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JAPAN REPORT

CONTENTS

POLITICAL AND SOCIOLOGICAL

- Political Mystery Man Toshikazu Fuke's Moves Analyzed
(Hiroaki Marukama; ZAIKAI, 4 Sep 84)..... 1

ECONOMIC

- Toshiba Corporation Consolidated Financial Statement
(YUKA SHOKEN HOKOKUSHO SORAN, No 15-2, 20 Aug 83)..... 9
- Kiichi Miyazawa's 'Asset Doubling Plan' Analyzed
(Hiroaki Marukame; ZAIKAI, 31 Jul 84)..... 30
- Nissan Auto Enters 'Finalization' of Its International Strategy
(JITSUGYOKAI, 1 Aug 84)..... 39

POLITICAL AND SOCIOLOGICAL

POLITICAL MYSTERY MAN TOSHIKAZU FUKU'S MOVES ANALYZED

Tokyo ZAIKAI in Japanese 4 Sep 84 pp 92-96

[Political Report in Depth by Hiroaki Marukama: "The Truth Behind 'San-Kaku-Fuku [Miki-Tanaka-Fukuda]' Adjustments"]

[Text] In the evening of the day following the ending of the Diet's session, a general meeting of Tanaka faction's Mokuyo Kurabu [Thursday Club] was held at a hotel in the city. After expressing his appreciation for the work done at the session of the Diet, the titular head of the faction, Kakuei Tanaka, spoke, in the Kakuei manner, as follows: "A 2-year term for the party presidency is a farce. It should be 3 years and as a basic rule, 6 years with a reelection. For a third term, however, there should be a two-thirds approval of Diet members."

Although Nakasone's name wasn't specifically used, this statement was made in support of Nakasone's reelection.

Acting president of the Thursday Club, Masumi Ezaki, Executive Director Shin Kanamaru of the Liberal Democratic Party [LDP], and Finance Minister Takeshita have all publicly endorsed Nakasone's reelection.

Takeshita expressed his endorsement of Nakasone's reelection in the following way: "It is said that a prime minister lasts 2 years and a pop singer 1. What does this mean? Every time we go to a summit meeting, only Japan has a different prime minister so all that takes place is introductions. Wouldn't 4 years be more appropriate?"

The Tanaka corps which controls 120 persons holds the key to determining the president. If the Tanaka corps supports Nakasone's reelection, Nakasone would be in a strong position to be reelected. However, the Fukuda faction headquarters insisting that the race doesn't start until after the closing date for candidacy applications are adamant in claiming support for Abe.

"It's only a general opinion that puts Nakasone's reelection in a strong position. In the final analysis the determining factor of who will become the party president is how the factions line up," says the Abe camp spokesman. "It is quite possible that the final lineup will cause the Nakasone reelection movement to crumble." Abe's support is spearheaded by Mutsuki Kato, Shotaro Shiogawa, Keiji Murata, Yoshiro Mori, Junichiro Koizumi and others.

Abe Group's Scenario

The battle centers on the closing date for candidacy application, 29 October, in the friends of Abe group's scenario which assumes that Toshio Komoto will be unable to get the 50 names needed to enter the ring and will have to withdraw. The scenario then assumes that there will be no primaries among party members and friends, leading to the final election by Diet delegates.

Since there is no way of knowing what kind of talks, negotiations, and deals will be made between the closing date for candidate applications and the real election that comes 3 weeks later, Abe must stand as a candidate, according to the scenario.

The case envisioned by the groups is as follows: (1) Komoto will come around to supporting Abe, making Abe number two in the party; (2) there will be a Fukuda-Komoto-Suzuki factions coalition leading to a one-on-one fight between Nakasone and either Miyazawa or Abe. In this struggle, an opportunity will present itself to defeat the Tanaka-Nakasone alliance; (3) should the 3 factions alliance of Fukuda-Suzuki-Komoto become favored, Nakasone may attach himself to that alliance, opening up the possibility of leaving the Tanaka corps standing alone in the party.

That is the general line of thinking.

Because of those potential eventualities, they say, "Abe, who has raised his head, should not withdraw." And a case is being made for Fukuda to run as an Abe supporter.

In a certain sense, the Fukuda faction is held together by its supporter Abe which really gives meaning to its existence. Under those circumstances, jumping the gun on the other factions, [Fukuda] journeyed to Shichihan-machi in Hokkaido on 28 July after a lapse of 10 months and while the Diet was still in session, to attend the faction seminar.

The one person who has issued a "hold-up!" signal against the faction's intent, is Toshikazu Fuke, the chairman of the transportation committee of the Lower House. Fuke, after conferring with Nobusuke Kishi, charged into the seminar, armed with a "communication." The purpose was to use the prestige of Diet members to put the pressure on Fukuda and Abe to make a decision.

However, Shiro Nakano, Kichizo Hosoda and other cronies of Fuke convinced Fuke to some rethinking and because no opportunity to speak at the seminar was extended to him, Fukuda returned to Tokyo while the seminar was still going on.

"Nakasone, Miyazawa, Abe, and also Komoto, will undoubtedly make final efforts to stand for election," said Fuke. "If Abe should, by some outside chance, become number four, his political life will have ended. If he should be defeated by Miyazawa, it could be deemed that he lacks presidential qualifications. What is the winning strategy for Abe? Nobody's drawn up any strategy.

No LDP cabinet can be formed if Kishi and Tanaka are ignored and this is a fact which has to be faced squarely. Putting up Abe without regard to this fact would be like trying to spit on heaven. That is why I am opposed to putting up Abe. Left as is, Abe will die on the vine. But regardless of what those close to him may say to him, the only one who can prevent him from throwing his hat in the ring is Fukuda. I wanted to explain this rationale, but they would not even let me open my mouth. I am not going to attend Fukuda faction's conferences for a while."

Intered Politics Through Kishi

Fuke is a faction Diet member, having won his first election to it in 1942. There are only 3 members in a category: Takeo Miki and Shutoku Akagi besides Fuke. But he was not a strong campaigner, having 6 wins and 12 losses.

As a young man he became the president of the Kai Shimpo, and utilizing his capabilities to the fullest, made many friends who ranged from right to left. He became so influential that until early in the decade that started in 1955 Kakuei Tanaka asked for his political advice.

The person who dragged this Fuke into politics was the then minister of commerce and industry, Kishi. Through arrangements made by (Naoki) Hoshino, chief secretary at that time, he ran for office and won a seat on his maiden effort. "If I turned my feet in the direction of Mr. Kishi," Fuke says in expressing his feeling of deep indebtedness to his benefactor of that time, "I could not sleep nights." He carried out Kishi's dictates in political activities, expanded much effort in forming Kishi's cabinet and at Kishi's request became the chief of staff for Aichiro Fujiyama. When Fukuda became Kishi's successor. Fuke shifted allegiance to him and supported Eisaku Sato, Kishi's blood brother.

