373,981
1933-34	941,644,246	2,254,662,236	77,097,358	13,653,358
1934-35	938,221,361	2,163,003,905	83,977,700	4,403,493
1935-36	937,465,683	2,206,477,933	52,843,373	1,950,750
1936-37	962,035,114	2,282,175,801	89,922,811	34,638,176
1937-38*	1,299,906,890	2,709,157,483	205,313,008	84,160,507
1938-39†	1,747,074,896	3,514,521,415	—	—

Note:—(1) The financial year begins on April 1st and ends on March 31st.
 (2) The figures for 1935-36 and the years preceding it represent the settled accounts.
 (3) * Represent the actual account on July 31, 1937.
 (4) † Represent the budget.
 (5) The gross surplus indicates the balance of revenue over expenditure for each financial year. Under the Budget and Account Act the surplus actually created in each financial year is transferred to the Budget of the succeeding year, and this Gross

Surplus includes not only the accumulation brought forward from preceding financial years, but the net surplus actually created in that year. Accordingly, the balance of the gross and the net surplus represents a part or a total of the surplus created in the preceding year. Part of the gross surplus is applied to disbursements and deferred expenditures during the succeeding year and the balance is carried forward as a surplus to be used in succeeding financial years.

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

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

STATE REVENUE IN 1936-37—1938-39

Sources of Revenue	1936-37	1937-38 (Budget) (In yen)	1938-39 (Budget)
Ordinary:			
Taxes:	1,007,080,493	1,250,722,354	1,577,141,047
Land tax	58,592,350	58,760,697	50,360,097
Income tax	276,555,799	429,524,381	648,679,929
Business tax	4,309	—	—
Business profits tax	73,231,123	73,475,167	90,477,681
Capital interest tax	15,033,848	29,176,704	83,129,297
Tax on the capital of corporations	—	15,454,980	23,600,193
Succession tax	31,790,577	33,475,676	36,015,151
Travelling tax	—	—	—
Mining tax	5,291,783	5,859,028	8,238,716
Special tax on foreign currency securities	—	2,793,739	2,714,345
Tax on the issue of bank notes	—	—	—
Tax on liquors	220,099,956	235,210,774	269,499,606
Tax on soy	—	—	—
Table water tax	4,219,027	4,139,591	4,917,140
Sugar excise	86,781,641	98,743,607	136,645,171
Textiles consumption tax	42,557,520	43,040,849	35,192,211
Gasoline tax	—	14,913,855	16,156,800
Tax on hours	15,844,655	19,279,858	39,256,306
Tax on the transfer of securities	—	4,624,717	3,424,227
Customs duties	174,129,933	179,300,612	175,825,497
Tonnage dues	2,947,968	2,948,119	3,008,680
Other taxes	—	—	—
Stamp receipts	93,822,779	86,743,493	100,056,184
Receipts from Government undertakings and properties:			
Postal, telegraph and telephone services	307,650,653	331,176,735	367,081,200
Forests	46,676,378	48,350,375	54,828,568
Profits of monopoly	215,166,810	233,968,819	254,050,017
Other receipts from Government undertakings and properties	45,807,465	48,857,541	58,202,615
Receipts from the Special Account for postal, telegraph and telephone services	81,000,000	81,000,000	81,500,000
Payment to the Government by the Bank of Japan	14,984,291	13,087,561	15,066,086
Transferred from Special Account of funds for educational improvement and agricultural village development	6,723,988	7,495,307	6,755,227

STATE REVENUE AND EXPENDITURE

Sources of Revenue	1936-37	1937-38 (Budget) (In yen)	1938-39 (Budget)
Other miscellaneous receipts	50,387,310	57,033,847	56,162,034
Total	1,561,649,514	1,827,259,297	2,203,761,778
Extraordinary:			
Proceeds of sale of State property	20,053,762	6,518,169	6,779,805
Miscellaneous receipts	11,335,738	45,979,277	19,985,802
Local payment to expenses incurred by the State for the benefit of certain prefectures	7,321,014	7,122,439	5,165,719
Local contributions to expenses incurred by the State for the benefit of certain prefecture	10,084,551	10,645,966	7,938,709
Fund belonging to Special Accounts transferred	26,120,908	76,765,368	10,242,623
Receipts from the issue of public loans	609,821,777	1,228,580,575	1,008,062,080
Repayment from the insurance companies	3,412,246	3,162,652	3,047,607
War-profits tax	—	—	—
Special profits tax	44,681,145	58,522,658	117,090,508
Transfer of the surplus from the preceding year	52,843,373	20,649,102	—
Receipts under the export credits guarantee system	422,088	1,202,000	1,938,000
Emergency tax for the North China incident	—	66,548,361	—
Borrowings for the North China incident	—	36,591,321	—
Receipts from the Taxes newly created under the Law relating to Emergency Taxes for the China Incident	—	—	110,977,784
Other Miscellaneous receipts	24,552,496	26,392,622	19,531,000
Total	810,449,098	1,588,680,510	1,310,759,637
Total revenue	2,372,098,612	3,415,939,807	3,514,521,415

STATE EXPENDITURE IN 1936-37—1938-39

Branches of Expenditure	1936-37	1937-38 (Budget) (In yen)	1938-39 (Budget)
Ordinary:			
Imperial Household	4,500,000	4,500,000	4,500,000
Foreign Affairs:			
Department proper	17,508,746	18,020,872	18,950,517
Embassies, Legations and Consulates abroad	3,269,512	3,557,965	3,788,261
Other expenses	12,936,130	13,440,914	14,316,612
Home Affairs:			
Department proper	1,276,104	1,021,993	845,644
Prefectures (Dō, Fu & Ken)	61,904,514	75,864,446	45,151,036
Other expenses	904,498	1,075,465	1,031,620
Finance:			
Department proper	10,640,982	11,723,829	12,035,800
Cabinet and Privy Council	50,359,034	63,065,152	32,083,616
House of Peers and House of Representatives	413,599,663	504,164,859	732,719,024
Court of Administrative Litigation and Board of Auditors	986,569	1,472,777	1,996,265
Custom-houses	1,662,858	1,901,587	1,705,442
Expenses for the Collection of inland taxes	4,010,644	4,739,948	4,032,533
Transferred to National Debt Consolidation Fund	602,271	675,408	674,658
Other expenses	5,207,660	5,818,414	6,279,822
Army:			
Department proper	16,962,468	21,231,404	29,538,159
Expenses for military affairs	363,352,894	417,168,355	581,798,448
Other expenses	20,814,299	51,156,966	109,694,197
Navy:			
Department proper	191,433,465	217,804,071	165,848,841
Expenses for military affairs	610,964	647,531	651,918
Other expenses	189,336,953	216,098,060	164,434,926
	1,485,548	1,058,474	761,997
	236,408,109	273,953,380	294,093,290

Branches of Expenditure	1936-37	1937-38 (Budget) (In yen)	1938-39 (Budget)
Department proper	485,441	537,771	620,615
Expenses for military affairs	234,798,763	272,191,269	292,571,852
Other expenses	1,123,905	1,224,340	900,823
Justice:	38,129,399	41,173,831	47,003,699
Department proper	525,836	747,719	771,036
Judicial courts	19,273,977	20,027,986	20,895,294
Prisons	18,279,713	20,342,702	25,282,234
Other expenses	49,873	55,424	55,135
Education:	131,144,564	133,189,892	133,843,589
Department proper	2,440,966	2,525,083	2,275,988
Government educational institutions and libraries	31,583,115	32,205,249	32,141,383
Other expenses	97,120,483	98,459,560	99,426,218
Agriculture and Commerce:	33,602,445	39,404,327	39,086,605
Department proper	1,447,130	1,284,325	1,245,261
Forestry expenses	23,716,096	23,853,150	27,689,932
Other expenses	8,439,219	14,266,852	10,151,412
Commerce and Industry:	5,763,106	6,739,288	7,306,547
Department proper	1,628,135	1,594,001	1,641,986
Patent Bureau and Mining Inspection Office	1,413,082	1,435,120	1,456,483
Other expenses	2,721,889	3,710,167	4,208,078
Communications:	183,982,437	185,502,388	200,337,451
Department proper	1,189,466	832,961	864,546
Communication expenses	1,257,450	1,300,224	1,359,288
Pensions and annuities	179,845,461	180,867,457	195,191,945
Other expenses	1,690,060	2,501,746	2,921,672
Overseas Affairs:	2,164,233	2,302,874	2,413,782
Department proper	703,442	837,153	848,325
Other expenses	1,460,791	1,465,721	1,565,457
Welfare:	—	579,273	76,192,138
Department proper	—	402,254	1,007,572
Other expenses	—	177,019	75,184,566
Total	1,320,140,686	1,503,199,501	1,767,446,519
Extraordinary:			
Foreign Affairs	14,587,108	29,884,180	30,898,697
Home Affairs	151,277,598	240,683,000	233,942,952
Finance	23,737,694	165,436,708	417,619,430
Army	319,285,926	813,569,539	400,906,845
Navy	331,042,417	514,104,912	386,290,061
Justice	2,907,773	3,254,421	3,788,810
Education	11,429,234	13,462,043	12,707,400
Agriculture and Commerce	65,024,753	83,693,216	90,457,835
Commerce and Industry	11,389,353	31,706,015	45,341,001
Communications	14,408,638	22,220,667	28,819,357
Overseas Affairs	16,944,614	30,490,242	28,713,937
Welfare	—	190,692	67,588,571
Total	962,035,114	1,948,695,635	1,747,074,896
Total Expenditure	2,282,175,801	3,451,895,136	3,514,521,415

Budget for 1939-1940
(In yen)

GENERAL ACCOUNT
Ordinary Revenue

I Taxes	Total 1,471,830,448
Income tax	809,470,836
Land tax	48,234,225
Business profit tax	113,488,730

Capital interest tax	42,378,440
Juridical person capital tax	27,492,857
Inheritance tax	49,401,572
Mining tax	8,808,593
Foreign bond special tax	2,650,672
Tax on liquors	254,767,879
Tax on soft drinks	5,035,672
Sugar excise	117,678,182
Textile consumption tax	43,612,668
Gasoline tax	11,733,216
Tax on bourses	27,134,863
Negotiable papers transfer tax	2,369,163
Customs duties	175,195,725
Tonnage dues	2,468,464
II Stamp receipts	90,122,388
III Receipts from public undertakings and State property	Total 371,619,749
Forests	70,605,362
Monopoly Bureau	240,964,807
Printing Bureau	4,308,001
Senju Woolen Factory	5,826
Capital profit of Navy factories	2,740,000
Navy Fuel Factory	258,779
Naval Explosives Factory	250,000
Rent of State property	733,185
Dividend receipts	30,675,035
Prisons' receipts	21,078,754
IV From Special Account for Communications	81,500,000
V From the Bank of Japan	15,676,108
VI Miscellaneous receipts	Total 65,165,263
Certificates and fees	776,868
Penal fees and confiscated money	2,862,125
Indemnification and forfeit	472,189
Custom houses, miscellaneous	1,573,212
Receipts anent pension	4,869,825
Allotments anent pension	2,141,832
Charges anent pension in Special Accounts	27,713,365
Receipts from privately supported boys in the Military Preparatory School	275,760
Receipts from Bonin Islands	1,926
Interests	221,511
Receipts from Horse Race Association	17,874,334
Contribution of local governments for Labour Exchange Expenses	1,500,385
Other miscellaneous receipts	4,881,931
VII Transferred from Special Account of funds for educational improvement and agrarian village development	6,926,813
Total of ordinary revenue	2,372,840,769

Extraordinary Revenue

I Sale of State property	Total 7,192,619
Lands	300,000
Goods	6,667,699
Live-stock	224,920
II Miscellaneous receipts	Total 61,853,017
Building and repairing works in trust	160,129
Investigations in trust	99,414
Money paid back	331,720
Share of the sales proceeds of seal furs	165,540
Repayments of advances per Earthquake Note Settlement Law	4,181,575

Contribution to the national loan reimbursement fund	5,000	
Receipts from the S. M. R. Co.	1,475,971	
Receipts from the Nippon Iron Foundry	1,214,292	
Transferred from the Special Fund for Cultural Work for China	1,000,000	
Transferred from the Special Account for Silk Price Control	4,744,000	
Receipts by the redemption of the loss sustained by the loans for small industrialists and merchants	181,002	
Paid in by the 2600 the Anniversary Celebration Association	34,840	
Transferred from the Special Account of Gold Fund	6,043,798	
Contribution of local governments for Labour Exchange Expenses	1,497,267	
Payment in accordance with the Convertible Notes Readjustment Law	40,718,449	
III Payments by public bodies for the repairing and construction of harbours	5,288,481	
IV Shares assumed by public bodies for local public works	Total	8,889,425
River improvement		5,217,781
Harbour equipments		1,231,427
Road improvement		2,440,217
V Receipts for encouragement of scholarly researches	Total	33,000
Imperial donation		12,000
Contributions		21,000
VI Transfers from Special Accounts	Total	1,739,763
From		
State Property Readjustment Fund		1,180,321
Printing Bureau		150,000
Governmental universities		100,000
Communications works		194,881
Health Insurance		60,000
Post Office Life Insurance		54,561
VII Payment by insurance companies		3,352,169
VIII Receipts under the Export Credits Guarantee System		1,675,000
IX Refunding of the loans to exporters		3,728,000
X Special profits tax		219,845,298
XI Tax on dividends		35,304,592
XII Tax on the interests of public loans and corporation shares		1,443,570
XIII Transit-duty		9,243,712
XIV Entrance tax		8,114,740
XV Special entrance tax		105,090
XVI Tax on commodities		53,961,730
XVII Receipts from Special Accounts for General Accounts	Total	6,700,000
From		
Deposits Bureau, Ministry of Finance		6,000,000
South Seas Government		700,000
XVIII Loans	Total	809,195,494
Earthquake loans and conversions		4,428,779
Road loans and conversions		8,974,377
Revenue deficiency loans and conversions		795,792,338
XIX Brought forward from the Balance of the previous year		84,160,507
Total of extraordinary revenue		1,321,826,207
Grand total of revenue		3,694,666,976

Ordinary Expenditure

I Imperial Household	4,500,000	
Department of Foreign Affairs		
I Department proper	Total	3,792,533
Salaries		601,472
Office expenses		914,345
Salaries of foreigners		35,400

Telegrams		432,422
Entertainments		2,000
International allotments		9,311
Students abroad		156,229
Special services		1,641,354
II Offices abroad	Total	15,922,113
Salaries		6,006,424
Office expenses		4,500,728
Travelling expenses		2,457,999
Salaries of foreigners		40,849
Law court and registering expenses		31,454
Detention expenses		41,560
Land and house rent		1,398,983
Telegrams		1,066,700
Entertainments		377,416
III Protection of resident Japanese abroad	Total	554,653
Salaries		120,801
Office expenses		433,852
IV Japanese Embassy at Hsinking, Educational Section		172,296
Shrines		1,700
Salaries		58,941
Office expenses		111,655
V Miscellaneous expenses		115,850
Sum total		20,557,445

Department of Home Affairs

I Isé Shrine		230,000
II Other State shrines		1,021,720
III Department proper	Total	1,212,544
Salaries		465,635
Office expenses		713,774
International allotments		1,853
Special services		31,282
IV Police Training Institute		30,045
V Prefectural offices	Total	12,286,901
Salaries		8,204,593
Office expenses		3,840,648
Imperial attendance		79,105
Bonin Islands		61,292
Police for the Seven Islands of Izu		19,214
Special services		82,049
VI Conscription expenses		3,025,026
VII Joint payment for police expenses		25,765,238
VIII Grants to social works		4,163,259
IX Miscellaneous expenses		107,114
Sum total		47,841,847

Department of Finance

I Department proper	Total	2,045,271
Salaries		733,475
Office expenses		1,278,440
International allotments		1,062
Customs duties investigation committee		23,294
Special services		9,000
II Cabinet expenses	Total	1,717,205
Salaries		359,925
Office expenses		902,882
Rewards		100,828
Examinations for high officials		52,440
Punishment of officials		1,413
Official service limitation committee		2,868

Rice Self Control Committee	6,300	
Committee for the Investigation of the control of Transportation Enterprises	18,000	
National Mobilization Commission	27,000	
National Mobilization Compensation Committee Meeting	18,000	
Contribution to International Statistics Association	1,000	
Special services	226,550	
III Privy Council expenses	198,032	
IV House of Peers	1,745,776	
V House of Representatives	2,286,118	
VI Board of Audit	539,708	
VII Court of Administrative Litigation	125,093	
VIII Board of Planning	646,335	
IX Bureau of Repairing and Property Overseeing	88,840	
X Custom houses		Total 6,265,254
Salaries	1,778,635	
Office expenses	2,294,414	
Inspection of diseases	547,413	
Others	1,644,792	
XI Tax collection houses and brewery laboratory		Total 27,352,628
Salaries	8,065,770	
Office expenses	5,763,024	
Committee meetings	222,044	
Disposing expenses	262,674	
Stamps, etc.	76,900	
Aid to local public bodies	11,944,644	
Aid to textile associations	497,763	
Aid to brewers' associations	519,809	
XII Miscellaneous rebates, repayments and compensations	24,216,196	
XIII Transferred to the national debt adjustment fund	706,987,492	
XIV Payment to the Deposits Bureau	1,464,011	
XV Educational expenses for the resident Japanese in Manchou-kuo borne by the Imperial Treasury	4,450,000	
XVI Miscellaneous expenses	737,930	
XVII State Reserve Fund	90,000,000	
Sum total	870,865,889	

Department of War

I Department proper		Total 623,180
Salaries	364,530	
Office expenses	258,650	
II Military expenses		Total 182,249,156
Salaries	45,121,391	
Buildings and repairs	9,584,004	
Miscellaneous payments	18,993,762	
Clothes and provisions	24,176,352	
Ordnance and horses	65,890,324	
Manoeuvres	14,871,441	
Medical treatments	842,016	
For short-time service soldiers and privately supported students	710,194	
Detention	60,086	
Transportation	1,677,260	
Imperial attendance	52,146	
Special services	270,180	
III Contribution to Yasukuni Shrine	12,000	
IV Miscellaneous expenses	759,267	
Sum total	183,643,603	

Department of Marine

I Department proper		Total 743,544
Salaries	511,750	
Office expenses	231,794	
II Military expenses		Total 285,587,555
Salaries	63,623,145	
Buildings and repairs	1,729,229	
Miscellaneous payments	7,284,939	
Clothes and provisions	30,590,339	
Construction and repairs of ships	119,055,802	
Manoeuvres	715,349	
Medical treatments	1,606,895	
Naval stations and ports	1,200,698	
Expenses on ships	50,636,734	
Waterways	1,815,385	
Educational expenses	2,535,417	
Aids to seamen's families	1,157,765	
Grants to the mutual aid society	3,561,220	
Detention	11,338	
Special services	63,300	
III Miscellaneous expenses	884,896	
Sum total	287,215,995	

Department of Justice

I Department proper		Total 1,201,841
Salaries	295,657	
Office expenses	334,781	
International allotments	4,161	
Aid to protection work for ex-convicts	433,497	
Judicial investigations	79,055	
Aid to the prison Police Training Institute	9,690	
Aid to the Lawyers' Association	45,000	
II Court expenses		Total 21,499,622
Salaries	12,518,979	
Office expenses	6,014,952	
Judicial and registering expenses	2,473,596	
Adjudication expenses	302,334	
Detention	109,107	
Special services	80,654	
III Prison expenses		Total 25,804,350
Salaries	605,028	
Office expenses	6,398,624	
Prisoners	18,800,698	
IV Miscellaneous expenses	55,989	
Sum total	48,561,802	

Department of Education

I Department proper		Total 2,099,182
Salaries	474,096	
Office expenses	624,648	
Scientific investigations	377,522	
Investigations on physical culture	176,316	
Protection of national treasures	180,500	
International allotments	19,497	
Students abroad	114,678	
Aeronautic commission	6,250	
Investigation and preservation of important historical places and natural monuments	39,430	
Adult education	86,245	
II Cultural Bureau	429,386	
III Meteorological observatories	3,690,211	

IV	Latitude observatory		54,119
V	Common education	Total	90,546,241
	National share of elementary school teachers' salaries		85,000,000
	Aid to elementary education expenses		1,950,000
	Aid to normal school expenses		2,300,000
	Salaries of elementary school teachers called to defence services		357,169
	Committee for qualification of special municipalities, towns and villages		3,252
	Miscellaneous expenses		335,800
	Encouragemnet of school attendance		500,000
	Aid for Sanitary Facilities for Elementary School Teachers		100,000
VI	Business education		792,384
VII	Social education		5,216,379
VIII	Thought guidance		123,136
IX	Deaf and dumb education		209,614
X	Aid to additional salaries of public school teachers for long service		1,213,320
XI	Aid to pension fund of private middle schools		93,600
XII	Universities and libraries	Total	33,938,727
	Imperial universities		14,224,235
	Government universities		6,080,915
	Imperial and school libraries		13,633,577
XIII	Miscellaneous expenses		6,129
	Sum total		138,412,428

Department of Agriculture and Forestry

I	Department proper	Total	1,262,928
	Salaries		445,760
	Office expenses		415,216
	International allotments		29,798
	Supervision of fisheries		357,838
	Qualification of breeding oxen		14,316
II	Horse Bureau		2,744,892
III	Forestry expenses		28,782,024
IV	Experimental stations		2,015,952
V	Raw silk conditioning houses		1,640,069
VI	Studs and pastures		4,756,982
VII	Fisheries institutes		484,382
VIII	Subsidies	Total	2,724,717
	To		
	Agricultural associations		122,744
	Experiments and lectures		26,496
	Creation and maintenance of landed farmers		2,060,630
	Fishery associations		20,664
	Prevention of silk-worm diseases		83,283
	Rice self-control		106,320
	Local expenses for taking statistics		304,580
IX	Miscellaneous expenses		243,258
	Sum total		44,655,204

Department of Commerce and Industry

I	Department proper	Total	1,729,414
	Salaries		651,214
	Office expenses		730,223
	International allotments		15,065
	Weights and measures		283,208
	Geological investigation		49,704
II	Exportation Bureau		665,589
III	Fuel Bureau		390,007
IV	Patent Bureau		875,957

V	Mine Supervision Bureau	871,919
VI	Experimental stations	2,123,922
VII	Inspection and directory stations	1,059,575
VIII	Subsidy for local expenses for taking statistics	495,231
IX	Miscellaneous expenses	43,227
	Sum total	8,254,841

Department of Communications

I	Department proper	Total	444,174
	Salaries		234,225
	Office expenses		203,067
	Aid to the International Navigation Conference		2,000
	International allotments		4,882
II	Communication expenses		1,468,555
III	Board of Electricity		955,704
IV	Electro-technical Laboratory		720,297
V	Training of Mariners		152,940
VI	Lighthouse Bureau		1,363,292
VII	Aeronautic Bureau		1,066,055
VIII	Central Aeronautical Laboratory		349,421
IX	Annuity and Pension	Total	220,809,953
	Annuities		15,464,008
	Pension		205,345,945
X	Miscellaneous expenses		8,065
	Sum total		227,338,456

Department of Overseas Affairs

I	Department proper	Total	847,458
	Salaries		330,810
	Office expenses		425,098
	Special services		46,550
	International allotments		45,000
II	Transferred to the Special Account of Karafuto Government from the profits of tobacco monopoly		1,850,893
III	Miscellaneous expenses		5,284
	Sum total		2,703,653

Department of Welfare

I	Department proper	Total	1,097,084
	Salaries		420,965
	Office expenses		552,246
	Subsidy for promotion and investigation		116,096
	International allotments		7,777
II	Board of Insurance		228,595
III	National Correction House		45,648
IV	Wounded Soldiers' Hospital		86,508
V	Hygienic Laboratory		116,242
VI	Aliment Research Institute		98,855
VII	Public Sanatorium		346,870
VIII	National Tuberculosis Sanatorium		534,791
IX	National Leper Asylums		1,018,660
X	National Laboratory for the Investigation of Population Problem		107,346
XI	Labour Exchanges		3,000,771
XII	For qualification examinations for physicians and pharmacists		27,306
XIII	Protection and relief of the Ainu		37,858
XIV	Military relief		54,194,025
XV	Subsidies	Total	13,099,624
	To		
	Prevention of epidemics		3,034,682

PUBLIC FINANCE

Juvenile protection and correction	152,165
Insane hospitals	342,823
Local expenses	51,700
Relief works	4,616,948
Prevention of parasites	23,608
Prevention of ill-treatment of children	20,000
Health consultation rooms	690,000
National health insurance association	875,000
Mother and child protection	2,292,700
Expenses for social works	1,000,000
XVI Health Insurance	4,244,017
XVII Miscellaneous expenses	92,153
Sum total	78,426,353
Grand total of Ordinary Expenditure	1,962,977,498

Extraordinary Expenditure

Department of Foreign Affairs

I Equipments and repairs	2,045,058
II Removal of legations	209,400
III Establishment of a new legation	190,000
IV Subsidies to educational bodies abroad	1,740,670
V Protection and overseeing of resident Japanese abroad	5,821,393
VI Protection and guidance of emigrants	543,346
VII Measures for the development of foreign trade	1,314,766
VIII International cultural enterprises	1,000,000
IX Extraordinary diplomatic work	5,146,622
X Japan-Manchoukuo Economic Co-operative Committee meetings	25,000
XI Compilation of Japanese police history in Manchoukuo	5,000
XII Expenses re the China Affair	13,690,031
XIII Aids to the Rehabilitation of the Japanese in China	150,000
XIV Extraordinary increase of salaries	3,056,555
Sum total	34,937,841

Department of Home Affairs

I Subsidies to local public bodies for water-works, river improvement, port construction, public works, etc.	9,937,374
II River improvement works	28,103,504
III Harbour improvement works	8,188,481
IV Road improvement works	11,414,594
V Aid to the improvement of smaller rivers	3,639,894
VI Aid to the improvement of smaller harbours	1,008,806
VII Aid to the improvement of public roads and city planning works	200,000
VIII For the spread of anti-aircraft drill	100,000
IX Improvements in Hokkaido	29,821,585
X Buildings and repairs	77,654
XI Miscellaneous investigations	343,741
XII Isé Shrine Construction Office	69,004
XIII Extraordinary expenses for shrines	1,110,000
XIV Road improvement at Kashiwara Shrine and Unébi Imperial Tomb	13,680
XV Investigations on shrines and education of Shinto priests	50,463
XVI Special institutions for police	2,017,251
XVII General Election	266,904
XVIII Election of "highest tax" members of the House of Peers	100,000
XIX Promotion of public welfare work in Loochoo Islands	678,931
XX Promotion of public welfare work in Oshima county, Kagoshima	162,664

BUDGET FOR 1939-40

XXI Fisheries at Bonin Islands and Seven Islands of Izu	45,553
XXII Promotion of local self governments	4,458,607
XXIII Extraordinary aids to local finance	103,306,997
XXIV Promotion of Constitutional Local Autonomous Governments	200,000
XXV Propaganda for National Mobilization	300,000
XXVI After-cost of the rehabilitation works re 1923 Great Earthquake and Fire	300,000
XXVII Aid to the works of rehabilitation	73,321
XXVIII Aid to the prevention of tidal wave damage in Sanriku districts	63,663
XXIX Aid to the rehabilitation of Hakodaté	302,157
XXX Temporary secretarial expenses	309,659
XXXI Aid to local governments for the rehabilitation works in areas affected by natural calamities	10,137,000
Sum total	243,801,699

Department of Finance

I Buildings and repairs	15,588,899
II Investigations	1,145,734
III Extraordinary financial and economic investigation and adjustment expenses	391,565
IV Compilation of the financial history of the Meiji and Taisho eras	25,351
V Clerical work concerning reparations	50,617
VI Control of gold	36,432
VII Compensation of principal and interest of the 4% Chinese loan	3,845,616
VIII Aid to advances to shipbuilding works	2,361,262
IX Residues of bonds given to lords instead of their feuds	250
X Special increase of salaries	89,880
XI Extraordinary control of foreign exchange	465,892
XII Extraordinary expenses for the Board of Audit	16,300
XIII Preservation of the Cabinet documents	7,959
XIV Extraordinary examination for lawyers	5,809
XV Urgent expenses for the unification and utilization of natural resources	363,846
XVI Clerical expenses for the promotion of Tohoku districts	39,628
XVII Aid to the dividend of the Tohoku Promotion Corporation	1,492,192
XVIII Office of the 2600th Anniversary	49,752
XIX Special institution for diplomatic communications	3,023,640
XX Extraordinary clerical expenses anent pension	145,542
XXI Rewards in connection with the Manchurian Incident	4,266,586
XXII Bureau for Manchurian Affairs	5,910
XXIII Celebration of the 50th anniversary of the promulgation of the Imperial Constitutions	9,500
XXIV Board of Audit	152,394
XXV Adjustment of State property	430,481
XXVI Reconstruction of buildings damaged by earthquakes	542,592
XXVII Extraordinary supervision of custom houses	30,120
XXVIII Control of exports of cotton fabrics	10,355
XXIX Extraordinary control of foreign trade	139,384
XXX Levy of Special Profits Tax	1,184,092
XXXI Promotion of National Savings	681,182
XXXII Issuance of Petty Notes	2,820,000
XXXIII Transfer to the Special Account for Military Expenses	351,923,720
XXXIV Conversion of old convertible Bank Notes	2,000,000
XXXV Payment to the capital of the South Manchuria Railway Co.	40,000,000
XXXVI Construction of school buildings for Japanese in Manchoukuo	1,050,000
XXXVII Subsidies	1,565,000
Sum total	435,957,482

PUBLIC FINANCE

Department of War

I Buildings and repairs	826,109	
II Completion of national defence		Total 138,721,164
Repairs of fortresses	8,958,436	
Armaments	129,762,728	
III Grounds and buildings	584,000	
IV Land survey	260,000	
V Reconstructions in the quake-stricken districts	1,894,525	
VI Bridges, ranges, etc.	2,631,998	
VII Use of land and buildings	68,357	
VIII Map printing	444,750	
IX Temporary grants	101,890	
X Subsidies for automobile manufacture	251,502	
XI Aid to the Ex-service Men's Association	700,000	
XII Improvement of Air Corps	99,482,771	
XIII Improvements in armies	64,571,067	
XIV Special increase of salaries	632,201	
XV Rewards anent the Manchurian Incident	238,203	
XVI Repairs of Damages	560,000	
XVII Purchase of land for Military Airports	100,000	
Sum total	312,068,537	

Department of Marine

I Construction of ships	239,724,625
II Equipments in ports, schools, hospitals and factories	43,372,316
III Equipments of air forces	8,732,155
IV Equipments of ships	56,030,424
V Armaments	7,864,000
VI Buildings and repairs	999,062
VII Entrusted repairs	160,129
VIII Drawings and books	146,961
IX Technical and chemical studies	5,677,916
X Temporary grants	283,040
XI Allotment of the International Hydrographic Bureau	5,579
XII Reinstallation of quake-damaged war-machines	200,000
XIII Despatch of ships	180,000
XIV Drawing weather charts, etc.	49,663
XV Special increase of salaries	537,865
XVI Educational armaments	2,000,000
XVII Books	19,000
XVIII Capital of the Naval Fuel Depot	500,000
XIX Entrusted marine survey	150,000
XX Movable Meteorological Observation Facilities	94,032
Sum total	366,728,767

Department of Justice

I Investigations on laws	36,224
II Buildings and repairs	538,198
III Prevention of thought crimes	928,839
IV Officiating debt arbitration cases	785,771
V Extraordinary prison expenses	1,104,328
VI Judicial system investigation committee	13,500
VII Improvement of judicial police	243,477
VIII Enforcement of the revised Commercial Law	4,750
IX Arbitration of tenant disputes and register of landed farmers	173,824
X Investigation Committee for Judicial System	13,500
XI Arbitration of Matrimonial Troubles	128,159
XII The 50th Anniversary of the Establishment of the Court Organization Law	20,000
XIII Prosecution of Actions against the Election Law	123,231
Sum total	4,113,801

BUDGET FOR 1939-40

Department of Education

I Buildings and repairs	1,942,133
II Compilation of a history of the Imperial House system	9,900
III Compilation of historical materials of the Meiji Restoration	111,720
IV Training of meteorologists	58,817
V Extraordinary investigations	279,711
VI Extraordinary lectures	162,000
VII Travelling expenses of delegates to international conferences	31,100
VIII Subsidies to various educational and cultural bodies	1,762,950
IX Earthquake rehabilitation work	1,718,340
X Extraordinary disbursement for universities and libraries	4,708,747
XI Social education	72,000
XII Extraordinary expenses for the preservation of national treasures	163,669
XIII Repair and protection of the Himéji Castle	43,000
XIV Extraordinary expenses for historical places	54,842
XV Investigation and protection of important art productions	18,856
XVI Propaganda for National Mobilization	700,000
XVII Extraordinary expenses for encouragement of school attendance	1,051,828
XVIII Extraordinary Education of industrial technicists	2,479,205
XIX Education of high grade seamen	4,500
XX Extraordinary expenses for the training of young men	397,000
XXI Extraordinary expenses for thought guidance	47,000
XXII Improvement of school education	72,000
XXIII Improvement of meteorological stations	308,300
XXIV Extraordinary expenses for health protection of elementary school teachers	125,000
XXXV Extraordinary expenses for equipments	27,693
XXXVI Reconstruction of elementary schools in typhoon stricken districts	240,421
XXVII Meteorological facilities	567,185
XXVIII Investigation of historical places of Emperor Jimmu and the establishment of Historical Hall	21,160
XXIX Extraordinary increase of allowances of students abroad	61,661
XXX Repairs of damages	33,273
Sum total	17,274,011

Department of Agriculture and Forestry

I Subsidies for agricultural and fishery enterprises	44,395,787
II Promotion of farm-villages	4,384,925
III Investigations and studies	1,845,994
IV Buildings and repairs	979,963
V Prevention of live-stock plagues and noxious insects	1,160,583
VI Improvement of water-courses in forestry	6,555,483
VII Public forestry enterprises	2,080,085
VIII Private forestry enterprises	3,678,137
IX Superintending of game preserves	22,003
X Improvement of fishery enterprises	2,270,762
XI Protection of fur-seals	210,234
XII Fishery registration	6,847
XIII Adjustment of coastal fishery grounds	33,896
XIV Control of fisheries in foreign seas	197,956
XV Enforcement of the Russo-Japanese Fishery Treaty	46,283
XVI Inspection of Tsingtao meats	29,561
XVII Reclamation of farm-land	443,270
XVIII Survey for water-course control	57,387
XIX Transfer to several Special Accounts	754,166
XX Economic recovery of farm-villages	15,155,070
XXI Subsidies to the land cultivation of landed-farmers	6,878,512
XXII Subsidies to the rice self-control	569,000

XXIII	Improvement of mulberry plantations	237,572
XXIV	Irrigation and drainage works	45,500
XXV	Land cultivation in Tohoku districts	298,230
XXVI	Cultivation of Kawaminami Valley	92,000
XXVII	Protection forests	850,000
XXVIII	Disaster rehabilitation works	4,237,958
XXIX	Aid for industrial recovery in disaster stricken districts	3,378
XXX	Prevention of tidal-waves in Sanriku districts	58,338
XXXI	Promotion of Okinawa (Loochoo) Prefecture	1,443,824
XXXII	Promotion of Oshima county, Kagoshima	357,924
XXXIII	Cultivation of land in North-eastern districts	148,190
XXXIV	Grants to Tohoku prefectures where State forests are located	211,903
XXXV	Funding the Central Chest for Cooperative Associations	500,000
XXXVI	Special increase of salaries	16,058
	Sum total	100,256,779

Department of Commerce and Industry

I	Promotion of foreign trade	9,924,924
II	For self-support of liquid fuel	17,517,411
III	Promotion of industrial arts production and improvement of manufactures in smaller factories	451,875
IV	Finance for smaller merchants and industrialists	106,299
V	Promotion of smaller commerce	522,861
VI	Promotion of smaller industries	560,400
VII	Promotion of industries	1,893,156
VIII	Promotion of mining	1,254,647
IX	Promotion of iron industry	2,727,311
X	Promotion of enterprises in connection with industries	4,560,022
XI	Investigations and studies	548,271
XII	Buildings and repairs	2,812,750
XIII	Extraordinary readjustment works	39,184
XIV	Enforcement of the new weights and measures law	8,895
XV	Examinations and dispositions at the Patent Bureau	442,382
XVI	Extraordinary examination	31,642
XVII	Promotion of Okinawa prefecture	18,480
XVIII	Promotion of Oshima county, Kagoshima	25,262
XIX	Committee meeting for the valuation of iron foundries	6,300
XX	Supervision of the International Exhibition at the 2,600th anniversary proposed to be held at Tokyo in 1940	31,182
XXI	Extraordinary subsidies	11,600,000
XXII	Subsidy to the Imperial Fuel Manufacturing Company for the payment of dividend	1,657,186
XXIII	Distribution of imported and exported goods	123,457
XXIV	Disposition of funds	85,811
XXV	Control of gold	83,352
XXVI	Registration of mining companies	151,512
XXVII	For taking part in the Golden Gate and New York International Expositions	975,461
XXVIII	Promotion of Industries for Substitutes and Collection of Materials	1,464,471
XXIX	Control of the relation between demand and supply	496,773
XXX	Aid to the Miner Business Men who were called out to services	741,450
XXXI	Subsidies for the Promotion of manufacture of artificial arms and legs	20,000
XXXII	Temporary control of the distribution of commodities	638,017
XXXIII	Aids for changing profession	6,353,798
XXXIV	Re-redemption of the Loss to the Loans for the Minor Businessmen in the affected areas	13,823
XXXV	Guidance of combustion facilities	50,000
XXXVI	Temporary expenses abroad	15,618
XXXVII	Temporary expenses for economic control	190,000
	Sum total	68,143,983

Department of Communications

I	Subsidies and encouragements for shipping and air transportation	18,108,188
II	Improvement in the use of electric power in farm-villages	128,798
III	Investigation on water-course control	210,349
IV	Secretarial expenses in the Investment for Electric Establishments	31,909
V	Subsidies for the Promotion of Gold Mine and Electric Enterprises	1,695,282
VI	Special studies at the Electro-technical Laboratory	274,339
VII	Investigation on steel for shipbuilding	19,389
VIII	Improvement of ships	39,524
IX	Subsidies for shipbuilding	8,471,311
X	Temporary Control of ships	75,294
XI	Registration of Mariners	30,190
XII	Compensation of damages inflicted by the China Affair on the Capital of Companies	124,934
XIII	Establishment and repair of Lighthouses	300,000
XIV	Meteorological facilities at Lighthouses	313,779
XV	Extraordinary training of aviators	2,616,000
XVI	Establishment and repair of Airports	2,450,315
XVII	Training of aviators	11,183,278
XVIII	Examination of aeroplanes	1,179,324
XIX	Establishment of the central air-transport research institution	3,290,000
XX	Preparation or the Opening of International Airways	13,238
XXI	Buildings and repairs	81,946
XXII	Machines	351,500
XXIII	Travelling Expenses of Japanese Delegates to International Councils	7,035
	Sum total	50,995,922

Department of Overseas Affairs

I	Training of emigrants	105,667
II	Subsidies for emigrants and overseas enterprises	2,384,463
III	Emigrants to Manchoukuo	23,220,780
IV	Committees	15,000
V	Enterprises on cotton and wool	219,152
VI	Control of the relation between demand and supply	41,452
VII	Aid to the Colonial Exhibition Hall	20,000
VIII	Aid to Chosen Government-General	12,904,313
IX	Special increase of salaries	8,474
X	General national mental mobilization	12,918
XI	Funding the Manchuria Development Company	5,010,000
	Sum total	43,942,219

Department of Welfare

I	Subsidies	2,898,860
II	Buildings and repairs	557,568
III	Investigation on medical system	256,881
IV	National physical strength standardization facilities	1,026,513
V	National parks	63,102
VI	Medical relief	780,000
VII	Improvement of the physical conditions of infants	450,000
VIII	Sanitary enterprises	1,888,621
IX	Prevention of epidemics	1,427,351
X	Special diseases prevention measures	230,000
XI	Medical Relief	600,000
XII	Help for Koreans	80,000
XIII	Local improvements	1,405,639

XIV	Prevention of factory calamities and promotion of sanitary equipment in factories and mines	42,729
XV	Harmonization of race	150,000
XVI	Labour Exchanges	3,072,137
XVII	Temporary Measures for the Relief of Unemployment	3,397,352
XVIII	Temporary Military Relief	19,097,601
XIX	Protection of Wounded Soldiers	15,646,083
XX	Promotion of Okinawa Prefecture	150,000
XXI	National Athletic Meetings in honour of the Meiji Shrine	250,000
	Sum total	53,470,437
	Total of Extraordinary Expenditure	1,731,689,478
	Grand total of Expenditure	3,694,666,976

SPECIAL ACCOUNTS

(In yen)

Ministry	Special Accounts	Revenue	Expenditure
Foreign Affairs	Cultural Work for China	7,203,242	1,406,332
Finance	Mint Bureau	23,305,677	7,512,675
"	Mint Bureau, Fund Section	24,085,727	74,520,951
"	Printing Bureau	27,528,662	23,220,661
"	Monopoly Bureau	549,360,081	325,460,524
"	Deposits Bureau	235,903,245	170,193,078
"	Educational Fund	21,739	—
"	National Debt Readjustment Fund	4,135,422,339	4,135,422,339
"	National Loans	1,082,863,981	1,082,863,981
"	State Property Readjustment Fund	3,586,505	1,180,321
"	Educational Improvement and Farmvil- lages Economic Development Fund	6,698,948	6,926,813
"	Gold fund	45,871,698	16,490,417
"	Kwantung Bureau	33,277,220	33,277,220
War	Arsenal	232,874,220	232,874,220
"	Senju Woollen Factory	4,857,887	4,852,061
Marine	Capital of Naval Dockyards	109,301,056	108,109,830
"	Naval Explosives Factory	11,475,276	11,225,276
"	Naval Fuel Depot	43,820,693	43,561,914
Education	Six Imperial Universities	35,045,966	35,045,966
"	Imperial Universities Endowment Funds	12,804,495	5,298,094
"	Government colleges	12,633,033	12,633,033
"	Government Colleges Endowment Funds	466,895	818,150
"	Schools and libraries	20,110,206	20,110,206
"	Schools and Libraries Endowment Funds	155,153	2,126,147
Agriculture and Forestry	Rice Trade Control	224,251,604	224,251,604
"	Silk Price Control	7,671,753	7,671,753
"	Forestry Re-insurance	781,265	781,265
"	Forests Fire Insurance	331,550	331,550
"	Fishing Boats Re-insurance	454,991	454,991
"	Live Stock Re-insurance	704,371	704,371
Communications	Communications business, funds	67,952,180	78,517,604
"	Communications business, necessities	58,928,342	58,928,342
"	Communications business operation	439,946,310	405,258,098
Railways	State Railways, capital account	296,606,988	308,506,988
"	State Railways, necessities account	391,467,000	391,467,000
"	State Railways, earnings account	1,279,314,463	1,071,207,475
Overseas Affairs	Chosen Government-General	643,244,202	643,244,202
"	Chosen Railways, necessities fund	100,200,477	100,200,477
"	Chosen P. O. Life Insurance	21,057,447	11,402,664
"	Taiwan Government-General	203,222,613	203,222,613
"	Control of Exportation to Japan proper of the Formosa rice	66,061,360	64,120,967

Ministry	Special Accounts	Revenue	Expenditure
Overseas Affairs (continued)	Taiwan Government Railways neces- saries fund	8,000,000	8,000,000
"	Karafuto Government	46,747,712	46,747,712
"	South Seas Government	10,493,152	10,493,152
Welfare	Health Insurance	43,059,100	43,059,100
"	Labour Accident Legal Insurance	5,684,874	5,684,874
"	P.O. Life Insurance	389,164,202	199,933,883
"	P.O. Annuity	25,362,469	9,023,055

I. SUPPLEMENTARY BUDGET FOR 1939-40

(In yen)

General Account

Revenue	Total of ordinary expen- diture
Ordinary revenue, miscel- laneous	92,845,169
Extraordinary revenue, miscellaneous	Extraordinary expenditure
Total revenue	Ministry of Finance
Ordinary expenditure	Ministry of War
Ministry of Finance	Ministry of Marine
Ministry of War	Total of extraordinary expenditure
Ministry of Marine	Total of expenditure

Special Accounts

Ministry	Special Account	Revenue	Expenditure
Finance	Monopoly Bureau	978,886	913,664
"	National Loan Adjustment Fund	54,379,862	54,379,862
"	Loan Money	4,652,115,326	4,652,115,326
"	National Property Adjustment Fund	4,372,978	4,372,978
"	Kwantung Bureau	1,063,437	879,166
War	Arsenal	1,278,029,922	1,278,029,922
"	Senju Woollen Factory	6,805,197	6,805,197
Marine	Capital of Naval Dockyards	97,243,988	97,243,988
"	Naval Explosives Factory	30,984,224	30,984,224
"	Naval Fuel Depot	11,731,272	11,731,272
Communications	Communication business, operation	2,534,400	2,534,400
Overseas Affairs	Chosen Government-General	10,951,423	8,873,928
"	Taiwan Government-General	1,844,386	1,551,463
"	Karafuto Government	324,022	267,915

II. SUPPLEMENTARY BUDGET FOR 1939-40

(In yen)

General Account

Revenue	Extraordinary expenditure
Ordinary revenue, miscel- laneous	Ministry of Foreign Affairs
Extraordinary revenue, miscellaneous	Home Affairs
Total revenue	Finance
Ordinary expenditure	War
Ministry of	Justice
Foreign Affairs	Education
Home Affairs	Agriculture and Forestry
Finance	Commerce and Industry
Justice	Communications
Education	Overseas Affairs
Agriculture and Forestry	Health and Social Affairs
Commerce and Industry	Total
Communications	Grand total of expenditure
Welfare	
Total	

III. SUPPLEMENTARY BUDGET FOR 1939-40

(In yen)

Special Accounts		Revenue	Expenditure
Ministry	Special Accounts		
Foreign Affairs	Cultural Work for China	—	250,000
Finance	National Loan Adjustment Fund	1,689,667	1,689,667
"	Loan money	190,492,335	190,492,335
"	National Property Adjustment Fund	—	92,817
"	Gold Fund	2,049,000	6,172,468
"	Kwantung Bureau	—	34,881
Education	Six Imperial Universities	721,019	721,019
"	Schools and libraries	1,566,093	1,566,093
"	Imperial Universities Endowment Funds	5,600,000	2,450,000
Agriculture and Forestry	Control of demand and supply of cereals	3,750,000	3,750,000
Overseas Affairs	Chosen Government-General	1,904,303	3,981,798
"	Taiwan Government-General	3,535,001	3,827,924
"	Karafuto Government	1,662,031	1,719,138
"	South Seas Government	448,105	346,083

SPECIAL MILITARY EXPENSES

Revenue	4,605,000,000
Expenditure	4,605,000,000

Actual Amount of the 1939-40 Budget

According to the statement made by the Finance Ministry on May 25, 1939, the estimated revenue for the 1939-40 fiscal year is ¥8,380,738,000 and the estimated expenditure ¥8,123,621,000. These figures are obtained by deducting overlapping funds in the general account and in the special accounts (which there are 40 different kinds). When it is compared with the 1938-39 Budget the increase of revenue is ¥2,052,493,000 and that of expenditure ¥2,031,145,000. If the ¥4,605,000,000 for the special account for extraordinary military expenses and the special account for extraordinary military material purchasing funds, which was approved by the Diet, this year, without fixing the year of disbursement, is added to the above, as it may be expended in the current fiscal year, the total amount will reach ¥12,985,738,000 for revenue and ¥12,728,621,000 for expenditure, increasing ¥1,770,902,000 and ¥1,786,145,000 respectively over the similar figures for the 1938-39 Budget.

The process by which these figures are computed is outlined as follows in terms of ¥1,000:

	Revenue	Expenditure
General Account	4,804,543	4,804,543
Special Accounts	17,356,159	16,616,120

	Revenue	Expenditure
Total	22,160,702	21,420,664
Overlap deductions	5,097,028	4,614,105
Remainder	17,063,675	16,806,559
Further deductions:		
1. Transfer deductions (to special arms accounts)	4,586,690	4,586,690
2. Transfer deductions (payment to the extraordinary military account for materials, by other military special accounts)	1,051,549	1,051,549
3. Deduction of the Rice note redemption	2,997,669	2,997,669
4. Deduction of the Silk note redemption	47,027	47,027
Total deduction	8,682,937	8,682,937
Net total after all deductions	8,380,738	8,123,621

National Debts

Internal Loans Five per cent loan. This loan was issued mainly for the construction and improvement of the Imperial Railways, the compensation for and purchase of private railways, the colonization of Chosen, Taiwan, Karafuto and Kwantung Province, the relief of Japanese subjects suffering war

losses, rewards for distinguished services during the war in 1914-15, retiring allowances in connection with both the administrative readjustment and the reduction of armaments, compensation payments resulting from the reduction of the Army and Navy, the reconstruction works in Tokyo and Yokohama necessitated by the Earthquake disaster, compensation for loss sustained by the Bank of Japan in discounting Earthquake Bills, compensation for losses sustained in the accommodation extended to banking institutions in Taiwan and other undertakings and various grants. The total issue amounted to ¥2,239,377,375 of which ¥387,855,925 has already been redeemed, and ¥1,851,521,450 was still unredeemed at the end of March, 1938.

Five per cent loan ("Kō"). This loan was issued during 1908-09 for the purpose of meeting the purchase price of railways owned by seventeen private companies. The total issue amounted to ¥476,318,800, of which part has been redeemed, and ¥396,695,400 left unredeemed. The principal private railways in our country were purchased outright through the proceeds of this loan and were then unified into one State system.

Five per cent loan ("Onshi"). This loan, amounting to ¥30,000,000, was created at the time of the annexation of Chosen by Imperial Ordinance No.327 of 1910, and the bonds were specially granted to the Korean peers and to public corporations of the Peninsula to provide funds for promoting industries and education and for famine relief.

Four per cent loan (1st and 2nd Series). In order to consolidate the national debt, the Government planned the conversion into low-interest loans of the outstanding five per cent domestic loans issued before 1905, and with this end in view issued in the home market with better results than had been anticipated two series of four per cent loans amounting to ¥100,000,000 each. As all the five per cent loan bonds previously issued were accepted in place of cash in subscriptions for the four per cent loans, such receipts amounted to ¥64,467,500 in the first issue of the four per cent loans and to ¥86,612,920 in the second. In addition to the total issue of ¥200,000,000 mentioned above, there was a loan of the first issue amounting to ¥76,220,500 which was delivered in place of cash to the bondholders of various five per cent loans.

Four per cent loan. In accordance with the provisions of Law No. 16 of

1933, the Government issued in December, 1933, a 4 per cent loan with a total face-value of ¥8,145,550. The object of the loan was to deliver to the Industrial Bank of Japan those loan bonds to be appropriated for the increase, arising out of the decline in the yen exchange, in the principal and interest charges of the Industrial Bank of Japan 5 per cent Sterling Debentures which were issued in 1908 for the purpose of making advances to the Korean Government for the development of enterprises in that country. Further issues were made to the amount of ¥65,180,675 in 1934, ¥9,368,875 in 1935 and ¥13,175 in 1936 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the purchase of private railways, compensation payments to private railways and tramways, the purchase of private camphor manufacturing factories in Taiwan, and rewards for distinguished services in the Manchurian incident. The total issues from 1933 to 1936 thus amounted to ¥82,704,275 of which ¥3,325 was redeemed, and ¥82,704,900 remained outstanding at the end of the fiscal year 1937-38.

Three and a half per cent loan.

This loan was issued to the amount of ¥35,356,300 in 1936 and ¥21,584,550 in 1937 for such purposes as the purchase of raw silk given as security in the case of accommodation of funds made by banks, the development of public undertakings in Chosen, the purchase of private railways, and compensation payments to private railways and tramways, and rewards for distinguished services in the Manchurian incident. Of the total issues from 1936 to 1937 amounting to ¥56,940,850, ¥2,000 was redeemed and ¥56,938,850 remained outstanding at the end of the fiscal year 1937-38.

Four and a half per cent Exchequer Bonds. These bonds were issued in order to enable the Government to meet expenditures in connection with the Manchurian incident, the extension of the telegraph and telephone system, improvement of roads, reconstruction works necessitated by the Earthquake of 1923, construction and improvement of railways, various public undertakings in Chosen, Taiwan, Kwantung Province and Karafuto, and the covering of revenue deficits in the General Account. The total issues from 1932 to March 1933 reached ¥715,000,000.

Four per cent Exchequer Bonds. These bonds were issued for the first

time in 1933 for the same purpose as that of the four and a half per cent Exchequer Bonds mentioned above. The total amount of issue reached ¥3,070,424,000 during the fiscal years 1933-34 to 1935-36.

Three and a half per cent Exchequer Bonds.

These bonds were issued to convert the 5 per cent Exchequer Bonds, to defray the expenditure in connection with the Manchurian incident, to cover revenue deficits, to finance reconstruction works necessitated by the earthquake of 1923, to improve roads, to develop public undertakings in Chosen, to construct and improve Government railways, to expand the postal, telegraph and telephone services, and to defray the expenditure for the China incident. The issues amounted to ¥2,837,590,000 in the fiscal year 1936-37, and to ¥2,230,000,000 in the fiscal year 1937-38, giving a total of ¥5,067,590,000. Of this, ¥3,850 was redeemed and ¥5,067,586,150 remained outstanding at the end of the fiscal year 1937-38.

External Loans Four per cent Sterling Loan of 1899 (1st Series). For the purpose of meeting the expenditures required for the construction of railways, improvement of the existing Government railways, construction of railways in the Hokkaido, steel manufacture, and extension of the telephone system, and in accordance with the provisions of the Railway Construction Law (Law No. 4, 1892), the Public Undertakings Loan Regulations (Law No. 59, 1896), the Hokkaido Railway Construction Law (Law No. 83, 1896), and Law No. 101, 1899, the Government issued in London in June, 1899, a loan of £10,000,000 at an issue-price of £90 per £100 face-value, the principal of which is, after being left unpaid for ten years from January, 1899, to be redeemed at the option of the Government by means of drawings in forty-five years.

Five per cent Sterling Loan of 1907. For the purpose of consolidating and redeeming the six per cent Sterling Loan of £22,000,000 issued in 1904, the Government raised in March, 1907, a five per cent Loan of £23,000,000 in London and Paris in accordance with the provisions of Law No. 1 of 1904, Law No. 12 of 1905, and Imperial Ordinance No. 23 of 1907. Its issue-price was £99 10s. per £100 face-value, and the principal is to be left unpaid until March 11, 1922 and thereafter to be redeemed at the option of the Government by means of drawings by March 12, 1937. The proceeds of this loan were applied to the redemption of the

six per cent Sterling Loan of £22,000,000.

Four per cent Franc Loan of 1910. The four per cent Franc Loan was issued in Paris in 1910 with the same object as the four per cent Loan issued at home; a portion of its proceeds was appropriated for use as fund for the redemption of domestic loan bonds which were exported abroad, and another portion for use as fund for the redemption of the five per cent loan bonds in circulation at home. The amount of issue was 450,000,000 francs, the rate of interest four per cent, payable on the 15th of May and November every year; the issue-price was 95 francs 50 centimes, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years.

Four per cent Sterling Loan of 1910 (3rd Series). The four per cent Sterling Loan of 1910 was raised for the same purpose as the four per cent loan raised at home and the four per cent Franc Loan of 1910 raised in France, and was employed as fund for the redemption of the indorsed War and five per cent Loans in circulation in London. The amount of issue was £11,000,000, the rate of interest four per cent, payable on the 1st of June and December, the issue-price was £95, and the loan to remain unredeemed for ten years, after which it is to be redeemed within fifty years; and as the object of the loan was the redemption of the indorsed loans above referred to, the latter loan bonds were accepted in place of cash when the former loan was subscribed for.

South Manchuria Railway Sterling Debentures. The South Manchuria Railway Sterling Debentures of 1911 with a total face-value of £6,000,000, the liability for the service of which had been assumed by the Government, fell due on January 1, 1936, and consequently, the greater part of the Debentures was redeemed in cash, while a part was repaid by conversion into domestic loan. The Government has been further authorised by Law No. 34 of 1933 to subscribe to the shares of the Company, and instead of paying cash for the shares, to assume liability for the service of the Sterling Debentures with a total face-value of £4,000,000 issued in 1933 by the Company. Thus, the amount outstanding at the end of March, 1938 was £4,000,000.

Six and a half per cent Gold Bonds of 1924. Partly, for the purpose of redeeming the outstanding Imperial Japanese Government 4½% Sterling Loan of the first and second series, which fell

due January 15, 1925, and July 10, 1925, respectively and, partly for the purpose of purchasing materials and supplies for reconstruction necessitated by the earthquake and fire of September, 1923, loans with a total face value of 150,000,000 dollars were issued in New York in February, 1924, in accordance with Art. 1 of Law No. 56, 1923 and Art. V of Law No. 6, 1906. The issue-price was 92½ dollars per 100 dollars face-value and the loan is to remain unredeemed for fifteen years, after which it is to be redeemed within fifteen years, namely, by February 1, 1954.

Six per cent Sterling Loan of 1924. Loans with a total face-value of £25,000,000 were issued in London in February, 1924, in accordance with Art. 1 of Law No. 56 promulgated in 1923 and Art. V Law No. 6, in 1906, for the same purpose as the 6½% Loan of 1924 issued in the United States of America. The issue-price was £87½ per £100 face-value and the loan is to remain un-

redeemed for fifteen years, after which it is to be redeemed within twenty years, namely, by July 10, 1959.

Five and a half per cent Sterling Loan of 1930. For the conversion of the 4% Sterling Loan of 1905, the Government issued a 5½ per cent Sterling Loan of £12,500,000 in London in May, 1930 in accordance with the provisions of Law No. 6 of 1906. The issue-price was £90 per £100 face-value. The principal is to be left unpaid for ten years, after which it is to be redeemed by May 1, 1965.

Five and a half per cent Gold Bonds of 1930. For the conversion of the 4% Sterling Loan of 1905, loans with a total face-value of \$71,000,000, were issued in New York in May, 1930 in accordance with Law No. 6 of 1906. The issue-price was \$90 per \$100 face-value. The loan is to remain unredeemed for ten years, after which it is to be redeemed by May 1, 1965.

AMOUNTS OF THE NATIONAL DEBT RAISED, REDEEMED AND OUTSTANDING

Financial Year	Internal Loans			External Loans		
	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year	Amount issued	Amount redeemed	Amount outstanding at the End of the Financial Year
	(In yen)					
1928-29	689,146,350	253,649,800	4,379,965,700	—	2,097,749	1,451,295,357
1929-30	558,942,975	426,300,400	4,512,608,275	—	4,446,545	1,446,848,812
1930-31	265,608,800	301,424,775	4,476,792,300	264,463,500	232,287,852	1,479,024,460
1931-32	457,583,700	219,297,800	4,715,078,200	—	6,445,186	1,472,579,274
1932-33	1,096,744,000	148,088,225	5,663,753,975	—	82,137,698	1,390,444,577
1933-34	1,066,062,000	5,375,850	6,724,440,125	39,052,000	14,895,310	1,414,598,267
1934-35	1,063,126,950	100,056,325	7,687,510,750	—	11,654,994	1,402,943,272
1935-36	1,051,213,500	216,284,500	8,522,439,750	—	71,082,383	1,331,860,889
1936-37	2,871,234,275	2,136,123,075	9,257,550,950	—	14,905,642	1,316,955,247
1937-38	2,259,517,950	12,750	11,516,973,550	—	16,671,659	1,300,283,588

Financial Year	Grand Total		Amount outstanding at the End of the Financial Year	Amount outstanding compared with the Preceding Year	Debt per Head	Population
	Amount issued	Amount redeemed				
	(In yen)					
1928-29	689,146,350	255,747,549	5,831,261,057	(+) 433,394,476	64.735	90,078,333
1929-30	558,942,975	430,746,945	5,959,457,087	(+) 128,196,030	65.263	91,313,232
1930-31	530,072,300	533,712,627	5,955,816,760	(-) 3,640,327	63.716	93,473,579
1931-32	457,583,700	225,742,086	6,187,637,474	(+) 231,840,714	65.450	94,540,100
1932-33	1,096,744,000	230,205,923	7,054,195,552	(+) 866,538,078	74.409	96,093,509
1933-34	1,105,114,000	20,261,160	8,139,038,302	(+) 1,084,842,840	83.457	97,523,524
1934-35	1,063,126,950	111,711,319	9,090,454,022	(+) 951,415,630	91.818	99,004,572
1935-36	1,051,213,500	287,366,883	9,854,300,839	(+) 763,846,617	97.416	101,156,118
1936-37	2,871,234,275	2,151,028,717	10,574,506,197	(+) 720,205,557	103.809	102,187,750
1937-38	2,259,517,950	16,684,409	12,817,257,138	(+) 2,242,833,541	126.402	101,400,689

AMOUNT OF NATIONAL DEBTS REDEEMED OUT OF THE NATIONAL DEBT CONSOLIDATION FUND AND BY CONVERSION

Financial Year	Amount redeemed by Consolidation Fund			Amount redeemed by Conversion			Grand Total
	Internal Loans	External Loans	Total	Internal Loans	External Loans	Total	
1928-29	29,247,236	2,097,749	31,344,985	224,401,914	—	224,401,914	255,746,899
1929-30	87,417,113	4,446,545	101,863,658	229,883,287	—	229,883,287	430,746,945
1930-31	151,431,835	5,415,234	156,847,069	149,989,840	226,872,619	376,862,458	533,709,527
1931-32	49,952,097	6,445,185	56,397,283	269,345,403	—	269,345,403	225,742,686
1932-33	8,956,241	23,559,697	32,515,938	139,111,909	58,570,000	197,681,909	230,205,847
1933-34	5,375,850	14,895,310	20,271,160	—	—	—	20,271,160
1934-35	10,069,941	11,654,994	21,724,935	89,987,384	—	89,987,384	111,711,319
1935-36	1,069,291	49,188,823	51,258,114	215,215,209	21,893,559	237,108,768	287,366,882
1936-37	33,177,928	14,905,642	48,083,570	2,102,945,147	—	2,102,945,147	2,151,028,717
1937-38	12,270	16,671,659	16,684,409	—	—	—	16,684,409

AMOUNT OF NATIONAL DEBTS CHARGEABLE TO THE VARIOUS ACCOUNTS

Accounts	(March 31)				
	1934	1935	1936	1937	1938
	(In yen)				
General Account	5,592,975,453	6,178,511,615	6,894,857,908	7,538,337,617	9,690,894,960
Internal loans	4,284,541,022	4,895,772,852	5,682,935,456	6,341,042,863	8,509,973,948
External loans	1,308,434,431	1,282,738,763	1,211,922,044	1,197,294,754	1,180,921,012
Special Accounts for					
Government of Chōsen	462,495,657	489,480,524	509,038,362	546,191,185	592,286,214
Internal loans	462,495,657	489,480,524	509,038,362	546,191,185	592,286,214
External loans	—	—	—	—	—
Special Account for Gov- ernment of Taiwan	126,530,894	129,525,450	128,202,287	127,868,217	126,380,958
Internal loans	109,078,850	112,073,406	110,750,243	110,416,173	108,928,914
External loans	17,452,044	17,452,044	17,452,044	17,452,044	17,452,044
Special Account for					
Kwantung Government	13,311,706	13,263,537	13,226,379	11,798,817	11,645,391
Internal loans	13,311,706	13,263,537	13,226,379	11,798,817	11,645,391
External loans	—	—	—	—	—
Special Account of Gov- ernment of Karafuto	37,736,621	37,612,369	37,572,325	37,512,144	37,076,305
Internal loans	37,736,621	37,612,369	37,572,325	37,512,144	37,076,305
External loans	—	—	—	—	—
Special Account for Gov- ernment of Nanyō	74,554	74,264	73,975	73,113	72,254
Internal loans	74,554	74,264	73,975	73,113	72,254
External loans	—	—	—	—	—
Imperial Railways Spe- cial Account	1,879,614,750	1,921,314,177	1,942,297,215	1,971,178,916	1,993,792,018
Internal loans	1,795,511,321	1,837,210,748	1,585,193,786	1,887,075,487	1,909,688,589
External loans	84,103,429	84,103,429	84,103,429	84,103,429	84,103,429
Special Account for					
Imperial Iron Works	26,298,757	—	—	—	—
Internal loans	21,890,394	—	—	—	—
External loans	4,608,363	—	—	—	—
Special Account for					
Postal, Telegraph, and Telephone Services	—	320,672,086	329,032,188	341,546,188	365,109,038
Internal loans	—	302,023,050	310,649,221	323,441,168	347,301,935
External loans	—	18,649,036	18,382,967	18,105,020	17,807,103
Grand Total	8,139,038,392	9,090,454,022	9,854,300,639	10,574,506,197	12,817,257,138
Total internal loans	6,724,440,125	7,687,510,750	8,522,439,750	9,257,550,950	11,516,978,550
Total external loans	1,414,598,267	1,402,943,272	1,331,860,889	1,316,955,247	1,300,283,588

OUTSTANDING NATIONAL DEBTS CLASSIFIED ACCORDING TO THE OBJECTS FOR WHICH THEY WERE RAISED

Items	(March 31)		
	1936	1937	1938
Reorganization of public institutions:		(In yen)	
Feudal pensions capitalized	92,664,804	92,674,768	92,678,409
Economic undertakings:			
Railway construction	1,999,978,684	2,033,118,442	2,078,259,880
Harbour, drainage, road, steel-works, mining, telephone, etc.	313,795,889	327,229,198	364,855,541
Total	2,313,774,573	2,360,347,640	2,443,115,421
Financial adjustment:			
Administrative readjustment and limita- tion of armament	117,026,967	117,026,867	117,040,067
Redemption of paper money	10,008,205	10,008,052	10,008,018
Increase from conversion	395,623,866	442,631,636	439,658,985
Tobacco and salt monopoly	19,941,175	19,940,960	19,940,951
Total	542,600,213	589,607,515	586,648,021
Reconstruction work in districts damaged by the earthquake	686,948,346	691,146,169	694,931,812
Covering of revenue deficits	1,943,163,100	2,366,237,400	2,721,701,950
Financial accommodation:			
Export bill financing, etc.	387,638,637	367,463,268	367,462,518
Liquidation of the liabilities of three banks with respect to the loan to China	126,649,661	126,649,661	126,649,660
Compensation for loss sustained by the Bank of Japan in discounting earthquake bills and remedial measures, etc.	421,991,694	430,500,335	434,735,785
Total	936,279,992	924,613,264	928,847,963
Military Affairs:			
Completion of armaments	78,825,450	78,824,808	78,824,677
Wars and incidents	2,597,756,246	2,771,135,532	4,518,591,079
Total	2,676,581,696	2,849,960,340	4,597,415,756
Development of new territories:			
Taiwan	126,891,206	126,890,820	126,890,675
Chōsen	494,249,568	531,881,140	583,879,990
Karafuto	25,738,231	35,738,231	35,738,231
Kwantung Leased Territory	5,408,910	5,408,910	5,408,910
Total	662,287,915	699,919,101	751,917,806
Grand Total	9,854,300,639	10,574,506,197	12,817,257,138

State Property

(1) The Legal Definition and Categories of State Property.

State Property mentioned above is defined under Article 1 of the State Property Law, promulgated by Law No. 43 in April, 1921 as follows:

"The State Property under this Law includes all the State-owned real estate and such movable estate and rights belonging to the State as provided in the Imperial Ordinance."

Article 1 of the Imperial Ordinance No. 15 concerning the State Property Law defines, however, State movable estate and rights that are State Property in the following manner:

"The following State-owned movable estate and rights are to be State Property as provided in Article 1 of the

State Property Law:

(a) Ships, floats, floating piers and floating docks.

(b) Appendages of real estate or movable estate given in (a).

(c) Machine and important equipment in Government factories such as iron works, shipbuilding yards, arsenals, the mint, tobacco mills and railways.

(d) Surface rights, servitudes, mining rights, alluvial mineral rights and other rights similar to these rights.

(e) Rights relating to stocks and investments.

The scope of the term "factory" under (c) above is to be determined by the respective Ministers after consultation with the Minister of Finance."

State-owned movable estate and rights, such as, cash, deposits, loans, common fixtures and books, for instance, not

mentioned in the above provisions are therefore State Property in substance, but do not come under the provisions of this Law.

Article 2 of the State Property Law divides State Property into four classes, namely, Public Property, Official Property, Property used for Forestry Management and Miscellaneous Property. Public Property is that directly used or to be used for public service by the State; Official Property is that used or to be used, by the State, for Shinto Shrines, or for State service and enterprises or for residences of officials and other personnel; Property used for Forestry Management is that used or to be used, by the State, for the management of forests, while Miscellaneous Property is that not belonging to these three categories.

(2) The Legal Limitation of the Content of the "State Property Account" and its Categories.

Article 26 of the State Property Law requires the Government to make a yearly statement of the increase or decrease in the State Property, and, every fifth year, to issue a comprehensive report covering the entire property for the period; and both these statements are to undergo examination by the Auditing Board and then to be presented to the Imperial Diet.

The following are, however, excluded from the statements:—

(a) Movable estate and rights owned by the State; but not subject to the provisions of the Imperial Ordinance, that is, State Property in reality if not in law (Art. 1, State Property Law; Art. 1, Imperial Ordinance concerning the State Property Law).

(b) Public Property (Art. 28, State Property Law).

(c) The value of lands used for religious purposes by Buddhist temples, the public land of public corporations and of sites of Shinto shrines (Art. 2 and 5, Ordinance No. 14, Department of Finance).

The figures given in the following table are based on these official statements of State Property, and accordingly, the total value of the property owned by the Imperial Japanese Government including State Property mentioned in (a)—(c) above will be much higher than the figures given in this table. It should be noted that the Government, recognizing that it was expedient to apply the State Property Law to Chosen, Taiwan, Karafuto, Kwantung Province, and Nanyo (Mandated Territory in the North Pacific), put this Law into effect as from April 1, 1937, and the property in these re-

gions was included in the Statements of the financial year 1937. Further, as there prevails an opinion that the value and volume of property mentioned in (b) and (c) should be given in the statements, they will be included therein in the near future.

(3) Administration of State Property. The administrative service over State Property includes both direct management and general administration, the former under the direction of the respective Departments, the latter under the Minister of Finance. Each Minister administers the State Property of his Department; but the Minister of Finance also undertakes, as the competent Minister, the general management of all the Property and, thus, unifies the direct management by each Minister, keeping one in touch with the other, so as to secure the full use of the Property.

(4) Increase or Decrease in State Property.

The increase in the total value of State Property is attributed to such factors as the purchase, expropriation and contribution of property, construction of buildings and ships, and the acquisition of rights (acquisition of real estate without owner, acquisition of stocks and of rights due to investment, establishment of surface rights, etc.), while the decrease in property is due to the sale, conveyance without compensation, exchange and collapse of property, and extinction of rights (extinctive prescription, reduction of capital, etc.). Moreover, the re-valuation of property made every fifth year causes an increase or decrease in the total value of State Property.

(5) The Funds from the Adjustment of State Property.

With the exception of receipts coming under other special accounts and those from the disposition of State forests and plains or of uncultivated places in the Hokkaidō, the receipts from the adjustment and disposition of State Property and other miscellaneous receipts constitute the Funds from the Adjustment of State Property and the revenue and expenditure are segregated in a Special Account.

These funds are transferred to the General Account and then, in addition to being used for building and repair and other expenditure necessary for the adjustment of State Property, are, in case of necessity, used for purposes other than those mentioned above in accordance with the Budget Estimates (Articles 1—4, Special Account Law for Funds from the Adjustment of State

Property by Law No. 6, 1922; Exceptions in the Special Account Law for Funds from the Adjustment of State Property by Law No. 15, 1927).

The following are the statistics of revenue and expenditure in the Funds from the Adjustment of State Property for the financial years 1928-29 to 1938-39:

Financial Years	Revenue	Expenditure
	(In yen)	
1928-29	11,379,386	15,913,470
1929-30	9,349,573	9,102,751
1930-31	6,439,664	6,237,805

Financial Years	Revenue	Expenditure
	(In yen)	
1931-32	4,870,211	5,963,898
1932-33	4,755,566	5,823,635
1933-34	5,973,512	6,198,998
1934-35	7,523,004	6,786,056
1935-36	6,812,346	3,470,679
1936-37	8,459,373	5,269,417
1937-38	7,994,559	4,528,542
1938-39	6,120,854	2,160,934

Note:—The figures for the financial years 1928-29 to 1937-38 represent the settled accounts, but those for 1938-39 and 1937-38 the budget estimates.

STATE PROPERTY

March 31st	General Account			Total	Inc. (+) or Dec. (-) as compared with preceding year.	Special Account Official Property
	Official Property	Property used for Forestry Management	Miscellaneous Property			
(In yen)						
1928	2,617,192,682	1,795,825,964	385,461,617	4,798,480,264	+ 68,658,051	2,700,178,085
1929	2,737,794,793	1,784,353,468	392,494,216	4,914,642,478	+116,162,214	2,918,388,591
1930	2,840,813,702	1,793,045,341	383,121,552	5,016,980,596	+102,338,117	3,094,085,905
1931	2,916,876,775	1,782,178,124	384,622,880	5,083,477,781	+ 66,497,185	3,227,373,063
1932	2,974,318,652	1,384,436,336	361,723,578	4,720,478,566	-362,999,214	3,279,832,605
1933	3,079,326,852	1,375,325,433	384,653,842	4,839,306,128	+118,827,561	3,352,889,831
1934	3,242,826,050	1,374,297,419	698,066,882	5,313,190,353	+473,884,224	3,279,527,024
1935	2,896,185,956	1,371,906,691	703,450,479	4,971,543,127	-341,647,225	4,007,400,131
1936	3,036,003,966	1,376,098,869	702,982,189	5,115,085,025	+143,541,897	4,147,726,762
1937	3,216,301,730	1,823,450,033	723,746,836	5,763,498,600	+648,413,575	5,273,861,500

March 31st	Special Accounts			Total	Inc. (+) or Dec. (-) as compared with preceding year	Grand Total	Inc. (+) or Dec. (-) as compared with the total of preceding year
	Property used for Forestry Management	Miscellaneous Property	Total				
(In yen)							
1928	—	4,753,346	2,704,931,432	+177,504,922	7,503,411,696	+246,162,973	
1929	—	3,958,885	2,922,347,476	+217,416,044	7,836,989,955	+333,578,258	
1930	—	319,474	3,094,405,380	+172,057,903	8,111,385,976	+274,396,022	
1931	—	690,032	3,228,063,095	+133,657,714	8,311,540,876	+200,154,900	
1932	—	190,171	3,280,022,777	+ 51,959,681	8,000,501,343	-311,039,533	
1933	—	533,856	3,353,423,688	+ 73,400,911	8,192,729,816	+192,228,472	
1934	—	330,052	3,279,857,076	- 73,566,611	8,593,047,429	+400,317,613	
1935	—	378,898	4,007,779,029	+727,921,952	8,979,322,157	+386,274,727	
1936	—	398,929	4,148,125,691	+140,346,661	9,263,210,716	+283,888,559	
1937	157,574,531	233,461,281	5,664,897,313	+1,516,771,622	11,428,395,914	+2,165,185,198	

Note:—

(1) The figures for 1928 to 1931 were computed by adding the increase in the value of State property in each financial year to the appraised value of 1933.

(2) The following are excluded from this table: (a) State movable estate and rights not provided in the of Shinto shrines, and (d) public land of public corporations.

(3) As from April 1, 1937, the State Property Law was also put into operation in Chosen, Taiwan, Karafuto, Kwantung Province, and the Mandated South Ses Islands.

Appendix—The value of State Property under the jurisdiction of our colonial Governments on March 31, 1936 is as follows:

Government of Chōsen	¥ 664,179,205
Government of Taiwan	312,433,468
Government of Karafuto	50,726,345
Government of Kwantung	158,010,446
Government of Nanyo (Mandated South Sea Islands)	20,343,824
Total	1,205,693,288

Note:—This table indicates only the value of State-owned real estate and ships and their equipment, but excludes the value of Public Property.

CAPITAL AND EXPENDITURE FOR WAY AND WORKS OF THE IMPERIAL RAILWAYS

Compiled by the Department of Railways

Financial Year	Amount of Capital			Cost of Construction
	Capital originally owned	Borrowed Capital	Total	
				(In yen)
1927-28	1,351,010,424	1,555,993,705	2,907,007,129	49,216,913
1928-29	1,481,689,821	1,627,399,566	3,109,089,387	51,824,496
1929-30	1,580,497,834	1,704,668,059	3,285,165,893	68,906,647
1930-31	1,639,593,577	1,743,226,538	3,482,822,115	41,755,774
1931-32	1,672,757,628	1,789,564,996	3,462,322,624	37,706,907
1932-33	1,724,882,067	1,838,540,444	3,563,423,511	47,743,369
1933-34	1,802,811,650	1,879,614,749	3,682,426,399	53,130,133
1934-35	1,891,897,268	1,921,314,177	3,813,211,445	47,794,116
1935-36	1,995,865,521	1,942,297,215	3,938,262,736	43,197,238
1936-37	2,118,446,062	1,971,178,616	4,089,624,978	43,922,922

Expenditure for Way and Works (During the Year)

Financial Year	Maintenance Expenses	Replenishment Expenses		Improvement Expenses	Total
		Replenishment Expenses	Improvement Expenses		
					(In yen)
1927-28	59,915,387	5,643,676	156,244,969	270,020,945	
1928-29	62,804,064	5,357,227	139,634,863	259,620,650	
1929-30	62,053,015	4,337,837	125,199,688	260,497,187	
1930-31	56,373,653	3,382,422	66,735,913	168,207,762	
1931-32	50,359,631	2,433,856	54,714,747	145,215,141	
1932-33	50,053,720	2,420,590	51,991,055	152,208,734	
1933-34	54,395,922	2,122,589	56,304,722	165,953,366	
1934-35	67,632,642	3,936,208	67,662,895	187,025,861	
1935-36	70,018,829	3,710,575	83,366,177	200,292,819	
1936-37	73,606,269	7,580,496	89,446,250	214,555,937	

ANNUAL REVENUE AND EXPENDITURE OF MUNICIPAL CORPORATIONS

Compiled by the Department of Home Affairs

Prefectures (Dō, Fu & Ken)

Financial Year	Rates	Revenue		Expenditure
		receipts from Other Sources	Total	
				(In yen)
1928-29	262,907,747	303,067,833	565,675,580	491,261,230
1929-30	264,801,968	281,123,097	545,925,065	489,489,861
1930-31	246,946,000	293,250,812	540,196,812	478,238,248
1931-32	221,939,715	317,361,600	539,301,315	502,572,907
1932-33	216,238,846	445,301,501	661,540,347	624,808,519
1933-34	228,474,081	540,273,770	768,747,851	717,465,740
1934-35	240,211,534	519,606,970	759,818,504	659,057,158
1935-36	253,509,526	533,833,390	787,392,916	685,306,100
1936-37	252,748,344	286,804,320	539,552,664	539,552,664
1937-38	264,487,592	319,023,581	583,511,173	583,511,173

Financial Year	Rates	Cities		Total	Expenditure
		Revenue Receipts from Other Sources	Total		
					(In yen)
1928-29	115,079,602	854,669,992	969,749,594	841,725,457	
1929-30	122,789,419	702,604,925	825,394,344	695,547,423	
1930-31	118,842,669	777,745,926	896,588,595	776,350,757	
1931-32	107,828,291	638,635,669	746,463,960	634,459,007	
1932-33	114,401,486	727,830,121	842,231,607	730,395,466	
1933-34	135,339,784	1,262,161,523	1,397,501,307	1,270,379,090	
1934-35	151,195,294	1,017,644,313	1,168,839,607	1,044,492,791	
1935-36	164,739,750	977,401,582	1,142,141,332	959,693,093	
1936-37	170,966,201	688,879,575	859,845,856	859,218,609	
1937-38	188,402,853	758,534,312	946,937,165	946,204,539	

Financial Year	Rates	Town and Villages		Total	Grand Total	
		Revenue Receipts from Other Sources	Total		Revenue	Expenditure
						(In yen)
1928-29	278,728,831	342,463,671	621,192,502	560,821,930	2,156,917,676	1,893,808,617
1929-30	277,877,112	307,330,994	585,208,106	529,609,528	1,956,527,515	1,714,646,812
1930-31	236,613,665	319,862,720	556,476,391	498,147,570	1,993,261,798	1,752,736,575
1931-32	199,883,543	340,561,887	540,445,430	488,937,099	1,826,210,705	1,625,969,013
1932-33	190,413,616	403,724,407	594,138,223	543,723,528	2,097,910,177	1,898,927,513
1933-34	193,562,097	401,820,386	595,382,483	547,059,752	2,761,631,641	2,534,904,582
1934-35	203,340,727	392,491,049	595,831,776	539,631,076	2,524,489,887	2,243,181,023
1935-36	214,631,432	400,875,679	615,507,111	560,377,163	2,545,041,359	2,205,376,376
1936-37	230,118,740	266,149,290	496,268,030	496,119,450	1,895,666,550	1,894,890,723
1937-38	247,584,698	278,691,750	526,276,448	526,116,359	2,056,724,786	2,055,832,071

Note:—The figures for 1936-37 and after represent the budget estimates.

AMOUNT OF LOCAL LOANS

At the End of March:	Loans of Prefectures	Loans of Cities	Loans of Towns and Villages	Loans of Local Associations	Total
1928	379,438,500	1,258,941,727	187,541,244	38,512,710	1,844,434,190
1929	425,795,434	1,371,866,970	212,097,249	40,623,343	2,050,382,996
1930	482,412,880	1,461,953,003	235,736,724	41,600,732	2,221,703,339
1931	534,348,984	1,540,896,965	256,305,035	42,864,840	2,374,415,822
1932	580,128,337	1,596,408,423	312,832,386	45,656,761	2,535,085,907
1933	663,839,451	1,733,761,825	279,060,038	51,588,438	2,728,249,752
1934	777,904,944	1,811,629,352	315,988,269	51,949,772	2,957,472,337
1935	887,155,990	1,902,171,086	243,126,568	54,540,503	3,186,994,156
1936	976,482,919	2,004,852,718	391,494,111	55,109,102	3,427,938,850
1937	1,076,498,809	2,147,849,855	413,629,207	55,872,223	3,694,050,094

LOCAL LOANS CLASSIFIED ACCORDING TO THE OBJECTS FOR WHICH THEY WERE RAISED

At the End of March:	Education	Sanitation	Industry	Public Works	Electric and Gas Enterprises	Others	Total
1928	169,576,089	214,396,692	45,170,489	466,889,119	549,389,069	399,012,732	1,844,434,190
1929	172,175,166	272,205,502	76,434,895	477,916,392	554,372,027	497,279,014	2,050,382,996
1930	193,103,812	282,336,965	98,511,782	771,016,769	566,021,106	310,712,905	2,221,703,339
1931	190,245,777	303,243,092	150,843,417	608,427,103	573,817,298	547,839,137	2,374,415,824
1932	190,053,844	327,351,349	153,371,058	877,520,496	550,964,975	435,824,185	2,535,085,907
1933	196,998,634	339,401,324	217,526,766	985,904,107	587,528,519	400,890,402	2,728,249,752
1934	184,140,529	308,202,659	224,043,952	1,134,798,040	639,056,204	465,328,953	2,957,472,337
1935	225,588,440	332,840,041	240,469,600	1,013,619,050	671,907,841	699,568,584	3,186,994,156
1936	298,413,499	387,976,167	292,752,395	1,165,164,983	680,775,068	602,856,738	3,427,938,850
1937	321,909,160	469,087,704	326,340,679	1,211,469,291	737,757,215	625,486,045	3,694,050,094

LOANS OF CITIES ISSUED ABROAD OUTSTANDING MARCH 31, 1936

Cities	Loans	Amount issued	Amount redeemed (In yen)	Amount outstanding
Tokyo	Loan for consolidation of old debts, improvement of city, etc.	14,580,000	14,580,000	0
"	Loan for electric enterprises	89,344,183	35,512,960	53,831,223
"	Reconstruction works loan	99,982,213	12,478,720	87,503,493
Osaka	Harbour-works loan	3,085,000	575,000	2,510,000
"	Loan for Electric Railways and Water-works	30,220,000	12,308,000	17,912,000
Yokohama	Water-works loan (2nd Series)	7,000,000	1,778,284	5,221,716
"	5% Reconstruction Works Loan (Dollar)	39,602,388	6,610,217	32,992,171
Nagoya	Water-works loan	7,816,000	5,862,000	1,954,000
	Total	291,629,784	89,905,181	201,724,603

Deposit Funds Management Bureau of the Department of Finance¹

Organization of the Deposit Funds Management Bureau Although the Deposit Funds have been in existence since 1877, it was only after many changes that the present system was established in 1925. The chief of the Deposit Funds Management Bureau is under the control and supervision of the Minister of Finance and he is responsible for its activities and efficiency. Its finances are segregated in a Special Account and the Bureau is given control over the expenditure of its entire revenue. The chief business of the Bureau is not merely confined to the control of deposits, but also includes the investment and management of other funds. The deposits, which are made according to laws and ordinances, consist, for the most part, of postal savings deposits received by the Government; but the Deposit Funds also include other deposits, reserves in the Special Account of the Deposit Funds and surpluses. It may specially be noted that the total of the Deposit Funds reached 5,492 million yen on March 31, 1938, this representing some 1/2 of the total deposits in ordinary banks throughout the country. All business connected with receipt and payment of cash is transacted on behalf of the Bureau by the Bank of Japan in accordance with instructions from the Minister of Finance.

Investment of the Deposit Funds It is laid down by law that the Deposit Funds are to be invested solely for the benefit of the State and the public in profitable and safe manner, and that such investments are to be made only after investigation of their purposes and methods in consultation with the Committee on Investments of the Deposit Funds. The following is an explanation

of the nature of the Committee and the methods it employs.

Committee on Investments of the Deposit Funds This Committee consists of the following members: The Minister of Finance, as a chairman, the Parliamentary Vice-Minister of Finance, high officials of the Government Offices concerned, one of the Chief Auditors of the Auditing Board, the Governor of the Bank of Japan and other 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 question of the Minister, after both investigation and study of matters relating to the investment of the Deposit Funds. At the beginning of every fiscal year, the Minister of Finance is to draw up the necessary plan to govern the investment of the funds to submit it to this Committee, and the same process is to be undertaken should there be any occasion to supplement or to change this plan. In addition to answering the question of the Minister of Finance the Committee may send his proposals concerning the investment of the Deposit Funds. The Minister should present to the Committee, after every fiscal year, a report stating particulars of important matters concerning conditions of investment of the Deposit Funds and changes in the funds invested.

Method of Investment As mentioned above, the Deposit Funds are to be invested for the benefit of the State and the public welfare in a profitable and safe manner. Consequently, in con-

1. Note: This name of the Bureau is newly given to the "Deposits Bureau" formerly mentioned in this Year Book.

formity with this principle, the investment of funds is to be limited to the following items:

(a) The subscription to, underwriting or purchasing of national loans or making of loans to the General or Special Accounts of the Government.

(b) The subscription to, underwriting or purchasing of local loans, irrigation associations' loans or health insurance associations' loans, or making of loans to local public corporations, irrigation associations or health insurance associations.

(c) The subscription to, underwriting or purchasing of bonds issued by corporations organized under special laws or making of loans redeemable within a period not exceeding three years to these corporations.

(d) Loans to banks organized under special laws but not authorized to issue debentures.

(e) The subscription to and purchasing of foreign Government bonds.

(f) Deposits with the Bank of Japan to be held abroad for designated purposes.

These items only indicate the method of the investment of the funds and the question whether any particular investment is for the promotion of the benefit of the State or public welfare or whether it is profitable and safe is left to the joint consideration and decision of the Minister of Finance and this Committee.

The investment of the Deposit Funds is determined, within the limits mentioned above, at the beginning of every fiscal year. The Deposit Funds Management Bureau gives, at the end of March, 1938, the following figures of investment, classified according to purposes:

Items	(In thousands of yen)	%
National loans	2,796,045	50.91
Loans to the General and Special Accounts	81,409	1.48
Local funds invested	2,050,306	37.33
Loans to the special banks and companies	144,214	2.63
Special advances	192,099	3.50
Foreign Government bonds	75,439	1.37
Funds held abroad	1,016	0.02
Cash	123,406	2.25
Others	28,264	0.51
Total	5,492,288	100.00

Local funds representing the funds to be invested for the benefit of local districts to local public corporations. Various associations and individuals are advanced from the Deposit Funds Man-

agement Bureau to the borrowers either directly or through special banks and similar institutions. These funds are allotted for the following purposes:—

1. 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.

2. Advances to be made for urgent needs:

Repair works of disasters, reconstruction works necessitated by the earthquake, accommodation to the silk-raising industry, the relief of the unemployed, and accommodation to middle and lower class merchants, manufacturers and farmers.

3. Advances to be made for:

Such institutions as public corporations and various associations in our colonies.

With regard to the rate of interest paid on the deposit it is to be noted that the rate was reduced as from April 1, 1937, to 2.76 per cent per annum for the greater part of postal savings. The postal savings amount to some 71 per cent of the total amount of the Deposit Funds, and details are given in the Statement of the Deposit Funds (Table No. 91). Other deposits are divided into two classes, namely, fixed deposits and ordinary deposits. The rate of interest on fixed deposits is in principle 2.5 per cent per annum, but the rate on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 3 per cent. The rate on ordinary deposits is in principle 0.75 per cent per annum, while that on deposits of such character that the depositing of cash is confined by laws and ordinances to the Deposit Funds Management Bureau is 1 per cent. The rates on fixed deposits have been effec-

tive since July 1, 1936 and those on ordinary deposits since April 1 of the same year. Turning to the rates for the advances made by the Deposit Fund Management Bureau, it will be found that those for the advances to prefectures, large cities, and local corporations remain, for the most part, at 3.2 per cent per annum. As to the advances made through banks and similar institutions, the intermediate institutions gain 0.7 per cent and actual borrowers must pay at the rate of 3.9 per cent.

3. Plans approved in 1937.

Plans for the investment of funds to the amount of ¥851,533,000 were made in the fiscal year 1937. Of these, items involving more than 5 million yen each are as follows:—

	(In yen)
(a) Funds for taking up national loans to be issued in 1937, and for purchases of loan bonds	500,000,000
(b) Loans to public corporations for their adjustment of arable land and to various associations for their undertakings	74,700,000
(c) Emergency loans for the relief of unemployment	10,000,000
(d) Loans for city planning	5,000,000
(e) Loans for repair works following disasters of 1934 and 1935	15,000,000
(f) Loans for the economic development of agricultural villages in depressed conditions	6,750,000
(g) Loans to the medium and smaller merchants and	

	(In yen)
manufacturers	10,000,000
(h) Loans for drainage works in Chōsen	5,000,000
(i) Funds for taking up the national bonds of Manchoukuo	20,000,000
(j) Loans to public corporations and corporations or associations on a non-commercial basis within the limits of the deposits with the Deposit Funds as received from the Post Office Life Insurance of Chōsen	17,100,000
(k) Loans for the adjustment of debts in agricultural villages	20,000,000
(l) Loans for the creation and maintenance of independent farmers	10,000,000
(m) Loans for repair works following disasters of 1937	12,000,000
(n) Loans for the re-inauguration of businesses by Japanese residents in China	20,000,000
(o) Emergency loans for the silk-raising industry, the storage of rice, the purchase of fertilizers, and the storage of unhulled rice	80,000,000

It should specially be noted that in addition to the above-mentioned items of accommodation considerable short-term loans have recently been made for the expansion of productive capacity and the easing of the monetary position. Such amounts have sometimes reached 260 million yen.

BALANCE SHEET OF THE DEPOSIT FUNDS MANAGEMENT BUREAU, THE DEPARTMENT OF FINANCE

(At the end of March)

LIABILITIES	1937	1938	1939
Deposits:		(In yen)	
Postal Savings and Postal Transfer System	3,502,696,831	3,918,578,672	4,782,050,970
Proceeds of Reconstruction Savings Certificates	74,602,265	93,724,330	172,671,275
Surplus fund of Certain Special Accounts of the Government	437,321,525	657,132,529	637,294,245
Others	100,248,944	91,274,373	
Reserves	548,354,149	623,094,585	693,748,771
Miscellaneous Receipts	246,067,641	242,695,813	265,054,756
Checks payable	728,907	382,205	—
Total	4,910,020,262	5,626,882,509	6,550,820,017

	1937	1938	1939
ASSETS		(In yen)	
Government Securities	2,133,881,314	2,796,045,060	3,680,492,796
Government Liability to Pay for the Principal and Interest of the 4% Chinese Government Bonds	12,541,263	10,860,064	9,178,864
Foreign Government Bonds	50,598,455	75,438,955	85,243,955
Local Government and Municipal Securities	1,053,059,404	1,068,282,439	1,074,349,051
Debentures of the Hypothec Bank of Japan	280,852,148	268,061,083	236,768,438
Debentures of the Industrial Bank of Japan	48,747,703	51,947,304	88,535,050
Other Securities	451,474,811	404,118,786	445,840,714
Miscellaneous Advances	646,610,238	669,470,504	655,249,264
Deposits with the Bank of Japan to be held at Home for Designated Purposes	11,000,000	11,000,000	110,051,796
Deposits with the Bank of Japan to be held Abroad for Designated Purposes	211,235	1,016,246	160,673
*Cash	100,727,603	123,406,398	—
Expenditures	120,318,088	134,594,669	139,810,113
Sinking Fund	—	—	19,139,303
Total	4,910,020,262	5,626,882,509	6,550,820,017

† Including savings certificates in 1937 and after.

* Current deposits with the Bank of Japan, and for 1939 it is included in the Deposits with the Bank of Japan to be held at home for Designated Purposes.