Fuke who was quoted as saying, "Abe is so loveable that I feel I have to help out," was asked how he was able to make the connection. "Mr Kishi," he said, "was thinking in terms of making the husband of his oldest daughter his successor in politics. While in Sugamo prison for war crimes, he requested Eisaki Sato who was bureau chief of Totetsu and me to visit him and he asked that a husband be found for his daughter. He said that neither a politician nor a businessman seemed suitable for the times and that a newspaperman or a government official, preferably the former, would be right. Mr Sato said that he knew no newspaperman so the job fell to me. Mr Kishi said he thought that someone from the first class newspapers such as the ASAHI, MAINICHI, YOMIURI, and Beomie would be best. So I asked among the friends and acquaintances that I had known since my SHA KAI SHIMPO days. "Like the darkness at the foot of a lighthouse, isn't it," teased a veteran reporter, Keiichi Nagasaka of MAINICHI. He said, however, Hiroshi Abe from Yamaguchi who became a Dietman at the same time as Takeo Miki, had a first born son, Shintaro, who was at the MAINICHI. Under such circumstances, there would be no need to make a background investigation, so I immediately conveyed the information to Mr Sato. He said, "That sounds promising," which led to a first meeting with Abe at a chicken barbecue shack behind Shimbashi station. He was tall and good looking. So I got in touch with Mr Kishi's wife who was living at Fuse in Yamaguchi Prefecture, their hometown."

As a result the mother and Yoko traveled to Tokyo and in the presence of Sato and Fuke had a seeing-each-other meeting. It was love at first sight for both Abe and Yoko, and Kishi was also delighted. However, after some time had elapsed, Ruke reported that Abe had turned down the arrangement.

"Communists were strong in all the papers at that time, "Fuke said. "It was when the great controversy arose at YOMIURI. And in the newspaper office, Abe was chided, 'what do you want to marry a war criminal's daughter for?' Abe became hesitant, and I read the riot act to him. "The bride isn't marrying your friends; come on act like a man!" Then I asked, 'Do you or don't you like her?' and because he answered, 'I like her,' I said, 'Then take her' and he replied, 'I'll take her.' And that's how it was. Abe's a straight shooter, you know."

Having acted as go-between for Abe and because he feels the great indebtedness to his benefactor, Fuke says: "While Mr Kishi's eyes are still black, I'd like to establish the route for an Abe government."

Life's Behind-the-Scenes Hobby: Politics

The current kingmakers are Kakuei Tanaka and Kishi. Fuke drops into the Kishi offices at Toranomon and the Kishi residence at Gotemba. There were some rumors about Kishi's ill health but with the exception of some impairment to his hearing his mind is as sharp as ever.

Kishi is using Fuke in his subsurface machinations.

On the one hand, Fuke drops in at the Tanaka offices at Hirakawa-cho to chat with Tanaka to plead that "Abe be made prime minister."

Typical of the pre-postwar faction Dietmen, Fuke's political actions are not based on reason and logic; he is a behind-the-scenes man and one could say that at this point politics is his hobby.

He does not listen to what others have to say, but calmly presses his own opinion on others. Tanaka's resistance to this type is very low; there is a common factor between this weakness and Tanaka's weakness against Shin Kanemaru.

This spring, Tanaka and Raizo Matsuno, who are supposed to get along like cats and dogs, met and talked with each other at an Akasaka restaurant; the one who arranged this was Fuke.

"I ran into Matsuno," he said, "and he tearfully told me that not only did Tanaka come to pay his respects at the wake following Matsuno's wife's death in the spring of last year, but sent a big Gifu paper lantern for the new bon festival [festival for the dead] when even his relatives forgot about new bon. Because he said that 'I've forgotten about the past with Tanaka,' I thought that this was the opportunity for the two to get together and happily it coincided with a party to celebrate my assuming the chairmanship of the transportation committee."

On first glance, Fuke gives the impression of being a vague sort of person, but he is quick to see an opportunity. So it probably follows that both Kishi and Sato have utilized his behind-the-scenes talents.

It is said that Kishi has suggested to Fuke: "Let's go with Nakasone." Fuke replied that "Regardless of what is said, Fukuda probably won't have any ears to listen." The bitterly smiling retort to this was, "No doubt because it would be like halting urination in midstream. The Kishi government lasted only 2 years but it accomplished the Japan-U.S. Security Treaty and carried out other work in a clear-cut orderly fashion."

"Nobody close to Abe understands anything. Nobody knows what has to be done to win. There is a famous old Chinese saying which in effect says, 'gain victory without fighting.' If an Abe government is to be formed, the powers of Tanaka and Nakasone must be tapped. To accomplish this, he must first aggressively move in a 'reelect Nakasone' campaign making Nakasone owe him. After all, Nakasone and Abe have a connecting point in diplomacy so the thing for Abe to do is to concentrate on diplomacy and run three-legged race with Nakasone. Mr Kishi wants that, too. In his statement of declaration of candidacy, there is no doubt that words to the effect that "contributions will be made to world peace through diplomacy" will be included. This means that the two of them together will make this contribution to world peace. The way to go is not with might but with right. If this is done, it follows that both Nakasone and Tanaka will agree on 'Abe, next.' The Tanaka corps supports Nakasone; without utilizing Tanaka's power, political power cannot be seized and this is something that must be fully understood and accepted. Talking about caes (1) and case (2), etc. is only Fukuda thinking. Getting hysterical on merely hearing Tanaka's name mentioned will not lead to the creation of an Abe government. One must look at the situation without getting emotional."

Kishi's Calligraphy Sent To Tanaka

Fuke is afraid that Abe will get entangled in the deep-seated grudge between Tanaka and Fukuda, ending in Abe's candidacy for prime minister. In his opinion, it's impossible to grasp political leadership without the Tanaka corps' 120 persons. For this reason if for no other, there has to be a strategy pertaining to Tanaka established before getting excited about an Abe support movement.

"There isn't any strategist in the Fukuda faction, is there?" Fuke said as part of preliminary remarks leading to a description of his intimate talks with Tanaka. "The relation between Tanaka and Matsuno has been reestablished; Nikaido and I and Matsuno have been on good terms for a long term. That's why Abe is urged to assign Matsuna and me to his staff, but he has no ears with which to listen. The youngsters who are the core of the Fukuda faction should listen just once to what Tanaka has to say. He is saying some interesting things, you know. It is said that Abe has his hat in the ring but at the current rate, he'll be surpassed by Miyazawa."

Having made these preliminary remarks, Fuke went into describing his meeting with Tanaka.

"When I met Mr Kaku [Kakuei Tanaka] in the parlor, I bowed down so low that my head was rubbing the floor mat and pleaded: 'Please make Abe the prime minister at some future time.' To this Mr Kaku said: 'For the Fukuda faction to ask for help for Abe is a first. Fukuda puts me on a radish grater and gives me good rubdown. Ask him to stop doing that, will you? I don't hold any grudge against him. Fukuda has never once asked for any help for Abe. Zenko Suzuki has been around four or five times asking for help for Miyazawa. They chatter about Abe and Takeshita and others, but one does not get to be prime minister just because he's been a cabinet minister two or three times. The Prime minister's chair isn't something that can be had so easily. Sato, Ikeda and I and Fukuda bet our lives on elections and in making money. After 70 is the right age for prime ministership and party presidency; no 60-year old should try to handle it. An Abe government or a Takeshita government could be likened to only a 'second secretary government.'"