PROFIT AND LOSS ACCOUNT OF THE DEPOSIT FUNDS THE DEPARTMENT OF FINANCE

	1935-36	1936-37	1937-38
RECEIPTS		(In yen)	
Interest on Securities	162,289,541	161,088,426	172,844,865
Interest on Advances	15,477,755	16,268,151	22,687,425
Interest on Deposits	469,460	463,184	463,701
Transferred from General Account	1,981,379	1,070,000	1,122,000
Profits from the Disposal of the Specie held Abroad	7,101,125	7,953,658	6,968,283
Profits from the Sale and Redemption of Securities and other Profits	16,425,379	9,004,611	3,208,401
Total	203,744,639	195,848,030	207,294,675
PAYMENTS			
Interest on Deposits and Commissions	105,558,941	109,877,193	116,389,118
Amount transferred to Other Government Accounts	10,030,000	10,440,000	18,730,000
Administrative Expenses and Others	11,226,737	786,737	1,018,294
Depreciation	1,384	3,664	503,077
Transfers to Reserves	87,477,065	74,740,436	70,654,186
Total	203,744,639	195,848,030	207,294,675

Japan's National Wealth

The national wealth of Japan proper for 1930, the most recent date for this kind of investigation, was estimated at ¥110,188,000,000, according to the Cabinet Statistics Bureau. This included the following:

	(Estimates in thousands of yen)	(Estimates in thousands of yen)	
Land	41,091,348	Bridges	483,000
Mines	6,499,651	Trees	6,706,815
Ports, harbours and canals	343,143	Live-stock and poultry	346,356
		Buildings	22,843,300
		Industrial machines and apparatus	1,809,381
		Railways and tramways (street cars)	3,598,138
		Vehicles and aeroplanes	660,294
		Shipping	2,060,236
		Electric and gas supply equipment	1,905,044

	(Estimates in thousands of yen)
Telegraph and telephone equipment	196,102
Waterworks equipment	352,779
Property in store:	18,847,310
Household property	12,473,201
Manufactures	5,457,466
Coins and gold and silver bullion	916,643
Miscellaneous	2,250,515
Balance of Japan's foreign credit and debt	191,592
Total	110,188,004

The total is classified into Government property 12 per cent, public property 4 per cent and private property 84 per cent. Land, buildings, trees and mines combined make a total of 81 per cent in all. Manufactured goods, railways and tramways, shipping, electric and gas equipment and industrial machines and tools combined make a total of 13 per cent. The remainder is 6 per cent. The national wealth for 1930 per household was ¥8,672 and per capita was ¥1,710. The change of national wealth, investigated by Mr. Hideomi Takahashi, a statistical authority in Japan, follows:

Time of	Year	National wealth (in millions of yen)
Arrival of "Black Ships"	1851	5,085
Sakuradamon Murder Incident	1860	5,769
Meiji Restoration	1868	6,818
Abolition of feudal clans and establishment of prefectural government	1873	7,317
Satsuma Rebellion	1877	8,571
Promulgation of Imperial Constitution	1889	13,043
Sino-Japanese War	1894	16,667
Russo-Japanese War	1904	22,742
First Year of Taisho Era	1912	37,524
	1921	93,026
	June, 1924	101,978
	March, 1925	105,742

Public Finance in 1937-38

As has been stated in the Japan Year Book, 1938-39, the Budget for the fiscal year 1937-38, with the Supplementary Budget No. 1, passed the Diet in the 70th Session (December 1936 to March 1937). In view, however, of the outbreak of the China incident and subsequent developments of the situation, the Government submitted the Supple-

mentary Budgets Nos. 1, 2, 3 and 4 to the Diet in the 71st Session (July to August 1937), specially convoked for the purpose, and secured its approval. In September, 1937, the Diet was again specially convoked, and not only was the Supplementary Budget No. 1 approved in this 72nd Session, but also the Special Account for Emergency Military Expenditure was created. When including the Supplementary Budgets Nos. 1 and 2 that passed the Diet in the 73rd Session (December 1937 to March 1938), the total figures for the Budget for the General Account for the fiscal year 1937-38 were as follows:—

(In this Budget, however, there is not included an amount of ¥507,208,270 which has been transferred to the Special Account for Emergency Military Expenditure).

Revenue	(In yen)
Ordinary	1,833,085,852
Extraordinary	1,081,841,527
Normal Revenue	233,797,096
Receipts from the Issue of Public Loans	827,395,329
Transfer of Surplus from the Preceding Year	20,649,102
Total	2,914,927,379
Expenditure	
Ordinary	1,528,781,338
Extraordinary	1,452,909,850
Total	2,981,691,188

When classifying the above Budget figures into the original Budget and the Supplementary Budgets, the following figures will be given:—

Revenue	(In yen)
Original Budget approved in the 70th Session	2,813,937,971
Supplementary Budgets Approved in the 70th Session	100,989,408
No. 1	58,197,902
Approved in the 71st Session	
No. 1	1,625,136
No. 2	13,389,749
No. 3	7,317,570
No. 4	7,611,290
Approved in the 72nd Session:	
No. 1	6,651,919
Approved in the 73rd Session:	
No. 1	0
No. 2	6,195,842
Total	2,914,927,379
Expenditure	
Original Budget approved in the 70th Session	2,813,937,971
Supplementary Budgets Approved in the 70th Session:	167,753,217
No. 1	58,197,902

Approved in the 71st Session:

No. 1	1,625,136
No. 2	13,389,749
No. 3	7,317,570
No. 4	7,611,290

Approved in the 72nd Session:

No. 1	42,607,248
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Approved in the 73rd Session:

No. 1	15,200,000
No. 2	21,804,322
Total	2,981,691,188

With regard to the actual results for the above estimates, Treasury Accounts give the following figures as those of Actual Revenue and Expenditure at the end of July, 1938:

Actual Revenue	
Ordinary	1,945,998,351
Extraordinary	968,472,140
Normal Revenue	273,068,222
Receipts from the Issue of Public Loans	605,481,106
Transfer of Surplus from the Preceding Year	89,922,811
Total	2,914,470,491
Actual Expenditure	
Ordinary	1,409,250,592
Extraordinary	1,299,906,890
Total	2,709,157,483
Excess of Revenue	205,313,008

A comparison of the actual results for the fiscal year 1937-38 with the Budget Estimates for the same year reveals that the tax receipts and normal receipts, totalling ¥2,219,066,573, showed an increase of ¥152,183,625 over the revised Budget Estimates. The tax receipts (including the receipts from the Special Profits Tax) amounted to ¥1,431,892,096, representing an increase of ¥122,647,084 over the revised Budget Estimates and an increase of ¥380,130,456 above the actual results for the preceding fiscal year.

As regards actual expenditure, it indicated a decline of ¥329,745,052 as against ¥3,038,902,535 which represents the totals of the Budget and the appropriations carried forward from 1936-37. This decrease of ¥329,745,052 was made up of ¥135,853,598 carried forward to the fiscal year 1938-39 and of ¥193,891,454 representing the unused part of appropriations in the fiscal year 1937-38. Under the influence of such a growth in the tax receipts and other normal receipts and a decline in expenditure, the proceeds of loans for financing expenditure for the General Account showed during 1937-38 a de-

crease of ¥221,914,222 as compared with ¥827,395,329 of the loan programme. It may also be noted that the proceeds of loans for covering revenue deficits reached ¥338,540,599, representing a decline of ¥200,053,949 as against ¥538,594,549 of the loan programme made for the same purpose.

As has been mentioned above, the excess of revenue over expenditure reached ¥205,313,008. After, however, allowances are made for appropriations of ¥121,152,501 to be devoted to the expenditure carried forward to 1938-39, the surplus for 1937-38 is reduced to ¥84,160,507.

New Tax Laws

Mention was made on 14 taxes in the Japan Year Book, 1936, pp. 280-296. Since 1936 the following 7 new tax laws were promulgated and enforced by April, 1938.

Temporary Tax Increase Law

This Law, authorizing the Government not only to increase, for the time being, the rates of the income tax, the business profits tax on corporations, the capital interest tax, the succession tax, the tax on mining products, the tax on liquors, the sugar excise, the tax on bourses and the special profits tax, but also to create a special tax on mining products in respect of gold and silver ores, was promulgated on March 30, 1937, and put into operation as from April 1 of the same year. Amendments were, however, made on April 1, 1938. The important points of the Law are summarized as follows:—

1. Income Tax.

A. Income coming under Class I.
The tax rates on the ordinary income of corporations and on the net assets of corporations at liquidation or amalgamation are increased by 100% respectively, and that on the undivided profits of a family corporation by 50%. (For the temporary increase in the tax rates, see the Law relating to Emergency Taxes for the China Incident.)

B. Income coming under Class II.

The tax rates on the incomes coming under this class are all increased by 50%. Moreover, in respect of interest on national bonds a tax has newly been imposed at the rate of 2%.

C. Income coming under Class III.

(a) With respect to the income under Class III other than lump pensions and retiring allowances of similar nature, the incomes are, notwithstanding the tax rates as provided for in the Income Tax Law, divided into the following

categories, and the progressive rates are applicable to the respective categories. It should, however, be noted that the income from forests is assessed separately by multiplying the amount obtained by applying the following rates to one-fifth of such income, by five:

	(In yen)	%
Income not exceeding	1,200	1
Income exceeding	1,200	2.5
" "	1,500	4
" "	2,000	5.5
" "	3,000	7
" "	5,000	9
" "	7,000	11
" "	10,000	13
" "	15,000	16
" "	20,000	19
" "	30,000	22
" "	50,000	25
" "	70,000	28
" "	100,000	31
" "	150,000	34
" "	200,000	37
" "	300,000	40
" "	500,000	43
" "	700,000	46
" "	1,000,000	50

(For the temporary increase in the tax rates, see the Law relating to Emergency Taxes for the China Incident).

(b) The abatement from incomes derived from dividends is reduced from 40% to 20%.

2. Business Profits Tax on Corporations.

The tax rate is increased from 3.4% to 4%.

3. Capital Interest Tax.

The tax rate is increased from 2% to 4%, except that the same rate as provided for in the Capital Interest Tax Law is applicable to interest on national bonds held by savings banks.

4. Succession Tax.

Notwithstanding the tax rates as provided for in the Succession Tax Law, the tax is imposed according to the value of the assessable property and the kinds of successors. In the case of the succession to the headship of a family, it is levied at the rate of 0.6% to 32%, and in the case of the succession to property, at the rate of 1.2% to 43%.

5. Tax on Mining Products.

The tax rate is increased from 0.5% to 0.6% of the value of mining products. The special tax on mining products is newly imposed on gold and silver ores at the rate of 1.3% of the value of the products.

6. Special Profits Tax.

The tax rate on corporations is increased from 10% to 15%, and that on

individuals from 8% to 10%. (This rate is not applicable owing to the amendment in the Law relating to the Special Profits Tax. For details, see the Special Profits Tax.)

7. Tax on Liquors.

The following rates are imposed on liquors in addition to those provided for in the Law relating to Tax on Liquors:—

On saké	some 10%
On beer	40
On alcohol and alcoholic liquors	some 20

8. Sugar Excise.

The tax rate is increased by some 15%. (For the temporary increase in the tax rate, see the Law relating to Emergency Taxes for the China Incident).

9. Tax on Bourses.

The rate of the bourse business tax is increased by 10%, and that of the bourse tax applicable to the transaction of shares by 80%. (For the temporary increase in the tax rate, see the Law relating to Emergency Taxes for the China Incident).

Tax on the Capital of Corporations

The Law relating to this tax was promulgated by Law No. 4 of 1937, and put into operation as from April 1 of the same year. The important points of the Law are summarized as follows:

1. Tax Payers.

Corporations having head offices or principal business offices within the territory where this Law is in force are liable for payment of this tax. Those which, though not coming under the above provision, have capital within the territory where this Law is in force, are also liable for payment of this tax.

2. Basis of Assessment.

The capitals of corporations are taken as the basis of assessment. The capital of a corporation having a head office or principal business office within the territory where this Law is in force is calculated in this manner: The carrying forward of loss as at the end of each month in each accounting period is first deducted from the totals of the paid-up share capital, amounts of contributions or funds and reserve funds as at the end of each month in said accounting period. The monthly average of the amount thus obtained is multiplied by the number of months in said accounting period, and then divided by 12. The amount finally obtained is regarded as the capital of a corporation. The calculation of the capital of

a corporation which, though not having a head office or principal business office within the territory where this Law is in force, has capital within the territory where this Law is in force is made in the same manner as mentioned above.

The tax rate is 0.1%. When, however, the tax calculated is less than ¥10, it is levied at the rate of ¥10 a year. Corporations without any income are exempted from the imposition of the tax. (For the temporary increase in the tax rate, see the Law relating to Emergency Taxes for the China Incident).

4. Corporations exempted from the Tax.

Corporations on the non-commercial basis, which are exempted from the imposition of the income tax in accordance with the Income Tax Law and other laws, are exempted from the Tax on the Capital of Corporations.

Special Tax on Foreign Currency Securities

The Law relating to this tax was promulgated by Law No. 5 of 1937, and put into effect as from April 1 of the same year. The important points of the Law are summarized as follows:

1. Tax Payers.

Holders of foreign currency securities, who have domicile or a temporary residence for one year or more within the territory where this Law is in force, are liable for payment of this tax. "Foreign currency securities" here means Japanese national bonds, Japanese municipal bonds, and debentures issued by Japanese corporations, all expressed in foreign currencies.

2. Basis of Assessment.

The tax is levied on interest on foreign currency securities. Interest received between January 1 and June 30, and that received between July 1 and December 31, are taken as the assessable amount.

3. Tax Rates.

(a) In the case of interest on national bonds in foreign currencies;

7/10 of the amount remaining after deduction of the amount equivalent to 5% (a year) of the face-value.

(b) In the case of interest on foreign currency securities other than national bonds in foreign currencies;

7/10 of the amount remaining after deduction of the amount equivalent to 5.5% (a year) of the face-value.

4. Tax Exemption.

The following interest is exempted from the imposition of the tax:—

(a) Interest on foreign currency securities as received by holders who are

exempted from the Class II income tax under the Income Tax Law and other laws.

(b) Interest on foreign currency securities held outside the Japanese Empire including Kwantung Province and Nanyo (Mandated territory in the Pacific).

(c) Interest on national bonds in foreign currencies with interest rates not exceeding 5% a year.

(d) Interest on foreign currency securities (other than national bonds in foreign currencies) with interest rates not exceeding 5.5% a year.

(e) Interest on foreign currency securities issued under the contract that the issuer of the securities will pay the tax; provided, however, that such contract must be that concluded before January 1, 1937.

Gasoline Tax

The Law relating to this tax was promulgated by Law No. 6 of 1937, and put into operation as from April 1 of the same year. The important points of the Law are summarized as follows:

1. Taxable Article.

The tax is levied on gasoline (mineral oil, the specific gravity of which is not exceeding 0.8017 at 15° C.), except in the case of gasoline manufactured from coal, lignite, oil shale, or natural gas.

2. Tax Rate.

¥13.2 per kilolitre.

3. Collection of Tax.

The gasoline tax is collected, at the time gasoline is delivered from the factories or bonded areas, from persons who take delivery of the gasoline; provided, however, that in the event of the security equivalent to the tax being offered in accordance with the provisions of Ordinance, the collection of such tax may be postponed for a period not exceeding two months.

Tax on the Transfer of Securities

The Law relating to this tax was promulgated by Law No. 7 of 1937, and put into effect as from April 1 of the same year. The important points of the Law are summarized as follows:—

1. Scope of Taxation.

The tax is imposed in respect of the transfer of securities made in the form of purchase and sale, exchange, presentation, legacy, and other acts. "Securities" here means national bonds, local government bonds, company debentures, debentures of the Central Chest for Industrial Associations, debentures of the Central Chest for Commercial and Industrial Associations and shares, and the securities of similar nature issued by

foreign governments or foreign corporations.

2. Tax Payers.

The tax is imposed on persons who have acquired the securities.

3. Tax Rate.

The tax is levied at the rate of 1/10,000 to 8/10,000 of the value of acquisition. In the case of the transfer of securities by purchase and sale, the value of acquisition represents the price of purchases and sales, and in the case of the transfer by other acts, it represents the price at the time when such transfer has been made.

4. Persons exempted from the Tax.

Corporations on the non-commercial basis, which are exempted from the income tax in accordance with the Income Tax Law and other laws, are exempted from the imposition of the tax.

5. Securities exempted from the Tax.

(a) Government securities redeemable within a period not exceeding one year.

(b) Local bonds, hypothec debentures, and debentures with a face-value of not more than ¥20 as specified by Ordinance.

6. Cases where, though Transfers are made, the Tax is exempted.

No tax is levied in such cases as the transfer of securities arising from inheritance, the merger of corporations, or from the transfer of all insurance contracts concluded under the provisions of Article 13, (5) of the Insurance Business Law, the transfer of national bonds in cases in which one of the parties to purchases and sales is the Bank of Japan, and transfers by other acts.

Law Relating to Emergency Taxes for the China Incident

It was immediately after the outbreak of the North China incident that the Law relating to Emergency Taxes for the North China Incident, effective for a period of one year, was promulgated for the purpose of increasing tax receipts by some 100 million yen. Subsequent developments of the incident, however, necessitated a further increase in taxation, and the Law relating to Emergency Taxes for the North China Incident was replaced by the Law relating to Emergency Taxes for the China Incident, newly enacted for the purpose by Law No. 51 of 1938. This, together with the increase of the Special Profits Tax, aims at a growth of some 300 million yen in tax receipts. By this Law not only were the rates increased in the Income Tax, the Tax on the Capital of Corporations, the Sugar Excise, and the Tax on Bourses, but also the Tax on Dividends, the Tax on Interest on Na-

tional Bonds and Company Debentures, the Travelling Tax, the Admission Tax, the Special Admission Tax, and the Tax on Commodities were newly created. It should, however, be noted that the above mentioned Tax on Dividends, Tax on Interest on National Bonds and Company Debentures, and Tax on Commodities are the continuation of those created by the Law relating to Emergency Taxes for the North China Incident. It may further be noted that this Law is to be abrogated on December 31 of the year following the year in which the China incident comes to an end. The important points of the Law are summarised as follows:

1. Increase in the Income Tax.

(A) Income coming under Class I.

(a) Ordinary income of corporations and net assets of corporations at liquidation or amalgamation.

In the case of the ordinary income of corporations, the tax rates of 5% as provided for in the Income Tax Law is raised to 12.25%, and in the case of the net assets of corporations at liquidation or amalgamation, the rate of 10% is raised to 22.5%. As, however, these two rates had already been increased to 11% and 22% respectively by the Temporary Tax Increase Law and the Law relating to Emergency Taxes for the North China Incident, the actual increase in the tax rates under the present Law is 1.25% and 0.5% respectively.

(b) Excess profits of corporations.

The tax rate on the excess profits of corporations is increased by 10% of the tax as assessed under the Income Tax Law. It should, however, be noted that this increased rate is the same as provided for in the Law relating to Emergency Taxes for the North China Incident and not that newly realized by the present Law.

(c) Restrictive provisions.

It is regulated by the Law that the total of the increased taxes on the ordinary income of corporations and on the excess profits of corporations and the special profits tax should not exceed 50% of the ordinary income of corporations.

(d) Undivided profits of family corporations.

The tax rate is increased by 83.75% of the tax as assessed under the Income Tax Law. As, however, the rate had already been increased by 50% by the Temporary Tax Increase Law and by 15% by the Law relating to Emergency Taxes for the North China Incident, the actual increase under the

present Law is 18.75%. With respect to this Tax, it is also provided for by the Law that the total of this increased tax and the special profits tax should not exceed 60% of the ordinary income of corporations.

(B) Income coming under Class II.

With respect to "A" income coming under Class II, taxes are imposed according to the rates of interest on national bonds and company debentures. The tax on interest on national bonds with interest exceeding 4% a year and on local government bonds and company debentures with interest exceeding 4.5% is increased by some 20%, while on other categories of interest the increase in the rates is comparatively slight. The tax on "B" income coming under Class II is increased by some 20%. The rates are increased as follows:

(a) "A" income

Interest on national bonds:

With interest not exceeding 4% a year	2% (unchanged)
With interest exceeding 4% a year	from 2 to 2.5

Interest on government bonds other than national bonds:

With interest not exceeding 4.5% a year	from 6.3 to 6.5
With interest exceeding 4.5% a year	from 6.3 to 7.5

Interest on company debentures:

With interest not exceeding 4.5% a year	from 7.875 to 8
With interest exceeding 4.5% a year	from 7.875 to 9.5
Other interest	from 7.875 to 8

(b) "B" income

from 10.5 to 12.5

(C) Income coming under Class III.

(a) The tax on the income coming under Class III is increased by 22.5% of the tax amount assessed under the Temporary Tax Increase Law. This tax, however, had already been increased by 10% by the Law relating to Emergency Taxes for the North China Incident, so that the actual increase in the rate under the present Law is 12.5%.

(b) In the case of this tax increase, however, it is not allowed that the tax amount exceeds 55% of the total income.

(c) The limit of tax exemption in respect of the income under Class III is reduced from ¥1,200 to ¥1,000, and on this income of ¥1,000 the tax is imposed at the rate of 1%. It should, however, be noted that the 22.5% increase men-

tioned in (a) above is not applicable to those who become liable for payment of the tax in consequence of the reduction of the limit of tax exemption.

2. Increase in the Tax on the Capital of Corporations.

The tax rate is increased from 1/1,000 to 1.2/1,000.

3. Increase in the Sugar Excise.

The tax rate as provided for in the Temporary Tax Increase Law is increased by some 60 sen per 100 kin (from a maximum of ¥1 to a minimum of 20 sen) for the purpose of increasing the receipts from this tax by some 10%. The period in which the tax collection may be postponed is shortened from 6 months to 3 months.

4. Tax on Bourses.

The following increases have been effected in the rates on the transactions of Class II negotiable paper:

(A) Short-term transactions:

The tax rate of 1.5/10,000 as provided for in the Law relating to the tax on Bourses is increased to 4/10,000.

(B) Long-term transactions.

The rate of 2.5/10,000 is increased to 6/10,000.

As, however, the rates had already been increased to 2.7/10,000 in respect of (A) and to 4.5/10,000 in respect of (B) by the Temporary Tax Increase Law, the actual increase under the present Law is 48% in respect of (A) and 33% in respect of (B).

5. Creation of the Tax on Dividends.

The Emergency Tax on Dividends created by the Law relating to Emergency Taxes for the North China Incident has, without any revision, been again provided for in the present Law. It is levied at the rate of 10% of the amount remaining after deduction of the amount calculated at the rate of 7% per annum.

6. Creation of the Tax on Interest on National Bonds and Company Debentures.

As in the case of the Tax on Dividends, this tax is also the continuation of the Emergency Tax on Interest on National Bonds and Company Debentures created by the Law relating to Emergency Taxes for the North China Incident. In the case of interest on national bonds, the amount equivalent to 10% of the amount remaining after deduction of the amount calculated at the rate of 4% a year is taken as the tax, and in the case of interest on local government bonds and company debentures, the amount equivalent to 10% of the amount remaining after deduction of the amount calculated at the rate of

4.5% a year is taken as the tax under the present Law.

7. Creation of the Travelling Tax.

The Travelling Tax, which was created at the time of the Russo-Japanese War by the Emergency Tax Law and was in force till 1926 when the tax reform was carried out, was re-introduced by the present Law. The Travelling Tax under the present Law, however, is different in its contents from the former Travelling Tax.

(A) Tax Payers.

Passengers on trains, tram-cars, motor buses, and steamships are liable for payment of this tax.

(B) Basis of Assessment and Tax Rates.

As shown in the following table, the tax is imposed according to the classes of carriages of trains and steamships and the kilometres of travelling. In special cases, such as travelling by commutation tickets, season-tickets, and in parties or by the reservation of cars or cabins, the respective tax rates are applicable. Those whose ages are under 12 years enjoy a reduction of 50%.

	1st Class	2nd Class	3rd Class
	(In sen)		
Not exceeding 50 km.	6	3	0
Exceeding 50 "	10	5	2
" 100 "	30	15	5
" 150 "	60	30	10
" 300 "	120	60	20
" 500 "	180	90	30
" 800 "	240	120	40

(C) Tax Exemption.

(a) In the case of 3rd class passengers whose journey is less than 50 kilometres in distance.

(b) In the case of naval or military parties as specially provided for.

(D) Tax Collection.

Persons engaged in transportation business are under obligation to collect taxes when they receive fares from passengers, and to make payment of the taxes to the Government not later than the 10th day of the following month (in the case of the Department of Railways, not later than the 20th day of the following month).

8. Creation of the Admission Tax.

In this country the admission tax has existed as a local tax, but it is by the present Law that the Admission Tax has been newly created as a national tax.

(A) Tax Payers.

Persons who enter places coming under Class I or who utilise the equipment in places coming under Class II mentioned below are liable for pay-

ment of this tax.

Class I.

(a) Places where theatres, moving pictures, dramatic performances, or other plays (sumo [Japanese wrestling]), baseball matches, boxing, and other professional matches) are played.

(b) Horse racing grounds.

(c) Exhibition grounds, exhibition halls, and recreation grounds.

Class II.

(a) Dance halls, ma-jong houses, billiard-rooms.

(b) Golf grounds, ice skating rinks.

(B) Tax Rates.

10% of admission fees paid by persons who enter such places.

(C) Tax Exemption.

No tax is levied in the following cases:

(a) When an admission fee to a place coming under Class I paid by an individual person is less than 23 sen.

(b) When a promoter or a manager applies the total of fees or profits to the following purposes:

(1) Charitable works.

(2) Consolation and relief of soldiers, consolation and condolence of the families or bereaved families of the soldiers or civilians in military service who are engaged in the China incident, and other military relief works.

(3) Presentation to the Government of arms, vessels, and other articles or funds for national defence.

(D) Collection of Taxes.

A promoter or manager is under obligation to collect taxes when he receives admission fees, and to make payment to the Government not later than the 10th day of the following month.

9. Creation of the Special Admission Tax.

This tax is levied on spectators of amateur sports played by students, pupils or others, and the taxation is entirely the same as of the Admission Tax mentioned above. As amateur sports differ in their spirit and meaning from general games, this tax is specially separated from the Admission Tax.

10. Creation of the Tax on Commodities.

This tax was again introduced after the enlargement of the scope of the Emergency Tax on Commodities which had been created by the Law relating to Emergency Taxes for the North China Incident.

(A) Assessable Commodities.

The following commodities coming under Class I, II and III are taxed, except in the case of the commodities

under Class I, the prices of which are below the fixed level. The details of assessable commodities are mentioned in the table annexed to Imperial Ordinance No. 200 of 1938.

Class I.

A. (1) Precious stones or semi-precious stones, or commodities combined with precious or semi-precious stones.

(2) Pearls or commodities combined with pearls.

(3) Manufactures of precious metals or commodities combined with gold or platinum.

(4) Manufactures of tortoise shell.

(5) Manufactures of corals.

B.

(6) Clocks and watches.

(7) Fountain pens, gold pens and sharp pencils.

(8) Jewelry and other articles for personal adornment.

(9) Toilet instruments.

(10) Smoking instruments.

(11) Hats, caps, bonnets, sticks, whips, umbrellas, and parasols.

(12) Bags and trunks made of leather or metal.

(13) Boots, shoes, slippers, sandals, dogs, and the like.

(14) Pictures and writings and curios.

(15) Articles for interior ornamentation.

(16) Illuminators.

(17) Articles for go and chess playing.

(18) Furnitures.

(19) Lacquer-ware, pottery and glass manufactures, not otherwise provided for.

(20) Manufactures coated or covered with precious metals, not otherwise provided for.

(21) Furs or fur manufactures.

(22) Manufactures of feathers or those combined with feathers.

(23) Manufactures of leather, not otherwise provided for.

(24) Knitted tissues, lace tissues, felt, and manufactures thereof.

Class II.

A. (1) Photographic instruments, photographic enlargers, cinematograph projectors, and parts and accessories thereof.

(2) Dry plates, films and sensitized paper for photograph.

(3) Phonographs and parts thereof.

(4) Records for phonographs.

(5) Musical instruments and parts and accessories thereof.

(6) Binoculars and monoculars.

(7) Rifles and parts thereof.

(8) Cartridges and bullets.

(9) Golf instruments and parts and accessories thereof.

(10) Motor boats, skiffs, and yachts for recreation.

(11) Billiard instruments.

(12) Neon tubes and transformers thereof.

(13) Lighters for smoking.

B.

(14) Radio receiving sets and parts thereof.

(15) Vacuum-tubes for radio receiving and microphones.

(16) Electric fans and parts thereof.

(17) Electric, gas and mineral oil stoves for heating.

(18) Refrigerators and parts thereof.

(19) Safes and steel furnitures.

(20) Automobiles.

(21) Toilet articles.

Class III.

(1) Matches.

(2) Saké and other alcoholic liquors, excluding Dakushu (unrefined or muddy saké) and that made from fruits.

(B) Tax Payers.

In the case of the commodities under Class I, retailers are liable for payment of this tax, and in the case of the commodities under Class II and III manufactures are under obligation to pay the tax; provided, however, that as regards the commodities taken delivery of from the bonded areas, persons who take delivery of such commodities are liable for payment of the tax.

(C) Basis of Assessment and Tax Rates.

In the case of the commodities under Class I, assessment is made on the basis of the selling price of retailers; in the case of the commodities under Class II, on the basis of the price at a time when such commodities are taken out of the factories; and in the case of the commodities under Class III, on the basis of quantity (matches: match-sticks and saké and other alcoholic liquors: koku).

The following rates are applicable:

Class I.

A 15% of the price.

B 10% of the price.

Class II.

A 15% of the price.

B 10% of the price.

Class III.

(1) 5 sen per 1,000 match-sticks.

(2) Saké and other alcoholic liquors:

(a) Seishu (refined saké), shirozaké (white saké), mirin (sweet saké) shochu (distilled saké), and beer 5 yen per koku.

(b) Wine 10 yen per koku.

(c) Others (only those subject to the Law relating to the Tax on Alcohol and Alcoholic Liquors) 7 yen per koku.

(D) Tax Exemption.

The following commodities are exempted from the tax:

(a) Commodities used for the manufacture of those coming under Class II.

(b) Wine used for the brewing of saké and other alcoholic liquors.

(c) Commodities of export.

(d) Commodities used for scientific research.

(e) Commodities used for medical treatment, for manufacturing of machinery or manufacturing industry, for a ceremony or a divine service in Shinto shrines and Buddhist temples, for education, for military purposes, and for communication.

It should, however, be noted that the Hokkaido, prefectures, cities, towns, and villages are prohibited in principle to impose a surtax in respect of the taxes newly created or increased under the present law and to impose local taxes on the basis of admission fees on which the Admission Tax and the Special Admission Tax are levied.

Law Relating to Emergency Measures Regarding Taxes

This Law provides on bloc emergency measures to be taken regarding taxes to cope with the changes in economic conditions that may arise from the developments of the China incident. By this Law not only are reductions made in the rates of the Land Tax on Rice and Other Fields, the Business Profits Tax, the Tax on Mining Products, the Special Tax on Mining Products, and the Textiles Consumption Tax, but also the Special Placer Tax is created.

1. Reductions in the Land Tax on Rice and Other Fields and the Business Profits Tax

(1) When the incomes of independent farmers show a decline of more than 25% as against the average profits of the years 1934, 1935 and 1936, reductions of 20 to 50% of the land tax on rice and other fields are made.

(2) When the net profits from businesses show a decline of more than 25% as against the average net profits of the years 1934, 1935 and 1936, reductions of 20 to 50% of the business profits tax are made, provided, however, that this does not apply to cases where the net profits are in excess of ¥6,000. It should, however, be noted that in cases where the capital of a corporation is in excess of ¥200,000, no reduction is made notwithstanding that net profits are less than ¥6,000.

2. Emergency Measures regarding Mining Products

(1) In order to encourage the production of the important mining products, such as gold, copper, tin, zinc, iron sulphide, manganese, and nickel ores, the mining sets created as from January 1, 1939 are exempted from the imposition of the Tax on Mining Products or the Special Tax on Mining Products. When output of each year exceeds the total products of 1937, that portion of excess is exempted from the imposition of the Tax on Mining Products or the Special Tax on Mining Products.

(2) With a view to encouraging the working of dormant mining sets, the Special Placer Tax is imposed on the holders of alluvial mining rights whose object is the extraction of alluvial ores other than alluvial gold, and the tax rate is 30 sen per cho or 1,000 tsubo of placer areas.

3. Partial Exemption from the Textiles Consumption Tax

For the purpose of effecting economy in the consumption of raw cotton, the tissues manufactured with cotton yarns mixed with more than the fixed quantity of staple fibres or hemp, and the tissues manufactured with these mixed yarns and rayon yarns are exempted from the imposition of the Textiles Consumption Tax.

Partial Revision While general reform in central and local taxation systems has been postponed on account of changes in the basis factors underlying taxation owing to the outbreak of the China incident, the following partial revisions have been made with a view to adjusting as far as possible the burden imposed on the people by the current system.

1. The Temporary Tax Increase Law. Under this law, income taxes and succession taxes on individuals had been increased somewhat roughly with extra rates imposed on upper brackets. Under the current revision, moderate progressive rates have been adopted.

2. The Income Tax Law. An income tax will be imposed on retirement allowances or other allowances of like nature in excess of ¥5,000, and also on postal annuities after deducting the amounts of premiums paid. The income tax has also been imposed on the inhabitants of the Ogasawara Islands and the seven islands of Izu.

3. The Succession Tax Law. This law has been so revised that the tax shall be levied in principle on all inherited property on a composite basis, irrespective of location. Another change made is that when a successor receives life insurance money or other special al-

lowances in excess of ¥5,000 due to death of the succeeded, the excess portion is to be included in the property to be assessed.

4. The Registration Tax Law. Alleviation is made in the rates of this tax against the acquirement of ownership of real estate through transaction or donation, with a view to lessening the tax burden on holders of immovable

property.

5. The Brewery Tax Law. A licence system has been adopted with regard to sale of liquors, beer, other alcoholic beverages and alcohol in order to insure perfect application of the brewery tax. The Laws Concerning the Saké Tax, the Alcohol and Alcoholic Beverage Tax and Beer Tax have been revised accordingly.

CHAPTER IX

BANKING AND THE MONEY MARKET

Banking in 1937 and 1938

Returns of the Bank of Japan Private deposits with the Bank of Japan in 1937 remained in monthly average between 102 million and 71 million yen, showing a slight increase over the preceding year. The maximum figure of the year was 183 million and the minimum 55 million. The volume of deposits on December 31 totalled 140 million, an increase of 7 million over the corresponding figure a year ago.

The volume of advances ranged in monthly average from 526 million to 753 million yen. In the first six months of the year, it showed a decline below the corresponding period of the preceding year due largely to a construction of the advances for foreign exchange contracts, while in the second six months, large requirements of credits for foreign exchange contracts and for industrial purpose caused an increase. The highest figure of the year was 821 million and the lowest 503 million. On December 31, the volume totalled 628 million, a decline of 117 million as compared with the corresponding figure a year ago.

Government current deposits with the Bank remained in monthly average between 298 million and 146 million yen, and the average for the year showed a slight decline as against the preceding year. The maximum of the year was 412 million and the minimum 70 million. The volume on December 31, at 188 million, represented an increase of 83 million over the corresponding figure a year ago.

The issue of Bank notes continued to expand during 1937, the average for the year, at 1,535 million yen, representing a growth of 195 million yen over that of the preceding year. This growth was due to the increased demand for currency arising from the expansion of commercial transactions, to an increase in notes applicable to the reserves against the issue of the notes of the Bank of Chosen and the Bank of Taiwan, and to other factors. The highest figure of the year was 2,399 million and the lowest 1,319 million. The issue on December 31, at 2,305 million, represented an increase of 440

million over the corresponding figure a year ago.

Movement of Funds The rate of increase in deposits in banks throughout the country, excluding the Bank of Japan, somewhat slowed down in 1937 as compared with the preceding year, but taking the year as a whole, the volume of deposits, influenced by activity in financial circles, was still on the increase. The volume that stood at 13,816 million yen on January 31, increased to 14,305 million on March 31, and to 14,893 million on June 30. In July when the China incident broke out, however, the movement of deposits resulting from the development of the situation carried the volume down to 14,646 million, this being 247 million less than a month earlier. From August onward, it tended upward, and after rising in November to the 15,000 million level, it touched on December 31 at 15,747 million, representing a rapid increase of 1,778 million over the corresponding figure a year ago.

Under the influence of the strong demand for industrial funds resulting from the expansion of productive capacity, the growth of credits caused by the recession of activity in the issue market, accommodation of funds available for calls in respect of shares, and the increase in credit requirements for commercial transactions, the volume of advances continued to expand from the commencement of 1937. After the outbreak of the China incident, moreover, steady progress in the expansion of productive capacity, especially in the munitions industry, combined with the development of the situation in China, provoked a greater demand for funds than before, resulting in a sharp increase in advances. The volume of advances that stood at 9,995 million yen on January 31, rose to 10,558 million on June 30. It exceeded the level of 11,000 million on October 31 and touched on December 31 at 11,653 million, representing an increase of 1,637 million as against the corresponding figure a year ago.

Cash deposits in trust companies throughout the country indicated a rising tendency from the beginning of 1937. The volume, remaining at 1,640

million yen on January 31, rose to 1,884 million on May 31. After declining in June and July, it tended upward from August onward, reaching 1,865 million at the year-end, this being 23 million above the corresponding figure a year ago.

Postal Savings Deposits The increase in postal savings deposits, which was well maintained in 1936, was further accelerated from the commencement of 1937. The amount that stood at 3,402 million yen on January 31, increased to 3,406 million on February 28. In March and April it declined, but tended upward from May onward, reaching 3,511 million on June 30. It was after the outbreak of the China incident that the rate of increase became more pronounced, bringing the amount to 3,686 million on December 31, this representing an increase of 333 million as compared with the corresponding figure a year ago. This upward tendency may be accounted for by the growth of incomes of the nation at large arising from the expansion of industrial activity and other factors.

National and Local Loans and Company Debentures The issue of national loans, excluding rice purchase notes, reached during 1937 a total of 1,513 million yen, of which 1,485 million represented new issues and the remainder, the bonds delivered for the distinguished services in connection with the Manchurian incident, the purchase of private railways, the purchase of raw silk given as security in the case of accommodation of funds made by banking institutions, and for other purposes. The repayment reached 15 million. A comparison with the actual results of the preceding year, excluding conversions, reveals an increase of 665 million in the issues and a decline of 33 million in the repayment. The balance of issue and repayment resulted in a net increase of 1,497 million in the national debt. Of the total issues, 1,135 million was taken up by the Bank of Japan, 250 million by the Deposit Funds of the Department of Finance, and 100 million by the Government loans syndicate.

The new issues of rice purchase notes amounted during 1937 to 57 million yen and cash repayment to 51 million, these figures representing, in comparison with the preceding year, a decline of 7 million in the issue and of 17 million in the repayment. The amount outstanding at the year-end reached 422 million.

The issues of local loans amounted during 1937 to 250 million yen, and the repayment to 222 million, these figures

representing a decrease of 653 million and of 531 million respectively as compared with the preceding year.

Company debentures were issued during 1937 to the amount of 989 million, a decline of 283 million below the preceding year. The repayment reached 482 million, a decrease of 740 million as against the preceding year. Such a heavy decline in the issue and repayment may be explained by the stationary condition in the issue market as occasionally created during the year.

Bank Mergers As a result of encouragement by the Government and efforts of bankers concerned, steady progress has, during 1937, been achieved in bank mergers, especially in those in local districts. During the year under review, the number of banks that passed out of existence in consequence of mergers reached 41, of which those purchased by other banks numbered 30, those absorbed by other banks 3, and those merged with other banks for the establishment of new banks 8. There were 4 banks newly established. Thus, the number of institutions decreased during the year by 37.

Bill Clearings The volume of bill clearings remained in January, 1937, at 6,255 million yen. An increase in the issue of bonds and debentures caused by a temporary recovery in the issue market, and an expansion in commercial transactions combined to bring the figures to 8,119 million in March. From April onward, however, the volume, influenced by a downward movement of security and commodity prices and a contraction in the trading of shares, tended to a gradual decline, remaining from April to July between 7,120 million and 7,596 million. With the repercussions of the China incident being more seriously felt over a wider range of financial activities, it began to decline rapidly, reaching 6,417 million in August and remaining at the level of 6,435 million or 6,567 million between September and November. In December not only the demand for credits for the manufacture of munitions was intensified, but owing to large crops and higher prices of primary agricultural products and other factors, the movement of funds required for the settlement of balances at the year-end also became more active. All this induced the volume to rise sharply to 8,999 million in the same month, this representing an increase of 1,479 million over the corresponding figure a year ago. The total clearings during 1937 amounted to 85,270 million, this being

15,407 million over the preceding year.

General Conditions in 1938 With the expansion of national expenditure in 1937 and 1938, considerable amount of Government money has been poured into the money market, and the Government has made it its policy to work for the appropriate and smooth accumulation and movement of capital by such means as encouraging savings and adjusting the supply of capital. These measures are attaining desired results, while the Government is also giving careful thought to the question of when a public loan may be floated or Government money paid out for better results. The financial market is making favourable progress with the supply and demand of capital adjusted properly on the whole. During 1938 the average issue of convertible bank notes amounted to 1,919 million yen, an increase of 384 million yen over the previous year.

The people's savings have made a notable increase, bank deposits having increased by 3,370 million yen and postal savings by 889 million yen during 1938. The call money market has continued to make favourable progress since the early part of 1938. In the debenture market considerable activity has been witnessed since the reopening in February, 1938, the company debentures newly issued totalling 1,160 million yen by the end of 1938.

The Temporary Capital Adjustment Law has continued to be operated smoothly, and the capital invested in factories during the twelve months of 1938 exceeded 2,800 million yen to meet the purpose of expanding productive power. In order to meet future developments in carrying on long-term construction the Government is planning to provide appropriate restrictions on company dividends and to issue necessary orders to the Japan Industrial Bank regarding advances of capital.

The absorption of public loans has made favourable progress, approximately 3,800 million yen being absorbed during 1938. But the public loans estimated for floatation during the 1939-40 fiscal year are expected to amount to a gigantic total, and it will be extremely important to effect smooth digestion of them.

Five Big Banks Advance The five big banks, The First Bank, Mitsubishi Bank, Mitsui Bank, Yasuda Bank, and One Hundredth Bank set all time record in deposits and loans, according to the Tokyo Clearing House reports of these banks at the end of 1938. The deposits held by Mitsui Bank gained

by ¥35,000,000 over the month before, and each bank gained more than ¥100,000,000 over the year before. The greatest increases in deposit figures were registered by the First Bank and Mitsubishi Bank the increase being ¥154,000,000 and ¥151,000,000 respectively over the year before.

The loans given by The First Bank show an increase of ¥58,000,000 over the month before, while the Mitsubishi shows an increase of ¥41,000,000. Compared with the year before the figures of Mitsubishi and the One Hundredth show the remarkable gain, amounting to ¥98,000,000 and ¥88,000,000 respectively.

The security holdings of each of the above banks show considerable increases as compared with the year before; but in comparison with figures for the month before, the securities held by the First Bank and the One Hundredth Bank show decreases of ¥42,000,000 and ¥6,000,000 respectively.

1. Deposits

(In ¥1,000)

	Compar- ed with		Compar- ed with
	Dec. 31, 1938	Nov. 30, 1938	
The First	659,855	18,891	154,886
Mitsubishi	740,203	32,421	151,986
Mitsui	572,089	35,457	101,228
Yasuda	493,127	16,814	110,347
One Hundredth	582,272	32,189	128,764

2. Loans

(In ¥1,000)

	Compar- ed with		Compar- ed with
	Dec. 31, 1938	Nov. 30, 1938	
The First	388,158	58,330	64,608
Mitsubishi	391,573	41,243	98,260
Mitsui	319,352	35,354	39,798
Yasuda	494,650	6,878	56,443
One Hundredth	377,285	20,688	88,525

3. Securities

(In ¥1,000)

	Compar- ed with		Compar- ed with
	Dec. 31, 1938	Nov. 30, 1938	
The First	498,225	-42,696	171,038
Mitsubishi	426,536	13,636	78,503
Mitsui	335,139	592	65,390
Yasuda	526,258	12,956	194,665
One Hundredth	365,401	-6,288	50,077

4. Call Loans

(In ¥1,000)

	Compar- ed with		Compar- ed with
	Dec. 31, 1938	Nov. 30, 1938	
The First	14,900	-1,400	-29,800
Mitsubishi	43,150	-16,750	5,500
Mitsui	40,300	-10,950	4,350
Yasuda	22,470	7,230	-18,070
One Hundredth	23,000	-3,270	1,050

5. Cash in Hand

(In ¥1,000)

	Compar- ed with		Compar- ed with
	Dec. 31, 1938	Nov. 30, 1938	
The First	52,596	50	-6,272
Mitsubishi	54,180	12,774	12,336
Mitsui	44,178	8,537	-16,366
Yasuda	53,671	14,412	12,882
One Hundredth	35,664	-3,135	-3,734

Important Laws Issued The law amending the law concerning the Central Chest for Cooperative Societies was promulgated on March 18, 1938. In view of the existing methods of financing the fishing industry, the present amendment provides for participation on the part of the Federation of Fishery Associations and the Union of Fishing Industries in the Central Chest for Cooperative Societies. In keeping with this arrangement the capital of the said Chest will be increased by ¥5,000,000, one-half of which amount will be contributed by the Government. The number of councillors of the Chest will also be increased. The new Law provides that should dividends awarded to contributors other than the Government fall below the stated rate, a limit shall be imposed on the dividend to be paid on the Government contribution. The effective date of this Law is to be fixed by Imperial Ordinance with each provision considered separately.

On March 31, 1938, the Law Concerning Security Underwriting was promulgated. The purpose of this Law is to ensure more adequate control over the underwriters of securities, who play an important part in the money market and in financing growing industrial activities. It places the business of security underwriting on a licence basis and defines clearly the scope of the business. The Law prohibits any company with a capital of less than ¥2,000,000 from conducting this business and

authorizes the competent Cabinet Minister to suspend the operations of an existing business when deemed necessary, as well as other measures. Any violation of the Law or of ministerial orders shall be punished by suspension of business, re-election of the officers of companies or cancellation of licences. This Law shall not apply to banks, trust companies and persons legally incorporated under special laws who handle the underwriting of securities.

On April 1, 1938, the Law concerning Temporary Extension of the Maximum Limit for Issuing Convertible Notes against Securities by the Bank of Japan was promulgated. In view of the fact that the note issue of the Bank of Japan is tending to increase in connection with the China Affair, the present Law provides for the raising of the maximum limit of note issue against security reserves by 700,000,000, from the former ¥1,000,000,000 to ¥1,700,000,000. This Law is to be annulled within one year after the termination of the Affair.

Imperial Ordinance Concerning Organization of Commission to Promote Savings was promulgated on June 6, 1938. This Commission has been created to conduct investigations and studies concerning the promotion of savings on the part of the people. It functions under the supervision of the Minister of Finance. The Commission is empowered to make recommendations to the Ministers concerned. The Minister of Finance is ex officio chairman of the Commission, which consists of members chosen from among senior officials in Government service, members of the House of Peers and the House of Representatives and private persons with knowledge and experience in pertinent matters.

The Imperial Ordinance for Amendment to the Ordinance Concerning the Temporary Capital Adjustment Law was issued on August 15, 1938. With regard to the condition of demand for capital and commodities and with a view to adjusting the demand more drastically, the minimum amounts subject to licence or approval under the above-named law have been lowered as regards capital investment and loans. In consequence, the limits were lowered from ¥500,000 to ¥200,000 in the case of corporation capital, and from ¥150,000 to ¥100,000 in the following cases: loans, subscription acceptance, transactions in subscriptions of securities and establishment of new equipment, extension or improvement with one's own capital.

ACCOUNTS OF BANKS IN THE EMPIRE

(In million of yen)

	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
Number of Banks	1,178	1,023	913	811	663	637	597	578	546	488
Paid-up Capital	1,825	1,829	1,777	1,738	1,713	1,688	1,662	1,637	1,593	1,521
Reserves	956	992	1,010	981	998	1,002	1,051	1,099	1,134	1,149
Deposits	12,153	12,445	12,153	11,617	11,977	12,582	13,303	14,286	15,360	17,148
Securities	4,980	5,107	5,002	4,983	5,559	6,310	6,908	7,632	8,289	8,963
Bank notes	1,940	1,816	1,570	1,487	1,610	1,745	1,887	2,061	2,157	2,697
Debentures	1,660	1,716	2,083	2,154	2,291	2,128	1,975	1,919	1,840	2,305
Debt	1,523	1,743	1,653	1,820	1,666	1,731	1,734	1,627	1,639	1,537
Bullion and Foreign Money	1,240	847	638	261	239	246	299	306	354	814
Net Profit	153	200	201	229	233	254	297	306	308	170
Dividend	135	136	126	112	110	104	104	103	103	100

BANKS IN JAPAN PROPER

At the end of each year

(Compiled by the Ministry of Finance)

(In ¥1,000)

Year	1933	1934	1935	1936	1937
Number	621	581	563	515	456
Authorized Capital	2,359,724	2,312,842	2,264,813	2,189,966	2,084,425
Paid-up Capital	1,599,376	1,574,217	1,546,960	1,503,011	1,426,825
Reserve Fund	978,391	1,024,723	1,069,242	1,100,097	1,111,042
Deposits {					
Total Amount	198,091,503	215,123,841	217,789,339	249,660,973	293,635,082
Balance	11,946,907	12,585,684	13,417,691	14,339,374	16,192,373
Loans {					
Total Amount	91,407,221	100,143,740	93,762,741	112,130,841	111,589,226
Balance	8,719,677	8,355,463	8,476,161	8,844,702	9,607,583
Advances {					
Bills discounted {					
Total Amount	13,809,547	15,371,732	15,388,305	17,113,419	21,100,454
Balance	1,723,212	1,790,436	1,866,111	2,008,836	2,535,737
Total	105,216,768	115,515,472	109,151,046	129,244,260	132,689,680
Balance	10,442,889	10,145,899	10,342,272	10,853,538	12,143,320
Profit and Loss Account {					
Earnings	1,475,827	1,518,030	1,486,329	1,503,300	2,184,024
Expenses	1,232,629	1,232,786	1,193,503	1,210,664	1,874,767
Net Profit	319,074	360,178	363,877	364,210	361,088
Dividend	101,796	101,299	100,176	99,076	95,886
Rate of Dividend	6.4	6.4	6.5	6.6	6.7

Note:—

- (1) The amount carried forward from the preceding year is not included in the total amount of deposits and advances.
- (2) The documentary bills are included in the figures for bills discounted.
- (3) Exclusive of the number of banks in Chōsen and Taiwan.

DEPOSITS AND LOANS OF THE BANKS THROUGHOUT THE COUNTRY

Published by the Department of Finance
(At the end of 1938. In ¥1,000)

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Deposits				
Public money	29,816	—	—	29,816
Current deposits	122,408	2,126,151	—	2,248,559
Special current deposits	195,004	3,050,706	—	3,245,710
Deposits at notice	148,878	988,328	—	1,137,206
Fixed deposits	786,019	8,554,497	16,428	9,357,016

Kinds	Special Banks	Ordinary Banks	Savings Banks	Total
Other deposits	184,776	185,351	273	370,400
Ordinary and special	—	26,532	1,823,032	1,849,564
Reserves	—	99,769	832,866	932,635
Total	1,466,973	15,031,334	2,672,599	19,170,906
Increase over the previous year	263,369	2,657,467	498,476	3,419,312
Loans				
Loans on bills	126,327	5,670,231	—	5,796,558
Loans on bonds	1,972,739	764,962	245,813	2,983,514
Overdrafts	42,728	1,054,615	—	1,097,343
Discounts	1,090,421	1,298,097	—	2,388,518
Total	3,232,215	8,787,905	245,813	12,265,933
Increase over the previous year	154,131	1,125,178	(-) 651	1,278,658
Call loans	78,737	371,046	—	449,783
Total	3,310,952	9,158,951	245,813	12,715,716
Increase over the previous year	189,623	1,044,580	(-) 651	1,233,552
Negotiable papers owned				
National bonds	820,395	3,835,894	1,508,826	6,165,115
Prefectural and municipal bonds	18,979	338,812	111,836	469,627
Foreign bills	230,084	160,219	27,960	418,263
Debenture bonds	100,366	1,487,276	499,928	2,087,570
Stocks	43,623	617,624	190,329	851,576
Total	1,213,447	6,439,825	2,338,879	9,992,151
Increase over the previous year	492,339	1,526,714	493,225	2,512,278
Cash and deposits on the day				
Cash on hand on the day	27,004	793,718	26,542	847,264
Deposits on hand	81,194	373,369	157,560	612,123
Total	108,198	1,167,087	184,102	1,459,387
Increase over the previous year	14,349	117,692	8,321	140,362

Remarks: The figures do not include accounts of the banks located outside of Japan proper, Taiwan and Karafuto.

Various loans made by savings banks are collectively included in the item of loans on bonds.

The Bank of Japan

(Nippon Ginko)

The Bank of Japan, established in 1882, is the central bank of the Empire on the strength of its privilege of issuing convertible bank notes and its management of Treasury receipts and disbursements as well as the important part it plays in adjusting the money market through the execution of its money rate policies and its conduct of open market operations (See pp. 325-327, Japan Year Book, 1936).

In August, 1937, there were promulgated the Gold Reserve Valuation Law and other laws regarding the gold reserve of the Bank of Japan. In respect of the gold coins and bullion held by the Bank as the reserves for exchange against convertible bank

notes, valuation has hitherto been made at the rate of ¥1 per 750 milligrammes of fine gold in accordance with the provisions of the Coinage Law. As, however, owing to a substantial advance in the price of gold in recent years, the valuation made at such rate could not indicate the actual position of the gold reserve of the Bank of Japan, a decision was taken to increase the value of gold applied to the reserves to the approximate level of the current international value. It was, however, recognized that in the world situation when the currencies of various countries are still unstabilized, the time is not yet opportune for changing the value of Japanese currency by

amendment of the Coinage Law, and consequently, a step has provisionally been taken to alter the value of gold applied to the reserves, notwithstanding the provisions of the Coinage Law, by making valuation at the rate of ¥1 per 290 milligrammes of fine gold. At the same time, both the Bank of Japan's obligation (as provided for in the Convertible Bank Note Regulations) to convert the bank notes into gold coins and the Government obligation (as provided for in the Coinage Law) to comply with the requirements of persons who bring gold bullion for the minting of gold coins have been suspended for the time being. It should further be noted that not only has revaluation been made in the same manner of the gold coins and bullion held by the Bank of Chosen and the Bank of Taiwan as the reserves for exchange against convertible bank notes, but the Government has also authorized these two Banks to transfer such gold in whole or in part to the Bank of Japan for the purpose of securing the centralization of gold holdings into the Bank of Japan. The profits obtained by the Bank of Japan from such revaluation have been paid to the Government, and with the amount so paid the Government has created a Gold Fund Special Account. Certain portion of this fund is applied to expenses necessary for the increase of gold production, while certain portion is used for the purchase of gold bullion or invest-

ment in national bonds. It was in September, 1937, that investments in industrial debentures were allowed to be made from this Account. Another law, namely, the Gold Production Law was enacted to secure the centralization of gold holdings and the increase of gold production, whereby the Government is authorized to purchase new gold with the funds of the Gold Fund Special Account, with the result that the Law concerning the Purchase of Gold by the Bank of Japan has been abrogated.

In consequence of the aforesaid revaluation and other factors, the gold reserve of the Bank of Japan expanded to some 800 million yen. In view, however, of the Government policy of increasing the exports from the country by facilitating the importation of certain materials used for merchandise of export, and also of the existing position of exchange funds, the Bank of Japan created on July 23, 1938 the Special Fund for Foreign Exchange with 300 million yen released from its holding of gold bullion, and deposited the fund with the Yokohama Specie Bank. This fund is, as mentioned above, made available for financing imports when necessary, and is replenished with the proceeds of export bills. When it becomes unnecessary to maintain this fund, it will at any time be restored to the gold reserve of the Bank of Japan.

THE BANK OF JAPAN

At the end of each year
(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1928	60,000	37,500	86,610	470,442	870,817	10,366	3,750	10.0%
1929	60,000	37,500	92,380	532,756	701,688	19,815	3,750	10.0
1930	60,000	37,500	98,150	456,763	779,138	19,865	3,750	10.0
1931	60,000	45,000	103,920	374,038	989,403	19,761	3,999	10.0
1932	60,000	45,500	108,390	385,143	819,179	33,256	5,850	13.0
1933	60,000	45,000	110,140	370,049	880,833	50,379	4,500	10.0
1934	60,000	45,000	112,740	335,891	946,285	62,811	4,500	10.0
1935	60,000	45,000	114,090	393,248	960,642	50,649	4,500	10.0
1936	60,000	45,000	115,390	345,546	931,195	47,646	4,500	10.0
1937	60,000	45,000	116,040	423,977	630,636	41,077	4,500	10.0

REPORT OF THE BANK OF JAPAN

Balance Sheet
(In yen)

LIABILITIES	1938	1938
	First Half	Second Half
Notes issued	2,074,125,533.000	2,754,923,377.000

	1938	
	First half	Second half
Government deposits		
Current account	147,347,164.886	—
Fractional Government Note account	—	30,567,595.699
Other	10,917,445.300	—
Total	121,713,458.051	88,838,506.050
Current accounts	279,978,068.237	166,298,026.578
Remittances	116,842,711.100	—
Due to other banks	5,915,642.220	—
Suspense receipts	—	4,261,406.870
Taxes unpaid	—	117,348.420
Reserve for sundry expenditures	—	79,589,203.250
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	—	45,504.350
Capital subscribed	—	16,052,000.000
Reserve fund	—	—
Dividends unpaid	—	4,859,000.000
Profit brought forward from last half-year	—	—
Net profit for the current half-year	—	60,000,000.000
Total	—	116,380,000.000
ASSETS	—	2,251.480
Advances to Government	—	—
Advances on foreign bills	—	12,452,031.451
Advances on current accounts	—	—
Bills discounted	—	9,124,503.425
Bills discounted, Law No. 55 of 1927	—	—
Deposits	—	—
Government bonds	—	—
Bullion	—	—
Gold coin and bullion	801,286,640.540	—
Silver bullion	14,544.300	501,287,020.680
Foreign Exchange Fund	—	14,544.300
Agencies accounts	—	501,301,564.980
Agencies accounts, specified	—	—
Foreign agencies accounts	—	300,000,000.000
Suspense payments	—	85,574,812.026
Bank premises	—	24,898,480.710
Capital unpaid	—	54,589,326.438
Cash items on Government account	—	14,971,684.005
Cash on hand	—	17,210,283.244
Total	—	15,000,000.000
PROFIT AND LOSS ACCOUNT	—	—
To Expenses, taxes, interest, etc.	—	—
To Balance appropriated:—	—	—
Dividend at the rate of 10 per cent. per annum	2,250,000.000	—
Reserve fund	400,000.000	2,250,000.000
Payments to the Government	—	550,000.000
Bonus and allowances	5,787,555.960	—
Reserve for settlement of account re Bills discounted, Law No. 55 of 1927	240,000.000	7,317,197.020
Balance carried forward	295,000.000	240,000.000
Total	12,603,978.916	21,576,534.876
By Gross profits for the half-year	—	12,960,455.006
By Balance brought forward from last half-year	—	53,411,932.075
Total	—	55,323,604.818

Yokohama Specie Bank

(Yokohama Shokin Ginko)

The Yokohama Specie Bank is an organ charged with the special task of affording financial facilities for foreign trade through its conduct of the foreign exchange business (See pp. 328, 329, Japan Year Book, 1936). The importance of its functions cannot be over-emphasized in view of the fact that Japan, being rather poor in natural resources, has to import from foreign countries such materials for her major industries as raw cotton, wool, crude oil and iron on the one hand

and on the other, export her manufactures such as piece-goods, rayon textiles and raw silk in order to support her rapidly growing population.

The clash over the issue of bank-notes between it and the Bank of Chosen, which had been issuing gold notes in Manchuria, was settled on October 1, 1936, through the withdrawal of the Chao-piao in Manchoukuo including the Kwantung Leased Territory.

THE YOKOHAMA SPECIE BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Paid-up Capital	Reserve Fund	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1928	100,000	100,000	106,767	492,761	291,162	33,628	10,000	10.0%
1929	100,000	100,000	112,046	646,609	344,700	36,153	10,000	10.0
1930	100,000	100,000	117,293	654,146	367,527	26,290	13,000	13.0
1931	100,000	100,000	119,940	547,761	363,185	22,815	10,000	10.0
1932	100,000	100,000	122,260	644,054	391,925	23,387	10,000	10.0
1933	100,000	100,000	124,352	658,089	368,864	27,517	10,000	10.0
1934	100,000	100,000	127,890	551,385	369,274	30,248	10,000	10.0
1935	100,000	100,000	131,174	621,594	346,157	32,914	10,000	10.0
1936	100,000	100,000	134,554	553,372	381,249	34,656	10,000	10.0
1937	100,000	100,000	137,993	588,207	383,133	34,480	10,000	10.0

ASSETS AND LIABILITIES OF THE YOKOHAMA SPECIE BANK

Balance Sheet

(In Yen)

Liabilities	1938		Assets	1938	
	First half	Second half		First half	Second half
Capital subscribed	100,000,000	100,000,000	Advances and Bills discounted	363,840,199	399,879,568
Reserve funds	135,900,000	137,150,000	Bills purchased and Due from other banks	630,541,612	651,498,427
Redemption fund for loans	3,548,690	3,545,423	Bullion and foreign money	902,368	170,176,601
Bank debentures	434,972	312,693	Land and buildings	19,661,050	19,282,585
Deposits, etc.	805,229,413	1,328,168,502	Total	1,543,008,518	2,146,964,826
Bills rediscounted, sold; Suspense receipts, Due to other Banks, etc.	481,217,910	561,101,653	Appropriation of profit		
Dividend unpaid	5,505	2,760	Profit for the half year	6,187,602	6,261,765
Balance from last account	10,484,425	10,422,027	Balance brought forward from last account	10,484,425	10,422,027
Profit for the half year	6,187,602	6,261,765	Total	16,672,027	16,683,793
Total	1,543,008,518	2,146,964,826	Reserved	1,250,000	1,250,000
Assets			Dividend (10% p. a.)	5,000,000	5,000,000
Cash account	84,852,751	155,230,658	Balance carried forward to next account	10,422,027	10,433,793
Cash on hand	23,849,629	41,684,669			
Deposits in other banks	61,003,122	113,545,968			
Bonds and shares	443,210,537	750,896,984			

The Hypothec Bank of Japan
(Nippon Kwangyo Ginko)

With an authorized capital standing at upwards of ¥110,000,000 and advances reaching the neighbourhood of ¥1,000,000,000, the Hypothec Bank of Japan is now, in fact as well as in name, the central organ of the nation in making loans on mortgage of immovable property. Since 1921, when a law governing the amalgamations was promulgated, it has annexed the greater part of the Agricultural and Industrial Banks (Noko Ginko), which were established as prefectural financial institutions for ac-

commodating provincials with loans on security of immovable property.

The tendency toward such mergers was further promoted following the formation of the Hirota Cabinet, the Agricultural and Industrial Bank of Tokyo Prefecture being annexed to the Hypothec Bank. There are at present only 16 Agricultural and Industrial Banks as compared with 46 in 1900. By thus increasing its capital and enlarging its structure, the Hypothec Bank is becoming more and more positive in improving the financial conditions of cities and agricultural districts (See pp. 330-332, Japan Year Book, 1936)

THE HYPOTHEC BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Mortgage Debentures
1928	99,000	69,143	879,808	18,000	7,438	10.0%	732,009
1929	100,000	92,314	935,896	19,023	7,588	10.0	752,105
1930	108,750	130,961	1,086,958	20,146	8,100	10.0	853,692
1931	108,750	123,393	1,109,187	20,721	8,463	10.0	896,715
1932	108,750	149,516	1,167,763	20,327	8,463	10.0	915,683
1933	108,750	145,888	1,094,070	19,961	8,463	10.0	852,806
1934	111,755	136,091	1,046,809	20,345	8,614	10.0	797,481
1935	111,775	141,959	969,081	20,514	8,765	10.0	729,394
1936	115,275	148,517	1,020,218	20,839	8,940	10.0	715,390
1937	140,920	257,361	1,312,839	24,916	11,680	10.0	959,447

Agricultural and Industrial Banks
(Noko Ginko)

The Agricultural and Industrial Banks are prefectural financial institutions for accommodating provincials with long-term loans at a low rate of interest on security of immovable property and, being established in every prefecture, are most useful through their connection with their central institution, the Hypothec Bank of Japan. But with a view to affording further financial facilities to local districts, the law concerning the amalgamation of the Hypothec Bank and the Agricultural and Industrial Banks was enacted in 1921. By virtue of this law the former was allowed to take over the business of the latter on condition that it establish its branches in places where head offices and branches of the latter were in existence. The Agricultural and Industrial Banks are joint-stock companies, each having a capital of not less than ¥200,000. Each of these banks has, as a general rule, for its exclusive business district a prefecture. The business of the Agricul-

tural and Industrial Banks is principally the same as that of the Hypothec Bank of Japan. These banks may become agents for the Hypothec Bank or other Agricultural and Industrial Banks. When acting as agents for loans made by the Hypothec Bank, Agricultural and Industrial Banks may guarantee to the bank the solvency of the debtors. They may take charge of the receipt and disbursement of the funds of prefectures or cities. They are authorized, when at least one-fourth of the nominal capital has been paid up, to issue agricultural and industrial debentures to an amount not exceeding fifteen times the paid-up capital. Such debentures, however, must not exceed the amount remaining after the deduction of the amount of pledges given for money borrowed from the Hypothec Bank from the total amount of outstanding loans redeemable by annual instalments and at a fixed time. The face-value of agricultural and industrial debentures which was originally not less than twenty yen has been reduced to ten yen and upward; and when debentures of not

more than twenty yen face value are to be issued, such issue may be effected by sale. For this purpose a term must be fixed for the sale, and the amount sold within that term is taken as the amount of issue. These agricultural and industrial debentures must be redeemed by means of drawings at least twice a year in amounts proportionate

to the amount to be redeemed in the same year of the loans redeemable by annual instalments except that part thereof given as security to the Hypothec Bank as mentioned above. There were 6 of these banks in existence throughout the country at the end of 1937.

AGRICULTURAL AND INDUSTRIAL BANKS

At the end of each year

(In ¥1,000)

Year	No. of Banks	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1928	25	104,400	176,926	686,953	21,043	8,488	9.5%	468,890
1929	19	104,400	165,899	705,997	21,551	8,799	9.4	506,409
1930	19	88,900	148,654	651,752	19,337	8,125	9.4	469,797
1931	19	88,900	146,030	669,906	17,386	7,523	9.4	483,554
1932	19	88,900	154,383	699,170	16,773	7,432	9.2	506,129
1933	19	88,900	162,775	672,893	17,659	7,449	9.2	496,673
1934	17	84,500	166,996	622,049	18,586	7,306	9.2	449,395
1935	17	84,500	167,834	602,155	19,196	7,162	9.2	429,543
1936	16	77,500	170,051	520,489	19,713	6,760	9.1	356,356
1937	6	22,000	65,593	183,671	5,854	1,631	8.0	135,236

The Industrial Bank of Japan (Nippon Kogyo Ginko)

The primary function of the Industrial Bank of Japan is to underwrite national and prefectural bonds and company debentures and make loans on security of foundations created as prescribed by law. Its leadership among the underwriters is attracting a great deal of public attention, particularly because of

its efforts to purify the underwriting world and rationalize the terms for underwriting. In addition to its endeavours for promoting financial facilities for medium-sized and small-scale industry, this bank is now being called upon to become more active in the furtherance of the shipbuilding industry along the lines of the national policy on shipping (See pp. 333, 334, Japan Year Book, 1936).

THE INDUSTRIAL BANK OF JAPAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Capital Fund in Trust	Net Profit	Dividend	Rate of Dividend	Debentures
1928	50,000	49,957	325,085	167,014	6,709	3,000	6.0%	273,003
1929	50,000	44,988	380,630	163,492	6,765	3,000	6.0	278,575
1930	50,000	46,858	455,336	165,011	6,491	3,000	6.0	333,303
1931	50,000	52,978	486,003	176,992	6,547	3,000	6.0	343,330
1932	50,000	56,047	476,090	199,982	6,638	3,000	6.0	404,041
1933	50,000	59,236	408,177	354,645	7,800	3,000	6.0	323,840
1934	50,000	59,736	369,429	860,085	7,810	3,000	6.0	290,393
1935	50,000	89,614	393,353	940,085	6,863	3,000	6.0	279,659
1936	50,000	269,456	506,504	1,200,835	6,878	3,000	6.0	244,477
1937	50,000	279,646	932,243	1,408,835	6,909	3,000	6.0	640,868

The Hokkaido Colonial Bank (Hokkaido Takushoku Ginko)

The Hokkaido Colonial Bank was established with the object of supplying

capital for enterprises for colonizing and developing Hokkaido and Karafuto (the Japanese half of Saghalien), and especially for the purpose of facilitating the supply of capital by making loans on

security of agricultural products and company shares and debentures as well as making long-term loans at low interest rate on immovable property. The bank had at first a capital of ¥3,000,000 but on April 23, 1922 it was increased to ¥20,000,000, of which ¥12,500,000 has been paid up. The business scope is very much similar to that of the Hypothec Bank of Japan and the Agricultural and Industrial Banks. The bank is authorized to issue debentures of not less than ten yen face value to an amount not

exceeding 15 times its paid-up capital. Such debentures, however, must not exceed the total outstanding amount of loans which are redeemable by annual instalments or at a fixed date, and when debentures of not more than twenty yen face value are to be issued by the bank such issue may be effected by sale. These debentures must be redeemed by means of drawings at least twice a year in amounts proportionate to the amount of the said loans to be redeemed in the same year.

THE HOKKAIDO COLONIAL BANK

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend	Debentures
1928	20,000	66,106	178,071	3,318	1,125	9.0%	103,238
1929	20,000	73,571	178,779	3,360	1,125	9.0	96,938
1930	20,000	75,056	168,282	3,391	1,125	9.0	102,753
1931	20,000	69,759	187,341	2,932	1,000	8.0	102,716
1932	20,000	79,468	215,705	2,687	938	7.5	124,252
1933	20,000	89,089	217,820	2,411	875	7.0	122,909
1934	20,000	102,820	212,216	2,443	875	7.0	114,491
1935	20,000	100,486	225,021	2,496	875	7.0	124,862
1936	20,000	102,563	215,924	2,382	875	7.0	121,367
1937	20,000	121,203	235,403	2,258	875	7.0	119,102

The Bank of Taiwan (Taiwan Ginko)

The Bank of Taiwan was founded in September, 1889, four years after Japan's occupation of Formosa, as the result of the Sino-Japanese War.

It is a joint-stock company with an authorized capital of ¥15,000,000, of which ¥13,125,000 has been paid up.

The Bank is privileged to issue banknotes of denomination of one yen and upward, which are at any time con-

vertible into gold yen. It is required to hold as conversion reserve gold and silver coins and bullion of the same amount as the notes issued; the amount of notes not covered by this specie reserve is limited to ¥20,000,000; they may be issued on security of Government paper money and securities, notes of the Bank of Japan, and other bonds and commercial bills of a reliable nature. Notes issued beyond this limit are subject to a tax of not less than three per cent, per annum.

THE BANK OF TAIWAN

At the end of each year

(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1928	15,000	76,090	285,911	—	—	—
1929	15,000	71,678	282,215	—	—	—
1930	15,000	73,661	273,243	859	—	—
1931	15,000	78,920	261,642	858	—	—
1932	15,000	95,070	245,538	1,065	395	3.0%
1933	15,000	101,457	227,944	1,296	395	3.0%
1934	15,000	112,610	214,891	1,443	395	3.0
1935	15,000	120,745	214,006	1,776	395	3.0
1936	15,000	130,017	221,918	2,174	395	3.0
1937	15,000	148,814	244,828	2,644	459	3.5

The Bank of Chosen (Chosen Ginko)

The Bank of Korea was established in October, 1909, its name being changed to the Bank of Chosen in 1911 by virtue of the Bank of Chosen Act issued by the Government following Korea's annexation to Japan in April, 1910. The bank took over the assets and liabilities of the Bank of Korea, following the transfer of the assets and liabilities of the Dai-ichi (First) Bank, which had been established in Korea since 1879, and which had received its right of issuing notes in that country in 1901, and which had acted as the central Japanese banking institution since the close of the Russo-Japanese War. The bank is authorized to issue bank notes. In 1917 the bank's notes were given sole right of legal tender in the Kwantung Leased Territory and along the South Manchuria Railway, and the limit of its guaranteed note issue was increased to ¥50,000,000. The bank greatly increased its activities during the World War extending to Japan proper, where it commenced foreign exchange transactions. The financial reaction following the World War caused it to narrow its business activities. It wrote off frozen assets to the amount of ¥36,000,000 for the first half of 1925 and halved its capital to ¥40,000,000. The bank borrowed a

large amount of money from the Bank of Japan after 1920 on 10 years' repayment. Through revision of the Bank of Chosen Act in 1924 the right of control of the bank was transferred from the Governor-General of Korea to the Minister of Finance. After the foundation of Manchoukuo, however, steps were taken by the Manchou Government to stabilize the value of the yuan and to adjust the complicated currency system of that country, and in conformity with this policy, the Bank of Chosen reduced the issue of its notes in Manchoukuo (excluding Kwantung Province) from December 23, 1935 onward. Simultaneously with the establishment of the Industrial Bank of Manchou at Hsingking, the branches of the Bank of Chosen in Manchoukuo (excluding Kwantung Province) were all turned over to the Industrial Bank of Manchou in December, 1936, with the result that the issue of the Bank of Chosen notes in Manchoukuo was entirely discontinued. It may further be noted that with the abolition of extra-territoriality in Manchoukuo and the transfer of the administrative power in the South Manchuria Railway Company Zone to Manchoukuo on December 1, 1937, the provisions respecting the legal tender of the Bank of Chosen notes in the Zone were also abrogated.

THE BANK OF CHOSEN

At the end of each year
(In ¥1,000)

Year	Authorized Capital	Deposits	Advances	Net Profit	Dividend	Rate of Dividend
1928	40,000	149,919	319,408	1,585	940	4.0%
1929	40,000	151,150	314,723	1,865	940	4.0
1930	40,000	98,785	266,554	1,828	940	4.0
1931	40,400	111,462	297,400	1,835	940	4.0
1932	40,000	193,932	337,468	1,849	940	4.0
1933	40,000	215,105	354,508	1,853	940	4.0
1934	40,000	223,193	420,533	1,847	940	4.0
1935	40,000	292,122	422,814	1,859	940	4.0
1936	40,000	411,142	484,349	1,872	940	4.0
1937	40,000	293,943	453,669	1,866	940	4.0

Trust Business

Wartime Effect on Trust Companies
The accounts of trust companies in this country had been steadily increasing during the past 10 years at the rate of an annual average of ¥160,000,000. When the taxation reform plan worked out under the quasi-wartime system was announced during the latter part of 1936, however, the increasing rate of monetary trusts which form the

major part of the accounts of trust companies slackened on account of the fear of a heavy tax. In February, 1937, the taxation reform plan was replaced by a temporary taxation increase plan which brought about an atmosphere of assurance in financial circles. The monetary trusts then showed a sign of a renewed tendency toward increase but the expectations of a definite increase were bound to remain unfulfilled as funds poured into the stock

market manifesting a remarkable activity during April.

Further, the strained relations with China and the Soviet Union caused a tremendous amount of funds to be assigned to the purchase of raw materials from foreign sources and the expansion of the productive facilities of the domestic industry. Under the circumstances, withdrawals of monetary trusts which fell due were far in excess of new trusts. Thus, the accounts of trust companies which recorded an increase of only ¥72,000,000 between the end of 1936 and May, 1937, began to show a decrease in June, which was the first phenomenon of its kind since December, 1932. The decreasing tendency of monetary trusts was still in evidence in August although the total amount of the accounts of trust companies showed a slight increase because of increased securities trusts.

In order to cope with the situation, the Mitsui Trust Company modified its time-honoured policy and alleviated the restrictions on the acceptance of big lots of monetary trusts in the form of fixed deposits. This action on the part of the Mitsui Trust attracted a great deal of attention in the banking circles. During the past several years of depression when a low-interest tendency prevailed, local banks, insurance companies and leading industrial companies were inclined to put their spare funds in trust for a higher interest. Considering such trusts as unsteady and tending to lower unduly the yields of trusts in general, the Mitsui Trust Company adopted a policy of avoiding acceptance of them as much as possible. The situation, however, changed in 1937 in such a manner that even big lots of trusts were not considered as unsteady and there was no uncertainty as to the manner of investment as there was an active demand for industrial funds.

Change in Substance of Assets As already stated, monetary trusts fell into an unusual depression at the beginning of 1937 and thus exercised a negative influence on the whole assets of trust companies for a time, which is an unusual phenomenon in recent years. Still more abnormal was the rapid increase of leading securities put in trust. Accounts indicated that monetary trusts had recorded an increase of ¥32,000,000 at the end of December, 1937, over the figures for the end of December, 1936, but, as a matter of fact, the monetary trusts were at a standstill because the system of ac-

counting of trust companies reckons the monthly profits amounting to several millions of yen as a natural increase in trusts under ordinary circumstances. Securities trusts, on the other hand, increased by as much as ¥100,000,000 during the same period. This was the first time that securities trusts increased in a larger measure than monetary trusts.

During 1933, monetary trusts accounted for 96 per cent of the increased trusts. This percentage then declined to 91 per cent and later to 78 per cent and finally fell to 20 per cent in December, 1937. On the contrary, securities trusts exhibited an increasing tendency and far surpassed monetary trusts in 1937.

A review of the operating conditions of assets of trust companies during 1937 reveals that the amount of securities in hand, which had recorded an unusual increase at the end of 1936, appeared to have slowed down while advances increased markedly. The slackened rate of increase in the securities in hand was due to a decrease in foreign bonds as well as in local bonds and debentures which in turn was attributable to the depression in underwriting circles. On the other hand, the marked increase in advances was illustrative of the active demand for industrial funds.

Increased Influence of Trust Companies The total assets of trust companies throughout the country now reach upwards of ¥2,700,000,000. As a result of the increased financial influence of the trust companies, the question of co-operation between the trust companies and underwriting circles is assuming an increasing importance as also the question of defining the spheres of influence of the trust companies and banks.

Although there exists a general contention that the spheres of activities of trust companies and banks are not clearly defined, it is an admitted fact that the trust companies are increasingly becoming a machinery for long-term financial contracts. Monetary trusts under contracts lasting for five years or more accounted for only 6 per cent of the total amount of trusts at the end of 1926 but the figure increased to approximately 30 per cent at the end of 1935 while the percentage of those under contracts lasting for less than five years decreased from over 87 per cent to nearly 66 per cent. This fact indicates that the spheres of influence of the trust companies and banks are being gradually and definitely

ly established. It is particularly so since the big twelve of the 31 trust companies throughout the country have adopted a policy of according better treatment to trusts of longer terms.

TRUST COMPANIES

At the End of Nov.	No. of Head Offices	No. of Branch Offices	Authorized Capital	Paid-up Capital	Reserve Funds (In yen)	Net Profit	Dividend
1930	37	14	293,500,000	82,700,000	19,654,873	14,700,688	3,295,581
1931	37	14	288,500,000	81,450,000	23,202,866	14,856,542	3,387,781
1932	37	14	288,500,000	81,450,000	25,849,983	15,464,612	3,428,578
1933	36	16	287,000,000	82,076,075	29,536,346	18,019,865	3,689,200
1934	33	16	282,000,000	78,336,575	34,180,490	20,984,787	3,674,498
1935	32	17	272,000,000	76,308,575	39,421,837	22,135,929	3,638,498
1936	31	17	259,000,000	74,670,478	43,469,351	23,393,825	3,584,747
1937	29	18	259,000,000	73,932,475	48,676,307	24,961,897	3,065,998

Assets

(In ¥1,000)

Companies' Own Account

At the end of each year	Unpaid Capital	Advances	Deposits	Securities	Premises	Guarantees	Miscellaneous Assets	Losses	Total
1930	210,800	29,307	8,164	61,917	13,098	10,262	3,572	434	342,742
1931	207,050	30,660	8,519	60,584	13,190	7,767	1,780	745	337,417
1932	207,050	33,658	8,902	59,315	13,757	8,403	3,294	867	342,303
1933	204,924	31,206	9,101	67,935	13,292	8,616	3,471	1,239	346,786
1934	203,663	35,695	8,887	71,988	12,618	7,597	1,871	289	348,849
1935	195,691	32,936	9,302	77,567	11,872	7,046	2,533	290	343,813
1936	184,330	33,483	8,081	81,369	12,631	6,393	1,882	314	335,865
1937	183,068	35,285	8,518	84,286	12,160	4,988	2,010	3	334,808

Trust Account

	Securities	Advances	Deposits	Movable and Real Estate	Miscellaneous Assets	Cash in Hand	Total
1930	460,232	886,431	43,192	30,307	5,640	3,355	1,577,649
1931	478,479	877,754	50,986	32,469	30,394	4,740	1,642,312
1932	486,303	876,081	50,278	36,226	7,946	3,997	1,628,413
1933	568,901	923,807	47,529	40,565	30,758	4,188	1,765,289
1934	799,418	896,288	54,960	40,648	31,443	3,813	2,058,923
1935	940,644	949,137	50,129	42,669	42,858	3,719	2,310,253
1936	1,133,153	983,811	41,606	43,884	36,459	3,669	2,551,779
1937	1,158,156	1,088,999	43,869	44,199	57,835	3,504	2,705,002
1938	1,314,804	1,257,471	48,097	51,540	71,528	2,585	2,746,025
1939 (June)	1,459,455	1,329,824	50,762	57,063	71,767	2,708	2,971,579

Liabilities

Companies' Own Account

	Authorized Capital	Reserve Funds	Guarantees	Miscellaneous Liabilities	Net Profit	Branches Accounts	Total
1930	293,500	19,655	10,262	8,238	7,272	—	342,742
1931	288,500	23,203	7,767	7,145	6,930	—	337,417
1932	288,500	25,850	8,403	5,879	8,180	5,491	342,303
1933	287,000	29,536	8,616	7,076	9,538	5,020	346,786
1934	282,000	34,180	7,597	9,612	10,557	4,903	348,849
1935	272,000	39,422	7,046	8,465	11,312	5,568	343,813
1936	259,000	43,470	6,393	8,784	12,042	6,176	335,865
1937	259,000	48,676	4,988	8,308	12,457	3,379	334,808

Trust Account

	Money in Trust	Trust Fund other than Money in Trust	Securities in Trust	Claims in Trust	Real Estates in Trust	Superficies in Trust	Branches Accounts	Total
1930	1,178,749	7,051	198,870	16,589	27,896	2	—	1,577,649
1931	1,231,851	7,816	189,800	16,087	29,266	2	—	1,642,312
1932	1,220,005	9,858	183,009	11,794	30,143	2	167,602	1,628,413
1933	1,378,375	11,641	183,867	9,314	32,530	15	149,541	1,765,289
1934	1,570,191	8,962	205,824	9,013	32,566	14	232,353	2,058,923
1935	1,729,993	10,169	250,205	6,052	32,723	14	281,097	2,310,253
1936	1,854,153	8,002	340,954	4,490	34,972	16	309,192	2,551,779
1937	1,886,416	8,731	457,661	8,026	35,713	16	308,439	2,705,002
1938	2,044,920	8,936	635,773	13,156	43,097	15	—	2,745,900
1939 (June)	2,177,638	9,945	720,880	15,035	48,048	15	—	2,971,564

Mutual Loan Companies
(Mujin Kaisha)

In addition to the banking institutions there are mutual loan companies (Mujin Kaisha), which are credit establishments peculiar to Japan and are based on mutual credit among the middle and lower classes of people. Mutual credit societies have existed in Japan since olden times. The Mutual Loan Society Law was promulgated in June, 1915, whereby the mutual loan societies acquired a legal standing. But in order to enable these societies to perform the function of financial institutions for lower classes and to extend their business operations, fundamental amendments were made in the law in 1931. According to the provisions of the Mutual Loan Company Law, put into effect on and after July 1, 1931, the business of the companies is to make the subscribers pay money in instalments during a fixed period and then to distri-

bute it, in lots, among the subscribers, by drawings, biddings or some similar means, the number of such lots and the sum of money to be thus distributed being previously fixed. Each company must have a nominal capital of more than ¥30,000 and a paid-up capital of more than ¥15,000. No company is allowed to carry on this kind of business without permission of the Minister of Finance. Those so engaged are prohibited from carrying on any other business at the same time and are under obligation to present business reports to the Government. Restrictions also are put on the use of business funds.

The total amount handled by these mutual credit societies throughout the country is given as between ¥3,000,000,000 and ¥4,000,000,000 and members of the societies are said to number some 4,000,000 persons. Many prefectural governments have issued decrees controlling the societies with a view to preventing evil practices.

MUTUAL LOAN COMPANIES

ASSETS
(In ¥1,000)

Year	No. of Companies	Money yet to be paid in instalments	Convertible Notes	Loans	Deposits	Total, including others
1930	264	56,512	1,717	36,769	17,169	129,495
1931	267	60,912	2,086	42,284	16,446	143,425
1932	274	71,933	2,621	41,728	19,472	157,347
1933	276	67,616	4,447	44,271	26,340	166,723
1934	273	63,002	7,643	51,473	32,084	179,865
1935	262	56,041	9,625	61,723	33,293	187,881
1936	253	51,848	13,152	73,365	38,594	204,422
1937	246	50,727	18,358	96,568	45,252	238,749

Note: Unpaid capital and loss are discounted.

LIABILITIES
(In ¥1,000)

Year	Paid-up capital	Reserves	Net profit	Total, including others
1930	17,540	7,868	-1,107	129,495
1931	17,790	8,827	721	143,425
1932	18,272	9,557	752	157,347

Year	Paid-up capital	Reserves	Net profit	Total, including others
1933	18,581	9,554	447	166,723
1934	19,330	9,927	(-) 134	179,865
1935	19,067	10,708	710	187,881
1936	18,933	10,923	1,512	204,422
1937	18,886	12,071	1,666	238,749

Co-operative Credit Associations

Credit Associations acquired a legal standing under a new system as defined by the so-called Co-operative Association Law, promulgated in March, 1900. The business of these associations is to lend money to their members in order to better their economic conditions and to employ their savings. By virtue of the revision of the law in July, 1917, the business of the Credit Associations has been expanded and they may use the savings of the families of their members, public corporations or legal

persons who do not aim at profit. Especially, the Credit Associations in cities or city areas designated by the competent Minister of State may, besides the business above described, discount bills for their members and handle savings of persons who are not their members but reside inside the same boundary. Therefore, they may be called the People's Banks in city areas, and are placed under the control of the Minister of Finance and the Minister of Agriculture and Forestry. The actual number of these associations was 274 at the end of December, 1937.

Year	Money paid	Loans (In yen)	Savings	Total B/S
1930	63,361,120	136,199,660	163,279,668	269,463,423
1931	61,496,440	143,046,052	165,351,942	272,554,757
1932	58,739,865	138,832,405	160,233,203	271,284,152
1933	56,493,820	158,026,038	177,376,486	292,271,078
1934	58,516,000	160,450,000	189,760,000	309,983,000
1935	59,028,000	164,584,000	218,676,000	326,973,000
1936	58,394,000	175,197,000	241,664,000	350,034,000
1937	59,930,000	190,619,000	277,453,000	390,805,000

Central Chest for Co-operative Associations

(Sangyo Kumiai Chuo Kinko)

As an institution for regulating the movement of funds of the Federations of Co-operative Associations and of individual Co-operative Associations and for bringing them into close touch with the central money market, the Central Chest for Co-operative Associations was established by law on April 5, 1923. Its capital at present amounts to ¥30,700,000, of which ¥15,000,000 is invested by the Government and the remainder, ¥15,700,000, by the Co-operative Associations throughout the country. The Associations that participate in the investment amount to more than 80 per cent of the total number existing. The principal business of the Central Chest for Co-operative Associations is as follows:

(1) To make without security loans redeemable at a fixed time within a period of not more than five years to Federations of Co-operative Associations or Co-operative Associations;

(2) To make loans without security redeemable by annual instalments within a period not exceeding thirty years to

the Federations of Co-operative Associations or Co-operative Associations, provided that the total amount of such loans does not exceed one-half of the paid-up capital and debentures issued;

(3) To discount bills for, or allow overdrafts to, Federations of Co-operative Associations or Co-operative Associations;

(4) To undertake exchange business for Federations of Co-operative Associations or Co-operative Associations;

(5) To receive money as deposits from Federations of Co-operative Associations, public corporations, or legal persons not engaged in business aiming at profit;

(6) To take securities for safe custody for Federations of Co-operative Associations or Co-operative Associations; and

(7) To buy and sell on a consignment basis securities for Federations of Co-operative Associations or Co-operative Associations.

The Central Chest is authorized to issue debentures and is subject to control both of the Minister of Agriculture and Forestry and the Minister of Finance. The assets and liabilities of these associations follow:

ASSETS

(In ¥1,000)

March of	Unpaid Investment	Loans made	Deposits in Banks	Securities	Total, including Others
1931	2,614	78,774	23,149	13,183	120,880
1932	1,159	93,298	16,908	11,823	127,891
1933	381	127,332	40,145	18,493	192,073
1934	14	150,970	30,532	57,216	245,786
1935	—	141,314	28,247	73,897	248,584
1936	—	147,419	23,499	79,177	256,572
1937	—	155,565	18,327	61,673	242,471
1938	—	162,884	26,312	76,027	272,208

LIABILITIES

(In ¥1,000)

March of	Investment by Government	Investment by Others	Co-operative Debentures	Fixed Deposits	Total, including Others
1931	15,000	15,700	41,240	35,661	120,880
1932	15,000	15,700	41,419	32,447	127,891
1933	15,000	15,700	59,503	59,624	192,073
1934	15,000	15,700	64,411	84,454	245,785
1935	15,000	15,700	84,291	86,149	248,584
1936	15,000	15,700	86,575	99,383	256,572
1937	15,000	15,700	82,939	80,776	242,471
1938	15,000	15,700	82,312	103,613	272,208

The Big Seven

In the commercial banking world, of non-governmental banks there are seven which stand out from all the others in importance, these are the Mitsui, Mitsu-

bishi, Dai-Ichi, Sumitomo, Yasuda, Daihyaku (the One Hundredth Bank) and Sanwa, the last named was created by the amalgamation of three banks, i.e. Kōnoiké, Yamaguchi and the 34th in December, 1933:

BUSINESS CONDITIONS OF THE BIG SEVEN

(Figures in ¥1,000)

1. Dai-Ichi Bank			3. Yasuda Bank		
Kinds	1938 First half	1938 Second half	Kinds	1938 First half	1938 Second half
Paid-up capital	57,500	57,500	Paid-up capital	92,750	92,750
Total deposits	1,272,161	1,383,141	Total deposits	1,212,315	1,248,135
Foreign bills	760	1,913	Foreign bills	281	995
Total liabilities	1,463,450	1,584,984	Total liabilities	1,491,835	1,636,226
Fixed assets	24,790	24,588	Fixed assets	11,571	14,456
Total assets	1,463,450	1,584,984	Total assets	1,491,835	1,636,226
Total profits	15,432	17,051	Total profits	9,806	9,879
Rate of dividend	8.0	8.0	Rate of dividend	7.0	7.0
2. Mitsubishi Bank			4. Mitsui Bank		
Kinds	1938 First half	1938 Second half	Kinds	1938 First half	1938 Second half
Paid-up capital	62,500	62,500	Paid-up capital	60,000	60,000
Total deposits	1,078,288	1,149,416	Total deposits	1,103,532	1,126,580
Foreign bills	1,274	1,072	Foreign bills	15,371	17,034
Total liabilities	1,272,332	1,345,870	Total liabilities	1,321,099	1,351,109
Fixed assets	20,299	20,293	Fixed assets	16,399	17,864
Total assets	1,272,332	1,345,870	Total assets	1,321,099	1,351,109
Total profits	13,808	13,993	Total profits	16,235	17,086
Rate of dividend	8.0	8.0	Rate of dividend	8.0	8.0

5. Sumitomo Bank		
Kinds	1938 First half	1938 Second half
Paid-up capital	50,000	50,000
Total deposits	1,307,319	1,458,522
Foreign bills	9,020	8,253
Total liabilities	1,470,923	1,625,971
Fixed assets	17,631	17,968
Total assets	1,470,923	1,625,971
Total profits	8,262	8,641
Rate of dividend	8.0	8.0

6. Sanwa Bank		
Kinds	1938 First half	1938 Second half
Paid-up capital	72,200	72,200
Total deposits	1,477,652	1,656,851
Foreign bills	2,395	2,717
Total liabilities	1,677,959	1,868,300

Kinds	1938	1938
	First half	Second half
Fixed assets	26,161	28,357
Total assets	1,677,959	1,868,300
Total profits	5,827	3,925
Rate of dividend	7.0	7.0

7. Dai-Hyaku Bank (The One Hundredth Bank)		
Kinds	1938 First half	1938 Second half
Paid-up capital	28,072	28,072
Total deposits	863,652	967,176
Foreign bills	928	2,230
Total liabilities	954,466	1,060,475
Fixed assets	15,355	17,421
Total assets	954,466	1,060,475
Total profits	2,461	2,613
Rate of dividend	6.0	6.0

FOREIGN BANKS WITH BRANCHES IN JAPAN

Name	Nationality	No. of Branches in Japan	Places of Branches in Japan
Hongkong & Shanghai Banking Corporation	Great Britain	3	Kobé, Yokohama, Tokyo
Chartered Bank of India, Australia & China	"	2	Yokohama, Kobé
National City Bank of New York	U. S. A.	4	Kobé, Yokohama, Tokyo, Osaka
Banque Franco-Japonaise	France	2	Tokyo, Kobé
Nederlandsche Handel-Maatschappij	Holland	1	Kobé
Nederlandsch-Indische Handelsbank	"	2	Kobé, Tokyo
Bank of China	China	1	Osaka
Central Bank of Manchu	Manchoukuo	1	Tokyo

Clearing Houses

The establishment of the first clearing house in Japan took place in Osaka in 1879, preceding by eight years that in Tokyo, where one was established in 1887. Cash transactions marked the commercial society of this country early in the Meiji era and no transactions in bills or cheques were then conducted. Viscount Shibusawa and other business leaders encouraged paper transactions among businessmen at large and the time soon came when it was necessary for Tokyo to establish a clearing house, one being eventually brought into ex-

istence by the Bankers' Association in 1887. The first president of the institution was the late Viscount Shibusawa and the present holder of that office is Mr. Hirozo Mori, Vice-president of Yasuda Bank. At the end of 1938, there were 47 clearing houses in Japan. The total of bills cleared at the clearing-houses throughout the Empire in the year 1938 reached 47,126,000 bills and ¥86,095,000,000. As compared with the preceding year the number of bills increased by 838,000, while the amount gained was ¥573,000,000. The amount of clearings in Tokyo and Osaka and Japan proper were as follows:

BILLS CLEARED AT THE CLEARING-HOUSES IN JAPAN PROPER

(000's omitted)

Year	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1928	13,117	31,126,238	10,009	21,684,365	36,944	68,592,995
1929	13,525	25,070,553	10,390	22,374,043	38,338	63,343,632

Year	Tokyo		Osaka		(All Japan)	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
1930	12,721	21,366,617	9,725	13,689,655	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	34,367	52,751,946
1933	13,577	31,549,888	10,412	22,175,225	37,290	66,871,808
1934	14,253	25,338,571	9,547	24,436,933	37,739	64,376,620
1935	15,153	25,512,016	10,472	22,688,248	40,725	63,858,341
1936	15,887	27,400,087	11,090	24,979,292	42,961	69,862,561
1937	17,308	34,125,353	11,983	30,153,543	45,846	65,270,132
1938	—	38,294,317	—	28,539,333	—	86,037,857

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 38 years older than that of America. At first the annual interest rate was 3 per cent, the highest rate was 7.2 per cent during 1881-1884, but it is 2.76 per cent since April, 1937. The maximum amount one could deposit was at first ¥500. In the first year of enforcement the amount totalled ¥51,224 for 1,843 depositors. In 1882 the Mail Act was passed and the deposit business became jointly controlled by the Minister of Finance and the Minister of Agriculture and Commerce. The service was looked after by 4,000 post offices in the country. In 1890 the Postal Savings Deposit Act was issued. In 1920 the Exchange Deposit Bureau was established and was later replaced by the Deposits Bureau in the Ministry of Finance. (See Chapter VII.)