If Fuke is telling the truth, he is indeed the king-maker. He is pointing out that no "new leader" can be given that much political influence.

According to Fuke, Nikaido is probably Tanaka's man. "Currently, the one who is holding the party together is either Nikaido or Masumi Ezaki. Because both Nikaido and Ezaki know me, probably neither will claim prime ministership or party presidency for himself."

All of which boils down to reelection for Nakasone.

At the convention, Tanaka's opening remarks were: "At Hakone Mountains, there are those who ride sedan chairs, those who bear them and also those who make the straw footwear for the chair bearers. I pay my respects to you who are the bearers." What he meant by this was that those who seek prime ministership and party presidency must first display devotion to the duties assigned them.

As long as Tanaka has that intent, Abe has no chance of winning even if he throws his hat in the ring but serious thought should be given to the fact that he could be putting his whole political life in jeopardy. So, here again, the one that has to be depended on is Tanaka. Learning that Tanaka wanted to own an item of Kishi's caligraphic accomplishments, [Abe] asked Kishi to present one to Tanaka.

Kishi who studied calligraphy under experts in his Manchuria era is known to be the top calligrapher in political circles.

Upon receipt of the item of calligraphic art from Kishi, Tanaka said, "After placing it in a place of honor in front of the memorial to my older sister who passed away this January, it will be kept as a family treasure."

The Shadow of the Political Sleep Inducer, Matsuno

This also is Tanaka strategy, uniquely Fuke's. These moves by Fuke are viewed coldly by the Fukuda faction: "He likes notoriety; what he really wants is a cabinet minister's post."

"I'm doing it because I like Abe," he says adamantly. "If a ministership were the objective, I would show them that I could do it by myself without any recommendations from the Fukuda factions."

"If matters are allowed to move along unchecked, Abe could become embroiled in Fukuda's problems. Fukuda says Abe will be his successor but he's taken no steps to step down in favor of him. If he really intended Abe to become prime minister and party president, he would have passed the Fukuda faction to Abe. And all he'd have to say to Mr Kaku [Tanaka] is: "Please help Abe." Then if he declares for Nakasone's reelection, Nakasone would undoubtedly pass the torch to Abe for the next term. If this course is pursued, he would become the popular choice in Gumma and when the oldest son stands for election to the Lower House, Nakasone would undoubtedly support that oldest son. If the person in a major area in a high place volunteers that his experience qualifies him for the post of prime minister, that'll be all that's needed. That'll make the person a Komon [Machiavelli] of the Showa era."

There are many who liken Fuke to Don Quixote. But he has substance: He led the fight in the 40-day struggle following the general election 5 years ago; and he took the lead in the anti-mainstream action in the disolution happening of 4 years ago.

He has strangely attractive powers: He can casually drop in on Kishi, Fukuda, Miki, and Tanaka and press his arguments on them.

Although Raizo Matsuno says, "There's no truth in that," Matsuno's shadow is always discernable behind Fuke's movements. It is alleged that, "Matsuno is the last of the political sleep inducers, but he expresses amazement at the volume, richness and speed with which Fuke obtains intelligence: "I don't know where Fuke gets the information but he does, and fast, too!"

No doubt he picks it up while making the rounds. Whenever he has any time, he's calling on someone and he's no prisoner of the faction nor even of the party and that is undoubtedly basis for the "Mystery Man" sobriquet.

These actions, however, have given him a certain odor, causing him to be put in isolation even in the Fukuda faction.

"Without the help of Tanaka and Nakasone," he says, "Abe can't get to the top. If Fukuda sincerely wants to make Abe prime minister, he's got to wash away his past grudges and ask Tanaka to help Abe. He's got to give up the way of might and fall back on the way of right. It is the 'victory without a battle.' If Fukuda takes this course, I will not stand for election; if Fukuda listens to what I have to say, I will not sacrifice only Fukuda. I'll dedicate my entire career from 1942 to Fukuda and will continue to do so to my grave."

In spite of having gone to the trouble of authoring a text to present at the seminar, he was given the cold shoulder by the Abe group. This has made him angry.

But he stubbornly stays with his objective of making Abe the prime minister. Although he says that he wants to "build the road to an Abe government while Mr Kishi's eyes are black," because Ruke is now 72 years old, it is suspected that what he really means is: "Create an Abe government while my eyes are still black."

Fuke's election district is Takamatsu in Kagawa and the house he lives in is the house that Takeyoshi Miki lived in. Mike worked to form the Hatoyama government with the last flickering flame of life in his body which then resembled a dying tree. Is Ruke trying to emulate Miki's way of life?

People crowded around Mike but there has never been a gathering of Fukuda faction's Abe people around Ruke. How is he going to overcome this difference?

This is completely dependent on kingmakers, Tanaka and Kishi. And it also depends on how cleverly Abe uses Fuke who is the only one in the Fukuda faction who has entree into the Tanaka corps.

Currently, Fuke is contriving to assemble Kishi, Tanaka, Fukuda, and Mike into one room. His object is to make Kishi the monitor in a "San-Kaku-Fuku [Miki-Tanaka-Fukuda]" reconciliation meeting which is indeed a unique undertaking.

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ECONOMIC

TOSHIBA CORPORATION CONSOLIDATED FINANCIAL STATEMENT

Tokyo YUKA SHOKEN HOKOKUSHO SORAN in Japanese No 15-2, 20 Aug 83 pp 2-15

[Text] Toshiba Corporation Statement of Audit for the Consolidated Fiscal Year
1 April 1982 - 31 March 1983

Toshiba Corporation Chairman of the Board: Shoichi Saba

Data Audit Completed: 29 July 1983

Audit Office: Tokyo, Minatoku, Aoyama, 1 chome, 2-han, 3-go, Aoyama Building

Audit Firm: Aoyama Audit Corporation

Representative Partner

Participating Firm Member: Toshiji Yamabashi, CPA

Representative Partner

Participating Firm Member: Tetsu Fukuda, CPA

Our auditing company, in order to make a certification of audit on the basis of Article 193:2 of the Securities and Exchange Law, conducted an examination of the Toshiba Corporation consolidated financial statement, which is given below for the consolidated fiscal year 1 April 1982 - 31 March 1983. To be precise, we examined the consolidated balance sheet, the consolidated statement of earnings and retained earnings, and the statement of changes in consolidated financial position.

In carrying out this examination, we conformed to audit standards generally accepted as fair and reasonable and used normal examination procedures.