The number of depositors and amount of savings since 1925 are as follows:

March 31,	Number	Amount
1925	30,386,806	¥1,131,250,271
1926	31,549,989	1,166,998,703
1927	32,410,752	1,253,539,935
1928	34,425,812	1,636,255,042
1929	36,485,875	1,863,703,742
1930	37,968,850	2,201,245,552
1931	38,257,981	2,497,154,253
1932	39,066,040	2,815,868,019
1933	39,838,438	2,772,004,751
1934	41,625,306	2,919,345,286
1935	43,908,510	3,062,750,943
1936	46,566,533	3,232,947,127
1937	49,564,766	3,465,835,081
1938	54,628,871	3,903,261,783
1939	—	4,782,050,970

Note: Figures include Postal Transfer.

Currency System

Coinage The present coinage system is based on the Coinage Law issued in 1897, which established the gold mono-metallic system. Its principal points are summarized as follows:

(1) The coinage unit is 2 fun (0.75 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, 1937, to ¥10,965,000, consisting of ¥5,345,500 50-sen notes, ¥1,095,900 20-sen notes and ¥4,523,600 10-sen notes.

Emergency Currency Not only to effect economy, for the time being, in the use for monetary purposes of some metals as provided for in the Coinage Law, but to meet the increasing requirements for subsidiary coinage, emergency currency was issued in accordance with the provisions of the Emergency Currency Law promulgated in June, 1938. It consists of subsidiary coins of 10-sen, 5-sen and 1-sen, and of paper notes of small denomination of 50-sen.

The fineness and weight of these subsidiary coins are specified by Imperial Ordinance No. 388 of 1938 as follows.

A. Fineness.

10-sen piece aluminium	50 copper	950
5-sen piece aluminium	50 copper	950
1-sen piece copper	900 zinc	100

B. Weight.

	Grammes.
10-sen piece	4
5-sen piece	2.8
1-sen piece	3.75

Convertible Bank Notes In May, 1884, there was promulgated the Convertible Bank-notes Law providing for the issue by the Bank of Japan of bank-notes which were to be converted into silver, but on the adoption of the gold standard in 1897 these notes became convertible into gold. Certain amendments were made in the law in June, 1932 and 1938. The principal points may be summarized as follows:

The Bank of Japan is required to hold as a conversion reserve against the issue of notes gold and silver coins and bullion to the same amount as that of the notes issued; and the total value of silver coins and bullion must not exceed one-fourth of the entire conversion reserve. The Bank of Japan may, in addition to the notes specified

in the preceding paragraph, issue bank-notes to the amount of ¥1,700,000,000 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 the approval of the Minister of Finance is required, and such issues outstanding after a period of 15 days are subject to a tax of at least 3 per cent per annum of the amount so issued. The bank-notes are of 7 denominations, namely, one yen, 5 yen, 10 yen, 20 yen, 50 yen, 100 yen and 200 yen.

Currency System of Formosa and Korea As regards the currency system of Formosa, up to October, 1908, recognition was given to the circulation at the market price in gold of the silver yen, similar to that in circulation in Japan proper until the revision of the Coinage Law in 1897; but the exchange of silver was brought to a conclusion at the end of April, 1909. In April, 1911, the Coinage Law of the Empire was brought into operation in the island, so that the system in Formosa is now absolutely identical with that in force in Japan proper. The Bank of Taiwan issued, at first, bank-notes convertible into silver yen, but these notes were, upon the reform of the currency system, withdrawn from circulation by April, 1909. In June, 1904, the bank was allowed to issue bank-notes convertible into gold coins, holding as conversion reserve gold and silver coins and bullion to the same amount as that of notes issued. It may further issue notes to the amount of ¥50,000,000 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 at least 3 per cent must be paid in respect of the excess issue.

The currency system of Korea had fallen into such a state of disorder and confusion that confidence in legal tender was entirely gone, and consequently commodity prices perpetually fluctuated. In 1905, at the time of the protectorate régime of Japan, a radical reform of the system was started, the coinage regulations were revised and new coins equal in quality and weight to those of Japan were minted. At the same time, the use of the old nickel coins was prohibited as from December 31, 1909. After the annexation (1910), in order to have a uniform currency throughout the Empire, the minting of

coins under the Coinage Regulation was suspended and the circulation of Japanese coins was encouraged; the old Korean coins in circulation steadily diminished. The Imperial Coinage Law was put in force in April, 1918 in Korea and the use of the old Korean coins as legal tenders was permitted till the end of 1919 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 be-

ing 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 against the security of gold specie, gold and silver bullion and Bank of Japan's convertible notes, the Bank is authorized to issue notes up to the limit ¥100,000,000 on the security of exchequer bills and other reliable bills or trade bills. The Emergency Currency Law was put into operation in Chosen as from June 1, 1938.

AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

Year	Balance brought over from the preceding year	Notes issued (In yen)			Balance
		Amount newly issued	Total	Amount withdrawn	
1928	1,602,390,441	5,829,380,203	7,511,770,644	5,772,674,342	1,739,096,302
1929	1,739,096,302	5,684,181,253	7,423,277,555	5,781,425,719	1,641,851,836
1930	1,641,851,836	5,459,394,965	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	4,941,399,373	1,330,575,316
1932	1,330,575,316	5,021,876,744	6,352,452,060	4,926,293,103	1,426,158,957
1933	1,426,158,957	4,526,876,038	5,953,034,995	4,408,237,301	1,544,797,694
1934	1,544,797,694	4,658,410,704	6,403,208,398	4,775,859,229	1,627,349,168
1935	1,627,349,168	5,602,732,128	7,230,081,296	5,463,526,001	1,766,555,295
1936	1,766,555,295	6,237,474,940	8,004,030,235	6,138,326,650	1,865,703,385
1937	1,865,703,385	7,028,397,616	8,894,101,001	6,589,030,281	2,305,070,719

AMOUNT OF BANK-NOTES ISSUED BY THE BANK OF JAPAN

Year	Reserve (In yen)				Total Reserve	Amount of Reserve for Every 100 yen of Notes issued	
	Specie Reserve	Security Reserve		Total Reserve		Specie	Security
		Gold Coin and Bullion	Public Loan Bonds				
1928	1,061,636,385	97,920,000	579,539,917	677,459,917	1,739,096,302	61.05	38.95
1929	1,072,273,100	161,804,691	407,774,045	569,587,736	1,641,851,836	65.31	34.69
1930	825,998,295	136,862,565	473,434,647	610,297,212	1,436,295,507	57.51	42.49
1931	469,549,450	180,831,861	680,194,005	861,025,866	1,330,575,316	35.29	64.71
1932	425,068,190	539,854,243	461,236,524	1,001,090,767	1,426,158,957	29.81	70.19
1933	425,069,230	597,074,267	522,654,197	1,119,728,464	1,544,797,694	27.52	72.48
1934	466,338,325	631,786,391	529,224,451	1,161,010,843	1,627,349,168	28.66	71.34
1935	504,065,115	738,959,289	523,530,900	1,262,490,180	1,766,555,295	28.53	71.47
1936	540,342,455	886,253,738	431,107,192	1,317,360,930	1,865,703,385	29.39	70.61
1937	801,002,607	1,095,458,486	408,609,626	1,504,068,112	2,305,070,719	34.75	65.25

COINS TURNED OUT BY THE MINT

Year	Gold Coins (In yen)				Silver Coins		Total
	20-yen Pieces	10-yen Pieces	5-sen Pieces	Total	50-sen Pieces	20-sen 10-sen Pieces	
1928	—	—	—	—	19,296,000	—	19,296,000
1929	—	—	—	—	6,284,000	—	6,284,000
1930	216,600,660	—	4,000,910	220,601,570	220,000	—	220,000
1931	152,063,700	—	362,099	152,425,799	1,000,000	—	1,000,000
1932	29,836,580	—	—	29,836,580	1,800,000	—	1,800,000
1933	—	—	—	—	21,240,000	—	21,240,000
1934	—	—	—	—	11,760,000	—	11,760,000
1935	—	—	—	—	15,000,000	—	15,000,000
1936	—	—	—	—	13,000,000	—	13,000,000
1937	—	—	—	—	34,200,000	—	34,200,000

BANKING AND THE MONEY MARKET

Nickel Coins (In yen)

Year	10-sen Pieces	5-sen Pieces	Total	Bronze	Grand Total
1928	4,145,000	—	4,145,000	—	23,441,000
1929	1,000,000	—	1,000,000	30,000	7,314,000
1930	—	—	—	50,000	220,871,570
1931	—	—	—	250,000	153,675,790
1932	1,890,000	400,000	2,290,000	340,000	34,176,580
1933	1,457,000	640,000	2,097,000	400,000	23,737,000
1934	3,582,999	1,859,999	5,442,998	1,000,000	18,202,993
1935	3,705,000	634,000	4,339,000	2,000,000	21,389,000
1936	7,755,000	1,816,000	9,571,000	1,076,000	23,647,000
1937	4,000,000	2,220,000	6,220,000	1,344,000	41,764,000

COINS TURNED OUT AND MELTED DOWN BY THE MINT

(In yen)

Year	Turned Out		Melted Down		Balance
	Turned out in the year	Sum Total since 1871	Melted down in the year	Sum Total since 1878	
1926	22,153,500.000	1,671,665,348.140	11,464,393.210	160,716,463.120	1,510,968,885.020
1927	5,388,388.000	1,677,054,208.140	2,560,391.950	163,306,855.070	1,513,767,353.070
1928	23,441,000.000	1,700,495,208.140	9,826,808.000	173,133,661.070	1,527,361,547.070
1929	7,314,000.000	1,707,809,208.140	2,454,750.000	175,588,411.070	1,532,240,797.070
1930	220,871,570.000	1,928,660,778.140	3,034,250.000	178,622,661.070	1,750,078,117.070
1931	153,675,790.000	2,082,356,568.140	7,748,876.000	186,371,537.070	1,895,005,031.070
1932	34,176,580.000	2,116,533,148.140	5,878,027.840	192,249,564.910	1,924,303,583.230
1933	23,737,001.200	2,140,270,149.340	3,149,725.000	195,399,289.910	1,944,890,859.430
1934	18,202,998.800	2,158,473,184.140	8,225,025.000	203,624,314.910	1,954,868,833.230
1935	21,389,000.000	2,179,862,148.140	7,601,725.000	211,226,824.910	1,968,635,323.230
1936	23,647,000.000	2,203,509,148.140	—	—	—
1937	41,764,000.000	2,245,273,148.140	—	—	—

CIRCULATION OF PAPER NOTES AND BANK NOTES

(In ¥1,000)

End of	Petty Government Notes	Bank of Japan Notes	Bank of Chosen Notes	Bank of Taiwan Notes	Total
1928	12,487	1,665,897	132,444	55,713	1,866,541
1929	12,085	1,591,400	118,702	49,241	1,771,428
1930	11,680	1,413,891	90,615	39,904	1,556,090
1931	11,480	1,312,055	100,910	44,414	1,468,859
1932	11,380	1,373,619	124,622	52,619	1,562,241
1933	11,260	1,470,468	148,176	48,994	1,678,897
1934	11,160	1,538,188	192,457	62,653	1,804,460
1935	11,040	1,607,870	220,777	70,190	1,909,878
1936	10,900	1,756,483	210,654	79,138	2,057,264
1937	10,965	2,080,555	279,502	112,033	2,483,055
1938	88,838	2,474,134	321,977	140,018	3,024,969

MONEY RATES

(Per annum rate)

Month	Commercial Bills		Re-discount	Gov't Bonds Collateral	Postal Savings Deposits (Japan Proper)	Ordinary (Fixed)
	1934 Mar	1935 Mar				
Bank of Japan	3.65	3.65	3.65	3.285	3.285	3.285
	4.015	4.015	4.015	3.650	3.285	3.650
	3.00	3.00	3.00	3.00	2.76	2.76
	3.24	3.24	2.24	3.24	3.04	3.04

FOREIGN EXCHANGE

Month	Class A Bank	Time Current	1934	1935	1936	1937	1938	1939
			Mar	Mar	Mar	Mar	Mar	Mar
Bank Deposits (Agreement Rates)	Class A Bank	Time Current	3.7	3.7	3.7	3.3	3.3	3.3
		Savings	0.73	0.73	0.73	0.37	0.37	0.37
		At Notice	2.19	2.19	2.19	1.83	1.83	1.83
	Class B Bank	Time Current	2.19	2.19	2.56	2.19	2.19	2.19
		Savings	4.2	4.2	4.0	3.5	3.5	3.5
		At Notice	1.10	1.10	1.10	0.73	0.73	0.73
Bankers' Call Loan (Agreement Rate)			2.92	2.92	2.92	2.56	2.56	2.56
			2.56	2.56	2.56	2.56	2.56	2.56

Tokyo Open Market

Month	Overnight Call Loan			Prime Name Spinner Bills		
	High	Low	Average	High	Low	Average
1934 March	2.73	2.48	2.56	4.20	3.29	3.76
1935 "	3.29	2.46	2.70	4.38	3.29	3.83
1936 "	3.83	2.56	2.88	4.38	3.29	3.83
1937 "	3.65	2.46	2.81	4.02	3.29	3.65
1938 "	2.56	2.19	2.48	4.02	3.29	3.65
1939 "	2.56	2.48	2.52	4.02	3.29	3.65

BANK OF JAPAN RATE CHANGES

(Rates per diem and per annum)

Effective on	Effective Period for Each Rate (No. of Days)	Loans and Discounts with Government Bonds Collateral		Loans and Discounts with Nongov't Securities Collateral		Rediscounts of Commercial Bills		Overdrafts on Current Deposits & Correspondence	
		sen	%	sen	%	sen	%	sen	%
1925 Apr. 15		537	2.0 (7.30)	2.2	(8.03)	2.0	(7.30)	2.3	(8.40)
1926 Oct. 4		155	1.8 (6.57)	2.0	(7.30)	1.8	(6.57)	2.1	(7.67)
1927 Mar. 9		215	1.7 (6.21)	1.8	(6.57)	1.6	(5.84)	2.0	(7.30)
	Oct. 10	1,093	1.6 (5.84)	1.7	(6.21)	1.5	(5.48)	1.9	(6.44)
1930 Oct. 7		364	1.5 (5.48)	1.6	(5.84)	1.4	(5.11)	1.8	(6.57)
1931 Oct. 6		30	1.7 (6.21)	1.8	(6.57)	1.6	(5.48)	2.0	(7.30)
	Nov. 5	128	1.9 (6.94)	2.0	(7.30)	1.8	(6.57)	2.2	(8.03)
1932 Mar. 12		128	1.7 (6.21)	1.8	(6.57)	1.6	(5.84)	2.0	(7.30)
	June 8	88	1.5 (5.48)	1.6	(5.84)	1.4	(5.11)	1.8	(6.57)
	Aug. 18	309	1.3 (4.75)	1.4	(5.11)	1.2	(4.38)	1.6	(5.84)
1933 July 3		1,009	1.1 (4.02)	1.2	(4.38)	1.0	(3.65)	1.4	(5.11)
1936 Apr. 7		464	1.0 (3.65)	1.1	(4.02)	0.9	(3.29)	1.3	(4.75)
1937 July 15		68	0.9 (3.29)	1.1	(4.02)	0.9	(3.29)	1.2	(4.38)
	Sept. 21	—	0.9 (3.29)	1.1	(4.02)	0.9	(3.29)	1.1	(4.02)

Foreign Exchange

While every field of financial transaction in this country was affected by the enforcement of the wartime system in 1937, the one which probably reflected the extraordinary situation in the most direct manner was foreign exchange. Compared with the wide fluctuations which occurred between 1930 and 1933 on account of the removal of the gold embargo and the

re-imposition of the ban and the prevalence of the panic in the United States, the exchange rates of the yen were outwardly stable during the year. In fact, however, numerous unfavourable factors prejudicial to the exchange rates of the yen had piled up, such as the strengthened exchange control, the shipments of gold and the co-operation of exchange banks in the execution of the national policy under the wartime system.

Rate at 1s. 2d. In view of the prevailing economic conditions, the Government decided as a national policy to maintain the exchange rate of the yen at the level of 1s. 2d. This decision was based on the following views:

1. A fall in the exchange rate would stimulate a further rise in the prices of commodities, which in turn would tend to lead to inflation and the resultant evils;
2. As Japan has to look to the various foreign countries for the supply of a large quantity of materials required for the perfection of her national defence and the expansion of her productive capacity, a fall in the exchange rate would reduce the purchasing power of the yen and thus render it difficult to operate the budget;
3. A fall in the exchange rate would not serve to increase the volume of the export trade of the nation because the relations of international economy are no longer based on the principle of free trade.

The first expression of the policy of maintaining the exchange rate of the yen at the level of 1s. 2d. took the form of the promulgation, on January 8, of the import exchange license system. The licensing system was extended on July 7, when the exemption point for such license was also lowered and the control over exports without bills of exchange was strengthened. Again on August 28, regulations were promulgated for the enforcement of a control over imports without bills of exchange. December 11 witnessed a further lowering of the exemption point of the import exchange license.

Import Exchange License System The enforcement of strengthened control over exchange in the form of the adoption of the licensing system for exchange transactions involving more than ¥30,000 a month was intended principally to prevent speculative imports during the first half of 1937 and not to restrict imports based on normal demand. An explanation to this effect was given by the Government at the time of the enforcement but the continued increase in the demand for commodities connected with the expansion of the productive facilities of the domestic industry and the soaring of commodity prices gave rise to fears that aggravation of the conditions of foreign trade would be inevitable. In order to cope with the situation, the authorities of the Ministry of Finance decided at a conference held toward the end of May to extend the term of the import exchange license system.

Under date of July 7, the Ministry of Finance revised the ordinance in regard to the import exchange license system and the Foreign Exchange Control Law. The former concerned the lowering of the exemption point for import license from ¥30,000 to ¥1,000 a month while the latter made the following compulsory:

1. The approval of the Minister of Finance for the remittance of dividends and profits to rightful persons living abroad;
2. A license for remittances made in fulfilment of obligations arising from domestic or foreign ordinances;
3. A license for remittances to be made for the use or acquirement of patent rights or other industrial rights;
4. A license for sums upward of ¥5,000 a year employed in exchange transactions for the acquirement of foreign currency or credit or used by persons going abroad or sent to travellers or residents in foreign countries;
5. A report to the customs authorities on exports, whether with or without bills of exchange, and matters relating to them;
6. A license for exports without bills of exchange which are assigned to the payment of proceeds from the sale of goods imported without bills of exchange;
7. The certificate of foreign exchange banks to the effect that their clients involved in the transactions mentioned in Ordinance No. 7 of the Ministry of Finance have obtained the necessary license or that their clients in the same transactions need not obtain a license, as the case may be.

While the licensing system for import exchange was extended and the control over general exchange transactions and exports without bills of exchange was strengthened, the authorities of the Ministry of Finance felt the need for control of imports without bills of exchange as well. This view was based on three points. In the first place, there was no means of controlling imports made by the utilization of funds held abroad, in spite of the operation of the import exchange license system. Secondly, the control over exports without bills of exchange could not be enforced satisfactorily because those foreign firms making imports without bills of exchange might make exports in return for the proceeds from the sale of such imports. Thirdly, there was no means of controlling the use of the proceeds from the sale of commodities imported without bills of exchange in covering the expenses for

building and repair works or the payment of dividend.

Accordingly, the Ministry of Finance revised its Ordinance No. 1 of 1937 and promulgated a licensing system for imports without bills of exchange under date of August 28. Explaining their attitude toward the enforcement of this system, the authorities of the ministry gave an explanation to the following effect:

1. The license for imports without bills of exchange will be issued on the basis of the same principle that the license for import exchange is issued. Accordingly, it will be difficult to import commodities not in urgent demand even if no exchange bills are involved.
2. Special considerations will be given to imports without bills of exchange in regard to munitions and raw materials.
3. Special considerations will also be given to imports without bills of exchange in regard to the staple products and key merchandise of Manchoukuo.

Control of Assets Held in Foreign Countries The Foreign Exchange Control Law was revised in September, 1937, whereby a license was made necessary for the acquirement and disposition of material assets and rights or obligations represented in Japanese currency in foreign countries. Hitherto, it had been possible for the Government to control only the acquirement or disposition of obligations represented in foreign currency by Japanese residents in foreign countries. Under the old rule, it was possible for creditors and debtors to make arrangements for representing their rights and obligations in Japanese currency as a means of avoiding mobilization. It was to prevent such practice that the foreign exchange control was strengthened. The revision also was aimed at the following points:

1. To make it possible to mobilize assets held in foreign countries in foreign currency and property, to hold credits in foreign currency, as well as to deal in foreign currency bonds, foreign exchange and foreign currency.
2. To make it possible to control the acquirement or disposition of property in foreign countries, in addition to the acquirement or disposition of credits represented in foreign currency, foreign currency bonds, foreign exchange and foreign currency.
3. To make it possible to examine or demand a report on matters concerning the aforementioned disposition.

Further Lowering of Exemption Point

for Import Exchange License Through the revision effected on July 7, the exemption point for import license was lowered from ¥30,000 to ¥1,000 a month but indications were that the practices for the evasion of the law were being actively followed. This, coupled with the increased need for the restriction of the importation of commodities not in urgent demand from the standpoint of adjusting international accounts under the wartime system, led the Ministry of Finance to revise its ordinance to lower the exemption point to ¥100 a month on December 11.

Shipments of Gold The policy of the Government to maintain the exchange rate of the yen at the level of 1s. 2d. under all circumstances was clarified through the enforcement of the import exchange license system on January 8 and it was stressed as forming one of the three basic principles for the conduct of financial and economic affairs by the Hayashi and Kono Cabinets. The import of commodities inevitable for the expansion of the productive capacity of the nation under the wartime system, however, steadily aggravated the balance of international accounts in spite of the restrictions put on general imports by the import exchange license system. As a means of coping with the situation, the Government finally decided to make gold shipments to meet the emergency requirements.

The first shipment of gold for the said purpose was made on March 9 and by July, the gold shipments to the United States and England totalled ¥307,000,000. And yet there was no sign of improvement in the balance of international payments. Feeling it dangerous to continue making gold shipments without a more definite basis, the authorities created a special account of gold funds on August 25, besides carrying out a re-assessment of the gold reserves of the Bank of Japan. The creation of the special account chiefly concerns the purchase and shipment of gold, and has in view the following two major points:

1. In order to increase their effect, operations for the maintenance of the exchange rate of the yen shall be conducted secretly without being related to the gold reserves of the Bank of Japan. This measure aims at the elimination of such obstacles to the exchange operations as may be brought about as a result of open shipments of gold and purchases of gold.
2. Gold shipments shall be limited to the original fund (transferred from the proposed account of the Bank of Ja-

pan) included in the special account of gold funds and the new production of gold. This measure aims at the prevention of negligence in regard to facilities and endeavours such as might arise from continuing gold shipments

without a definite basis. On account of the operation of the new system, gold shipments made since August have been kept entirely from public knowledge.

FOREIGN EXCHANGE RATES (Yokohama Specie Bank T. T. Selling)

Parity Year & Month	Paris 12.722 Francs per ¥1.00			Hamburg 2.0925 Marks per ¥1.00		
	High	Low	Average	High	Low	Average
	fr.	fr.	fr.	m.	m.	m.
1934	4.95	4.30	4.489	0.81	0.70 1/2	0.7474
1935	4.41	4.15	4.328	0.72 1/2	0.68	0.7093
1936	6.14	4.32	4.826	0.73 1/2	0.70 1/2	0.7172
1937	8.50	6.11	7.146	0.71 1/2	0.70 1/2	0.7118
1938	10.45	8.45	9.876	0.72 1/2	0.67 1/2	0.7075
1938 Mar.	9.35	8.75	9.029	0.71 1/2	0.71 1/2	0.7165
Apr.	9.65	9.00	9.280	0.72 1/2	0.71 1/2	0.7202
May	10.40	9.45	10.250	0.72 1/2	0.71 1/2	0.7205
June	10.40	10.35	10.376	0.71 1/2	0.71 1/2	0.7175
July	10.40	10.35	10.363	0.71 1/2	0.71 1/2	0.7138
Aug.	10.40	10.35	10.380	0.71 1/2	0.70 1/2	0.7093
Sept.	10.40	10.35	10.390	0.70 1/2	0.69 1/2	0.7002
Oct.	10.45	10.35	10.400	0.70 1/2	0.68 1/2	0.6937
Nov.	10.40	10.40	10.400	0.69 1/2	0.67 1/2	0.6852
Dec.	10.40	10.30	10.330	0.68 1/2	0.67 1/2	0.6782
1939 Jan.	10.33	10.30	10.320	0.68 1/2	0.67 1/2	0.6791
Feb.	10.33	10.30	10.308	0.68 1/2	0.67 1/2	0.6804
Mar.	10.30	10.30	10.300	0.68 1/2	0.68	0.6807

Parity Year & Month	Amsterdam 1.2400 Florins per ¥1.00			Rome 9.470 Lira per ¥1.00		
	High	Low	Average	High	Low	Average
	fl.	fl.	fl.	lr.	lr.	lr.
1934	0.45 1/2	0.40 1/2	0.43 1/2	3.69	3.30	3.437
1935	0.41 1/2	0.38 1/2	0.40	3.58	3.27	3.458
1936	0.51	0.40 1/2	0.43 1/2	5.41	3.57	4.055
1937	0.51	0.50 1/2	0.509	5.47	5.38	5.421
1938	0.52 1/2	0.49 1/2	0.5134	5.54	5.12	5.385
1938 Mar.	0.50 1/2	0.50 1/2	0.50 1/2	5.47	5.40	5.437
Apr.	0.52 1/2	0.50 1/2	0.51 1/2	5.54	5.40	5.488
May	0.52 1/2	0.52 1/2	0.52 1/2	5.52	5.46	5.493
June	0.52 1/2	0.52 1/2	0.52 1/2	5.50	5.46	5.482
July	0.52 1/2	0.52 1/2	0.52 1/2	5.48	5.40	5.445
Aug.	0.52 1/2	0.51 1/2	0.52 1/2	5.41	5.37	5.389
Sept.	0.51 1/2	0.51 1/2	0.51 1/2	5.36	5.16	5.311
Oct.	0.51 1/2	0.50 1/2	0.51 1/2	5.31	5.22	5.265
Nov.	0.50 1/2	0.49 1/2	0.5060	5.26	5.12	5.206
Dec.	0.50	0.49 1/2	0.4992	5.19	5.15	5.162
1939 Jan.	0.50 1/2	0.50	0.5022	5.18	5.12	5.165
Feb.	0.51	0.50 1/2	0.5054	5.19	5.17	5.180
Mar.	0.51	0.51	0.51	5.19	5.18	5.184

London (Parity 2 s. 0.582 d. per ¥1.00)

Year & Month	Tokyo Open Market			Yokohama Specie Bank		
	High	Low	Average	High	Low	Average
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1934	1/2 1/2	1/1 1/2	1/2.143	1/2 1/2	1/2	1/2.065
1935	1/2 1/2	1/1 1/2	1/2.061	1/2	1/2	1/2

Year & Month	Tokyo Open Market			Yokohama Specie Bank		
	High	Low	Average	High	Low	Average
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1936	1/2 1/2	1/1 1/2	1/1.911	1/2	1/2	1/2
1937	1/2	1/1 1/2	1/1.972	1/2	1/2	1/2
1938	1/2	1/2	1/2	1/2	1/2	1/2
1938 Mar.	1/2	1/2	1/2	1/2	1/2	1/2
Apr.	1/2	1/2	1/2	1/2	1/2	1/2
May	1/2	1/2	1/2	1/2	1/2	1/2
June	1/2	1/2	1/2	1/2	1/2	1/2
July	1/2	1/2	1/2	1/2	1/2	1/2
Aug.	1/2	1/2	1/2	1/2	1/2	1/2
Sept.	1/2	1/2	1/2	1/2	1/2	1/2
Oct.	1/2	1/2	1/2	1/2	1/2	1/2
Nov.	1/2	1/2	1/2	1/2	1/2	1/2
Dec.	1/2	1/2	1/2	1/2	1/2	1/2
1939 Jan.	1/2	1/2	1/2	1/2	1/2	1/2
Feb.	1/2	1/2	1/2	1/2	1/2	1/2
Mar.	1/2	1/2	1/2	1/2	1/2	1/2

New York (Parity \$34.396 per ¥100.00)

Year & Month	Tokyo Open Market			Yokohama Specie Bank		
	High	Low	Average	High	Low	Average
	\$	\$	\$	\$	\$	\$
1934	30 1/2	28 1/2	29.640	30 1/2	28 1/2	29.511
1935	29 1/2	27 1/2	28.643	29 1/2	27 1/2	28.570
1936	29 1/2	28 1/2	28.961	29 1/2	28 1/2	28.949
1937	29 1/2	28 1/2	28.724	29 1/2	28 1/2	28.817
1938	29 1/2	27	28.443	29 1/2	27 1/2	28.498
1938 Mar.	29	28 1/2	28.810	29 1/2	29 1/2	29.046
Apr.	29 1/2	28 1/2	29.029	29 1/2	28 1/2	29.029
May	29 1/2	28 1/2	28.949	29 1/2	28 1/2	28.949
June	29	28 1/2	28.904	29	28 1/2	28.904
July	28 1/2	28 1/2	28.740	28 1/2	28 1/2	28.740
Aug.	28 1/2	28 1/2	28.456	28 1/2	28 1/2	28.456
Sept.	28 1/2	27 1/2	28.020	28 1/2	28 1/2	28.020
Oct.	28 1/2	27 1/2	27.818	28 1/2	27 1/2	27.812
Nov.	27 1/2	27	27.453	27 1/2	27 1/2	27.453
Dec.	27 1/2	27 1/2	27.225	27 1/2	27 1/2	27.236
1939 Jan.	27 1/2	26 1/2	27.190	27 1/2	27 1/2	27.241
Feb.	27 1/2	27 1/2	27.302	27 1/2	27 1/2	27.302
Mar.	27 1/2	27 1/2	27.305	27 1/2	27 1/2	27.305

Foreign Exchange Control Law

It was after the coming into operation on July 1, 1932 of the Capital Flight Prevention Law enacted with the object of controlling movements of capital in and out of the country that the flight of capital through purchases and sales of exchange, remittances to foreign countries, or investments in securities in foreign currencies was prevented almost completely. Subsequently, however, the world economic situation developed so adversely that it seemed impossible to protect the economic life of the nation by resorting to control under the Capital Flight Prevention Law only. In view of this fact and in order to enlarge the scope of control over the flight of capital and to prohibit

speculative dealings in foreign exchange, the Government submitted to the Diet in the 64th session a bill for the control of foreign exchange. With the coming into operation on May 1, 1933 of the Foreign Exchange Control Law that had thus passed the Diet, the Capital Flight Prevention Law was abrogated. Amendments were, however, made in this Law on two occasions in 1937.

The Foreign Exchange Control Law, the principal object of which is to prevent completely the flight of capital and speculative dealings in foreign exchange and to check abnormal fluctuations in the yen exchange, vests the Government with the following authority to control, in case of necessity, such transactions or acts as will be mentioned below through the Ordinance of

the Department of Finance.

(1) Authority to restrict or prohibit the following transactions or acts:

(a) Acquisition or disposal of foreign currencies or foreign exchange.

(b) Export of currency, gold bullion, gold alloys or gold manufactures, or the melting down or mutilation of gold coins.

(c) Remittances to foreign countries by means other than those included in (a) and (b) above.

(d) Payment in Japan by order from a foreign country.

(e) Fixing of foreign exchange quotations.

(f) Acquisition or disposal of securities, claims or obligations expressed in foreign currencies.

(g) Acquisition or disposal of claims or obligations expressed in Japanese currency to persons residing in foreign countries.

(h) Issue or acquisition of letters of credit.

(i) Granting of credits to persons residing in foreign countries.

(j) Export or import of securities.

(k) Export or import of merchandise unaccompanied by exchange transactions.

(l) Acquisition or disposal of assets in foreign countries other than those mentioned in (a), (f) and (g) above.

(2) Authority to require reports or to make examinations in respect of the matters relating to the above prohibitions or restrictions or matters mentioned in (4) below.

(3) Authority to limit transactions in foreign exchange to cases in which one of the parties to the transactions is the Bank of Japan or such other person as the Government may designate.

(4) Authority to require persons in possession of the following assets to sell them to the Bank of Japan or such other person as the Government may designate, or to require such persons to make necessary disposal relating to such assets:

(a) Gold bullion, foreign currencies, or foreign exchange.

(b) Securities or claims expressed in foreign currencies, or claims expressed in Japanese currency to persons residing in foreign countries.

(c) Assets in foreign countries other than those mentioned in (a) and (b) above.

As in the case of the Capital Flight Prevention Law, the principle of severe punishment has been adopted in applying penal provisions to acts of violation specified in the Ordinance of the

Department of Finance issued under such authority. Thus, persons contravening the prohibitions or restrictions of transactions or acts as prescribed in the Ordinance 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 obstructing 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.

The Government established the Foreign Exchange Control Bureau in the Department of Finance as an execution organ of the Foreign Exchange Control Law. It has also created two such committees as the Foreign Currency Valuation Committee and the Foreign Exchange Control Committee, the former being authorized to fix the sale price in cases where the Government may, in accordance with the provisions of this Law, require the sale of gold bullion and assets expressed in foreign currencies and the latter acting in consultation with the competent Minister on important matters relating to the enforcement of this Law.

Such authority as has been vested in the Government under the Foreign Exchange Control Law does not operate in all cases. The scope of transactions or acts to be prohibited or restricted and the manner of control are, therefore, provided for in detail in the Ordinance of the Department of Finance issued in accordance with this Law (The Ordinance came into force as from May 1, 1933, the date of the coming into operation of the Foreign Exchange Control Law). Several amendments have been made in this Ordinance since its promulgation, the most important amendments having been made on November 27, 1938, and put into effect as from December 1; on December 11, 1937 (effected on the same day, except for certain provisions) and on October 8, 1938 (effected on the same day, except for certain provisions which were put into operation as from October 15, 1938.) The contents of the Ordinance may be summarized as follows:

(A) Matters prohibited.

(1) The melting down or mutilation of gold coins is prohibited.

(2) Except as necessary for commercial transactions or other actual demands, speculative transactions in ex-

change are prohibited. The operations to be controlled under this provision are speculative purchases and sales of foreign currencies, of foreign exchange (drafts, checks, mail transfers, telegraphic transfers and postal transfers, whether drawn in Japan on a foreign country or in a foreign country on Japan), and of yen exchange as between foreign countries.

(B) Matters restricted.

In cases where the following transactions or acts are carried out, permission of the Minister of Finance is in principle required, except as specially provided for:—

(1) Gold.

(a) Export of gold coins, gold bullion, gold alloys, or gold manufactures.

(b) Melting down of gold coins.

(2) Currency and foreign currencies.

(a) Purchase of foreign currencies against Japanese currency as counter-value.

(b) Transfer of currency or foreign currencies to foreign countries, or the carrying of such currencies by persons travelling abroad.

(c) Transfer of Japanese bank notes of denomination of one hundred yen to foreign countries or the carrying of such bank notes by persons travelling abroad.

(3) Foreign Exchange.

(a) Purchase of foreign exchange against Japanese currency as counter-value.

(b) Sale of foreign exchange to those other than foreign exchange banks against Japanese currency as counter-value, or sale of foreign exchange for counterbalancing foreign exchange purchased.

(4) Yen exchange.

(a) Purchase of yen exchange drawn on the territories in which Japanese currency has the force of legal tender.

(b) Sale of yen exchange drawn on foreign countries against foreign currencies as counter-value.

(c) Purchase of yen exchange drawn on foreign countries against foreign currencies as counter-value, as made for the purpose of counterbalancing exchange sold.

(5) Payment by order from a foreign country.

Payments in the territories where this Ordinance is in force by order from a foreign country.

(6) Remittances to foreign countries.

Remittance or carrying of currency, foreign currencies, checks or drafts to foreign countries and other categories of remittances.

(7) With respect to the transactions or

acts mentioned in (2) to (6) [excluding (c) of (2)], however, no permission is required in the following cases:

(a) When it is necessary to export merchandise (excluding securities) from Japan or to import merchandise into Japan. (In the case of such import, however, permission is now required under the provisions of Ordinance No. 1 of 1937).

(b) When it is necessary to make payment of insurance under re-insurance or marine insurance contracts.

(c) When it is necessary to forward interest of government bonds, company debentures or deposits in banks or profit accruing from cash deposits in trust companies, all payable in Japan, to persons in foreign countries who have rights to receive such interest or profit.

(d) When it is necessary to deliver the funds required for the service of government bonds or company debentures payable in foreign countries within a period not exceeding 6 months to fulfil the obligations under the contracts.

(e) When it is necessary to remit expenses required for the application, request, and other procedure made in foreign countries in respect of patent rights and other industrial ownerships.

(f) When it is necessary for a person travelling abroad to carry currency or foreign currencies not exceeding the equivalent of ¥1,000 as his own travelling expenses.

(g) When it is necessary for a person travelling abroad to carry exchange and a sum involved in a letter of credit not exceeding the equivalent of ¥1,000 in the aggregate as his own travelling expenses for a period not exceeding one year.

(h) When it is necessary to remit to a person travelling abroad or a person residing abroad not exceeding the equivalent of ¥1,000 including a sum involved in a letter of credit acquired, amounts of exchange and a letter of credit carried by such person travelling abroad or residing abroad at his departure from Japan as his travelling expense, salary, allowances, school expenses and other expenses of similar nature for a period not exceeding one year, or when it is necessary for a person residing in Japan to remit to his family residing abroad a sum not exceeding the equivalent of ¥1,000 as living expenses for a period not exceeding one year.

(i) When it is necessary for emigrants designated by the competent Minister to remit the expenses necessary for their

settlement, or when remittances are made, in compliance with such emigrants' request, by companies or other corporations engaged in the work of emigration as the expenses necessary for their settlement.

(j) When funds required for undertakings or businesses in the territories in which Japanese currency has the force of legal tender are remitted to such territories by persons who have domicile, head offices, or principal business offices in Japan or in such territories.

(k) When exchange is sold, or payment is made, or exchange is purchased for payment under letters of credit issued in Japan.

(l) When the transactions or acts are made by the Government.

(m) When remittances or payments not exceeding the equivalent of ¥100 are made for a period not exceeding one year.

(8) Letters of credit.

Permission of the Minister of Finance is required for the acquisition of all kinds of letters of credit (including travellers' checks), except in the following cases:

(a) When it is necessary for the import of merchandise into Japan or into the territories in which Japanese currency has the force of legal tender. (In the case of such import, however, permission is now required under the provisions of Ordinance No. 1 of 1937).

(b) When it is necessary to export merchandise from Japan.

(c) When it is necessary to make payment of insurance under re-insurance and marine insurance contracts.

(d) In certain cases, for instance, in the case of a journey, there are some matters for which no permission is required.

(9) Securities.

(a) Export and import of securities (Japanese or foreign Government bonds, company debentures, and shares, or coupons attached to such bonds and debentures).

(b) Acquisition of foreign currency securities (Japanese or foreign government bonds, company debentures, shares, or coupons attached to such bonds and debentures, all expressed in foreign currencies, including registered bonds, company debentures or shares in foreign currencies).

(c) Disposal of foreign securities expressed in foreign currencies.

(10) Deposits and loans expressed in foreign currencies.

Conclusion of contracts of deposits or loans made in Japan to acquire claims

or obligations expressed in foreign currencies.

(11) Acquisition of claims expressed in foreign currencies.

Acquisition of claims expressed in foreign currencies (excluding foreign exchange and foreign currency securities) against Japanese currency as counter-value.

(12) Conclusion of contracts of trust and insurance expressed in foreign currencies.

Conclusion in Japan of contracts of trust and insurance (excluding re-insurance and marine insurance) to acquire claims or obligations expressed in foreign currencies.

(13) Borrowings and security.

(a) Issue of local government bonds or company debentures expressed in foreign currencies.

(b) Making in foreign countries of loans expressed in foreign currencies on the security of assets held in Japan.

(c) Making of loans expressed in Japanese currency from persons residing in foreign countries on the security of assets held in Japan.

(d) Offering security to the obligations of persons residing in foreign countries.

(14) Assets held in foreign countries.

(a) Acquisition of real estate, mining rights, deforestation rights, or industrial ownership, or vessels of foreign nationality held in foreign countries.

(b) Disposal of assets held abroad for the purpose of investment in foreign countries or for taking over undertakings, or investments.

(c) Disposal of assets held abroad for the purpose of investment in Japan, or for taking over undertakings, businesses, or investment in Japan, or for the purpose of acquiring assets held in Japan.

(15) Exports unaccompanied by exchange transactions.

(A) Export of merchandise for the value of which foreign exchange has not been sold to foreign exchange banks. In the following cases, however, no permission of the Minister of Finance is required:

(a) When merchandise is exported to the territories in which Japanese currency has the force of legal tender.

(b) When merchandise is exported as samples or as donations to other persons.

(c) When merchandise is exported for sale on a consignment basis, or when merchandise imported for sale on a consignment basis is shipped.

(d) When payment for export merchandise has already been received in

Japan from foreign countries, before its shipment, or when merchandise is exported in exchange for other merchandise for which payment has already been received in Japan from foreign countries.

(e) When there is a contract that payment for exported merchandise is received in Japan from foreign countries within a period of two months after the exportation of such merchandise.

(f) When merchandise, the price of which is fixed after inspection at its destination, is exported.

(g) When merchandise valued at a sum not exceeding the equivalent of ¥20,000 for a month is exported and the payment for such merchandise is transferred to Japan immediately after such payment has been collected under the bill for collection.

(h) When merchandise is exported by the Government, or when merchandise of not more than ¥100 is exported.

(B) Persons who have exported merchandise or securities for the value of which foreign exchange or yen exchange drawn on the territories in which Japanese currency has the force of legal tender has not been sold to foreign exchange banks, or persons who have a right to receive in foreign countries payment for such merchandise or securities are required to take procedure to have the proceeds transferred to Japan within five months after their arrival at destination, excepting such portions as have been used in necessary disbursements in connection with such merchandise or securities, or such portions as have been applied to payment for merchandise imported into Japan. (It should, however, be noted that in cases where the proceeds are applied to payment for merchandise imported into Japan, permission of the Minister of Finance is now required under the provisions of Ordinance No. 1 of 1937.)

These are the outlines of the Ordinance of the Department of Finance No. 7 of 1933 (as amended) providing for matters for which permission of the Minister of Finance is, or is not, required. There are also many provisions relating to foreign exchange banks and dealers in money exchange.

(16) Foreign exchange banks.

(a) Banks intending to carry on, as from December 1, 1936, the business of foreign exchange in the offices that have already been in existence or newly established are required to obtain permission of the Minister of Finance.

(b) Banks which have notified the

Minister of Finance, before November 30, 1936, of the offices which carry on the business of foreign exchange and those which have subsequently been permitted by the same Minister to inaugurate the business of foreign exchange are known as foreign exchange banks.

(c) When foreign exchange banks discontinue the business of foreign exchange in their offices or change the names or places of their offices, notification must beforehand be made to the Minister of Finance.

(d) Greater freedom of the regular exchange transactions or acts is allowed to foreign exchange banks. (In this case, however, permission is now required under the provisions of Ordinance No. 1 of 1937).

(e) In cases where foreign exchange banks become one of the parties to the exchange transactions or the acquisition of letters of credit, they are required to ascertain the legality of their customers' (including banks) transactions or acts.

(17) Dealers in money exchange.

(a) Persons (excluding banks) who make it their principal business to buy and sell foreign currencies are required to notify the Minister of Finance, before December 31, 1936, of the offices which carry on such business.

(b) Persons intending to carry on, as from December 1, 1936, the business of buying and selling foreign currencies are required beforehand to notify the Minister of Finance of their intention to carry on such business.

(c) Persons who have thus notified the Minister of Finance of their intention to carry on the business of buying and selling foreign currencies are known as dealers in money exchange. Such persons, when changing their offices or discontinuing the business, are required beforehand to notify the Minister of Finance thereof.

(d) No permission of the Minister of Finance is required in cases where dealers in money exchange make purchases of foreign currencies or travellers' checks expressed in foreign currencies in the course of their business. (Under the provisions of Ordinance No. 1 of 1937, however, permission is now required for their purchase of foreign currencies or travellers' checks expressed in foreign currencies. Sales of such currencies or checks are free under Ordinance No. 7 of 1933 (as amended), but the Ordinance No. 1 of 1937 provides for the permission for sales of such currencies or checks made as from October 15, 1938).

(e) Dealers in money exchange, when selling foreign currencies or travellers' checks expressed in foreign currencies, are required to ascertain the legality of their customers' transactions or acts.

C. Reports.

(1) Persons, who have carried out such transactions or acts mentioned in B above, are required in principle to make reports to the Minister of Finance not later than the fifteenth day of the following month, except in certain special cases. Persons who export gold and merchandise for the value of which foreign exchange has not been sold to foreign exchange banks are, however, required to submit, in making reports of such export to the customs house or in the event of despatch by mails, reports relating thereto through the customs house or the post office of despatch. With respect to the report of the exports for the value of which foreign exchange has not been sold to foreign exchange banks, there are detailed provisions.

(2) Persons who export merchandise for the value of which foreign exchange or yen exchange drawn on the territories in which Japanese currency has the force of legal tender has been sold to foreign exchange banks are required to submit, in making reports of such export to the customs house or in the event of despatch by mail, reports relating thereto through the customs house or the post office of despatch.

(3) Persons travelling abroad, who carry currency or foreign currencies, are required, at their departure, to make reports through the customs house.

(4) Foreign exchange banks are required to submit, not later than the fifteenth day of the following month, detailed statements for each month of purchases and sales of foreign exchange, purchases and sales of yen exchange drawn on the territories in which Japanese currency has the force of legal tender, bills for collection handled, payment of remittances from foreign countries, letters of credit issued, and the like. (This applies correspondingly to banks other than foreign exchange banks).

(5) Dealers in securities are required to submit, not later than the fifteenth day of the following month, detailed statements for each month of purchases and sales of foreign currency securities or of their brokerage transactions.

(6) Persons who have, in the territory where this Ordinance is in force, the mutual accounts and other counterbalancing accounts with persons resid-

ing in foreign countries are required to submit statements for each month not later than the fifteenth day of the following month.

(7) Persons, who carry on undertakings or business in foreign countries, are required to submit, in respect of their undertakings or businesses, statements of receipts and disbursements between January and June and between July and December, the conditions of remittances and movements of other funds as between Japan and foreign countries, and of assets and liabilities in foreign countries as at the end of each period.

(8) Persons who have assets in foreign countries (excluding foreign currency securities, deposits, loans, and rights to receive benefit from trust) are required, as specially provided for, to submit statements of increase and decrease in such assets as between January and June and between July and December, and of the amount as at the end of each period. In cases where the amount as at the end of each period is less than ¥10,000, no report is required.

D. Compulsory disposal of assets.

The Minister of Finance may at any time require persons in possession of the following assets to sell them to the Bank of Japan or such other person as the same Minister may designate, may require them to make necessary disposal of such assets, or may prohibit or restrict such disposal:

(1) Gold bullion, foreign currencies, or foreign exchange.

(2) Securities or claims expressed in foreign currencies, or claims expressed in Japanese currency to persons residing in foreign countries.

(3) Assets in foreign countries other than those mentioned in (1) and (2) above.

E. Impress of stamp on foreign currency securities.

Foreign currency securities, the purchase and sale of which have been exceptionally sanctioned, such as foreign currency securities which were in Japan on July 1, 1932 and those imported subsequently under license from the Minister of Finance may, as has been provided for in the Ordinance of the Department of Finance issued under the Capital Flight Prevention Law, be presented to the Bank of Japan and impressed with stamp.

In December, 1936, however, there was witnessed a marked increase in speculative imports of merchandise. In view of the fact that the continuance of such condition would exert an unfavourable

influence upon the future course of the yen exchange, an emergency measure was taken by promulgation of an Ordinance under the Foreign Exchange Control Law to provide for Government permission for exchange transactions necessary for payment for the import of merchandise and to prevent the undue selling of the yen exchange abroad. This Ordinance No. 1 which was put into operation as from January 8, 1937, was of a temporary nature and the period in which it was in force was to expire on July 31, 1937, but subsequent developments of the situation at home and abroad resulted not only in frequent amendments in the Ordinance, but in the date of expiration being postponed. The content of this Ordinance may be summarised as follows:

(1) Permission of the Minister of Finance is required in principle for exchange transactions and the acquisition of letters of credit necessary for the purpose of making payments for the import of merchandise.

(2) Exchange transactions controlled under this provision comprise the purchase of foreign exchange, the sale of yen exchange in foreign countries, remittance to foreign countries, payments by order from a foreign country, and the delivery of forward exchange contracts as concluded before the coming into effect of this Ordinance.

(3) No permission of the Minister of Finance, however, is required for exchange transactions or the acquisition of letters of credit in the following cases:

(a) When transactions or acts involving not more than the equivalent of ¥100 are made for a period not exceeding one month.

(b) When exchange transactions are made under letters of credit which have been acquired by permission, or without permission as specially provided for.

(4) Permission of the Minister of Finance is required in case payments for export merchandise for the value of which foreign exchange has not been sold to foreign exchange banks are applied to payment for import merchandise.

(5) Permission of the Minister of Finance is required in cases where persons who undertake the import of merchandise of foreign currency securities or deposits, advances and other assets expressed in foreign currencies, held in foreign countries, or make in foreign countries loans in foreign currencies on the security of those assets, for the purpose of making necessary payment

for the importation.

(6) Permissions mentioned in (1) to (5) above must be obtained before the importation of merchandise.

(7) Permission of the Minister of Finance is required for the import of merchandise for the value of which foreign exchange or yen exchange drawn in the territories in which Japanese currency has the force of legal tender on Japan has not been sold to foreign exchange banks in foreign countries, provided, however, that this does not apply to the following cases:

(a) When merchandise is imported after permission has been obtained under the provisions in (1) to (5) above for transactions or acts necessary for payment of such merchandise.

(b) When merchandise is imported as sample, donation to other persons, or for purposes of exhibition.

(c) When merchandise shipped from Japan is sent back.

(d) When merchandise is imported for repairs.

(e) When fish caught by vessels which have gone fishing from Japan is imported in the same vessels.

(f) When hand luggages or personal belongings separated from the owner are imported.

(g) When merchandise is imported by the Government.

(h) When merchandise of not more than ¥100 for one month is imported.

(8) Foreign exchange banks are required, as from April 5, 1938, to obtain permission of the Minister of Finance for purchases and sales of foreign exchange, remittances to foreign countries of money collected by bills for collection, payment by order from a foreign country, export of foreign currency securities for the purpose of receiving payments, the issue of letters of credit, and other transactions or acts for which a greater measure of freedom had formerly been granted only to foreign exchange banks.

(9) No permission of the Minister of Finance had formerly been required under the Ordinance No. 7 of 1933 (as amended) for the purchase and sale of foreign currencies or travellers' checks expressed in foreign currencies made by dealers in money exchange. Under the provisions of Ordinance No. 1 of 1937, however, permission is required for such purchases and sales.

It should, moreover, be noted that this Ordinance also provides that foreign exchange banks, when dealing with their customers, should ascertain the legality of the customers' exchange transactions and acts.

CHAPTER X

COMMERCE AND INDUSTRY

Number of Companies

There were a total of 85,042 companies throughout the country at the end of 1937, which showed a decrease of 2,469 or 2.8 per cent from similar figures recorded one year before. The increasing tendency of companies during the past 11 years is illustrated by the following figures:

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1927	38,516	100	2,448	6.8
1928	41,702	108	3,186	8.3
1929	46,692	121	4,990	12.0
1930	51,910	135	5,218	11.2
1931	57,226	149	5,316	10.2
1932	65,041	169	7,815	13.7
1933	71,196	185	6,155	9.5
1934	78,198	203	7,002	9.8
1935	84,146	218	5,948	7.6
1936	87,511	227	3,365	4.0
1937	85,042	221	-2,469	-2.8

Kinds of Companies

Of the 85,042 companies, 16,387 were Gomei Kaisha (unlimited partnerships), 42,354 were Goshi Kaisha (limited partnerships), 26,266 were Kabushiki Kaisha (joint stock companies), 31 were Kabushiki Goshi Kaisha (joint-stock limited partnerships) and 4 were Sogo Kaisha (mutual companies). The number of Gomei Kaisha decreased by 1,144 as compared with that recorded a year ago. The number of Goshi Kaisha also decreased by 2,832 and that of Kabushiki Goshi Kaisha decreased by 7, while that of Kabushiki Kaisha increased by 1,514.

GOMEI KAISHA

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1927	5,961	100	459	8.3
1928	6,458	108	497	8.3
1929	7,379	124	921	14.3
1930	8,525	143	1,146	15.5

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1931	9,673	162	1,148	13.5
1932	10,925	183	1,252	12.9
1933	12,344	207	1,419	13.0
1934	14,357	241	2,013	16.3
1935	16,449	276	2,092	14.6
1936	17,531	294	1,082	6.6
1937	16,387	275	-1,144	-6.5

GOSHI KAISHA

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1927	14,530	100	1,706	13.3
1928	16,971	117	2,441	16.8
1929	20,318	140	3,347	19.7
1930	23,995	165	3,677	18.1
1931	27,855	192	3,860	16.1
1932	34,059	234	6,204	22.3
1933	38,038	262	3,979	11.7
1934	41,822	288	3,784	9.9
1935	44,388	305	2,566	6.1
1936	45,186	311	798	1.8
1937	42,354	291	-2,832	-6.3

KABUSHIKI KAISHA

Year	Number of Companies	Index No.	Increase Over Preceding Year	Percentage of Increase
1927	17,981	100	285	1.6
1928	18,230	101	249	1.4
1929	18,950	105	720	3.9
1930	19,341	108	391	2.1
1931	19,649	109	308	1.6
1932	20,010	111	361	1.8
1933	20,767	115	757	3.8
1934	21,977	122	1,210	5.8
1935	23,364	129	1,287	5.9
1936	24,752	138	1,488	6.4
1937	26,266	146	1,514	6.1

Capitalization of Companies

Among these companies there were 960 with an authorized capital of more than ¥5,000,000 each in 1937.

KINDS OF ENTERPRISES

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Authorized Capital (in yen)	No. of Companies	Percentage
Less than 50,000	58,213	68.5
50,000-100,000	8,760	10.3
100,000-500,000	11,938	14.0
500,000-1,000,000	2,405	2.8
1,000,000-5,000,000	2,766	3.3
5,000,000-10,000,000	421	0.5
More than 10,000,000	539	0.6
Total	85,042	100.0

Those with an authorized capital of less than ¥500,000 decreased from 81,865 at the end of 1936 to 78,911 at the end of 1937, losing 2,954 or 3.6 per cent while those with an authorized capital of more than ¥500,000 increased by 485 or 8.6 per cent, rising from 5,646 to 6,131. Further details in this connection are given in index number as follows:

INDEX NUMBER OF COMPANIES BY CAPITAL

Year	Less than ¥50,000	Over ¥50,000 and Less than ¥100,000	Over ¥100,000 and less than ¥500,000	Over ¥500,000 and less than ¥1,000,000	Over ¥1,000,000 and less than ¥5,000,000	More than ¥5,000,000 and less than ¥10,000,000	Over ¥10,000,000
1927	100	100	100	100	100	100	100
1928	114	105	101	97	99	102	105
1929	135	112	105	99	101	103	110
1930	158	119	107	97	100	104	109
1931	183	123	107	94	98	101	109
1932	220	128	108	92	99	99	109
1933	246	135	112	95	99	98	109
1934	274	147	120	98	103	104	113
1935	294	162	128	104	108	113	116
1936	302	175	139	109	114	122	123
1937	283	179	148	114	125	134	145

Kinds of Enterprises

The greater part of the companies are engaged in commerce as shown by the figures recorded at the end of 1936 which placed the commercial firms at 44,953 or 52.8 per cent of the total. Those engaged in manufacturing industry numbered 30,518 (35.9%); those in transport business, 6,440 (7.6%); those in agriculture, 1,942; those in

mining, 836; and those in fishery, 353. It is to be noted in this respect that those classified under the heading of commerce include those dealing in merchandise, in warehouse business, in banking and in insurance business as well.

The following is a table showing the increasing tendency of the various companies during the past 11 years in index number:

INDEX NUMBER OF COMPANIES BY ENTERPRISE

Year	Agriculture	Fishery	Mining	Manufacturing Industry	Commerce	Transport
1927	100	100	100	100	100	100
1928	100	102	102	106	109	114
1929	107	109	109	116	125	129
1930	114	115	104	127	141	141
1931	133	120	106	139	157	150
1932	181	126	107	157	180	160
1933	204	128	118	172	198	168
1934	242	133	142	189	218	180
1935	258	135	168	204	234	191
1936	262	141	192	215	240	201
1937	256	143	230	212	230	202

COMPANIES IN JAPAN PROPER
(Compiled by the Ministry of Commerce and Industry)
(Amount in yen)

	Total		Unlimited Partnership		Limited Partnership	
	Companies	Capital	No.	Capital	No.	Capital
1927	38,516	18,386,354,937	5,961	1,089,701,831	14,530	789,407,615
1928	41,702	18,968,865,222	6,458	1,119,215,594	16,971	836,571,258
1929	46,692	19,666,107,256	7,379	1,148,417,397	20,318	879,635,673
1930	51,910	19,633,761,001	8,525	1,166,472,072	23,995	906,822,796
1931	57,226	19,551,543,522	9,673	1,157,194,896	27,855	940,346,631
1932	65,041	19,484,540,099	10,925	1,171,869,779	34,059	977,045,248
1933	71,196	19,960,318,207	12,344	1,167,953,595	38,038	1,033,015,258
1934	78,198	21,126,978,409	14,357	1,233,544,869	41,822	1,094,181,088
1935	84,146	22,352,402,224	16,449	1,306,235,862	44,388	1,150,161,537
1936	87,511	23,977,761,065	17,531	1,355,529,118	45,186	1,189,346,116
1937	85,042	26,912,152,345	16,389	1,355,707,137	42,354	945,323,173

	Joint-stock Companies			Joint-stock and Limited Partnership		
	No.	Authorized Capital	Paid-up Capital	No.	Authorized Capital	Paid-up Capital
1927	17,981	16,495,414,651	10,748,046,857	36	6,840,840	5,213,797
* 8		4,990,000	2,095,000			
1928	18,230	17,000,941,440	11,198,114,057	35	7,286,930	5,541,789
* 8		4,850,000	2,052,500			
1929	18,950	17,623,222,586	11,753,890,560	37	10,031,600	6,821,524
* 8		4,800,000	1,992,500			
1930	19,341	17,525,569,633	11,844,392,288	41	10,166,500	7,020,824
* 8		4,730,000	1,932,500			
1931	19,649	17,439,114,145	11,854,068,374	41	10,007,850	6,843,274
* 8		4,880,000	1,932,500			
1932	20,010	17,322,778,672	11,889,927,128	39	8,166,400	5,879,362
* 8		4,680,000	1,882,500			
1933	20,767	17,748,038,474	12,338,632,293	43	8,060,680	5,938,350
* 4		3,250,000	1,250,000			
1934	21,977	18,788,255,072	13,440,732,719	38	7,797,380	5,502,350
* 4		3,200,000	1,200,000			
1935	23,264	19,885,777,795	14,197,243,247	41	7,377,030	5,485,742
* 4		2,850,000	1,050,000			
1936	24,752	21,423,015,161	15,248,024,035	38	7,070,670	5,016,257
* 4		2,800,000	1,000,000			
1937	26,266	24,603,364,615	17,654,516,533	31	5,357,420	4,501,995
* 4		2,400,000	800,000			

Note: * Indicates mutual companies.

Companies Grouped by the Amount of Capital.

	(Amount in yen)					
	Total	Less than ¥50,000		¥50,000 - 100,000		¥100,000 - 500,000
	Companies	Capital	No.	Capital	No.	Capital
1927	38,516	18,386,354,937	20,555	254,799,873	4,895	278,445,526
1928	41,702	18,968,865,222	23,453	280,962,699	5,144	292,885,988
1929	46,692	19,666,107,256	27,740	319,299,760	5,477	312,000,084
1930	51,910	19,633,761,001	32,465	357,952,953	5,809	332,115,212
1931	57,226	19,551,543,522	37,667	395,077,297	6,034	344,338,767
1932	65,041	19,484,540,099	45,252	443,092,884	6,282	357,878,155
1933	71,196	19,960,318,207	50,626	488,122,066	6,599	379,265,739
1934	78,198	21,126,978,409	56,264	541,585,233	7,196	412,753,409
1935	84,146	22,352,402,224	60,496	596,766,451	7,941	455,033,469
1936	87,511	23,977,761,065	62,146	629,806,869	8,548	491,012,325
1937	85,042	26,912,152,345	68,213	611,951,082	8,760	503,410,313

	¥500,000 - 1,000,000		¥1,000,000 - 5,000,000		¥5,000,000 - 10,000,000		More than ¥10,000,000	
	No.	Capital	No.	Capital	No.	Capital	No.	Capital
1927	2,106	1,135,564,500	2,212	3,599,014,155	315	1,818,225,000	372	9,916,420,300
1928	2,051	1,107,565,700	2,199	3,586,327,113	321	1,862,876,500	391	10,436,464,400
1929	2,079	1,130,220,828	2,236	3,664,993,900	325	1,884,184,500	408	10,912,911,350
1930	2,048	1,117,185,728	2,217	3,642,868,930	327	1,869,859,500	406	10,819,554,000
1931	1,985	1,084,760,878	2,164	3,549,380,770	319	1,838,388,000	407	10,868,207,700
1932	1,931	1,058,788,878	2,190	3,604,717,290	312	1,810,988,000	404	10,730,570,300
1933	1,995	1,092,996,278	2,198	3,636,835,610	308	1,788,924,250	405	11,043,168,300
1934	2,066	1,136,149,578	2,269	3,783,148,440	328	1,904,310,000	421	11,720,293,000
1935	2,180	1,193,256,250	2,387	3,986,112,800	356	2,065,607,000	430	12,311,182,300
1936	2,292	1,250,903,655	2,512	4,181,845,640	385	2,215,577,000	457	13,321,878,900
1937	2,405	1,311,834,593	2,766	4,634,700,800	421	2,437,806,300	539	15,367,939,800

Business Results of Companies

	(Amount in yen)					
	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	38,516	18,386,354,937	2,783,347,599	1,102,884,974	708,752,826	333,330,504
1928	41,702	18,968,865,222	2,759,422,927	1,153,767,249	763,880,939	261,938,049
1929	46,692	19,666,107,256	2,873,849,408	1,140,081,627	785,948,514	263,039,538
1930	51,910	19,633,761,001	2,890,574,464	919,419,134	650,929,435	311,666,987
1931	57,226	19,551,543,522	2,892,130,298	743,674,076	549,313,737	272,977,645
1932	65,041	19,484,540,099	2,934,912,608	830,322,113	545,112,912	201,617,106
1933	71,196	19,960,318,207	2,992,993,198	1,092,033,665	638,799,501	138,608,044
1934	78,198	21,126,978,409	3,317,792,057	1,329,053,672	777,697,886	148,710,392
1935	84,146	22,352,402,224	3,609,218,898	1,510,294,180	903,013,099	109,388,955
1936	87,511	23,977,761,065	3,986,663,110	1,682,681,941	1,009,358,614	118,143,245
1937	85,042	26,912,152,345	4,305,417,115	2,008,815,507	1,200,848,789	111,333,703

Agricultural Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	758	178,247,747	8,751,387	5,330,171	3,647,827	3,490,250
1928	761	172,725,396	10,164,373	4,348,186	2,633,832	6,066,344
1929	813	200,005,805	11,659,535	4,059,501	3,398,281	6,962,562
1930	867	203,227,418	11,425,580	2,981,236	2,194,957	4,634,053
1931	1,005	179,419,567	9,410,873	1,101,824	930,572	4,794,527
1932	1,370	175,921,870	9,549,321	1,190,261	845,917	3,489,771
1933	1,546	172,688,571	10,185,207	2,247,291	1,385,094	2,253,861
1934	1,833	179,817,067	11,408,104	4,562,729	2,600,127	2,617,079
1935	1,957	178,378,964	13,054,122	5,824,581	4,238,327	2,848,996
1936	1,987	184,422,763	13,116,044	6,747,455	4,471,217	1,401,934
1937	1,942	199,981,339	13,903,841	8,749,496	6,474,018	1,577,020

Fisheries Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	246	104,841,656	8,014,869	10,760,136	7,229,164	2,174,167
1928	251	137,716,301	11,076,345	15,517,516	5,340,359	1,200,195
1929	269	154,044,001	12,361,601	7,479,049	7,694,692	1,731,132
1930	283	137,219,262	11,284,817	4,865,842	3,536,437	4,069,709
1931	294	127,245,564	10,535,168	1,555,358	1,180,065	2,496,473
1932	309	149,269,571	10,091,826	6,470,393	3,871,431	2,198,027
1933	316	144,111,727	9,616,241	8,037,036	6,018,768	978,924
1934	324	142,754,058	9,345,619	11,755,919	6,795,758	1,160,121
1935	332	151,089,613	13,911,080	16,320,589	10,136,150	1,360,076
1936	346	182,241,152	16,665,136	15,491,053	10,367,297	900,904
1937	353	253,677,652	24,033,043	16,077,870	10,776,322	1,468,416

COMMERCE AND INDUSTRY

Mining Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	363	1,096,506,935	120,941,624	41,842,808	29,969,452	18,180,059
1928	371	1,005,230,192	131,375,307	44,281,532	30,562,085	18,457,887
1929	394	1,060,690,693	116,771,370	57,316,890	34,158,513	19,019,463
1930	376	954,242,273	100,696,580	30,339,837	22,930,041	23,112,090
1931	383	961,868,883	97,793,798	19,027,144	15,651,820	15,857,406
1932	389	951,969,923	96,981,747	26,812,546	19,093,927	12,647,560
1933	427	975,954,664	96,736,497	50,605,374	31,914,230	5,509,475
1934	515	1,066,996,905	120,127,123	76,317,610	49,989,059	2,228,960
1935	611	1,269,098,458	141,984,183	98,089,442	63,862,501	3,250,888
1936	697	1,418,426,383	170,580,240	113,489,849	69,684,072	8,916,621
1937	836	1,758,504,011	210,737,740	131,457,216	85,221,659	7,027,587

Industrial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	14,382	7,095,066,647	803,646,374	447,525,418	325,267,951	107,207,779
1928	15,271	7,328,935,388	787,070,245	494,930,049	355,445,779	89,579,174
1929	16,623	7,497,121,310	824,996,303	510,002,971	380,157,509	74,325,205
1930	18,205	7,543,682,190	822,698,039	374,118,326	305,306,554	110,432,691
1931	19,969	7,673,518,695	827,873,104	340,977,420	268,876,915	93,350,984
1932	22,575	7,571,152,934	863,546,716	359,856,144	261,873,820	58,961,769
1933	24,717	8,008,172,269	905,296,435	493,721,537	310,217,934	40,159,609
1934	27,067	8,825,335,800	1,034,280,329	614,251,026	392,603,151	63,235,825
1935	29,312	9,456,415,605	1,202,110,825	752,602,721	480,508,664	33,068,171
1936	30,986	10,701,376,368	1,371,321,074	839,868,165	542,065,633	40,950,550
1937	30,518	12,851,303,576	1,597,920,518	1,026,367,425	646,736,061	37,362,611

Commercial Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	19,586	7,931,064,857	1,656,089,356	507,732,882	271,436,874	182,227,765
1928	21,427	8,129,851,803	1,645,423,828	501,019,427	292,216,154	128,033,885
1929	24,481	8,393,133,150	1,717,896,053	465,749,779	282,659,691	123,078,606
1930	27,691	8,462,456,943	1,781,346,341	440,133,263	258,998,466	139,949,004
1931	30,794	8,292,645,679	1,783,832,237	324,341,080	216,505,974	137,501,905
1932	35,315	8,325,581,416	1,789,408,407	385,676,586	220,975,645	105,951,777
1933	38,850	8,350,747,964	1,803,069,497	479,743,200	251,077,831	73,901,069
1934	42,716	8,610,933,679	1,965,678,690	553,716,588	281,054,019	71,881,733
1935	45,852	8,965,151,295	2,041,359,679	542,051,927	286,177,248	62,257,141
1936	47,090	9,105,441,190	2,205,007,423	608,212,852	319,615,445	58,794,378
1937	44,953	9,299,678,059	2,223,407,286	679,650,816	370,946,405	57,068,974

Transportation Companies

	No. of Companies	Capital	Reserves	Net Profit	Dividend	Loss
1927	3,181	1,980,627,095	185,903,989	89,893,559	71,201,558	20,050,484
1928	3,621	2,194,406,142	174,312,829	93,670,539	73,682,730	18,600,564
1929	4,112	2,361,112,297	190,184,546	95,473,447	77,879,828	37,922,570
1930	4,488	2,332,932,915	163,123,107	66,980,630	57,962,980	29,469,440
1931	4,781	2,316,645,134	162,085,118	56,071,850	46,168,391	18,976,350
1932	5,083	2,310,644,398	165,324,588	50,316,183	38,452,172	18,368,202
1933	5,338	2,308,643,012	168,089,321	57,779,227	38,185,654	15,805,106
1934	5,739	2,301,140,000	176,952,192	68,449,800	44,655,772	7,586,674
1935	6,082	2,332,268,289	196,798,809	95,404,920	58,090,209	6,603,683
1936	6,405	2,385,853,209	209,973,193	98,872,567	63,154,950	7,178,858
1937	6,440	2,549,007,708	235,414,687	146,512,684	80,694,324	6,829,095

BANK AND CORPORATION BONDS

FACTORIES

(Compiled by the Ministry of Commerce and Industry)

End of	No. of Factories Worked by Motors	Steam		Gas	Petroleum	Water	
		Engines	Turbines			Turbines	Pelton's
		H.P.	H.P.	H.P.	H.P.	H.P.	H.P.
1930	51,407	309,742	1,475,504	17,543	27,811	2,310,865	527,424
1931	53,442	323,628	1,753,431	16,459	32,873	2,415,288	533,713
1932	56,453	213,916	1,863,302	16,759	43,146	2,785,866	519,080
1933	61,203	189,781	2,067,009	17,606	55,896	2,992,158	523,744
1934	68,306	222,000	2,259,487	46,613	61,237	2,724,606	537,146
1935	73,302	225,674	2,530,171	44,901	72,210	2,783,751	541,756
1936	78,670	225,652	2,784,162	47,971	82,410	2,943,615	606,170
1937	91,618	401,520	3,108,887	49,900	99,276	3,542,477	569,223

	Water Japanese	Electric Motors	No. of Factories not Worked by Motors	Total No. of Factories	No. of Operatives Employed		
					Male	Female	Total
	H.P.	H.P.					
1930	8,086	3,859,560	10,827	62,234	796,282	887,281	1,683,563
1931	7,231	3,263,337	10,994	64,436	775,236	886,266	1,661,502
1932	6,150	2,922,149	10,865	67,318	846,307	887,204	1,733,511
1933	5,420	3,054,478	10,737	71,940	967,659	933,432	1,901,091
1934	5,652	3,846,770	12,005	80,311	1,147,097	1,016,356	2,163,453
1935	5,326	4,458,144	11,972	85,174	1,287,575	1,081,702	2,369,277
1936	5,439	5,119,126	11,932	90,602	1,458,398	1,134,289	2,592,687
1937	7,335	6,376,478	14,387	106,005	1,727,032	1,209,480	2,936,512

	No. of Other Workers			Grand Total of workers	Production (In yen)
	Officials	Technicians	Others		
1930	76,391	55,885	69,679	1,885,518	5,962,810,401
1931	74,868	54,019	62,410	1,852,799	5,174,578,927
1932	78,033	55,566	64,675	1,931,785	5,982,469,433
1933	85,406	59,742	66,630	2,112,869	7,871,364,449
1934	97,870	68,631	72,858	2,402,812	9,390,060,374
1935	108,693	76,455	76,941	2,631,366	10,836,894,120
1936	119,303	84,584	79,098	2,875,672	12,257,588,046
1937	138,810	95,245	94,983	3,265,550	16,412,452,730

Note: Figures are for the factories which employ more than 5 operatives each.

OUTSTANDING AMOUNT OF BANK AND CORPORATION BONDS

(at the end of the year)

(Compiled by the Bank of Japan)

Internal Bonds	1934	1935	1936	1937
	(In yen)			
Bank bonds				
Hypothec debentures	796,272,160	728,178,565	711,258,583	936,892,923
Savings bonds	—	—	—	30,000,000
Reconstruction savings certificates	77,654,600	76,854,120	76,025,695	75,245,065
Debentures of the Industrial Bank of Japan	287,261,750	279,254,200	243,091,700	640,759,000
Debentures of the Hokkaido Colonization Bank	114,428,920	124,818,520	121,330,250	119,066,650
Debentures of Agricultural & Industrial Banks	447,764,252	428,746,288	355,506,002	135,146,627
Debentures of the Chosen Industrial Bank	244,955,700	278,674,100	326,230,800	344,656,200
Total	1,968,337,382	1,916,525,793	1,833,443,030	2,281,766,465
Corporation bonds				
Railway & tramway	962,174,860	1,132,066,010	1,267,904,260	1,286,298,910
Shipping & shipbuilding	66,250,000	61,190,000	77,470,000	73,450,000

	1934	1935	1936	1937
	(In yen)			
Mining & metallurgy	37,405,000	32,689,500	24,027,000	83,426,500
Electric & gas works	1,115,725,000	1,064,359,000	983,740,000	985,324,000
Spinning & weaving	158,445,350	206,827,050	187,395,350	197,215,350
Manufacturing	270,155,800	324,339,400	315,246,450	235,725,950
Commercial, etc.	216,782,828	212,382,400	255,165,700	269,614,240
Total	2,822,223,338	3,025,190,860	3,150,655,260	3,131,054,950
Total internal bonds	4,790,560,720	4,941,716,653	4,984,098,290	5,412,821,415
External Bonds				
Bank bonds				
Debentures of the Industrial Bank of Japan	—	—	—	—
Debentures of the Hokkaido Colonization Bank	—	—	—	—
Total	—	—	—	—
Corporation bonds				
Railway & tramway	—	—	—	—
Electric & gas works	297,361,982	279,691,247	268,826,008	257,527,138
Commercial, etc.	58,520,035	56,340,516	54,807,932	52,207,144
Total	355,882,017	336,031,763	323,633,940	310,734,282
Total external bonds	355,882,017	336,031,763	323,633,940	310,734,282
Grand Total	5,146,442,737	5,277,748,416	5,307,732,230	5,723,555,697

EXTERNAL LOANS OF PRIVATE COMPANIES

Companies.	Year of Issue	Rate of Interest %	Issue Price	Amount of Issue	Amount outstanding at the end of 1937
Outstanding issue					
Oriental Development Co., Ltd.	Mar., 1923	6.0	92.0	\$ 19,900,000 (39,919,400)	\$ 12,793,000 (25,662,758)
Do	Nov., 1928	5.5	90.0	\$ 19,900,000 (39,919,400)	\$ 13,731,000 (27,544,386)
Nippon Electric Power Co., Ltd.	Jan., 1928	6.5	94.0	\$ 9,000,000 (18,054,000)	\$ 6,392,000 (12,822,352)
Daido Electric Power Co., Ltd.	Aug., 1924	7.0	91.5	\$ 15,000,000 (30,090,000)	\$ 5,997,000 (12,029,982)
Do	July., 1925	6.5	86.0	\$ 13,500,000 27,081,000	\$ 6,078,500 (62,193,471)
Tokyo Electric Light Co., Ltd.	June, 1928	6.0	95.5	\$ 70,000,000 (140,420,000)	\$ 55,327,000 (110,985,962)
Do	June, 1927	6.0	90.0	£ 4,500,000 (43,933,500)	£ 3,669,150 (35,821,911)
Do	Dec., 1928	6.5	93½	\$ 7,650,000 (15,345,900)	\$ 5,568,000 (11,169,408)
Ujigawa Electric Power Co., Ltd.	Mar., 1925	7.0	91.0	\$ 14,000,000 (28,084,000)	\$ 5,739,000 (11,512,434)
Toho Electric Power Co., Ltd.,	Mar., 1925	7.0	90.5	\$ 15,000,000 (30,090,000)	\$ 2,782,500 (5,581,695)
Do	July., 1925	5.0	97.0	£ 300,000 (2,928,900)	£ 141,158 (1,378,223)
Taiwan Electric Power Co., Ltd.	July, 1931	5.5	93½	\$ 22,800,000 (45,736,800)	\$ 21,788,000 (43,706,728)
Total	—	—	—	(461,602,900)	(310,409,310)

Note: Figures in parenthesis denote corresponding amount in yen.

IMPORTS OF FOREIGN CAPITAL INTO JAPAN

(Compiled by the Ministry of Finance)

Year	National bonds issued abroad	Domestic bonds issued abroad	Provincial bonds issued abroad	Debentures issued abroad	Total	Comparison with the preceding year
	(In ¥1,000)					
1925	1,500,215	8,712	124,627	331,557	1,965,113	+104,028
1926	1,477,868	9,687	220,223	347,634	2,055,413	+ 90,300
1927	1,460,232	14,768	257,640	315,500	2,048,140	- 7,273
1928	1,453,092	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	- 67,176
1934	1,408,303	49,751	226,472	356,020	2,040,546	- 44,784
1935	1,372,885	25,012	222,118	336,019	1,956,036	- 84,510

BOURSES

(Department of Commerce and Industry Figures)

Year	Joint-Stock Companies			
	(Amount in yen)			
	Number of Companies	Number of Brokers	Authorized Capital	Paid-up
1927	34	1,089	137,852,200	97,120,700
1928	34	937	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	138,802,300	105,628,200
1933	29	918	138,802,300	105,745,200
1934	26	914	141,402,200	108,237,300
1935	26	898	141,002,200	108,087,200
1936	26	859	141,002,200	108,087,200
1937	26	838	141,002,200	108,962,000

During the Year

Year	Fees	Receipts Others	Total	Expenses		
				Tax on Bourses	Others	Total
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	9,803,216	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	19,937,822	2,076,346	6,992,606	9,068,952
1933	18,856,435	6,963,927	25,820,362	2,840,617	8,810,732	11,651,349
1934	16,631,634	7,567,536	24,199,170	2,508,929	9,667,401	12,176,330
1935	15,337,320	6,960,340	22,297,660	2,295,734	8,162,535	10,458,269
1936	15,001,237	6,719,005	21,720,242	2,227,416	7,986,596	10,214,012
1937	22,154,164	7,486,548	29,640,712	3,567,717	11,070,285	14,638,002

During the Year

Year	Net Profit	Loss	Dividend
1927	11,294,832	30,309	9,136,450
1928	9,954,024	—	8,452,468
1929	7,951,304	237	6,462,306
1930	8,087,621	2,941	6,428,218
1931	9,230,713	19,284	6,642,108

COMMERCE AND INDUSTRY

Year	Net Profit	Loss	Dividend
1932	10,924,830	24,195	7,997,109
1933	14,197,632	28,612	9,639,337
1934	12,026,918	4,078	7,920,831
1935	11,853,311	13,920	8,214,486
1936	11,515,629	9,399	8,140,473
1937	15,009,738	7,028	9,749,263

Associations
(Amount in yen)

Year	Number of Associations	At the End Year		
		Number of Members	Contribution Amount	Reserve Funds
1927	4	120	443,500	323,378
1928	5	142	450,830	377,449
1929	5	128	527,560	438,702
1930	5	120	530,740	478,157
1931	5	111	530,740	514,926
1932	6	183	559,270	593,564
1933	6	187	562,950	732,537
1934	6	188	568,550	905,428
1935	6	188	571,450	1,036,420
1936	6	196	577,950	1,260,196
1937	7	236	656,850	1,546,903

Year	Fees	During the Year		Expenses
		Receipts	Others Total	
1927	269,631	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	134,469
1932	239,024	73,575	312,599	162,681
1933	316,993	76,923	393,916	161,044
1934	226,789	79,671	306,460	157,353
1935	311,128	81,407	392,535	187,615
1936	338,786	99,204	437,990	193,686
1937	597,142	96,628	693,770	322,628

TRANSACTIONS IN SHARES, BONDS AND PRINCIPAL COMMODITIES
AT THE BOURSES

Year	Number of Bourses	Shares		Short Term	
		Long Term	Amount of Deliveries	Amount of Sales	Amount of Deliveries
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	4,219,690	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
1934	11	62,291,090	11,982,120	198,729,380	23,041,310
1935	11	41,065,140	8,153,130	214,320,750	23,545,450
1936	11	53,176,290	9,920,920	183,892,540	24,513,640
1937	11	72,943,670	13,933,380	289,128,520	34,115,900

PRICES OF BONDS AND SHARES

Year	No. of Bourses	Bonds Long Term		No. of Bourses	Rice	
		Amount of Sales	Amount of Deliveries		Amount of Sales Hectolitres	Amount of Deliveries Hectolitres
1927	2	{ fr. 129,774,000 fr. 44,200,000 }	{ fr. 16,335,000 fr. 11,475,000 }	28	317,627,783	1,635,605
1928	2	{ fr. 448,051,000 fr. 145,975,000 }	{ fr. 108,247,000 fr. 48,810,000 }	27	320,372,792	2,248,033
1929	2	{ fr. 349,410,000 fr. 107,185,000 }	{ fr. 76,305,000 fr. 23,920,000 }	26	324,978,355	1,757,910
1930	2	{ fr. 295,820,000 fr. 45,980,000 }	{ fr. 33,410,000 fr. 21,070,000 }	25	398,580,769	1,616,303
1931	2	{ fr. 793,835,000 fr. 289,770,000 }	{ fr. 166,950,000 fr. 84,620,000 }	25	369,669,508	2,176,046
1932	2	{ fr. 740,755,000 fr. 279,210,000 }	{ fr. 148,845,000 fr. 39,420,000 }	24	400,031,293	3,061,235
1933	2	{ fr. 536,370,000 fr. 624,970,000 }	{ fr. 126,190,000 fr. 87,760,000 }	24	234,276,342	2,248,032
1934	2	{ fr. 412,995,000 fr. 513,240,000 }	{ fr. 99,730,000 fr. 65,430,000 }	24	198,615,902	1,842,333
1935	2	{ fr. 539,620,000 fr. 271,170,000 }	{ fr. 52,170,000 fr. 26,920,000 }	24	171,639,691	2,631,904
1936	2	{ fr. 553,325,000 fr. 243,360,000 }	{ fr. 55,090,000 fr. 25,490,000 }	24	76,976,800 (koku)	772,200 (koku)
1937	2	{ fr. 585,310,000 fr. 208,390,000 }	{ fr. 15,840,000 fr. 13,120,000 }	24	84,804,200 (..)	667,700 (..)

Year	No. of Bourses	Raw Silk		No. of Bourses	Cotton Yarn	
		Amount of Sales	Amount of Deliveries		Amount of Sales	Amount of Deliveries
1927	1	18,733,140 kg.	285,000 kg.	3	12,103,260 Bales	79,015 Bales
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
1934	2	48,118,800	1,020,000	3	8,010,060	42,170
1935	2	802,060,200	1,086,000	3	8,327,190	26,510
1936	2	178,814,400 (kin)	2,041,000 (kin)	3	9,070,880	37,030
1937	2	162,722,000 (..)	1,285,000 (..)	3	16,461,390	41,280

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
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
1934	100.00	108.50	101.90	100.00	99.50	98.35
1935	100.00	105.60	102.50	100.00	99.10	98.60
1936	100.00	105.85	100.10	100.00	103.30	98.65
1937	100.00	101.80	100.15	100.00	102.30	99.95
1938	100.00	105.55	102.10	100.00	103.10	101.95

COMMERCE AND INDUSTRY

Year	Bank of Japan Shares			Yokohama Specie Bank Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1929	200.00	648.00	539.00	100.00	217.00	186.20
1930	200.00	580.00	743.00	100.00	203.00	139.50
1931	200.00	554.00	475.00	100.00	180.00	141.00
1932	200.00	535.00	475.00	100.00	187.50	137.00
1933	200.00	554.00	485.00	100.00	200.50	160.00
1934	200.00	545.00	509.00	100.00	206.70	194.80
1935	200.00	566.00	495.50	100.00	213.00	201.50
1936	200.00	559.00	533.00	100.00	223.50	200.30
1937	200.00	625.00	520.00	100.00	214.40	187.90
1938	200.00	572.00	532.00	100.00	203.80	191.50

Year	Industrial Bank of Japan Shares			South Manchuria Railway Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1929	50.00	39.80	32.90	50.00	71.70	43.50
1930	50.00	35.30	18.80	50.00	72.60	49.70
1931	50.00	30.70	23.40	50.00	63.90	45.30
1932	50.00	47.20	24.30	50.00	67.60	48.30
1933	50.00	50.20	35.00	50.00	74.00	54.00
1934	50.00	43.40	48.20	50.00	70.00	61.00
1935	50.00	54.60	50.90	50.00	66.30	57.80
1936	50.00	58.90	53.00	50.00	64.10	56.00
1937	50.00	61.50	49.00	50.00	65.20	49.50
1938	50.00	57.20	54.70	50.00	65.20	49.50

Year	Nippon Yusen Kaisha Shares			Osaka Shosen Kaisha Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
1929	50.00	69.70	55.20	50.00	45.30	37.50
1930	50.00	57.40	25.20	50.00	36.00	17.80
1931	50.00	45.00	29.30	50.00	30.50	18.60
1932	50.00	58.50	28.30	50.00	48.50	19.80
1933	50.00	57.20	41.00	50.00	48.80	28.00
1934	50.00	59.30	45.50	50.00	52.90	43.50
1935	50.00	74.00	50.00	50.00	59.20	43.20
1936	50.00	74.20	63.80	50.00	56.90	52.10
1937	50.00	103.90	69.50	50.00	91.30	58.10
1938	50.00	103.90	60.20	50.00	91.30	57.30

Year	Tokyo Electric Light Company Shares			Kanegafuchi Cotton Spinning Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
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
1934	50.00	43.40	30.80	50.00	245.70	216.10
1935	50.00	60.00	38.40	50.00	233.50	205.10
1936	50.00	66.30	50.30	50.00	245.00	205.10
1937	50.00	66.80	47.90	50.00	331.40	208.40
1938	50.00	66.80	47.00	50.00	331.40	134.10

Year	Meiji Life Insurance Company Shares			Nippon Oil Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
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

PRODUCTIONS

Year	Meiji Life Insurance Company Shares			Nippon Oil Company Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
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
1934	100.00	1,150.00	860.00	50.00	53.80	35.50
1935	100.00	1,005.00	815.00	50.00	51.00	38.10
1936	100.00	1,050.00	808.00	50.00	78.90	52.20
1937	100.00	790.00	768.00	50.00	100.40	68.20
1938	100.00	752.00	723.00	50.00	100.40	52.50

Year	Keihin Electric Tramway Company Shares			Tokyo Stock Exchange Shares		
	Paid-up	Highest	Lowest	Paid-up	Highest	Lowest
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
1934	50.00	41.50	33.10	50.00	168.50	114.50
1935	50.00	37.00	33.10	50.00	160.00	124.50
1936	50.00	46.20	35.80	50.00	155.60	114.30
1937	50.00	55.00	45.20	30.00	177.90	130.50
1938	50.00	60.70	49.30	30.00	177.90	121.30

Note:—The highest and lowest prices of the 5% and 4% loans represent flat prices.

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	Bank Deb.	Corporate Deb. (20)
1929	6.85%	95	5.08%	5.88%	6.10%	6.43%
1930	8.10	113	5.37	6.09	6.18	6.54
1931	6.82	95	5.40	5.91	6.12	6.49
1932	6.01	83	5.59	6.07	6.33	6.84
1933	5.03	67	4.81	5.33	5.44	5.96
1934	4.90	66	4.52	4.94	4.98	5.41
1935	5.58	69	4.49	4.70	4.67	4.99
1936	5.59	69	3.81	4.05	4.14	4.47
1937	5.31	66	3.93	4.23	4.23	4.40
1938	5.65	70	3.85	4.24	4.24	4.36

AGRICULTURAL AND INDUSTRIAL PRODUCTIONS IN JAPAN PROPER
IN 1936 AND 1937

	(In yen)		(In yen)	
	1936	1937	1936	1937
Agricultural products	2,873,004,673	3,243,653,597	Live stock products	218,621,118
Rice	1,865,268,551	2,071,889,318	Meats	89,707,231
Barley	330,852,780	403,613,540	Eggs	86,754,199
Vegetables	231,260,646	259,306,238	Milk	32,410,801
Fruits	81,958,451	92,114,502	Others	9,748,887
Potatoes	87,958,930	91,214,087	Forestry products	314,680,920
Others	275,851,315	325,515,912	Lumber	136,932,264
Cocoons	386,640,792	419,609,741		261,595,010
				113,198,872
				100,129,706
				37,169,007
				11,099,425

	1936	1937
Fuel woods	30,647,394	34,098,828
Charcoal	101,796,857	131,460,189
Others	45,304,405	48,667,663
Fishery products	328,260,595	349,859,324
Fishes	230,637,183	241,830,563
Shells	15,838,636	16,162,026
Sea-weeds	20,874,084	24,915,184
Others	60,910,487	66,951,551
Industrial products	12,257,588,046	16,412,452,730
Textiles	3,654,888,191	4,242,258,108
Metallic products	2,208,866,940	3,488,036,477
Machine and tools	1,716,352,631	2,557,201,510
Ceramics	329,316,147	405,287,608
Chemicals	2,110,915,268	2,917,030,415
Wooden manufactures	280,237,008	379,474,062
Printing and book-binding	234,988,007	273,253,762
Food stuffs	1,259,660,808	1,524,939,782
Others	440,661,786	596,555,296
Gas and electric by-products	21,701,460	28,413,620
Mine products	560,917,560	610,185,000
	(estimate)	(estimate)
Total	16,939,713,704	21,700,670,605
	(estimate)	(estimate)

Note: The amount of industrial products represents only that of the products in the private factories where more than five operatives are employed. The amount of products of household industries is estimated at 10 per cent of the factory products.

VALUE OF INDUSTRIAL PRODUCTION IN FACTORIES WHERE LESS THAN 5 PERSONS ARE EMPLOYED IN 1937

	(In Yen)		Production of the factories where less than 5 persons are employed
	Production of the factories where more than 5 persons are employed	Production of all factories	
Cotton tissues	842,204,438	1,112,685,156	270,480,718
Silk tissue, and cotton and silk mixtures	217,572,720	721,447,826	503,875,106
Hemp tissue, and hemp and cloth mixtures	20,502,558	26,978,392	6,475,834
Woolen fabrics and mixtures	218,702,662	328,009,685	109,307,023
Knitted goods	113,476,672	115,500,996	2,024,324
Ceramics	69,665,924	115,191,376	45,525,452
Roof tiles	5,850,336	24,910,845	19,060,509
Lacquerwares	1,914,292	44,013,492	42,099,200
Leather and manufactures	34,161,820	45,101,809	10,939,989
Starch	25,037,349	32,636,523	7,599,174
Bamboo articles	2,843,442	11,628,217	8,784,775
Wood work	164,193,692	235,628,230	71,434,538
Cane-work	963,234	2,427,547	1,464,313
Wicker-work	217,907	3,469,919	3,252,012
Brushes	4,300,898	7,500,894	3,199,996
Japanese mats	102,113	17,176,045	17,073,932
Other mats and hanamushiro	2,894,590	11,524,108	8,629,518
Straw and wood-shaving plaits	2,750,661	7,936,416	5,185,555
Total	1,727,355,508	2,863,767,476	1,136,411,968

The value of gas produced is estimated at ¥200,000,000 and the wholesale amount of electricity at ¥500,000,000.

Governmental monopoly and undertakings are gaining profits of some ¥332,000,000.

When all the factory, household, and Governmental industrial products are taken into account the total amount of products in Japan proper in 1937 may be estimated at ¥27,362,000,000, or per capita production ¥384.06.

Production of Minor Factories There are in Japan great numbers of minor factories engaged in various industries where less than 5 persons are employed and which do not come under the control of the Factory Law. Accordingly, most of the industrial statistics given in the following chapters on industrial subjects are of factories where more than 5 persons are employed. The Ministry of Commerce and Industry gives statistics on more than 20 kinds of industries in which the largest numbers of such minor factories are engaged. The following table includes most of them, the production of which alone reaches nearly 7 per cent of the total production of the factories where more than 5 operatives are employed given above.