The results of the audit indicate that the accounting principles and procedures adopted by Toshiba Corporation with respect to its consolidated financial statement conform to standards of corporate accounting that are generally accepted as fair and reasonable (see Notes 1 and 2), and that they were applied consistently according to the identical standards used for the previous consolidated fiscal year. Moreover, the representation of the consolidated financial statement conforms to what is prescribed in Supplementary Provision 2 of the amended "Regulations Concerning the Terminology, Format, and Drafting of Consolidated Financial Statement" (Ministry of Finance Ordinance No 28, 1976).

Therefore, we certify that the aforementioned consolidated financial statement reflects appropriately the financial condition of Toshiba Corporation and its subsidiaries as of 31 March 1983 and the business results of the consolidated fiscal year ending on that date.

No interests exist between the company and this accounting firm or its participating members that need to be reported in accordance with the Certified Public Accountant Act.

1. Consolidated Financial Statement

Table 1. Consolidated Balance Sheet (unit: 1 million yen)

Item	FY 1981		FY 1982	
	As of 31 March 1982		As of 31 March 1983	
	Amount	% of Total	Amount	% of Total
Assets				
I. Current Assets (Note 7)				
1. Cash and deposits	134,491		140,686	
2. Term deposits	124,707		116,396	
3. Negotiable securities (Note 3)	214,322		159,139	
4. Notes receivable and accounts receivable				
(1) Notes receivable	148,999		148,419	
(2) Accounts receivable	374,118		396,996	
(3) Bad debt provision	(9,363)	513,754	(10,258)	535,157
5. Inventory assets (Note 4)	384,467		399,306	
6. Prepaid expenses and other current assets	<u>152,338</u>		<u>170,064</u>	
Total Current Assets	1,524,079	67.0	1,520,748	65.0

II. Long-Term Credits and Investments (Note 7)				
1. Long-term notes receivable and accounts receivable	108,255		116,827	
2. Investments in and loans to unconsolidated subsidiaries and affiliated companies (Note 6)	50,104		51,065	
3. Other investments, negotiable securities and loans (Note 3)	<u>144,309</u>		<u>149,471</u>	
Total Long-Term Credits and Investments	302,668	13.3	317,363	13.5
III. Tangible Fixed Assets (Notes 5 and 7)				
1. Land	36,973		38,366	
2. Buildings and structures	245,363		265,138	
3. Machinery and equipment and other tangible fixed assets	575,399		650,778	
4. Construction in progress	<u>24,146</u> 881,881		<u>27,345</u> 981,627	
5. Accumulated depreciation	<u>(502,885)</u>		<u>(562,813)</u>	
Total Tangible Fixed Assets	378,996	16.7	418,814	17.9
IV. Other Assets	68,034	3.0	83,960	3.6
Total Assets	<u>2,273,777</u>	<u>100.0</u>	<u>2,340,885</u>	<u>100.0</u>

Liabilities

I. Current Liabilities

1. Short-term debt (Note 7)	466,430		499,877	
2. Debentures and long-term debt maturing within 1 year (Note 7)	63,751		58,032	

3. Notes payable	257,740		268,404	
4. Accounts payable	143,323		141,987	
5. Plant-related notes payable and accounts payable	29,073		28,743	
6. Corporate tax reserve and other unpaid taxes	58,472		37,102	
7. Advances received	196,296		183,175	
8. Employee savings deposits	49,520		50,584	
9. Other current liabilities	<u>164,495</u>		<u>177,685</u>	
Total Current Liabilities	1,429,100	62.9	1,445,589	61.8
II. Fixed Liabilities				
1. Debentures and long-term debt (Note 7)	242,004		247,335	
2. Retirement benefit allowance (Note 8)	<u>131,371</u>		<u>147,256</u>	
Total Fixed Liabilities	373,375	16.4	394,591	16.9
III. Minority Interest	<u>73,521</u>	3.2	<u>78,257</u>	3.3
Total Liabilities	1,875,996	82.5	1,918,437	82.0
Capital				
I. Capital - 50 yen per share par value (Note 12)				
Authorized shares 5 billion				
Number of shares issued				
31 March 1982	2,470,043,073	123,502		5.4
31 March 1983	2,485,734,729		124,286	5.3
II. Capital Reserve (Note 12)	124,181	5.5	125,912	5.4
III. Legal Retained Earnings	26,189	1.2	28,185	1.2
IV. Special Reserve	15,706	0.7	14,034	0.6
V. Other Retained Earnings Allocated to Dividends (Note 13)	9,849	0.4	8,696	0.4

VI. Other Retained Earnings (Note 7)				
	<u>100,971</u>	4.4	<u>121,731</u>	5.2
	<u>400,398</u>	17.6	<u>422,844</u>	18.1
VII. Shares in Parent Company Held by Consolidated Subsidiaries (According to Acquired Value)				
31 March 1982 7,782,013	(2,617)		(396)	
31 March 1983 1,167,097				
Total Capital	<u>397,781</u>	17.5	<u>422,448</u>	18.0
Total Liabilities and Capital	<u>2,273,377</u>	100.0	<u>2,340,885</u>	100.0

Table 2. Consolidated Statement of Earnings and Retained Earnings
(unit: 1 million yen)

Item	FY 1981 1 April 1981 - 31 March 1982		FY 1982 1 April 1982 - 31 March 1983	
	Amount	% of Total	Amount	% of Total
I. Sales and Other Income				
1. Sales	2,343,740	100.0	2,401,012	100.0
2. Other income	<u>93,190</u>	<u>4.0</u>	<u>99,040</u>	<u>4.1</u>
	<u>2,436,930</u>	<u>104.0</u>	<u>2,500,052</u>	<u>104.1</u>
II. Cost of Sales & Expenses				
1. Cost of sales	1,695,235	72.3	1,715,263	71.4
2. Sales expenses and general administra- tion expenses	489,884	20.9	541,561	22.6
3. Interest and discount expenses (Note 4)	79,202	3.4	71,574	3.0
4. Other expenses	53,770	2.3	64,957	2.7
5. Minority stockholder income	<u>6,514</u>	<u>0.3</u>	<u>5,409</u>	<u>0.2</u>
	<u>2,324,605</u>	<u>99.2</u>	<u>2,398,764</u>	<u>99.9</u>

III. Corporate Taxes and Investment Income By Equity Method				
Adjusted Prior Year's Earnings	112,325	4.8	101,288	4.2
IV. Corporate Taxes (Note 11)				
1. Current year's portion	82,092		70,087	
2. Periodic adjusted appropriation of corporate taxes	<u>(11,974)</u>		<u>(11,015)</u>	
	<u>70,118</u>	3.0	<u>59,072</u>	2.5
V. Prior Year's Adjusted Investment Income By Equity Method	42,207	1.8	42,216	1.7
VI. Investment Income By Equity Method	<u>2,105</u>	0.1	<u>(3,778)</u>	(0.1)
VII. Net Income for Year	44,312	1.9	38,438	1.6
VIII. Other Retained Earnings				
1. Beginning balance	75,885		100,971	
2. Other increased retained earnings balances				
Dividends	(16,596)		(17,354)	
Reversal of legal earned surplus	(1,803)		(1,996)	
Special transferred reserve	565		1,672	
Stock issue expense	(1,392)		(17,678)	
	<u>(19,226)</u>		<u>(17,678)</u>	
3. Ending balance	100,971		121,731	

(Unit: yen)

I. Per Depository Receipts (50 shares):

1. Net income for year	<u>940</u>	<u>755</u>
2. Dividends	<u>350</u>	<u>350</u>

Per Depository Share on the Basis of
the Number of Shares of Stock Assumed
If all Convertible Debentures Were
Converted into Shares:

Net Income for Year	<u>920</u>	<u>768</u>
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Table 3. Statement of Changes in Consolidated Financial Position
(unit: 1 million yen)

<u>Item</u>	FY 1981		FY 1982	
	1 April 1981- 31 March 1982		1 April 1982- 31 March 1983	
	<u>Amount</u>		<u>Amount</u>	
I. Source of Funds				
1. Working capital obtained from operations				
1) Net income for year		44,312		38,438
2) Increase (decrease) - expenses (income) with no effect on working capital				
(1) Depreciation costs	73,394		86,700	
(2) Provision for accrued retirement allowances (after deduction of retirement payments)	16,215		16,645	
(3) Long-term deferred taxes	(16,494)		(9,283)	
(4) Increase in long-term notes receivable and accounts receivable	(25,819)		(8,572)	
(5) Minority stockholder income	6,514		5,409	
(6) Investment income by equity method	(2,105)		3,778	
(7) Tangible fixed assets and retained profits of investments and negotiable securities	(269)	51,436	(1,074)	93,603
Total		95,748		132,041

2. Proceeds from sale of tangible fixed assets and negotiable securities	7,226	10,871
3. Increase in debentures and long-term debt		
1) Debentures	2,000	
2) Long-term debt	<u>65,877</u>	<u>66,633</u>
4. Investment income by equity method	2,105	(3,778)
5. Increase in capital and capital reserve	89,225	2,515
6. Increase in minority interest by increased investments of subsidiaries and conversion of convertible debentures issued by subsidiaries	<u>18,238</u>	<u>2,502</u>
Total	<u>280,419</u>	<u>210,784</u>
II. Use of Funds		
1. Acquisition of tangible fixed assets	140,022	134,548
2. Decrease of debentures and long-term debt (including decrease due to conversion of convertible debentures into shares)	78,140	61,302
3. Payment of dividends	13,413	18,507
4. Stock issue expenses		
5. Increase of investments in and loans to unconsolidated subsidiaries and affiliated companies (including investment income by equity method)	4,494	961
6. Other investments and negotiable securities and other increases	<u>8,344</u>	<u>15,286</u>
Total	<u>245,805</u>	<u>230,604</u>
III. Increase (Decrease) in Uses of Funds	34,614	(19,820)

Analysis of Changes in Working
Capital Items

I. Increase in Current Assets

1. Cash and term deposits	21,604	(2,116)
2. Negotiable securities	66,780	(55,183)
3. Notes receivable and accounts receivable	11,699	21,403
4. Inventory assets	(18,120)	14,839
5. Prepaid expenses and other current assets	<u>12,324</u>	<u>17,726</u>
	<u>94,287</u>	<u>(3,331)</u>

II. Decrease in Current Liabilities

1. Short-term debt and debentures and long-term debt maturing within 1 year	13,786	(27,728)
2. Notes payable and accounts payable	(43,123)	(8,998)
3. Corporate tax reserve and other unpaid taxes payable	(19,807)	21,370
4. Advance reserves	(1,922)	13,121
5. Employee savings deposits and other current liabilities	<u>(8,607)</u>	<u>(14,254)</u>
	<u>(59,673)</u>	<u>(16,489)</u>

III. Increase in Current Assets	34,614	(19,820)
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Notes On Consolidated Financial Statement

1. Accounting Principles and Procedures and Means of Displaying Consolidated Financial Statement

This consolidated financial statement was drafted on the basis of United States accounting principles and procedures as well as terminology, format, and style of writing (it was chiefly based on the accounting research bulletins, the opinions of the Accounting Principles Board, and the Financial Accounting

Standards Board). However, segment information (accounting information by business) has not been provided.

Among the accounting principles and procedures adopted by this company for the drafting of this consolidated financial statement and the method of displaying the consolidated financial statement, the following are important in their difference from Japanese accounting principles and procedures and method of display.

1) Statement of Changes in Financial Position

The company drew up the Statement of Changes in Financial Position because this is one of the basic financial statements in the United States.

2) Format of Income Statement

The format of the income statement follows a simple accounting formula (a format that indicates income through the deduction of gross costs and expenses from gross earnings).

3) Method of Displaying the Business Tax

The business tax is displayed by including the corporate tax and the residential tax under Corporate Taxes.

4) Distribution of Profits

For the distribution of profits shown in the consolidated retained earnings statement, a method (advance method) was adopted in accordance with the distribution of income related to the business fiscal year corresponding to the appropriate consolidated accounting fiscal year. Furthermore, bonuses for corporate officers through income distribution is treated as selling expenses and general administration expenses.

5) Treatment of Special Reserves and Deduction Entries

For fiscal 1981, on the basis of the Special Taxation Measures Law, the reserves (the price fluctuation reserve and the overseas investment loss reserve) are transferred, and the amount remaining after the periodic adjusted appropriation of corporate taxes is treated as a special reserve. For both fiscal 1981 and 1982, under the deduction entry for fixed assets, the amount remaining after the periodic adjusted appropriation of corporate taxes is transferred and treated as a special reserve.

6) Lease Accounting

Lease transactions are accounted for as "sales-type lease" revenue when the contents of the contract involve certain conditions.

7) Conversion of Foreign Currency-Denominated Long-Term Credits and Debts

Foreign currency-denominated long-term credits and debts are calculated at the exchange rate obtaining on the settlement date.

8) Retirement Benefit Allowance

The retirement benefit allowance accounts for the current value of future obligations of retirement pay from the time an employee enters a company to the term-end, calculated on an actual basis.

9) Bad Debt Provision

The provision for bad debts on notes receivable, accounts receivable, loans, and the corresponding credits is based on an ordinary bad debt estimate that takes into consideration the outlook for the recovery of individual credits and the past bad debt experience rate. Incidentally, under the bad debt provision in the individual financial statements, which exceeds the estimated ordinary bad debt, the amount remaining after the periodic adjusted appropriation of corporate taxes is transferred and treated as a special reserve.

10) Provision for Lost Orders

When a lost order is ascertained, the estimated loss at that time is provided for.

11) Representation of Advance Payments and Advanced Received with Respect to Inventory Assets

Advances received on the basis of order contracts are deducted from the related inventory assets. Incidentally, advanced payments for inventory assets are transferred to inventory assets.