CHANGE IN NUMBER OF FACTORIES AND OPERATIVES AND AMOUNTS OF PRODUCTION BY KIND

(Compiled by the Department of Commerce and Industry)

(1) Number of Factories

Year	Number	Percentage of Increase over the Previous Year	Year	Number	Percentage of Increase over the Previous Year
1928	55,948	4.2	1933	71,940	6.9
1929	59,887	7.0	1934	80,311	11.6
1930	62,234	3.9	1935	85,174	6.1
1931	64,436	3.5	1636	90,602	6.4
1932	67,318	4.5	1937	106,005	17.0

(2) Number of Factories by kind

Kind of Industry	Number			Percentage		
	1931	1936	1937	1931	1936	1937
Total	64,436	90,602	106,005	100	100	100
Spinning and Weaving	20,965	26,358	28,133	32.5	29.1	26.6
Metal	4,133	8,251	10,076	6.4	9.1	9.5
Machine and Tool	5,850	11,768	14,636	9.1	13.0	13.8
Ceramic	3,167	4,222	4,990	4.9	4.7	4.7
Chemical	3,389	4,998	5,820	5.3	5.5	5.5
Timber and Woodwork	5,200	7,788	9,880	8.0	8.6	9.3
Printing and Bookbinding	2,948	3,450	3,857	4.6	3.8	3.6
Foodstuff	12,567	14,021	16,518	19.8	15.5	15.6
Gas and Electric Manufactures	498	570	656	0.8	0.6	0.6
Miscellaneous	5,719	9,178	11,439	8.9	10.1	10.8

(3) Number of Operatives

Kind of Industry	Number			Percentage		
	1931	1936	1937	1931	1936	1937
Total	1,660,332	2,592,687	2,936,512	100	100	100
Spinning and Weaving	898,792	1,027,917	1,032,510	54.1	39.7	35.2
Metal	84,269	246,858	310,490	5.1	9.5	10.6
Machine-tool	158,351	456,963	601,684	9.5	17.6	20.5
Ceramic	56,731	101,702	112,857	3.4	3.9	3.8
Chemical	122,461	273,487	322,796	7.4	10.5	11.0
Timber and Woodwork	56,658	93,293	107,869	3.4	3.6	3.7
Printing and Bookbinding	51,367	58,839	64,652	3.1	2.3	2.2
Foodstuff	133,516	165,310	185,508	8.1	6.4	6.3
Gas and Electric Manufactures	8,248	8,721	9,286	0.5	0.3	0.3
Miscellaneous	89,939	159,597	188,860	5.4	6.2	6.4

(4) Production

Kind of Industry	(Amount in ¥1,000)			Percentage		
	1931	1936	1937	1931	1936	1937
Total	5,178,135	12,257,588	16,412,452	100	100	100
Spinning and Weaving	1,926,807	3,654,888	4,242,258	37.2	29.8	25.8
Metal	431,438	2,208,867	3,488,038	8.3	18.0	21.2
Machine-tool	498,014	1,716,352	2,557,201	9.6	14.0	15.6
Ceramic	144,712	329,316	405,287	2.8	2.7	2.5
Chemical	816,559	2,110,915	2,917,030	15.8	17.2	17.8
Timber and Woodwork	146,906	280,237	379,474	2.8	2.3	2.3
Printing and Bookbinding	176,712	234,988	273,253	3.4	1.9	1.7

Kind of Industry	(Amount in ¥1,000)			Percentage		
	1931	1936	1937	1931	1936	1937
Foodstuff	837,773	1,259,660	1,524,939	16.2	10.3	9.3
Gas and Electric Manu- factures	14,758	21,701	28,413	0.3	0.2	0.2
Miscellaneous	184,453	440,661	596,555	3.6	3.6	3.6

NUMBER OF APPLICATIONS AND GRANTS FOR PATENTS,
DESIGNS, ETC. ACCORDING TO NATIONALITIES

(Compiled by the Patent Bureau, Department of Commerce and Industry)

Kinds	Year	Applied For			Registered		
		Japanese	Foreigners	Total	Japanese	Foreigners	Total
Patents	1931	12,871	2,312	15,183	2,998	1,320	4,318
	1932	12,176	1,702	13,878	3,437	1,309	4,846
	1933	12,110	1,794	13,904	4,306	1,196	5,502
	1934	12,822	1,900	14,722	3,743	930	4,673
	1935	14,785	1,887	16,645	3,816	950	4,766
	1936	16,132	2,379	18,511	3,994	842	4,836
	1937	14,772	2,609	17,381	3,725	890	4,615
	1885-1937 total	314,092	52,436	366,528	80,390	29,595	109,985
Utility models	1931	37,954	342	38,296	11,917	163	12,080
	1932	33,666	315	33,981	11,782	206	11,988
	1933	32,502	341	32,843	15,680	260	15,940
	1934	34,557	382	34,939	13,978	272	14,250
	1935	40,580	408	40,988	14,014	226	14,240
	1936	44,210	422	44,632	15,396	274	15,670
	1937	38,110	473	38,583	13,686	264	13,950
	1905-1937 total	748,843	4,016	752,859	236,501	2,286	238,787
Designs	1931	9,951	36	9,987	4,801	18	4,819
	1932	9,172	23	9,195	4,547	20	4,567
	1933	9,388	39	9,427	4,044	13	4,057
	1934	9,566	45	9,611	9,611	26	4,052
	1935	12,285	79	12,364	5,434	40	5,474
	1936	14,568	58	14,626	5,629	33	5,662
	1937	10,102	50	10,152	4,447	17	4,464
	1890-1937 total	186,265	900	187,165	84,524	392	84,916
Trade Marks	1931	21,288	1,132	22,420	10,953	928	11,881
	1932	20,648	881	21,529	9,873	703	10,576
	1933	22,986	1,056	24,042	11,867	763	12,630
	1934	25,484	802	26,286	12,575	759	13,328
	1935	28,912	749	29,661	13,456	564	14,020
	1936	29,365	748	30,113	14,615	525	15,140
	1937	26,546	913	27,459	14,345	627	14,972
	1884-1937 total	604,236	37,312	641,548	293,191	26,789	319,980
Total	1931	82,064	3,822	85,886	30,669	2,429	33,098
	1932	75,662	2,921	78,583	29,739	2,238	31,977
	1933	76,986	3,230	80,216	35,897	2,232	38,129
	1934	82,429	3,129	85,558	34,322	1,931	36,303
	1935	96,535	3,123	99,658	36,720	1,780	38,500
	1936	104,275	3,607	107,882	39,634	1,674	41,308
	1937	89,530	4,045	93,575	36,203	1,798	38,001
	1884-1937 total	1,853,436	94,664	1,948,100	694,606	59,062	753,668

INDEX NUMBER OF WHOLESALE COMMODITY PRICES

(Compiled by the Ministry of Commerce and Industry)
(Based on December, 1929=100)

Year	Index Number												Year	Percentage of rise over the pre- vious year
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		
1934	94.1	95.5	95.3	95.1	95.2	95.0	95.0	96.0	98.2	99.0	97.6	97.4	96.3	0.9
1935	97.9	98.3	97.6	97.3	96.9	95.7	94.8	95.3	97.5	100.1	99.6	98.5	97.4	1.1
1936	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.6	101.9	101.9	103.8	109.8	101.2	3.9
1937	120.0	119.9	123.3	126.1	123.7	121.8	122.8	122.3	123.7	124.5	126.9	128.8	123.8	22.3
1938	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7	140.2	13.2

INDEX NUMBER OF PRICES

(Compiled by the Ministry of Commerce and Industry)

Comparison of Wholesale and Retail Prices

(Based on December, 1929=100)

Year	Type	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
		1934	Wholesale	95	96	95	95	95	95	95	96	98	99
	Retail	88	88	89	89	89	86	87	89	89	91	89	89
1935	Wholesale	97.9	98.3	97.6	97.3	96.9	95.7	94.8	95.3	97.5	100.1	99.6	98.5
	Retail	89.5	89.5	88.9	89.6	90.1	88.8	90.3	90.6	91.7	92.4	92.2	92.9
1936	Wholesale	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.1	101.9	101.9	103.8	109.8
	Retail	93.6	95.5	95.9	96.6	95.5	92.8	93.3	94.4	94.4	93.8	93.7	96.7
1937	Wholesale	120.2	119.9	123.3	126.2	123.7	121.9	122.8	122.3	123.5	124.5	126.9	128.8
	Retail	103.0	102.6	101.9	104.0	104.1	103.3	103.3	103.9	105.8	105.6	105.8	108.2
1938	Wholesale	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7
	Retail	110.6	114.0	116.8	118.6	118.3	118.9	124.6	127.5	127.5	127.4	127.9	129.6

WHOLESALE PRICES OF PRINCIPAL TRADE GOODS

(Based on December, 1929=100)

Year	Type	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
		1934	Export	91	92	92	91	92	93	92	92	95	95
	Import	106	107	106	106	106	107	107	108	110	110	107	107
1935	Export	94.8	94.6	93.1	92.4	92.8	91.5	90.7	90.9	92.8	97.1	97.4	95.6
	Import	108.9	108.4	107.4	107.7	107.8	106.4	105.3	105.7	107.2	110.3	109.8	109.0
1936	Export	94.1	92.7	93.3	94.5	94.0	94.8	96.8	97.9	98.4	100.5	103.2	108.1
	Import	109.7	110.5	111.4	111.4	110.8	111.8	113.9	114.6	115.1	116.1	118.9	128.9
1937	Export	115.9	114.3	114.6	115.6	113.8	113.9	112.0	107.7	109.7	107.8	106.9	108.9
	Import	143.2	142.0	150.3	157.3	152.8	149.1	151.8	153.1	153.2	153.4	156.7	158.1
1938	Export	111.8	117.5	119.9	120.1	120.1	128.0	119.1	113.4	120.9	120.8	121.4	123.1
	Import	160.0	161.9	162.3	163.7	167.8	172.9	174.5	167.2	163.0	158.6	159.7	157.7

WHOLESALE PRICES ACCORDING TO KINDS

(Based on December, 1929=100)

Kinds	1934											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	86	87	87	87	88	86	85	88	90	93	93	93
Fibre goods	91	93	93	92	91	94	93	93	93	92	91	92
Metal articles	108	108	109	110	110	110	111	112	122	123	115	113
Building materials	98	98	99	100	100	100	100	101	106	106	105	104
Industrial chemicals	101	99	96	95	94	92	91	90	89	89	94	89
Fertilizers	88	89	88	88	88	85	84	87	88	89	88	89
Fuel	93	93	93	92	92	92	93	93	94	95	95	95
Miscellaneous	110	112	112	111	111	110	112	113	114	114	112	111
Average	95	96	95	95	95	95	95	96	98	99	98	98

Kinds	1935											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	94.4	97.6	97.8	96.4	95.6	94.2	93.8	96.2	100.7	102.4	101.7	101.7
Fibre goods	92.9	92.7	90.4	89.8	91.3	89.0	89.7	89.6	90.7	94.7	95.3	93.1
Metal articles	111.4	108.1	108.4	109.6	107.8	104.9	102.7	103.5	107.8	112.9	107.8	104.8
Building materials	101.7	100.6	100.2	99.9	98.8	98.3	98.2	97.5	98.7	99.3	99.3	99.3
Industrial chemicals	89.0	88.7	87.3	88.0	85.7	84.7	82.0	80.3	78.3	78.0	76.7	77.0
Fertilizers	90.5	96.0	96.8	98.5	99.5	96.3	92.0	91.3	96.0	100.5	100.8	100.8
Fuel	95.0	94.7	94.3	94.4	93.8	93.4	93.2	92.7	93.4	94.1	94.0	94.0
Miscellaneous	110.9	111.0	110.0	109.3	107.1	107.4	106.2	106.2	106.2	108.4	109.3	108.3
Average	97.9	98.3	97.8	97.3	96.9	95.3	94.8	95.3	97.5	100.1	99.6	99.0

	1936											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	103.7	103.2	102.6	103.4	105.0	105.5	106.3	108.2	107.0	103.1	102.7	105.2
Fibre goods	90.9	89.7	90.0	91.0	90.9	92.0	94.5	95.0	95.0	96.3	99.1	105.1
Metal articles	103.7	105.4	106.3	106.7	106.9	107.5	108.6	110.4	112.4	115.4	121.4	143.4
Building materials	98.9	99.1	98.9	98.6	98.5	97.7	98.2	99.0	101.6	102.3	104.4	107.5
Industrial chemicals	76.0	75.4	75.0	74.3	72.3	71.0	71.0	70.3	71.0	71.3	71.3	71.7
Fertilizers	103.3	101.8	98.3	98.0	96.0	97.3	99.6	101.5	101.0	97.8	96.5	99.0
Fuel	94.8	95.9	96.0	95.9	95.4	96.3	96.7	97.3	98.0	99.7	100.7	101.9
Miscellaneous	109.7	110.6	111.0	111.1	109.7	109.6	110.6	110.1	110.3	112.8	116.1	124.2
Average	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.6	101.9	101.9	103.8	109.8

	1937											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	108.9	109.2	109.3	111.1	110.0	108.0	109.6	107.7	108.5	110.9	112.2	113.4
Fibre goods	115.1	113.1	113.6	114.3	111.7	112.0	109.0	104.1	106.6	103.4	102.7	105.3
Metal articles	178.9	174.8	194.3	200.6	183.1	173.8	183.8	191.2	189.0	190.4	204.4	212.2
Building materials	113.3	114.8	116.3	122.4	124.4	123.2	122.9	124.1	125.1	126.0	128.0	130.4
Industrial chemicals	76.7	85.7	90.0	93.0	94.7	94.7	95.0	97.0	101.3	106.3	113.0	118.3
Fertilizers	103.3	104.5	107.3	113.5	115.3	118.3	117.0	123.0	124.8	126.0	127.5	129.0
Fuel	104.1	105.3	105.3	108.3	110.1	110.7	113.6	114.0	117.9	122.6	123.9	124.3
Miscellaneous	138.9	141.2	148.7	151.8	150.1	146.8	147.1	148.0	148.8	150.6	151.6	146.4
Average	120.0	119.9	123.3	126.1	123.7	121.8	122.8	122.3	123.7	124.5	126.9	128.8

	1938											
	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	113.8	113.9	114.1	114.0	114.2	115.7	115.9	116.0	117.7	120.0	122.4	125.1
Fibre goods	107.3	115.4	119.6	119.8	119.7	130.4	119.3	114.5	118.3	118.5	120.4	121.6
Metal articles	219.5	229.0	228.0	229.5	243.2	276.2	284.1	245.3	228.7	215.2	215.6	208.7
Building materials	134.1	138.4	142.0	144.9	145.5	147.0	147.3	143.2	146.5	144.3	146.9	150.0
Industrial chemicals	119.7	125.7	126.7	126.0	122.7	121.0	118.7	120.0	117.7	115.7	116.0	115.7
Fertilizers	128.3	127.5	128.8	128.8	128.0	128.0	128.0	126.0	127.8	130.3	132.0	133.0
Fuel	129.2	129.6	130.2	134.2	135.9	138.4	139.7	137.9	137.1	136.2	135.9	136.0
Miscellaneous	146.3	146.4	148.7	149.9	155.9	160.6	170.7	169.0	165.8	166.8	164.9	164.1
Average	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7

RETAIL PRICES ACCORDING TO KINDS

	1934											
	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	87.7	87.9	88.3	89.0	88.5	83.5	85.1	87.3	87.5	88.9	87.5	88.1
Clothes and accessories	85.6	86.4	86.2	86.2	86.4	87.7	87.8	88.0	88.4	88.6	88.0	87.4
Fuel	90.7	90.3	90.9	90.3	90.1	89.6	89.4	89.9	90.7	91.7	91.9	91.6
Building materials	99.7	99.9	101.6	102.6	102.1	102.3	104.9	106.3	108.4	117.0	110.0	107.1
Miscellaneous	83.3	83.4	83.4	83.2	82.7	82.9	83.4	84.1	84.8	88.0	86.6	85.3
Average	87.9	88.2	88.6	88.9	88.6	86.1	87.2	88.7	89.1	90.9	89.4	89.3

	1935											
	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	89.2	89.5	88.6	89.9	91.0	89.1	92.0	92.3	94.4	94.6	94.1	95.8
Clothes and accessories	86.6	86.9	86.8	86.2	87.9	86.7	86.5	86.2	86.6	88.0	88.7	88.1
Fuel	91.6	91.1	90.9	90.7	90.1	89.9	89.9	90.1	90.3	90.7	90.9	90.9
Building materials	104.9	102.9	103.0	102.4	99.6	98.0	97.1	97.7	98.0	101.0	98.7	97.6
Miscellaneous	84.9	83.9	83.7	84.6	83.9	83.6	82.9	82.8	82.9	84.2	84.2	84.0
Average	89.5	89.5	88.9	89.6	90.1	88.8	90.3	90.4	91.7	92.4	92.2	92.9

	1936											
	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	97.4	100.6	101.6	102.6	100.9	96.0	96.5	98.2	97.4	95.4	94.5	97.4
Clothes and accessories	87.6	87.6	87.3	87.8	87.8	88.2	89.0	89.0	90.6	91.4	42.2	93.5
Fuel	91.1	92.4	92.3	92.0	91.0	90.7	90.4	91.0	91.4	92.3	93.7	95.6
Building materials	96.4	96.1	96.1	96.7	95.6	95.9	96.3	97.7	99.7	101.7	103.1	112.0
Miscellaneous	83.9	83.8	83.7	83.4	82.9	82.8	83.1	82.9	83.1	84.2	85.0	88.9
Average	93.6	95.5	95.9	96.6	95.5	92.8	93.3	94.4	94.4	93.8	93.7	96.7

	1937											
	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	100.9	100.1	98.3	100.9	100.5	99.6	99.6	101.1	104.1	103.1	102.7	105.8
Clothes and accessories	101.9	103.5	103.6	104.6	104.9	104.4	104.1	102.8	103.7	104.1	103.8	104.6
Fuel	96.4	96.6	95.9	96.6	97.9	98.1	98.6	98.6	99.6	102.1	103.9	105.7
Building materials	135.6	128.9	131.3	135.6	137.0	132.3	135.1	135.0	135.1	135.4	139.6	143.4
Miscellaneous	97.8	100.0	101.8	103.3	103.4	103.1	103.0	103.7	103.4	103.2	104.3	105.2
Average	103.0	102.6	101.9	104.0	104.1	103.1	103.3	103.9	105.8	105.6	105.8	108.2

	1938											
	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Foodstuffs	108.6	109.9	111.5	112.4	110.7	108.9	112.5	118.2	118.6	118.6	118.6	121.1
Clothes and accessories	107.0	117.3	123.0	126.3	127.5	131.6	143.0	142.5	141.0	142.3	143.5	144.6
Fuel	107.9	108.9	109.7	111.7	112.9	114.4	116.0	116.6	116.9	116.3	116.4	117.1
Building materials	146.0	148.3	152.0	152.9	155.0	160.3	169.3	165.1	167.3	164.7	168.3	168.9
Miscellaneous	105.8	108.8	112.9	116.2	118.1	120.4	126.0	127.7	126.8	125.7	125.7	125.3
Average	110.6	114.0	116.8	118.6	118.3	118.9	124.6	127.5	127.5	127.4	127.9	129.6

COMPARISON OF INDEX NUMBERS OF WHOLESALE PRICES AND CIRCULATION OF BANK-NOTES

(Based on December, 1929=100)

		1934											
		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1934	Wholesale	94.6	95.5	95.3	95.1	95.2	95.0	95.0	96.0	98.2	99.0	97.6	97.4
	Bank-notes	92.4	98.6	84.0	86.5	83.0	84.0	84.1	83.7	81.4	85.1	85.8	98.7
1935	Wholesale	97.9	98.3	97.6	97.3	96.9	95.7	94.8	95.3	97.5	100.1	99.6	98.5
	Bank-notes	98.0	90.8	88.3	90.0	86.2	88.7	88.5	87.5	86.5	92.6	93.4	107.2
1936	Wholesale	98.5	98.4	98.7	99.2	98.9	99.3	100.7	101.1	101.9	101.9	103.8	109.8
	Bank-notes	106.6	96.5	97.0	95.8	92.8	95.0	96.1	95.2	93.5	97.7	98.6	114.6
1937	Wholesale	120.0	119.9	123.3	126.1	123.7	121.8	122.8	122.3	123.7	124.5	126.9	128.8
	Bank-notes	111.9	107.2	103.0	105.9	103.2	106.5	103.0	110.1	111.1	119.1	122.6	142.0
1938	Wholesale	131.1	135.1	136.9	137.8	140.0	147.8	148.2	141.9	141.0	139.9	141.2	141.7
	Bank-notes	141.3	130.9	129.5	132.4	131.3	136.1	139.9	140.9	140.0	146.5	148.6	171.3

NEW BUILDINGS IN JAPAN PROPER

(21 larger cities)

(Compiled by the Ministry of Commerce and Industry)

Nature of Construction	1937			1938		
	No.	Floorage (Sq. M.)	Expenses (In ¥1,000)	No.	Floorage (sq. M.)	Expenses (In ¥1,000)
Steel-skeletoned reinforced concrete	505	1,185,473	109,734	91	145,239	12,888
Reinforced concrete	1,559	1,043,050	71,172	1,097	480,838	31,802
Steel-skeleton	2,154	1,357,711	73,274	1,653	1,388,109	80,662
Wooden	127,682	12,376,155	230,903	116,184	12,059,202	255,079
Brick, stone or concrete	157	22,556	562	212	15,815	624
Others	108	6,407	169	94	6,166	186
Total	132,165	15,991,352	485,815	119,331	14,095,369	381,243

Classification of New Buildings According to Purposes, 1938

	Number	Floorage (In Sq. M.)	Expenses (In yen)
Dwellings	61,877	5,435,357	117,376,398
Residences:	56,472	5,158,295	111,709,276
Residences	41,201	2,975,753	68,818,415
Tenement houses	14,000	1,787,128	32,743,559
Apartments	1,271	395,414	10,147,302
School boarding houses	143	61,484	1,759,948

	Number	Floorage (In Sq. M)	Expenses (In yen)
Boarding houses	464	80,509	1,750,904
Others	4,798	135,069	2,156,270
Factories	36,662	6,043,581	189,050,212
Factories:	36,338	5,976,596	186,173,051
Factories;	31,137	5,603,458	179,513,721
Work shops	14,615	3,768,447	133,765,644
Storages	5,198	706,287	13,805,295
Business houses	2,349	341,813	8,947,659
Boarding houses	550	141,574	3,363,433
Others	8,425	645,337	19,631,690
Dwelling and factories	5,201	373,138	6,659,330
Electric plants	75	44,532	2,571,982
Others	249	22,453	305,179
Commercial buildings	16,891	1,756,974	41,892,054
Shops:	9,883	945,369	20,194,851
Shops	242	27,379	926,199
Dwelling and shops	9,641	917,990	19,268,652
Bazaars	3	1,061	26,680
Department stores	139	48,367	915,609
Markets	220	59,539	1,396,949
Warehouses	953	72,556	1,884,004
Garages	91	19,780	1,453,996
Banks	660	138,021	5,294,508
Offices	256	28,055	780,065
Inns	865	67,146	1,946,546
Restaurants	101	32,891	1,691,577
Theatres, cinema houses	67	4,595	94,187
Playgrounds, etc.	272	28,714	910,307
Pleasure houses	173	20,024	728,948
Public bath houses	3,203	290,856	4,573,827
Others	3,901	859,457	32,924,498
Public buildings	163	35,288	1,398,135
Governmental offices	99	12,473	2,138,617
Stations	1,123	458,742	16,937,324
Schools	67	11,302	356,837
Meeting houses	104	14,059	418,903
Clubs, etc.	603	139,636	5,149,186
Hospitals, sanatoriums	66	11,692	281,111
Nurseries, asylums	11	2,007	153,030
Museums, libraries, etc.	449	44,449	2,303,738
Religious buildings	13	872	29,521
Crematories, etc.	27	1,513	50,075
Incineration plants	22	9,194	309,081
Aerosheds, boat houses	1,154	118,230	3,396,940
Others	119,331	14,095,369	381,243,162
Total			

Living Expenses

The following tables may give a general idea on the economic life of the people in Japan proper. So far as monthly income is concerned, the first order of the standard of economic life is occupied by officials in companies, followed by factory operatives, governmental officials, labourers in transportation business and educators in the order named. When it is seen from the money expended for daily life the

salaries men are in a standard much higher than the labourers; but the difference between the two is diminishing judged from the index numbers for April, 1939. If economic margin or reserve may be surmised by the balance between income other than from salary and property in the items of income and money for deposits, etc. in the items of expenditure, officials in companies are best off leaving a balance of ¥14.23, next come factory operatives with ¥11.50, followed by governmental

officials, labourers in transportation business and educators in the order named. But in the case of salaried men pensions and special allowances must be taken into consideration. Farmers are the poorest with monthly income of ¥70.

MONTHLY LIVING EXPENSES OF OFFICIALS AND LABOURERS IN JAPAN PROPER

(Investigations made by the Bureau of Statistics on the monthly incomes and expenses of the representative families of each group during the 12 months from September, 1936 to August, 1937)

MONTHLY INCOME (Amount in yen)

	No. of house- holds in- vestigated	Average No. of members in each household	Total income	Income from salary and property	Income from deposits, loans insurance, etc.
Salaried men					
Governmental officials	192	4.16	161.84	94.78	67.06
Bank and Company staffs	288	3.74	186.88	105.52	81.36
Educators	78	3.74	158.13	94.31	63.82
Labourers					
Factory operatives	942	4.23	162.30	90.59	71.71
Labourers in transportation	178	4.21	159.53	88.91	70.62

MONTHLY EXPENSES

	Expenses for Daily Life						Total for deposits, loans, insur- ance, etc.
	Total of Food expenses	Hous- ing	Heat and Light	Cloth- ing	Others	Total	
Salaried men							
Governmental officials	161.84	30.65	14.24	1.29	9.47	29.25	84.90
Bank and Company staffs	186.88	31.24	15.83	4.43	10.81	28.88	91.19
Educators	158.13	28.54	15.65	4.64	9.59	28.13	86.55
Labourers							
Factory operatives	162.30	31.03	12.19	3.69	8.84	23.34	79.09
Labourers in transportation	159.53	30.76	13.05	3.89	8.88	22.97	79.57

INDEX NUMBER OF LIVING EXPENSES FOR APRIL, 1939

(Base: July, 1937=100)

	Total for daily life	Food	Housing	Heat and Light	Clothing	Others
Salaried men	116.8	118.7	104.6	118.0	145.7	105.8
Percentage of rise over the same month of 1938	8.7	9.3	2.9	5.2	24.2	2.7
Labourers	117.9	118.0	105.7	120.9	146.7	106.5
Percentage of rise over the same month of 1938	9.2	8.5	3.6	6.2	25.7	3.0

YEARLY LIVING EXPENSES OF FARMERS IN JAPAN PROPER IN 1935

(Compiled by the Ministry of Agriculture and Forestry)

YEARLY INCOME (Amount in yen)

	Landed farmers 94	Tenants 92	Semi-landed farmers 102	Total and Average 288
No. of households investigated				
Average No. of members in each household	6.45	6.67	6.46	6.52
Net gain from farming	765.27	503.24	701.73	656.74
Net gain from side works	134.23	143.02	130.92	136.06
Miscellaneous income	54.18	37.17	44.26	45.21
Total income	953.68	683.44	876.91	838.01

YEARLY EXPENSES
(Unit: yen)

	Landed farmers		Semi-landed Average	
	farmers	Tenants	farmers	
Food	334.23	320.94	330.13	328.43
Housing	26.55	19.71	22.39	22.91
Heat, Light and Electric power	37.22	29.14	32.92	33.09
Clothing	76.33	51.22	67.17	64.91
Total expenses for daily life (including others)	793.81	627.03	694.82	705.22
Balance (or for deposits, insurance, refundment, etc.)	159.87	56.41	182.09	132.79

Commercial and Industrial Bodies

Important Commodities Guilds At the end of 1937 there were 769 important Commodities Guilds representing 107 kinds of enterprises in Japan, a loss of 5, as compared with the previous year. Those which headed the list were textiles with 93, rice and cereals 65, lumber 50, soy and "miso" 35. Federations of these guilds numbered 22.

Industrial Guilds As the end of 1937 the number of Industrial Guilds was 1,113 representing 96 kinds of enterprises, a gain of 280 in number and 21 in kind as compared with the previous year. Cotton textiles head the list with 109 rayon come next with 102, followed by wood works with 93. There were 60 federations of these guilds.

Commercial Guilds In the same year the Commercial Guilds numbered 1,641, representing 35 kinds of commodities, a gain of 452, as compared with the previous year. Cereals and flour lead the rest with 324, followed by textiles with 102. There were 11 federations of these guilds.

Export Guilds In the same period, the number of Export Guilds was 106 representing 12 kinds of commodities, a gain of 12.

Chambers of Commerce and Industry At the end of March, 1937, there were 111 Chambers of Commerce and Industry in Japan, with the total membership of 3,913 elected by 168,831 voters, an increase of 3 in the number of cham-

bers, 97 in members and 12,417 in votes.

Industrial and Commercial Expansion in 1938-39

At the end of the Hayashi Cabinet or toward the end of the first half of 1937 a five-year programme for the expansion of munitions industry was drawn out, according to which all the industrial facilities for the manufacture of goods necessary for defence purposes were to be expanded from 200 to 1,000 per cent with an aggregate increase of capitalization amounting to ¥9,400,000,000 by the end of the fifth year including ¥6,900,000,000 in Japan proper and Korea and ¥2,500,000,000 in Manchoukuo. The Konoé Cabinet remodelled the plan to a great extent leaving the main policy unchanged and over ten new bills were presented by the Government to the 71st, 72nd and 73rd sessions of the Diet and all of them were passed and promulgated by the end of April, 1938, while efforts were made to balance international payments and to control the relation between supply and demand of commodities in the country. As the result of these Governmental policies a radical change has been produced upon the industrial structure of the nation within the past two or three years. Capitalization was concentrated in industries most closely connected with the needs for national defence as shown in the following tables:

INCREASE OF CAPITALIZATION OF BANKS AND COMPANIES
IN THE EMPIRE IN 1938

(Compiled by the Bank of Japan)
(In ¥1,000)

Kind of Business	Stocks for New Establishment		Increase of Stocks in Old Companies	
	No. of Companies	Amount	No. of Companies	Amount
1. Banking	—	0	2	40,000
2. Trust	—	0	—	0
3. Financing	—	0	—	0
4. Warehousing	2	3,400	1	5,000

Kind of Business	Stocks for New Establishment		Increase of Stocks in Old Companies	
	No. of Companies	Amount	No. of Companies	Amount
5. Insurance	—	0	—	0
6. Transportation	52	70,970	23	46,525
7. Railways	2	15,450	2	6,700
8. Shipping	21	21,375	19	37,055
9. Others	29	34,145	2	2,770
10. Mining	90	134,200	41	587,240
11. Electric power and Gas	2	50,500	1	6,525
12. Electric power	2	50,500	1	6,525
13. Gas	—	0	—	0
14. Manufacturing industries	585	761,308	202	1,024,544
15. Spinning	2	550	4	63,700
16. Weaving	14	4,300	4	8,550
17. Chemical	67	454,208	33	166,180
18. Dyeing	3	485	1	1,000
19. Paper	2	500	1	2,750
20. Machine and tool	226	136,970	78	360,155
21. Shipbuilding and Dockyards	4	2,100	4	9,500
22. Ceramic	22	13,380	10	18,670
23. Metal	132	116,095	52	376,839
24. Brewing	1	480	2	1,000
25. Foodstuff	31	11,952	1	500
26. Silk	—	0	1	1,100
27. Timber	9	3,680	2	1,000
28. Miscellaneous	72	16,608	9	13,600
29. Fisheries	7	33,850	1	1,500
30. Agriculture and Forestry	10	5,080	2	1,930
31. Commerce	239	72,667	11	7,030
32. Miscellaneous	124	522,361	9	40,600
33. Total	1,111	1,654,336	293	1,760,894

Kind of Business	Issue of Corporation Bonds		Total		Increase or Decrease (-) as compared with the previous year	
	No. of Companies	Amount	No. of Companies	Amount	No. of Companies	Amount
1. Banking	—	—	2	40,000	1	39,000
2. Trust	—	0	—	0	—	0
3. Financing	—	0	—	0	-7	-6,090
4. Warehousing	—	0	43	8,400	-3	-3,200
5. Insurance	—	0	—	0	—	0
6. Transportation	3	125,000	78	242,495	10	20,660
7. Railways	3	125,000	7	147,150	2	71,404
8. Shipping	—	0	40	58,430	3	-21,189
9. Others	—	0	31	36,915	5	-29,555
10. Mining	2	20,000	133	741,440	-2	424,150
11. Electric power and Gas	6	72,000	9	129,025	-14	-100,010
12. Electric power	6	72,000	9	129,025	-12	-98,510
13. Gas	—	0	—	0	-2	-1,500
14. Manufacturing industries	20	231,183	807	2,017,035	93	-60,398
15. Spinning	1	10,000	7	74,250	-14	-29,500
16. Weaving	—	0	18	12,850	-20	-42,190
17. Chemical	8	81,183	108	701,571	-18	36,306
18. Dyeing	—	0	4	1,485	-11	-11,465
19. Paper	1	3,000	4	6,250	-12	-64,720
20. Machine and tool	9	107,000	313	604,125	108	113,406
21. Shipbuilding and Dockyards	—	0	8	11,600	-6	-60,600
22. Ceramic	—	0	32	32,050	6	-10,100

Kind of Business	Issue of Corporation Bonds		Total		Increase or decrease (-) as compared with the previous year	
	No. of Companies	Amount	No. of Companies	Amount	No. of Companies	Amount
23. Metal	1	30,000	185	522,934	51	127,914
24. Brewing	—	0	3	1,480	- 4	- 3,520
25. Foodstuff	—	0	32	12,452	-10	- 91,418
26. Silk	—	0	1	1,100	1	1,100
27. Timber	—	0	11	4,680	3	- 420
28. Miscellaneous	—	0	81	30,208	19	- 25,191
29. Fisheries	—	0	8	35,350	- 9	2,780
30. Agriculture and Forestry	—	0	12	7,010	- 1	- 56,990
31. Commerce	—	0	250	79,697	-17	- 124,101
32. Miscellaneous	5	113,000	138	675,961	-42	213,379
33. Total	36	561,183	1,440	3,976,413	9	349,179

Comprison of the Past 5 Years 1934-1938

Kind of Business	(In ¥1,000)				
	1938	1937	1936	1935	1934
1. Banking	40,000	1,000	1,000	1,000	—
2. Trust	—	—	7,000	—	—
3. Financing	—	6,090	2,500	1,200	1,000
4. Warehousing	8,400	11,600	1,900	7,200	—
5. Insurance	0	—	—	2,000	2,000
6. Transportation	242,495	221,835	276,488	133,390	222,920
7. Railways	147,150	75,746	239,463	112,860	206,890
8. Shipping	58,430	79,619	30,300	15,200	9,625
9. Others	36,915	66,470	6,725	5,330	6,605
10. Mining	741,440	317,290	122,745	118,165	177,720
11. Electric power and Gas	129,025	229,035	448,315	102,925	214,945
12. Electric	129,025	227,535	444,610	102,825	212,995
13. Gas	0	1,500	3,705	100	1,950
14. Manufacturing industries	2,017,035	2,077,433	647,723	682,042	547,858
15. Spinning	74,250	103,750	72,000	13,550	71,178
16. Weaving	12,850	55,040	17,198	18,195	31,185
17. Chemical	701,571	665,265	163,623	222,500	203,910
18. Dyeing	1,485	12,950	6,200	850	1,725
19. Paper	6,250	70,970	17,627	176,412	4,900
20. Machine and tool	604,125	490,719	108,080	54,875	66,820
21. Shipbuilding and Dockyards	11,600	72,200	18,300	10,100	2,500
22. Ceramic	32,050	42,150	70,800	16,600	49,435
23. Metal	522,934	395,020	107,730	80,150	77,150
24. Brewing	1,480	5,000	8,050	7,950	16,810
25. Foodstuff	12,452	103,870	38,409	24,250	6,750
26. Silk	1,100	—	1,100	—	200
27. Timber	4,680	5,100	1,900	1,800	700
28. Miscellaneous	30,208	55,399	16,505	54,610	14,595
29. Fisheries	35,350	32,570	81,421	5,150	18,400
30. Agriculture and Forestry	7,010	64,000	17,000	8,200	4,200
31. Commerce	79,697	203,798	190,681	157,404	73,330
32. Miscellaneous	675,961	462,582	203,635	208,235	72,079
33. Total	3,976,413	3,627,234	2,000,409	1,426,911	1,334,452

Note: These figures are compiled by the Bank of Japan of the surest proposed schemes for capital issues, each of which is over ¥100,000, in Japan proper, Korea, Formosa and Karafuto, excluding refunding, issues abroad and bank bonds.

NEW CAPITALIZATION OF BANKS AND COMPANIES IN THE FIRST HALF OF 1939
(Compiled by the Industrial Bank of Japan)
(Unit ¥1,000)

Kind of Business	Stocks for New Establishments	Increase of Stocks in Old Companies	Issue of Corporation Bonds
Chemical Industry	105,102	103,980	35,000
Manufacturing Industries	262,206	498,691	40,000
Transportation	37,434	36,846	45,000
Electricity	600	2,720	82,000
Gas	80	100	0
Mining, Fisheries, Agriculture and Forestry	108,171	237,615	73,214
Insurance	0	6,400	0
Warehousing	10	50	0
Trust and Financing	3,712	1,555	100
Banking	0	0	191,565
Commerce	89,851	23,737	0
Miscellaneous	350,000	0	0
Total	957,166	911,696	466,87

Increase (+) or Decrease (-) as compared with the first half of 1938 -15,463-178,983+168,899

As the above table shows the capitalization for new companies decreased by 15 million yen as compared with the first half of 1938, the increase for old companies also decreased by 178 million yen, but the floatation of corporation bonds showed a remarkable increase of 168 million yen because of the better condition of the share market. The increase in manufacturing industries, mining, fisheries, agriculture and forestry is particularly conspicuous.

At the same time the amount of decrease of the old capital was ¥181,652,000, consisting of ¥27,006,000 by the partial decrease and ¥154,646,000 by the dissolution of old companies. As compared with the first half of 1938, the partial decrease was ¥29,412,000 less and the decrease by dissolution was ¥116,509,000 less. Thus the net increase in the amount of stocks was ¥1,687,210,000 in the first half of 1939.

The following tables indicate the general trend of industrial expansion in Japan in recent years which is moving from the so-called light to heavy industries including chemical industry:

INDEX NUMBERS OF INDUSTRIAL PRODUCTION
(Compiled by the Department of Commerce and Industry)
(Base—The average of 1931, 1932, 1933=100)

Year	1932	1933	1934	1935	1936	1937	1938
Total average of manufacturing and mining industries	97.2	112.5	127.4	141.0	150.2	169.7	172.0
Average of manufacturing industries	97.3	113.3	129.1	143.3	151.9	172.4	173.6
Cotton yarn	99.5	109.7	122.9	126.0	127.7	140.4	106.7
Law silk	95.9	95.7	99.1	100.9	91.1	102.6	90.9
Silk yarn	105.8	103.2	101.7	97.6	83.1	75.6	68.9
Woolen yarn	99.5	113.3	105.7	108.0	114.0	118.8	98.1
Cotton tissues	97.4	113.1	127.4	131.7	125.0	131.3	97.0
Silk tissues	98.4	109.1	118.3	112.2	88.1	100.9	89.8
Rayon tissues	111.9	113.8	143.3	203.9	294.3	311.6	380.2
Woolen tissues	101.7	102.7	91.8	101.1	80.6	56.9	44.8
Pig iron	91.7	125.0	151.5	165.2	173.6	119.7	—
Steels	98.5	124.5	156.0	181.9	210.0	248.7	—
Machine and tools	94.9	121.9	159.5	187.7	214.2	252.6	—
Cement	92.3	118.3	118.5	132.1	129.4	143.2	131.0
Sheet glass	90.8	177.4	128.6	134.5	145.9	176.0	130.5
Sulphate of ammonium	102.7	107.0	120.3	144.1	190.4	201.7	219.5
Lime nitrogen	94.3	131.4	117.4	171.6	170.2	242.3	226.8
Superphosphate of lime	101.9	110.8	105.5	125.1	141.6	161.6	126.1
Bleaching powder	92.1	127.6	140.9	161.0	169.8	199.2	183.7
Soda ash	90.7	128.8	163.8	196.5	213.2	229.5	240.7
Caustic soda	96.1	143.9	222.0	287.3	354.6	458.2	593.6
Rayon	95.8	134.5	205.0	299.0	389.5	483.0	297.3
Paper	96.3	106.0	116.0	126.3	134.1	156.3	142.9
Wheat flour	98.1	104.1	101.5	116.5	100.8	97.4	118.5
Sugar	86.8	104.5	100.2	112.9	97.5	100.6	97.4

COMMERCE AND INDUSTRY

Year	1932	1933	1934	1935	1936	1937	1938
Electricity	99.5	113.0	125.4	137.5	150.6	165.7	179.5
Gas	—	—	100.4	104.0	109.8	151.2	132.1
Mining industry							
Average of mining industry	98.3	106.7	115.4	124.1	138.0	169.7	160.1
Gold	97.3	106.5	114.2	140.7	166.6	175.0	—
Silver	94.9	107.8	124.3	147.5	173.8	182.3	—
Copper	99.4	95.9	94.5	97.8	109.4	117.0	—
Sulphur	97.8	132.1	160.4	192.9	225.5	298.5	—
Crude oil	97.6	85.4	90.6	114.9	149.3	152.2	—
Coal	95.6	110.1	121.0	127.9	139.5	149.9	—

INDEX NUMBER OF OPERATIVES AND THEIR ACTUAL EARNINGS

(Compiled by the Bank of Japan)

(Base: 1926=100)

Kind of Industry	1936		1937		1938	
	Number of Operatives	Earnings	Number of Operatives	Earnings	Number of Operatives	Earnings
Raw silk	55.8	64.2	54.5	67.6	53.7	72.0
Spinning	72.9	60.8	77.8	66.4	72.6	69.6
Weaving	79.9	65.5	82.8	69.6	78.9	71.9
Dyeing	122.9	76.2	125.5	78.8	117.1	82.0
Knitting	103.8	65.3	108.2	67.4	104.8	69.7
Machine manufacturing	222.0	91.0	230.8	92.1	422.4	93.6
Shipbuilding	143.0	98.4	137.7	100.7	232.6	104.4
Vehicle manufacturing	125.2	80.0	134.8	82.7	164.9	85.4
Tools manufacturing	171.6	80.6	207.9	82.8	278.4	86.1
Metal works	145.9	95.3	168.6	99.7	204.0	101.2
Ceramics	90.8	81.8	98.5	83.4	99.5	90.6
Paper	89.1	89.5	94.8	94.1	97.2	99.4
Chemicals	147.3	78.7	163.7	81.0	186.6	87.4
Rubber articles	151.0	85.2	156.9	89.6	141.4	89.6
Fertilizers	113.3	95.2	135.0	99.7	158.3	105.9
Foodstuffs	92.8	91.7	97.3	95.2	105.6	99.0
Printing and book-binding	100.8	86.0	102.0	86.5	101.0	89.9
Timber and woodwork	82.6	72.3	82.4	75.9	81.1	82.4

RATE OF PROFIT AND DIVIDEND OF COMPANIES IN 1935-1938

(The Mitsubishi Economic Research Institute Figures)

Kind of Business	1935		1936		1937		1938	
	Profit	Dividend	Profit	Dividend	Profit	Dividend	Profit	Dividend
Ordinary banks	(A) 11.9	6.6	12.1	6.7	12.9	6.7	13.1	6.9
	(B) 11.5	6.6	12.2	6.8	13.0	6.7	—	—
Savings banks	(A) 27.4	7.7	25.6	7.7	22.3	7.6	23.2	7.6
	(B) 28.2	7.7	26.0	8.7	22.1	7.6	—	—
Trust	(A) 17.5	5.6	18.1	5.7	21.7	5.9	18.4	6.3
	(B) 17.6	5.7	18.5	5.7	17.3	6.0	—	—
Bourses	(A) 8.6	6.7	9.2	7.4	13.7	9.8	8.9	6.8
	(B) 10.2	7.7	8.6	7.1	10.3	7.6	—	—
Warehousing	(A) 4.5	2.3	3.6	2.2	1.8	2.4	5.6	2.9
	(B) 4.3	2.4	4.3	2.3	5.0	2.6	—	—
Private railways	(A) 6.8	5.6	7.4	6.1	7.2	6.3	7.2	6.4
	(B) 6.6	5.9	7.5	6.2	7.5	6.3	—	—
Shipping	(A) 9.9	4.0	7.7	4.0	18.0	5.1	16.1	5.8
	(B) 9.3	4.7	9.9	4.1	22.9	5.6	—	—
Transportation	(A) 9.9	6.1	9.8	6.1	12.4	7.7	10.8	6.9
	(B) 9.4	6.1	11.4	6.9	13.4	3.0	—	—

BUSINESS EXPANSION IN 1938

	1935		1936		1937		1938		
	Profit	Dividend	Profit	Dividend	Profit	Dividend	Profit	Dividend	
Foreign trade	(A) 14.7	9.4	11.5	14.3	21.0	12.3	17.2	13.5	
	(B) 13.6	9.1	13.8	10.8	16.5	12.6	—	—	
Department stores	(A) 12.5	8.7	12.8	8.3	13.1	7.9	13.1	8.3	
	(B) 13.0	8.9	14.2	8.2	13.1	8.2	—	—	
Silk tissues	(A) 6.3	2.6	6.4	3.4	9.6	6.5	7.8	5.8	
	(B) 6.9	3.4	6.9	3.4	6.2	5.6	—	—	
Cotton spinning	(A) 22.0	15.5	20.1	14.5	23.0	14.9	19.4	15.1	
	(B) 21.3	15.4	19.6	13.9	20.3	14.1	—	—	
Cotton tissues	(A) 12.3	8.5	8.9	6.5	12.5	8.4	13.4	8.8	
	(B) 10.9	8.1	11.4	6.8	13.4	8.8	—	—	
Woolen	(A) 9.0	8.6	15.4	9.6	16.9	11.3	14.0	9.4	
	(B) 13.7	9.2	16.4	9.7	13.8	9.4	—	—	
Raw silk	(year)	8.1	6.7	6.3	6.3	6.0	4.8	—	—
Hemp	(A) 8.0	6.3	9.6	6.8	12.4	9.2	17.8	9.8	
	(B) 10.2	6.9	10.7	7.3	16.1	9.4	—	—	
Cement	(A) 10.8	7.6	10.0	7.6	9.4	7.1	8.8	6.9	
	(B) 11.3	7.7	8.9	6.7	9.0	6.9	—	—	
Bricks	(A) 11.0	6.5	10.8	7.2	12.2	8.3	16.2	9.6	
	(B) 11.5	7.1	12.1	8.3	13.3	8.4	—	—	
Glass	(A) 29.2	16.8	23.4	17.0	22.9	14.0	22.3	13.9	
	(B) 23.2	18.3	19.6	13.7	21.2	14.0	—	—	
Medicine	(A) 18.6	8.8	19.9	10.3	21.7	9.7	18.4	9.8	
	(B) 19.1	8.7	18.7	3.7	18.2	8.8	—	—	
Industrial Chemical	(A) 16.4	9.9	12.1	8.9	12.6	8.1	1.47	10.0	
	(B) 15.6	10.0	10.2	7.1	13.5	9.9	—	—	
Dyestuff	(A) 30.9	11.8	23.8	12.6	28.1	12.3	21.4	10.5	
	(B) 23.1	10.8	24.9	12.0	20.9	12.0	—	—	
Paint	(A) 10.5	6.9	13.3	8.2	15.6	8.4	16.7	8.4	
	(B) 13.0	7.9	16.7	10.3	15.6	10.6	—	—	
Oils	(A) 11.9	7.6	13.8	9.7	21.0	16.6	12.5	9.4	
	(E) 12.5	8.0	14.6	8.6	14.0	9.3	—	—	
Rayon yarn	(A) 19.1	14.5	14.1	11.5	15.6	11.0	13.8	11.0	
	(B) 17.2	14.4	14.9	11.0	14.4	10.5	—	—	
Paper	(A) 15.2	9.4	12.4	8.9	16.6	9.8	15.1	9.8	
	(B) 16.6	9.4	14.7	9.5	15.3	9.6	—	—	
Fertilizer	(A) 10.1	7.8	13.4	9.5	11.7	8.3	13.4	9.8	
	(B) 12.6	6.7	12.8	9.2	12.8	9.6	—	—	
Other chemical industries	(A) 15.9	8.3	17.3	9.4	20.9	10.1	18.4	11.1	
	(B) 15.9	8.7	14.7	9.5	16.5	9.8	—	—	
Electric machinery	(A) 20.1	9.8	20.1	9.8	18.1	9.5	19.6	10.5	
	(B) 21.4	11.8	20.6	11.5	19.7	11.8	—	—	
Shipbuilding	(A) 6.9	4.6	10.1	5.5	12.2	6.0	13.2	7.1	
	(B) 8.4	5.3	11.0	6.1	10.2	5.8	—	—	
Rolling stock	(A) 15.1	8.4	17.0	9.4	14.8	9.0	18.3	8.4	
	(B) 19.9	11.7	18.0	9.3	17.6	10.3	—	—	
Other machine manufacturing	(A) 18.5	8.8	25.0	10.5	18.4	10.5	16.4	8.6	
	(B) 19.1	9.2	17.6	9.7	18.0	9.2	—	—	
Steel	(A) 19.7	7.0	15.9	7.8	20.0	7.7	23.9	7.7	
	(B) 15.9	7.0	15.9	7.5	21.8	7.6	—	—	
Other metallic industries	(A) 20.9	10.0	18.1	9.2	17.7	8.7	16.3	8.7	
	(B) 16.9	8.5	19.7	10.0	16.4	8.9	—	—	
Beer	(A) 18.7	11.3	20.4	11.5	21.1	11.5	18.7	11.5	
	(B) 18.0	11.3	19.6	11.5	19.3	11.5	—	—	
Sugar	(A) 18.6	9.0	24.6	10.9	26.7	10.9	23.5	11.2	
	(B) 20.8	10.3	26.2	11.2	28.0	11.2	—	—	
Wheat flour	(A) 16.7	10.1	15.9	10.2	14.9	9.4	14.1	9.9	
	(B) 18.8	10.6	15.9	11.1	12.8	9.5	—	—	
Bread and confectionaries	(A) 10.6	6.6	13.2	6.6	14.0	6.7	15.3	7.8	
	(B) 13.1	7.7	12.8	6.7	15.1	7.3	—	—	

	1935		1936		1937		1938	
	Profit	Divi- dend	Profit	Divi- dend	Profit	Divi- dend	Profit	Divi- dend
Mining	(A) 16.9	10.5	16.3	10.5	16.3	10.2	19.2	11.4
	(B) 16.2	10.7	15.9	9.8	17.5	11.4	—	—
Petroleum	(A) 5.1	4.0	11.2	6.8	15.9	9.6	15.9	7.2
	(B) 7.8	4.9	12.6	7.7	16.4	7.9	—	—
Gas	(A) 9.9	8.8	10.3	9.0	10.1	8.8	10.3	8.9
	(B) 9.8	9.0	10.3	3.8	10.1	8.9	—	—
Electric power	(A) 6.8	5.7	9.2	7.4	8.7	7.5	8.5	7.6
	(B) 8.0	6.8	8.8	7.3	8.3	7.3	—	—
Lumber	(A) 6.4	4.8	5.2	4.2	9.3	5.9	13.4	7.2
	(B) 5.9	4.7	5.7	4.2	10.2	6.1	—	—
Fisheries	(A) 21.9	12.7	15.2	11.0	15.5	11.1	14.4	11.2
	(B) 16.4	11.2	14.1	10.4	13.7	10.6	—	—
Land and building	(A) 2.7	2.5	3.4	2.5	5.0	3.4	3.9	3.2
	(B) 3.3	2.6	3.9	2.8	4.0	3.0	—	—
Gum plantation	(A) 7.9	5.8	7.3	5.3	15.1	10.5	7.0	5.6
	(B) 5.5	5.6	8.8	6.6	12.3	8.9	—	—
Life insurance	(year) 83.2	20.2	75.2	18.4	30.4	23.2	—	—
Insurances for damages	(year) 24.2	14.8	25.6	14.5	23.2	26.0	—	—

Note: (A) denotes a half-year period, from March to August, (B) the other half, from September to February of the following year. Profit rate means the rate of net profit against paid-up capital. These figures are obtained by averaging several representative companies for each kind of industry.