12) Asset Accounting of Interest Expenses

Interest expenses connected with loans for special construction work or long-term contracted inventory assets (this is limited to interest accruing during construction or manufacturing) are accounted for in the acquisition cost of the construction project concerned or the inventory asset.

13) Expenses for the Issuance of Stocks Expenses

Expenses for the issuance of stocks is determined by deducting from other surplus funds the amount following periodic adjustments of the allocations of the corporate taxes.

2. Summary of Major Accounting Policies

1) Consolidation Policy and Investments in Unconsolidated Subsidiaries

The accounts of the parent company and of its subsidiaries (except for subsidiaries of minor importance) are included in this consolidated financial

statement. All major reciprocal items within the consolidated company and unrealized income have been eliminated.

The amount invested in unconsolidated subsidiaries and affiliated companies (hereafter referred to as unconsolidated subsidiaries, etc.) is accounted for in the amount of money calculated by the equity method, with the exception of unconsolidated subsidiaries, etc., of minor importance.

The difference between the amount of company equity and the actual investment cost, which occurs when equity is acquired in consolidated subsidiaries and unconsolidated subsidiaries, etc., (the elimination difference) is treated as income in the year of acquisition because it is of minor importance.

2) Financial Statement Representation of Overseas Consolidated Subsidiaries, Etc., and Conversion of Foreign Currency-Denominated Accounts

The conversion into yen of financial statement items on overseas consolidated subsidiaries and unconsolidated subsidiaries, etc., is accomplished in accordance with the attribution method based on U.S. Financial Accounting Standards Board Rule No 8 (FASE No 8). Foreign currency-denominated credits and debits, which are chiefly denominated in dollars, are converted on the basis of exchange rate on the settlement date.

3) Sales Accounting

Business product sales other than those under long-term contracts are accounted for as sales at the time of shipment, with the exception of certain products that are accounted for as sales upon customer confirmation of receipt.

As for products based on long-term contracts, all equipment connected with such contracts is ordinarily accounted for as sales at the time of shipment. Incidental installation work is accounted for as sales when the installation is completed and the customer confirms receipt.

4) Marketable Securities and Other Investments

Marketable stock shares (short-term and long-term holdings) and other marketable securities are accounted for on the basis of the aggregate acquisition price or the aggregate current price, whichever is lower. Other investments are accounted for on the basis of the acquisition price or the devalued price.

The cost of securities that are sold is accounted for on the basis of the average price of those securities (by name) at the time of sale.

5) Inventory Assets

Raw materials and manufactured products are accounted for on the basis of the acquisition price or current price, whichever is lower. This is usually the acquisition price. Raw materials are calculated on the basis of averaging, and manufactured goods are calculated by the first-in first-out method.

Goods in process are accounted for on the basis of the acquisition price or the prospective realizable price, whichever is lower. As for the acquisition price, goods ordered are evaluated according to the cumulative production cost, and stock items are evaluated according to the first-in first-out method.

In accordance with common business practice, items connected with long-term contracts for which the manufacturing process is over 1 year are included in Inventory Assets.

6) Tangible Fixed Assets and Depreciation Expense

Tangible fixed assets (including major remodeling, improvements, and additions) are accounted for on the basis of the acquisition price. When sold or disposed of, the acquisition price of that asset and the related accumulated depreciation are excluded from the respective accounts, and the difference when the disposal cost is deducted from the book value of that asset is recognized as income for that year.

Small remodeling and improvement expenses as well as maintenance and repair expenses are treated as costs at the time they occur. Depreciation is calculated mainly by the declining balance method according to the depreciation rate based on the expected useful life of the general classification of the fixed asset, the structure, and its classification.

7) Corporate Taxes and Other Retained Earnings Distributed As Special Reserves

Within the differences in income for financial accounting purposes and taxable income for tax purposes, a calculation of periodic appropriation of corporate taxes is made for all items based on the difference in periodic return.

It is acceptable, for tax purposes, for this company and its subsidiaries to establish special reserves on condition that they are incorporated into the distribution of profits or the definite settlement of accounts. Through these reserves, the amount of corporate taxes is treated as deferred taxes since there is the effect of deferring taxes. The amount remaining after the deduction of corporate taxes is represented, for consolidated financial statement purposes, in the "Special Reserve" as a distribution of other retained earnings.

8) Retirement Benefit Allowance

The employees who retire from this firm and its subsidiaries ordinarily are eligible to receive a one-time retirement payment calculated according to the employee's salary at the time of retirement, the years of continuous service, and the reason for retirement. (With regard to employees who retire at retirement age, the employee may select payment by pension or payment combining a one-time payment and pension.)

The Retirement Benefit Allowance is accounted for as the present value of future obligations of retirement pay from the time the employee enters the company to the term-end, as calculated on an actuarial basis (the policy reserve).

Accumulation of an endowment for the purpose of meeting retirement benefit obligations is not carried out. Increases in benefits which arise from temporary revisions of the retirement pay rules are amortized over a 10-year period.

9) Experiment and Research Expenses

Experiment and research expenses are counted as expenses at the time they occur.

10) Earnings Per Depository Receipt (50 Shares)

The calculation of earnings per depository receipt is calculated on the basis of the average number of shares issued each year, except for shares in the parent company held by subsidiaries. The net earnings per depository receipt, assuming that all convertible debentures are converted into shares of this firm or its subsidiaries, are calculated on the assumption that the convertible debentures are converted into shares at the beginning of the year (this will be the date of issue of a convertible debenture for those convertible debentures issued during the year).

3. Marketable Securities

The following information applies to the company's marketable securities and shares:

(Unit: 1 million yen)

	As of 31 March 1982	As of 31 March 1983
Current price of securities	<u>267,979</u>	<u>223,886</u>
Acquisition price of marketable shares included in the following accounts		
Negotiable securities (the amount in the financial balance sheet)	37,608	48,660
Other investments and negotiable securities (the amount in the financial balance sheet)	<u>10,920</u>	<u>9,921</u>
Current price of marketable shares included in the following accounts	<u>48,528</u>	<u>58,581</u>
Negotiable securities	91,240	113,375
Other investments and securities	<u>23,955</u>	<u>23,807</u>
	<u>115,195</u>	<u>137,182</u>

The unrealized earnings on marketable shares for the period ending 31 March 1982 and 31 March 1983 are virtually the same as the difference between the acquisition price and the current price of the above marketable shares. The unrealized loss is minute. The profits from sales of marketable shares in fiscal 1981 and 1982 were 394 million yen and 409 million yen, respectively.

4. Inventory Assets

The following is a breakdown of inventory assets:

(Unit: 1 million yen)

	As of 31 March 1982	As of 31 March 1983
Manufactured products	170,836	166,862
Goods in process		
Long-term contracts	410,844	509,385
Other	105,460	126,001
Raw Materials	<u>26,225</u>	<u>23,732</u>
	713,365	825,980
Advances received deducted	<u>(328,898)</u>	<u>(426,674)</u>
	<u>384,467</u>	<u>399,306</u>

The interest expense on some inventory assets of long-term contracts, which were counted as assets in fiscal 1981 and 1982, was 1,280 billion yen and 1,281 billion yen, respectively.

5. Depreciation Expense

Since the types of fixed assets are numerous and diverse, it is not practical to illustrate the depreciation rate of each. The overall depreciation rate for the acquisition price of tangible fixed assets in fiscal 1981 and 1982 was 4.8 percent and 5.0 percent for buildings and structures, respectively. Moreover, it was 11.4 percent and 12.1 percent for machinery and equipment and for other tangible fixed assets, respectively.

6. Investments in Unconsolidated Subsidiaries, Etc.

Among the unconsolidated subsidiaries, etc., to which the equity method has been applied, shares of two firms are sold on the stock market. Toshiba's equity in these companies as of 31 March 1982 and 31 March 1983 was 7.316 billion yen and 7.847 billion yen, respectively. The current price of the shares on those dates was 12.840 billion yen and 14.249 billion yen, respectively.

Among the unconsolidated subsidiaries, etc., to which the equity method has been applied, 119 firms (sales firms) sell products in Japan. The majority of those products are purchased from Toshiba and its consolidated subsidiaries, and the intracompany profits included in the inventory assets that sales companies possess have been eliminated.

The following summary financial information applies to the sales firms to which the equity method has been applied:

(Unit: 1 million yen)

	<u>Fiscal 1981</u>	<u>Fiscal 1982</u>
Current assets	225,545	257,958
Tangible fixed assets and other assets	33,281	82,302
Total Assets	<u>258,826</u>	<u>340,260</u>
Current liabilities	222,780	275,935
Fixed liabilities	14,802	38,227
Capital	<u>21,244</u>	<u>26,098</u>
Total Liabilities and Capital	<u>258,826</u>	<u>340,260</u>
Sales	<u>684,712</u>	<u>722,914</u>
Net profit (loss) for year	<u>1,392</u>	<u>(257)</u>

The following is the aggregate amount of transactions with the unconsolidated subsidiaries, etc., including sales companies to which the equity method has been applied, and the remainder of debits and credits:

(Unit: 1 million yen)

	<u>Fiscal 1981</u>	<u>Fiscal 1982</u>
Sales	480,959	506,960
Purchases	111,432	125,843
Notes receivable and accounts receivable	73,429	70,844
Sundries receivable	11,175	13,452
Notes payable and accounts payable	38,551	44,002

7. Debentures and Short-Term and Long-Term Debts

The short-term debt (466.430 billion yen on 31 March 1982 and 499.877 billion yen on 31 March 1983) mainly consisted of short-term notes of 6 months duration. Within this, secured loans came to 5.580 billion yen as of 31 March 1982 and 6.164 billion yen as of 31 March 1983. Some of the company's term deposits, accounts receivable, negotiable securities, and fixed assets were provided as collateral. All other short-term debt was unsecured. The majority of banks making such loans and the company signed loan agreements providing that "Toshiba, with regard to its present and future loans, will provide collateral immediately upon the demand of the bank concerned (including the company's deposits in that bank), and through establishment of a guarantor or by agreement, or by other means, the collateral provided will fulfill all debt obligations to that bank."

The weighted average of the short-term debt balance at the end of the fiscal year was about 6.3 percent as of both 31 March 1982 and 31 March 1983. The following is a breakdown of the debentures and long-term debt as of 31 March 1982 and 31 March 1983:

(Unit: 1 million yen)				
	<u>Repayment Date</u>	<u>Interest Rate</u>	<u>31 March 1982</u>	<u>31 March 1983</u>
Loans from banks and insurance companies	1982-2115	3.2%-16.9%		
Secured loans			93,636	92,023
Unsecured loans			162,871	176,631
Secured debentures	1982-1992	6.3%-9.9%	43,045	32,527
Yen-denominated convertible debentures	1983	6%	2,360	1,463
Yen-denominated convertible debentures	1984	8.7%	1,577	1,286
Dollar-denominated convertible debentures	1994	7.25%	2,266 (9.19 mil. \$)	1,437 (5.991 mil. \$)
			305,755	305,367
Subtraction of amount due within 1 year			(63,751)	(58,032)
			242,004	247,335

The enterprise mortgages among the secured debentures totalled 37.973 billion yen as of 31 March 1982 and 29,143 billion yen as of 31 March 1983. The holder of an enterprise mortgage is inferior to other mortgages, but is superior to other general creditors; it is a right enabling the holder of the claim to receive settlement from the financial assets of the company. The remaining secured debentures are secured mortgages.

The contracts of the secured debentures and some of the secured loans contain a provision that allows for requests for additional collateral from the creditor. The contracts in the majority of unsecured loans contain a provision acceding to security requests or guarantee requests from creditors. The contracts in some of the secured loans and the unsecured loans contain a provision requiring prior approval of the banks and trust companies that are creditors when distributing profits (including cash dividends).

The following is a summary of assets provided as security for debentures, short-term and long-term debt as of 31 March 1982 and 31 March 1983:

(Unit: 1 million yen)

	<u>As of 31 March 1982</u>	<u>As of 31 March 1983</u>
Term Deposits	3,700	2,000
Notes receivable and accounts receivable (including long-term)	56,429	51,177
Negotiable securities and investments and securities	4,908	4,995
Tangible fixed assets	<u>36,429</u>	<u>37,025</u>
	<u>101,466</u>	<u>95,197</u>

Yen-denominated convertible debentures at 6 percent interest (with a conversion price of 143.40 yen per share) and yen-denominated convertible debentures at 8.7 percent interest (with a conversion price of 140.40 yen per share) can be redeemed by purchase at any time. A sinking fund reserve of 1 billion yen semiannually is required for the yen-denominated convertible 6 percent debentures and a reserve of 500 million yen semiannually for the yen-denominated convertible 8.7 percent debentures. The reserves of these semiannual sinking funds exempt from the reserve past amounts converted to stock and redeemed debentures. At the company's discretion, all or part of the 6 percent and 8.7 percent yen-denominated convertible debentures can be redeemed at 100 percent face value. According to the yen-denominated convertible debenture agreement, Toshiba cannot make a dividend payment that will cause the aggregate dividends payable after 1 April 1973 to exceed an amount adding 12 billion yen to the aggregate net income for the year of the parent company after deduction of the tax reserve (according to the rules of the financial statement).

Dollar-denominated convertible debentures at 7.25 percent interest can be converted into shares at 196.20 yen per share (converted at a fixed conversion rate of 226.45 yen to the dollar) up to 29 September 1994. There are cases wherein these convertible debentures have been adjusted in accordance with the rules of the trust instrument. Toshiba, at its own discretion, can, after 30 days prior public notice, redeem, at any time, all or part of its convertible debentures by attaching the accrued interest up to the date of redemption to the maturity value, which is diminishing successively from 103.5 percent of face value.