Wartime Economic Legislation

The following is an outline of the various laws enacted with a view to facilitating the necessary expansion of the productive capacity of the munitions industry:

Temporary Fund Adjustment Law
This law was promulgated on September 10, 1937, as Law No. 86 and was enacted for the purpose of checking the absorption of commodities and funds by peacetime industries so as to make them available for industries directly connected with the national defence. This law deals with: (1) the adjustment of industrial funds; (2) the extension of the issue limit of the debentures of the Industrial Bank of Japan; (3) the issuance of savings debentures; and (4) the investigation of banking matters.

The adjustment of industrial funds is to be effected in regard to the management of enterprises as well as of banking organs. Six ways of adjustment have been specified, namely, (1) the advancing of loans for the creation, expansion and improvement of industrial facilities, (2) the subscription and underwriting of securities and handling of affairs concerning the issuance of securities, (3) establishment of companies, increase of capitalization and amalgamation of companies or making the required changes in the objects of companies,

(4) the collection of the second and later instalment payments on capital shares, (5) the creation, expansion or improvement of industrial facilities beyond the limit prescribed by decree, without resorting to the means of collecting payments on capital shares or issuing debentures for obtaining loans from banking organs, and (6) the issuance of debentures without causing others to underwrite the debentures or handle affairs concerning their issuance. In view of the requirements of the current situation, preferential right to obtain funds is given to those enterprises which are either directly connected with munitions production, or of basic importance to munitions industry and are short of industrial facilities at present or likely to be short of such facilities in the near future. At the same time, almost prohibitive restrictions are placed on the demand for funds in the case of enterprises which have a surplus productive capacity or which are engaged in the manufacture of luxury goods or such articles as are not in great demand among the general public on account of the prevailing situation.

The extension of the issue limit of industrial debentures is aimed at enabling the Industrial Bank of Japan to issue debentures to the extent of ¥1,000,000,000 instead of ¥500,000,000 as heretofore. This measure together with the provision of the said law for

the recognitions of exceptions in regard to capital increase and debenture issues of industrial companies connected with the urgent requirements of the current situation are the principal steps aimed at facilitating the supply of industrial funds for enterprises connected with munitions industry. In this connection, mention may be made of the fact that the Bank of Japan is also called upon to extend financial assistance in the promotion of the munitions enterprises.

The issuance of savings debentures is intended to absorb the smaller amounts of funds held by the general public as a means of promoting the digestion of Government bonds and to encourage the public to save their earnings. According to this provision of the law, the Hypothec Bank is able to issue savings debentures to the extent of ¥200,000,000.

Detailed regulations for the enforcement of the temporary fund adjustment law were promulgated on September 25, 1937, together with the ordinance concerning the enforcement of the law. Accordingly, all the provisions were put into effect as from September 27 of the same year.

Automobile Manufacturing Industry Law
It was considered necessary to develop the automobile manufacturing industry in this country in order to facilitate and perfect the national defence and the industrial advancement of the nation. Hence the automobile industry law. Through the enactment of this law, the licensing system was enforced for the automobile manufacturing enterprises and were exempted from the income tax, the business profit tax and the import duty. The law also provides that the importation of automobiles or parts thereof may be restricted or subjected to the imposition of a special duty, when such measures are deemed necessary from the standpoint of promoting the domestic automobile manufacturing industry. The enforcement of the law dates back to July 11, 1936.

Temporary Law Concerning Restriction of Movements of Horses
This law aims at facilitating the commandeering of necessary horses in connection with the China incident by putting restrictions on the movements of horses from those cities, towns and villages which are included in the plans for such commandeering to other places. It was promulgated on September 10, 1937.

Temporary Shipping Control Law
Promulgated on September 10, 1937,

this law aims at the general and rational management of shipping in order to facilitate the smooth transportation of commodities in connection with the China incident. It enforces a licensing system for the transfer, chartering and mortgaging of Japanese vessels, authorizes the importation of foreign vessels, controls lines and freight rates and makes stipulations in regard to the manufacture of vessels and seamen. The enforcement of this law started from September 29 of the same year.

Japan Iron Manufacturing Joint Stock Company Law
This law was promulgated on April 6, 1933, with the object of consolidating the foundation of the iron industry in this country. It provides for the organization of the Japan Iron Manufacturing Joint Stock Company as a semi-governmental concern and contains regulations pertaining to the control of the Company.

Iron Manufacturing Industry Law
This legislation aims at the development of the iron industry and the strengthening of the foundation of the heavy industry of the country, thus contributing to the national defence and the industrial expansion of the country. It enforces the licensing system for the iron industry and empowers the Government to grant privileges including exemption from taxes to enterprises connected with the iron industry on the one hand and, on the other hand, enables the Government to strengthen its control over the production and sale of iron and steel and restrict the exportation or importation of the metal when such is deemed necessary. The law was promulgated on August 13, 1937, and has been in force since September 22 of the same year.

Petroleum Industry Law
The enforcement of the licensing system for oil-refining enterprises and oil import business is the principal aim of this legislation. It enables the Government to strengthen its control over the said enterprises and business and provides that persons who are engaged in refining oil or importing oil shall store a specified amount of oil (enough to last for six months, calculated on the basis of the annual amount of imports). Promulgated on March 28, 1934, the law has been in force since July 1 of the same year.

Artificial Petroleum Industry Law
This law aims at the establishment of the artificial petroleum industry as a means of securing the supply of liquid fuel. It requires persons who are

about to engage themselves in the industry to obtain the permission of the Government and provides that the Government grant a subsidy and other privileges such as exemption from taxes, if necessary, in regard to the industry. At the same time, the law stipulates that enterprises connected with the artificial petroleum industry shall be placed under the direction and control of the Government. The law was promulgated on August 10, 1937.

Imperial Fuel Industrial Joint Stock Company Law This legislation is connected with the afore-mentioned artificial petroleum law. It provides for the organization of the Imperial Fuel Industrial Joint Stock Company with a capital of ¥100,000,000 shared by the Government and civilian circles and empowers the semi-governmental concern to take charge of the management of the artificial petroleum industry with a view to its promotion. The law was promulgated on August 10, 1937.

Alcohol Monopoly Law This law aims at the manufacture and sale of alcohol by the Government with a view to ensuring an abundant supply of alcohol to be mixed with volatile oil in conformity with the national fuel policy. It also makes alcohol used for industrial and other purposes a Government monopoly. Promulgated on March 31, 1937, the law has been in force since April 1 of the same year.

Law Pertaining to Mixing of Volatile Oil with Alcohol This legislation created the system of mixing alcohol with volatile oil and aims at economization in the consumption of volatile oil and is also calculated to facilitate the nation to attain self-sufficiency in liquid fuel. It was promulgated on April 1, 1937.

Regulations Concerning Permission for Iron and Steel Works These regulations are contained in the Ordinance No. 24 of the Ministry of Commerce and Industry which was issued on October 11, 1937. Aimed at economizing the general consumption of iron and steel, this ordinance makes the permission of prefectural governors necessary for erecting structures using more than 50 tons of iron and steel. Prepared on the basis of the provisions of Article 2 of the Export and Import Temporary Disposition Law, these regulations were enforced as from October 20, 1937.

Regulations Concerning Restrictions in the Use of Copper. These regulations require the permission of prefectural governors for the use of more than 100 kilogrammes of copper in one

building and were enforced as from November 10, 1937. Aimed at economization in the consumption of copper in view of the importance of this metal for national defence, these regulations were embodied in Ordinance No. 28 of the Ministry of Commerce and Industry which was enacted on November 6, 1937, on the basis of the provisions of Article 2 of the Export and Import Temporary Disposition Law referred to above.

Resources Investigation Law This law was promulgated on April 12, 1929, and has been in force since December 1 of the same year. It was enacted with the object of investigating exact extent of the resources of the nation on a comprehensive scale, inasmuch as the investigations and reports coming within the scope of the Munitions Industry Mobilization Law are confined to resources and raw materials directly connected with munitions production. By means of this new legislation, the Government is able to make extensive investigations through the various Ministries as to the exact extent of the man-power and material resources which the nation can command in time of emergency, the information thus obtained being arranged and co-ordinated by the Resources Bureau, and made available in devising ways and means of supplying the shortage of resources in time of war.

Taxation Laws With reference to the taxation increase effected to raise war funds, it may be noted here that a total sum of ¥269,500,000 was calculated as obtainable during the 1937-38 fiscal year through the operation of the following five laws which were all promulgated on March 30, 1937:

1. Temporary Taxation Increase Law;
2. Law Pertaining to Capital Tax on Juridical Persons;
3. Law Pertaining to Special Tax on Foreign Currency Bonds;
4. Volatile Oil Tax Law;
5. Law Pertaining to Tax on Transfer of Securities.

North China Incident Special Tax Law Promulgated and enforced on August 12, 1937, this law was enacted as a temporary measure to be in effect only for one year. It imposes a special tax on income, a special tax on extraordinary profits, a special tax on dividends, a special tax on bonds and debentures, and a special tax on commodities, all of which are estimated to yield a sum of ¥66,500,000 during the 1937-38 fiscal year and ¥34,900,000 during the 1938-39 fiscal year.

The operations to facilitate the diges-

tion of Government bonds are still centered on the control of industrial funds and mobilization of banking organs and as yet no legislative measures making the possession of Government bonds compulsory have been taken. The Temporary Fund Adjustment Law, as already referred-to, aims at facilitating the expansion of munitions industry by turning industrial funds toward enterprises directly connected with the national defence, while enabling the banking organs to have more money on hand for the digestion of Government bonds by restraining the demand of non-urgent enterprises for funds.

Among the various measures taken to mobilize the banking organs are the following:

a. **Mobilization of the Bank of Japan:** Lowering of the rate for advances on security of Government bonds from 1 sen to 9 rin for the purpose of facilitating the possession of Government bonds by the ordinary banks. Moreover, the Bank of Japan is called upon to purchase Government bonds from the member banks of the National Loans Underwriting Syndicate and other banks in case of necessity;

b. **Mobilization of special banks:** Operation of the Deposits Bureau through the Industrial Bank of Japan, in addition to calling upon the Yokohama Specie Bank to refrain from absorbing call money from the ordinary banks so that the short money market may be eased.

c. **Mobilization of ordinary banks and other banking organs:** The removal of the need for incident bonds to be underwritten by the Bank of Japan as heretofore and the causing of the the Bank of Japan to negotiate with the National Loans Underwriting Syndicate for an increase in the amount of incident bonds underwritten by the latter and to negotiate with banks which are not members of the said syndicate, trust companies, insurance companies, and the Central Chest for Cooperative Associations for similar purposes.

The Government, on its part, adopted a policy of hastening payments as a means of facilitating an easy money market. Other measures adopted by the Government include the operation of the gold fund special accounts, operation of the Deposits Bureau and mobilization of the postal insurance special accounts for the digestion of incident bonds.

With reference to the general public, great encouragement has been given to

savings and economization of consumption. Government bonds are being sold through post offices with a view to mobilizing the small amounts of funds in the hands of the general public, and popularizing the incident bonds.

The Munitions Industry Mobilization Law This law provides that the Government may, in time of war, press the labour of the people into service in the production of munitions but the nation has not yet reached a stage where it would require the application of the provisions of the mobilization law. Nevertheless, the shortage of labour, especially skilled labour, has come to be felt keenly as the expansion of the productive capacity of the nation has made progress. The China incident has intensified this need since it has given a further impetus to the expansion of the productive capacity and necessitated the calling up of a large part of labour to be pressed into service at the battle front.

In order to cope with the situation, the authorities of the Government have already taken steps to train technicians. A total sum of ¥2,020,000 was included in the additional budget for the 1937-38 fiscal year as expenses for various undertakings of the Ministry of Commerce and Industry, the Ministry of Education and the Ministry of Finance in this connection.

The plan worked out by the Ministry of Commerce and Industry called for the creation of three State-managed institutions in Tokyo, Nagoya and Osaka to train mechanics to be assisted by 20 civilian organizations. It was calculated that through this means a total of 2,000 mechanics would be trained annually. Further, a total of 200 workers for gold mines and 400 workers for coal mines are to be trained annually at the hands of civilian organizations commissioned to perform the task by the Government.

The Ministry of Education worked out a plan calling for the training of 2,000 technicians during the latter half of the 1937-38 fiscal year in the technical schools under the management of the Government and public institutes as well as a certain number of assistant instructors and 150 high-grade seamen to be trained within 6 months.

A brief explanation of the various laws connected with the endeavours of the Government to check an evil inflation is given below:

Export and Import Temporary Disposition Law This law empowers the Government to restrict or prohibit the

export or import of specified articles in case of necessity. In case of special need, the Government is also empowered to issue necessary orders limiting or withholding the distribution, transfer, use or consumption of commodities which require to be adjusted in regard to their demand-supply relations and to issue necessary orders limiting or restraining the manufacture of articles using the aforementioned commodities as raw material. Other provisions of the law concern the issuance of orders by the Government for the presentation of reports on necessary matters and the punishment of those who have violated the law. Promulgated on September 10, 1937, this law is scheduled to be abolished within one year of the termination of the China incident.

Gold Production Law This legislation changed the system of empowering the Bank of Japan to purchase gold. Under the new rule, the Government is to purchase gold through the medium of the Bank of Japan. The law also provides for necessary matters concerning the promotion and control of the gold mining industry. It was promulgated on August 11, 1937, and enforced as from August 25 of the same year. On the basis of this law, the Ministry of Finance enacted regulations concerning the use of gold, which put a ban on the use of fine gold over 9 carats for decorative purposes. Apart from this law, the Ministry of Commerce and Industry has enacted regulations intended to encourage the production of gold.

Gold Reserve Appraisal Law and Gold Fund Special Account Law. The enactment of the appraisal law aimed at the revaluation of the gold reserves of the Bank of Japan at the rate of ¥12.93 per one momme (The original rate was ¥5 per one momme). The gold reserves of the Bank of Taiwan and the Bank of Chosen were also revalued in accordance with the provisions of the law. The special account law concerns the creation of a special account with the margin of profits accruing from the revaluation. The special account is to be operated within the limits of the budget to the extent of ¥50,000,000 for promoting the production of gold, facilitating the adjustment of foreign exchange relations and smoothing the digestion of Government bonds. Both laws came into force as from August 25, 1937.

Revision of the Foreign Exchange Control Law Law No. 81 of 1937 and Law No. 87 of 1937 were enacted by

way of revising the Foreign Exchange Control Law. This revision of the foreign exchange control law was effected successively with the approval of the 71st session and the 72nd session of the Imperial Diet. The first revision inaugurated the control over imports without exchange bills while the second strengthened the control over funds held abroad. The ordinance of the Ministry of Finance issued on January 8, 1937, in regard to the import exchange licensing system was revised by another ordinance of July 7 which lowered the exemption point from ¥30,000 a month to ¥1,000 a month. This exemption point was again lowered to ¥100 a month by the ordinance of the Finance Minister which was issued on December 11, 1937, and enforced as from the same day.

Anti-Profiteering Regulations These regulations were enacted through the issuance of an ordinance of the Ministry of Commerce and Industry on August 3, 1937, which revised the previous Ordinance No. 10 of the Ministry of Agriculture and Commerce issued in 1917. Under the old ordinance, the anti-profiteering regulations concerned only 8 kinds of commodities but the number was increased to 26 under the new rule. According to the ordinance, either the Minister of Commerce and Industry or the prefectural governors are to issue warning against cornering for excessive profits or anticipating excessive profits by withholding the sale of goods. They are also to impose conditions on dealings in certain specified articles. Other provisions of the regulations refer to the making of reports on necessary matters and the punishment of those who have violated the regulations. Eight other commodities including timber were added to the list through another revision of the regulations effected on October 26, 1937.

There had been precedences for the fixing of official prices as in the case of petroleum on the basis of the Petroleum Industry Law, fertilizers on the basis of the Fertilizer Industry Law and cement on the basis of the Key Industries Control Law. The scope of such system was enlarged as a result of the outbreak of the China incident and such commodities as raw cotton, cotton yarn, cotton cloth, staple fibre and rubber which all come under the Export and Import Temporary Disposition Law were subjected to the fixing of official prices.

Control of Consumption. The policy of controlling consumption, especially

encouraging the economization of consumption, is aimed at the balancing of international accounts and the adjustment of the demand-supply relations in regard to commodities closely connected with national defence. In addition to restraining the rising tendency of commodity prices, the campaign for economization of consumption took on the shape of an appeal to the spirit of thrift among the general public and was made more effective by the imposition of increased taxes. The restriction of the importation of raw materials through the invocation of the trade control law constitutes a more direct measure of control over consumption.

Among other legislative measures of control over consumption may be mentioned the regulations concerning the mixing of staple fibre with woolen yarn and the regulations concerning the mixing of staple fibre with cotton yarn. Along with iron, copper and gold, paper is also subject to economization, the control being enforced through the manufacturing company which is monopolizing the paper industry in Japan.

Supply of Daily Necessities. Although Japan is generally self-supplied and self-sufficient in the daily necessities of her people, serious considerations had to be given to measures to prevent the decline of the productive capacity of the agricultural community which was feared on account of the decrease in farm labour brought about by the conscription. The Ministries of War, Navy, Agriculture and Forestry, Commerce and Industry, and Home Affairs have already commenced making efforts to replenish farm labour through the operation of an Agricultural Labour Replenishment Commission. The Emergency Rice Disposition Law and the Temporary Fertilizer Distribution Control Law, both passed by the 72nd session of the Imperial Diet, also aim at securing the necessary supply of provisions.

Emergency Rice Disposition Law This law, promulgated on September 10, 1937, makes reserve stocks of rice available for military consumption in connection with the China incident. It also authorizes the Government to purchase rice in accordance with the provisions of Imperial ordinance when the need arises to hold specified quantities of rice.

Temporary Fertilizer Distribution Control Law This legislation is also connected with the China incident. It authorizes the Government to make

adequate dispositions in regard to the demand for, and supply of fertilizers and to regulate their prices as well as entrust their production to responsible persons. The Government is also empowered to issue necessary orders concerning the sale, use, consumption, movement, export or import of fertilizers. The law was promulgated on September 10, 1937.

Social Policy With a view to preventing the occurrence of labour disputes in this emergency period, an appeal has been made to labour organizations to cooperate in tiding over the national crisis and a ban has been proclaimed on the activities of the "Popular Front" movement. The General Federation of Labour already announced its intention of abandoning the tactics of strike in the autumn of 1937. The newly created Ministry of Welfare is now in charge of establishing and maintaining a social policy with a view to consolidating the "home front."

General Mobilization Law The wartime economic system was gradually strengthened in connection with the China incident. On February 19, 1938, the Government presented a bill providing for a law pertaining to the general mobilization of the national resources to the 73rd session of the Imperial Diet. The House of Peers gave its approval to the bill on March 24, following the example of the House of Representatives and the epoch-making legislation thus passed through the Imperial Diet without amendment.

The general mobilization law aims at the most effective display of both the man-power and material resources of the nation in time of war or during an incident of warlike nature by requiring the perfection of all necessary preparations in time of peace. It incorporates the Munitions Industry Mobilization Law as already referred to and all the temporary legislations which were made one after another in connection with the China incident and also includes all necessary provisions concerning the perfection of the general mobilization system.

The principal feature of this legislation is to be found in the fact that it invests the Government with an extremely wide scope of powers in regard to the operation of the general mobilization system, on the ground that the conditions of war are ever-changing and cannot be exactly anticipated. The discussion of the mobilization bill at the Diet meetings was also centered

on the wide-scope authorization and arguments were advanced from the standpoint of Article 31 of the Constitution concerning the extraordinary prerogative in relations to the restriction of the rights and liberty of the people.

The general mobilization law is composed of 50 articles. Article 1 gives the definition of the general mobilization of the national resources while Article 2 stipulates in regard to the mobilization of commodities and Article 3 concerns the mobilization of enterprises. Articles 4 to 20 contain war-time provisions in regard to dispositions concerning labour, commodities, funds, establishments, land, facilities, industries, prices and publications. Articles 21 to 26 stipulate in regard to the general mobilization preparations both in time of war and in time of peace concerning the training of technicians, the maintenance of commodities, the establishment of plans and drills, experiments and researches and the encouragement of enterprises. Articles 27 to 30 concern compensation and grants while Articles 32 to 49 contain penal regulations and Article 50 provides for the organization of the general mobilization council.

With reference to the central organ for the operation of the general mobilization system, the Government announced the following three points as a result of various interpellations made in the course of the 73rd session of the Imperial Diet:

1. The Cabinet is the central supervising organ for the operation of the general mobilization law, the Prime Minister assuming the responsibility for the supervision and the Planning Board taking charge of the adjustment and unification of the general mobilization of the national resources under the direction of the Prime Minister.

2. The execution of the various matters are left in the charge of the various sections of the Government in accordance with the provisions of official regulations, the various State Ministers assuming the responsibilities for the matters coming within their jurisdiction.

3. According to the scale of war, necessary organs are to be created or expanded.

Laws Promulgated in 1938 and 1939
Laws promulgated and put into force during 1938 and the early part of 1939 are given with respective subjects concerned in other chapters.

CHAPTER XI

FOREIGN TRADE

Japan's foreign trade for the last 70 years can be divided into five periods, the first, before the Sino-Japanese War; the second, after the Sino-Japanese War to the outbreak of the Russo-Japanese War; the third, after the Russo-Japanese War to the outbreak of the World War; the fourth, the period following the World War and the fifth, the period after 1937. (For further historical explanations see the Japan Year Book, 1937, pp. 409, 410).

Foreign Trade in 1937

Foreign trade, excluding that of Chosen, Taiwan, and Nanyo, reached during 1937 a total value of ¥6,958,595,000, being made up of ¥3,175,418,000 of exports and ¥3,783,177,000 of imports. These figures, which are all the highest on record, show an increase of ¥482,442,000 or 17.9% in exports, of ¥1,019,496,000 or 36.9% in imports, and of ¥1,501,938,000 or 27.5% in the total value over the figures for the preceding year. While in 1936 the import excess remained at ¥70,705,000, it rose sharply to ¥607,759,000 in 1937, this being second only to ¥846,387,000 of 1924, the year immediately following the Great Earthquake in the Kanto districts. From an examination of this phenomenon, it will be found that the diversion of the economic structure of the country to a war-time basis arising out of the outbreak of the China incident in July, 1937, was one of the main factors contributing to the rapid growth of the import surplus, preventing the course of our foreign trade from turning to a favourable balance even at a time when, in ordinary circumstances, an export season sets in. Thus, the import excess had reached 760 million yen by the early part of September. The introduction of much stricter exchange restrictions and other measures of control, however, caused it to decline at the year-end by 150 million yen as compared with the early part of September. It would appear that the import excess in 1937 is enormous in value, but when its ratio to the total trade value is compared, it may be remarked that it is not so large. In 1905 (the Russo-Japanese War) and 1924 (the year after the Great Earth-

quake), the ratio of the import excess to the total trade value was 20.6% and 15.2% respectively, whereas in 1937, it was only 8.7%. In a situation under which the expansion of industrial productive capacity and the adjustment of and demand for goods were urgently needed, the appearance of such unfavourable balance of trade seems to have been inevitable.

Exports and imports of merchandise during 1937, excluding those of Chosen, Taiwan, and Nanyo, were as follows:

	(In thousands of yen)		
	1937	1936	Increase over 1936
Exports	3,175,418	2,692,976	482,442
Imports	3,783,177	2,763,681	1,019,496
Total	6,958,595	5,456,657	1,501,938
Excess of Imports	607,759	70,705	

Export Trade Although the rate of expansion in the export trade slowed down somewhat in the second six months of 1937, remarkable progress made in the first six months caused the value for the whole year to be raised by 17.9% as compared with the preceding year. Of the principal articles of export, those which declined in value were only vegetable oil, marine products, and refined sugar, these decreasing by 33.3%, 1.4%, and 11.4% respectively. All other articles, however, increased, and the greater increases were found in machinery and parts thereof (33.9%), cotton yarns (43.2%), iron manufactures (34.3%), rayon yarns (53.4%), paper (40.5%), wood (43.4%), wheat flour (76.5%), tea (76.5%), fish and whale oil (51.4%), and copper (53.3%). Turning to the value of the principal articles, it is to be noted that raw silk increased from ¥392,809,000 of the preceding year to ¥407,118,000 in 1937, rayon tissues from ¥149,170,000 to ¥154,860,000, and machinery and parts thereof from ¥82,054,000 to ¥109,881,000. In 1936, the exports of cotton tissues, silk tissues, and knitted goods declined in value, while in 1937 they showed increases of ¥89,474,000, ¥4,259,000, and ¥10,724,000 respectively. It may specially be noted that cotton tissues still head-

ed the list of exports, reaching ¥573,065,000. Vegetable oil, however, decreased from ¥35,496,000 to ¥23,662,000, marine products from ¥22,216,000 to ¥21,916,000 and refined sugar from ¥20,977,000 to ¥18,577,000. Speaking geographi-

cally, exports to all continents indicated increases, and those to Asia, Central America, South America, and Africa showed increases of more than 20%.

The principal exports are given below:

Articles	(In thousands of yen)		
	1937	1936	Ratio to Exports of 1936
Cotton tissues	573,065	483,591	118.5%
Raw silk	407,118	392,809	103.6
Rayon tissues	154,860	149,170	103.8
Machinery and parts thereof	109,881	82,054	133.9
Comestibles in tin and bottle	86,905	71,077	122.3
Silk tissues	72,286	68,027	106.3
Knitted goods	60,713	49,988	121.5
Cotton yarns	54,906	38,345	143.2
Iron manufactures	54,118	40,302	134.3
Potteries	53,971	43,548	123.9
Woollen tissues	50,082	45,956	109.0
Rayon yarns	44,803	29,173	153.6
Toys	42,295	36,459	116.0
Paper	38,708	27,545	140.5
Wood	35,412	24,703	143.4
Glass and manufactures	33,572	25,627	131.0
Wheat flour	30,746	17,622	174.5
Hats, caps and bonnets	26,337	19,736	133.4
Vegetable oil	23,662	35,496	66.7
Tea	23,181	13,130	176.5
Lamps and parts thereof	21,950	18,587	118.1
Marine products	21,916	22,216	98.6
Refined sugar	18,577	20,977	88.6
Articles for personal adornment	15,535	11,853	131.1
Fish and whale oil	15,414	10,180	151.4
Copper	15,105	9,852	153.3
Buttons	13,737	11,635	118.1

EXPORTS CLASSIFIED BY CONTINENTS (In thousands of yen)

Continents	1937		1936		Ratio to Exports of 1936
	Value	Ratio to Total Exports	Value	Ratio to Total Exports	
Asia	1,645,915	51.8%	1,370,970	50.9%	120.0%
Europe	356,299	11.2	307,718	11.4	115.8
North America	659,601	20.8	608,857	22.6	108.3
Central America	54,885	1.7	41,241	1.5	133.1
South America	109,519	3.5	68,761	2.6	159.3
Africa	242,736	7.6	197,703	7.3	122.8
Oceania	106,463	3.4	97,727	3.6	108.9
Total	3,175,418	100.0	2,690,976	100.0	

Import Trade Of the principal articles of import, those which declined in value below the figures for the preceding year were oil yielding materials, wheat, crude sulphate of ammonium, and sugar, their rate of decrease being 2.8%, 12%, 40.5% and 10.1% respectively. All other articles, however, showed increases, and the total value of imports indicated an increase of 36.9% over the preceding year. In particular, gum and

gum resins, wool, pulp for paper making, leather, phosphorite, synthetic colour showed greater increases, the rate of increase being 136%, 148.5%, 173.9%, 182.8%, 137.6% and 148.4% respectively. With respect to the value of the principal articles, it will be found that cotton in the seed and cotton ginned still headed the list of imports, their value remaining in 1937 at nearly the same as in the preceding year. Wool in-

creased from ¥200,898,000 of the preceding year to ¥298,404,000 in 1937, pulp for paper making from ¥67,107,000 to ¥116,720,000, and gum and gum resins from ¥72,957,000 to ¥99,218,000. Oil yielding materials, however, decreased from ¥44,873,000 to ¥43,612,000, wheat from ¥33,651,000 to ¥29,604,000, crude sulphate of ammonium from ¥33,930,000 to ¥20,191,000, and sugar from ¥20,928,000 to ¥18,806,000. As regards the imports from

continents, it is to be noted that all, except Central America, showed increases over the preceding year, and especially those from Africa, Europe, North America and South America increased substantially, reaching 190.8%, 152.7%, 149.3%, and 144.9% of the preceding year.

The principal imports are given below:

Articles	(In thousands of yen)		
	1937	1936	Ratio to Imports of 1936
Cotton in the seed and cotton ginned	851,163	850,452	100.1%
Wool	298,404	200,898	148.5
Pulp for paper making	116,720	67,107	173.9
Gum and gum resins	99,218	72,957	136.0
Beans and peas	92,547	82,601	112.0
Wood	64,817	55,548	116.7
Coal	51,224	51,056	116.0
Oil cake	45,310	35,790	126.6
Leather	44,571	24,366	182.8
Oil yielding materials	43,612	44,873	97.2
Hemp, jute and other vegetable fibres	40,995	37,301	109.9
Phosphorite	30,810	22,393	137.6
Wheat	29,604	33,651	88.0
Crude sulphate of ammonium	20,191	33,930	59.5
Sugar	18,806	20,928	89.9
Synthetic colour	16,928	11,404	148.4

IMPORTS CLASSIFIED BY CONTINENTS (In thousands of yen)

Continents	1937		1936		Ratio to Imports of 1936
	Value	Ratio to Total Imports	Value	Ratio to Total Imports	
Asia	1,295,114	34.2%	1,060,189	38.4%	122.2%
Europe	504,001	13.3	330,123	11.9	152.7
North America	1,374,252	36.3	920,747	33.3	149.3
Central America	18,765	0.5	21,791	0.8	86.1
South America	162,611	4.3	112,190	4.1	144.9
Africa	206,305	5.5	108,143	3.9	190.8
Oceania	222,129	5.9	210,498	7.6	105.5
Total	3,783,177	100.0	2,763,681	100.0	136.9

Foreign Trade in 1938

Japan's foreign trade in 1938, including that of Japan Proper and Karafuto or Southern Saghalien, showed an export excess of 26 million yen. This represents a remarkable improvement over the similar total trade figure for

the corresponding period of 1936 and of 1937 when the import excess rose to huge proportions. In 1938, the volume of foreign trade declined from the beginning of the year to July, causing serious apprehension among observers. However, after July it showed improvement.

Yet, the improvement in the trade balance is not a positive one brought about by increased exports, but rather is a negative one effected by decreased imports. This may be seen from the grand totals which were 2,889 million yen for exports and 2,663 million yen—a decrease of 15.3 per cent for exports and 29.5 per cent for imports in comparison with the preceding year. The trade balance improvement was due to the fact that imports fell off in larger measure than exports.

Foreign trade in 1938 was characterized by several peculiar features. First, her trade with the Kwantung Leased Territory, Manchoukuo and China, which is classified as trade within the Yen bloc, continued to rise despite the general downward trend of her foreign trade. In other words, whereas the exports destined for third Powers fell off seriously, those for the Kwantung Leased Territory, Manchoukuo and China rose favourably from the beginning of the year, totalling 1,165 million yen, an increase of 374 million yen or 47.3 per cent over the corresponding figures of the preceding year. In imports, trade within the Yen bloc totalled 564 million yen, showing an increase of 28.8 per cent over the similar figures for the preceding year. Moreover, the exports to these regions rose so rapidly that the export excess for the period under review showed an increase of more than 70 per cent.

Responsible factors for this favourable trend in the export trade, coming as it did after the remarkable decline witnessed after the beginning of the China Affair in July, 1937, are the increased demand for materials of production needed in 1938 for Manchoukuo's 5-year industrial development plan and the special demands to meet various needs for construction, peace preservation and military operations in China. These factors have been interwoven with speculative demands arising from anticipation of further consolidation in various control policies in Japan.

Secondly, Japan's foreign trade in 1938 was marked by a decline in transactions with the so-called third Powers, those outside of the Kwantung Leased Territory, Manchoukuo and China. That the trade with these Powers should have been extremely unfavourable is an obvious corollary to the increase in trade within the Yen bloc, inasmuch as foreign trade as a whole declined. Japan's trade with

third Powers for 1938 totalled 1,524 million yen in exports and 2,099 million yen in imports, showing decreases of about 36 per cent and 37.2 per cent respectively and leaving an import excess of 575 million yen.

Thirdly, various changes were witnessed in regard to the relative proportions of different goods imported. Government control of foreign exchange and imports was strengthened after 1937 in order to make completely effective use of the capital available in view of the prevailing situation wherein the importation of war supplies and other materials needed to meet immediate requirements had to be precipitated and the importation of civilian supplies for consumption within the country and of materials for the manufacture of goods for export had to be held down. Thus, war supplies and other needed materials continued to be imported in large quantities in 1938 in increasingly larger proportions to other imports. With the exception of agricultural products, coal and fertilizers, all of these other imports declined sharply. Especially sharp was the decline in imports of cotton, wool, raw rubber and pulp, which are important materials for the manufacture of goods for export. During 1938, imports of these four items fell off by 741 million yen or 54.3 per cent as compared with the corresponding figures for 1937. This amount of decrease corresponds to 66.2 per cent of the total decrease witnessed in imports during the year.

Fourthly, the relative proportions among various items of exportation have also undergone some changes, which, however, are not so conspicuous as the changes in articles of importation. Notable among such changes is the fact that, while exports to third Powers generally are tending to decline, goods manufactured from native materials are gradually coming to be exported in larger proportions in comparison with goods for export which depend on imported materials. Another change has been in the gradual decline in the position of exports of miscellaneous goods, which had provided an impetus in promoting Japan's export trade in recent years.

That Japan's export trade with third Powers is in an unfavourable situation has already been stated. This situation may be made clearer by the table given below.

CHANGE IN TRADE OF JAPAN

(Unit: ¥1,000)

	The Japanese Empire	Japan Proper and Karafuto		
		Total	With Kwantung Manchoukuo & China	With Third Powers
Exports				
1938	2,896,770	2,689,677	1,165,540	1,524,137
1937	3,318,820	3,175,418	791,258	2,384,160
1936	2,797,599	2,692,976	657,715	2,035,261
Imports				
1938	2,836,321	2,663,437	564,151	2,099,286
1937	3,954,726	3,783,177	437,906	3,345,271
1936	2,927,975	2,763,681	394,253	2,369,428
Import excess				
1938	—	—	—	575,149
1937	635,906	607,759	—	961,111
1936	130,376	70,705	—	334,167
Export excess				
1938	60,449	26,240	601,389	—
1937	—	—	353,352	—
1936	—	—	263,462	—

Causes of the Decline This decline in exports may be traced to several causes. First, the worldwide economic depression centring around the prevailing depression in the United States has been responsible in large measure for this trend.

Secondly, other causes peculiar to this country have existed. Notable among such peculiar causes is the control on foreign exchange and import trade, which has been tightened to such an extent as to make it difficult to import materials for the manufacture of goods for export, thereby making Japan's commodity prices comparatively higher than in many other countries. The boycotting of Japanese goods, which has been carried on vigorously by Chinese residents abroad, may also be considered a contributing factor here. On account of the above-mentioned difficulty in obtaining materials for the manufacture of export goods, the export trade in cotton yarn and fabrics, rayon yarn and fabrics, hosiery goods and woollen textiles, which depend largely on imported cotton, wool, pulp and such fibrous materials, declined by about 30 per cent.

It may also be pointed out that the decline in the exportation of goods manufactured from imported materials was made sharper than it might otherwise have been by such additional obstacles as the complicated procedures required for imports, the lack of smoothness in the distribution of imported materials and the conversion of some of the materials imported for the

manufacture of exports to uses as materials for goods to meet domestic demands.

As regards commodity prices in Japan, investigation by the Department of Commerce and Industry reveals that wholesale prices according to the September indices for 1938 rose by a little more than 10 per cent over the corresponding period of the preceding year, those for staple goods for import and export rising by 6 per cent and a little over 10 per cent respectively during the same interval.

As for the boycotting of Japanese goods, its effect was felt most seriously in the South Seas region where Chinese residents are numerous. Boycotting of Japanese goods is also under way in some parts of the United States, Great Britain, etc. Instead of being confined to the above-mentioned regions.

Moreover, these factors, which have combined to hamper Japan's foreign trade, have been, it may be conceded, further interwoven with other circumstances such as the hesitation on the part of overseas buyers of Japanese goods due to their anticipation of a lower yen in the future or their insufficient knowledge of financial and industrial conditions in this country, the insufficient supply of labour for manufacturing industries for export on account of the absorption of labour by munitions industries and other so-called "boom industries," and the lack of smoothness in the dispensation of shipping bottoms.

Counter-Measures With the general situation of Japan's foreign trade as outlined above, the Government is taking various special measures to meet immediate requirements in addition to the facilities previously provided for the purpose of promoting export trade. The wartime trade policy is aimed not so much at balancing the nation's international receipts and payments in a negative way as at increasing the power to the maximum while balancing international receipts and payments in a positive way by maintaining and promoting export trade. Such wartime measures are summarized below.

First, procedures to be gone through in obtaining import licences have been unified with the object of facilitating and speeding up procedures required for the importation of raw materials. For this purpose, a portion of the Foreign Exchange Bureau of the Department of Finance has been moved into the Department of Commerce and Industry building in order to keep the two Departments in closer contact than heretofore in coordinating procedures of granting foreign exchange licences and import licences. Further, the regulations governing import licences have been so revised as to simplify necessary formalities.

Secondly, efforts have been made to prevent conversion of raw materials imported for the manufacture of exports to domestic uses. For this purpose what is known as the link system was adopted. This system was first introduced some time ago when it was so arranged that an import licence be given for the importation of the same volume of wool as was contained in the woollen goods exported, the wool imported under this system being required to be exported again as woollen goods within a fixed space of time. This measure was primarily designed to encourage export of woollen goods. Later, with or without slight alterations, this system has been applied to cotton goods, rayon goods, brushes, manilla paper and toilet soap. Another measure taken for the same purpose is known as the bonded factory system, under which system bonded factories may obtain import licences with special facility in case they desire to import materials with the object of re-shipping them for export as manufactured goods.

Still another measure calculated to meet the same purpose was the creation of the foreign exchange fund, which was founded by earmarking 300

million yen out of the 500 million yen specie reserve of the Bank of Japan with a view to facilitating the financing of capital needed for the importation of raw materials for the manufacture of export goods. This fund has been made available for cases where adequate precautions are taken through the link system, the bonded factory system and other measures to prevent the conversion of imported materials to domestic uses. The issuance of what is known as "allowances" of raw materials for the manufacture of miscellaneous goods for export may also deserve cursory mention. Raw materials for miscellaneous goods for export have become the most difficult to obtain owing to the strengthened restrictions on imports, but in view of the important part these goods have been playing in Japan's foreign trade, special discretion has been shown in the procedures of exchange control in favour of the importation of raw materials for the manufacture of such goods for export. In a similar manner, special attention has been paid to the effective distribution of such materials after investigating into the industrial requirements of the prefectures interested with the aid of the prefectural authorities concerned and the Department of Commerce and Industry, in an effort to make the "allowances" of raw materials for miscellaneous goods for export as satisfactory as possible.

Further improvement is now being planned so that nothing may be left undone as regards the importation of materials for the manufacture of export goods.

Thirdly, attention is called to the rectification of high commodity prices. Any measure calculated directly to lower the prices of export goods would be open to criticism from abroad as a recourse to dumping. Therefore, efforts are being made to control general commodity prices in this country through the enforcement of regulations governing sales prices and other measures that may be deemed necessary in controlling commodity prices.

Fourthly, the existing "export compensation system" has been enlarged in scope so that the same system may be applied to goods for export to all parts of the world market and the compensation premiums be lowered, with a view to facilitating the financing of foreign trade. At the same time, it has been arranged that what is to be known as the system of compensating losses of loans advanced on exports

will be newly introduced in order to improve trade finances.

Fifthly, remedial measures have to be taken, apart from those to be worked out through diplomatic channels, in order to remove the economic pressure which has been brought to bear on Japanese goods in overseas markets. For this purpose close contact is being maintained within the various quarters concerned so as to make Government aid available for Japanese merchants in regions where Chinese residents are thriving in business and to rectify mistaken views of the Japanese situation on the part of overseas buyers with the aid of trade information agencies and other private organizations in markets where feelings unfavourable to Japan prevail or knowledge of the Japanese financial conditions is lacking.

Sixthly, exports to the Kwantung Leased Territory, Manchoukuo and China are being controlled in order not to exceed the volumes actually needed in those countries. This control is being effected through enforcement of official regulations, control of distribution and other measures, with a view to increasing the exportation to third Powers of goods manufactured out of imported materials so as to amplify the nation's power to buy from third Powers, inasmuch as the exports to the Yen-bloc countries rose amazingly during 1938.

Moreover, foreign trade among the same group of countries has to be restored to normalcy as speedily as possible. For this purpose, it is necessary to expedite operations for the development of their natural resources

and promote the importation of materials from these resources into Japan. Hence, the problem of controlling exports to the Yen-bloc countries will have to be considered in conjunction with the question of how to promote import trade with these countries.

In the seventh place, other measures are being taken with the object of generally improving foreign trade. The most notable among such efforts is the organization of missions tasked with investigation of overseas markets. These groups have been sent to various parts of the world since 1937, when five of the missions toured the Near East, East Africa, West Africa and South America. The information brought back by these missions having proved considerably serviceable for the purpose of formulating Japan's future trade policy towards these parts of the world, three more similar missions were sent to India, Central America and North America respectively in September, 1938.

Another measure taken for similar purposes calls for the opening of trade facilities bureaus abroad, which were opened at 14 places in foreign countries during 1937. The number of these offices were increased by 12 during 1938 in order to make this system more widely available throughout the world.

Foreign Trade During the First Half of 1939

Imports and exports of the Empire during the six months from January to June, 1939, showed improvement as compared with the similar period of 1938. Details follow:

	Exports	Imports	Excess of Exports (+) or Imports (-)
	(Unit: ¥1,000)		
Jan.-June, 1939			
Japan Proper and Karafuto	1,454,405	1,478,380	(-) 23,975
Chosen and Taiwan	161,121	111,831	(+) 49,290
Total	1,615,526	1,590,211	(+) 25,315
Jan.-June, 1938			
Japan Proper and Karafuto	1,200,833	1,394,473	(-) 193,640
Empire	1,287,801	1,483,272	(-) 195,471

Increase in Exports Of the 13 leading export articles, only cotton textiles, silk textiles and toys dropped in export value from the year before.

The largest gain in the list of leading export goods was recorded by lumber shipments which increased 143 per cent to ¥44,615,000 for the half year. Machinery exports rose by 69 per cent to ¥102,047,000. Shipments of woollen textiles increased by 56 per cent. The bulk of the increase in machinery and

lumber shipments were to the Yen-bloc.

The drop in cotton textile sales by 17 per cent was obviously because of the restriction on shipments to the Yen-bloc regions, but exports to the other countries from the first of this year to June 20 amounted to 993,820,000 square yards, valued at ¥157,970,000, an increase of 39 per cent in quantity and 18 per cent in value as compared with the corresponding period of 1938.

The 21 per cent decrease in the ship-