If all convertible debentures had been converted, an additional 41,927,174 shares would have been issued as of 31 March 1982 and an additional 26,121,937 shares as of 31 March 1983. Both amounts are within the authorized share limit.

The following is the estimated amount of repaid debentures and long-term debt for each year as of 31 March 1982 and 31 March 1983, respectively:

(Unit: 1 million yen)

<u>Year</u>	<u>As of 31 March 1982</u>	<u>As of 31 March 1983</u>
1982	63,751	
1983	56,717	58,032
1984	56,547	61,343
1985	39,127	52,278
1986	36,480	53,951
1987 and beyond	53,133	
1987		36,736
1988 and beyond		<u>43,027</u>
Total	<u>305,755</u>	<u>305,367</u>

8. Retirement Benefit Allowance

The amount counted as retirement benefit allowance expenses for 1981 and 1982 was 36.088 billion yen and 31.514 billion yen, respectively.

9. Experiment and Research Expense

The amounts of experiment and research expense in 1981 and 1982 was 89.530 billion yen and 118.654 billion yen, respectively.

10. Foreign Exchange Conversion Differential

The foreign exchange conversion loss in 1981 and 1982 was 5.794 billion yen and 4.372 billion yen, respectively.

11. Corporate Taxes

Toshiba is assessed a variety of taxes against its income, and its standard effective tax rate is 56 percent.

For tax law purposes, the loss carry forward of the consolidated subsidiaries was 12.111 billion yen as of 31 March 1982 and 12.074 billion yen as of 31 March 1983. The majority of each of these can be deducted between 1983 and 1987.

In 1981 and 1982, the total amount of corporate taxes on earnings prior to corporate tax credits differed from the taxable amount calculated by the standard effective tax rate. That was caused mainly by losses that occurred in the consolidated subsidiaries and by expenses that were not added to the tax loss.

12. Capital and Capital Reserve

On 1 October 1981, Toshiba issued 200 million shares of stock at an issue price of 408 yen per share. By this means the company increased its capital to 10 billion yen according to the aggregate par value of the stock issued. Moreover, it increased its capital reserve by 71.6 billion yen. Other increases are mainly the result of conversion of convertible debentures into shares.

At a board of directors meeting on 23 May 1983, it was decided to allocate, gratis, 0.05 new shares of stock to stockholders of record for each share of stock in their possession as of 30 September 1983.

13. Other Retained Earnings Allotted for Dividends

Dividends that were officially approved at the shareholder's meetings in June of 1982 and 1983, and were subsequently paid, are indicated as "Other Retained Earnings Allotted for Dividends."

14. Commitments and Contingent Liabilities

Commitments with regard to the purchase of tangible fixed assets as of 31 March 1982 and 31 March 1983 were 9,167,000,000 yen and 15.4 billion yen, respectively.

Total rents paid for 1981 and 1982 were 18,059,000,000 yen and 19,913,000,000 yen, respectively. These rents came from cancellable rent contracts for office space, warehouse space, and company living quarters. These rental contracts are normally renewed.

Incidental liabilities connected with the guaranteeing of loans, endorsements, and discounts of notes receivable that arose from ordinary business transactions were 269,968,000,000 yen as of 31 March 1982 and 286,296,000,000 yen as of 31 March 1983.

Toshiba and its U.S. subsidiary are defendants in two triple damage action suits, which state that they are in violation of the U.S. antitrust law and antidumping law. Several other Japanese corporations which sell consumer electronics products in the United States are also defendants in these suits, along with their U.S. subsidiaries. The plaintiffs are two U.S. manufacturers of consumer electronics products. The damages sought by the plaintiffs in these two cases were totally dismissed at the pretrial stage, but the plaintiffs are appealing to overturn this decision. Toshiba and its legal counsel believe that the decision of the court is correct.

12259

CSO: 8129/1465

ECONOMIC

KIICHI MIYAZAWA'S 'ASSET DOUBLING PLAN' ANALYZED

Tokyo ZAIKAI in Japanese 31 Jul 84 pp 56-60

[Report by Hiroaki Marukame]

[Text] The asset doubling plan follows in the same spirit as the "Income Doubling" of former Prime Minister Hayato Ikeda and the "Archipelago Reconstruction" of former Prime Minister Takuei Tanaka. Having received praise from Tanaka, the "king-maker," the Miyazawa strategy--which emphasizes policy--may become a threat to Prime Minister Nakasone, who is seeking reelection. We have obtained a top secret "interim report" on the matter, and will now convey its contents.

As Ikeda's brain, Miyazawa also participated in the drafting of the income doubling plan. However, Miyazawa was negative about income doubling. This was because he was concerned that income doubling would cause inflation, and because he felt it might "ignore the farmers."

The income doubling, archipelago reconstruction, and asset doubling plans all spring from the same idea. Income doubling was to increase the size of the economic pie, giving emphasis to flow. Archipelago reconstruction attempted to expand the scale of the economy, giving weight to regional development. Miyazawa's asset doubling would attempt to stimulate the economy through the development of public assets such as parks and subways.

Although Miyazawa openly uses the slogan "asset doubling," he has not indicated the details of his plan at all, because the words of Ikeda are clearly remembered.

Policy Exerts' Kochikai

With Ikeda's income doubling plan, many questions were raised, such as whether it was to double personal income alone, whether it was to include public works, or whether it referred to Gross National Product. Even though Ikeda's forte is dealing with figures, he strenuously avoided giving the exact figures.

He got his way, answering questions at the plenary session of the House of Representatives and the Budget committee with "If personal income goes up, consumption will also increase, production will be energetic, expenditures on public works will increase, and as a result, the GNP will increase. Therefore, I cannot give you the figures on how much each will increase."

Nevertheless, Ikeda achieved his goals as the Japanese economy, under the "income doubling" slogan, experienced a wave of high growth.

In contrast with this, Kakuei Tanaka, who burst on the scene, trumpeting the cause of archipelago reconstruction, encouraged the likes of then Director of the General Development Bureau of the Economic Planning Agency (Shimokabe), clarified his specific plans, and introduced the "Multiple Purpose Development of the Land Bill." Despite this, he met opposition from the academics and the opposition parties, and the bill was transformed to a watered-down Diet version, the "Land Utilization Plan," which contributed to the downfall of the Tanaka cabinet.

However, Miyazawa's strategy is making steady progress at this time.

Men such as LDP Executive Council Chairman Shin Kanemaru and LDP Policy Research Council Chairman Masayuki Fujio have expressed their intention to oppose the zero-ceiling or negative ceiling for the FY 85 budget. Their numbers are expanding to a majority within the party. This was clearly touched off by Miyazawa's asset doubling plan.

The Kochikai Suzuki faction, for which Miyazawa serves as acting chairman, has so many policy experts that it is called the "bureaucrats' faction." Because of this, one cannot remain silent if one is to create a mood. Therefore, upon learning Miyazawa's intentions, people such as Shiozaki and Tsushima, former Finance Ministry officials, put together an interim report on the "New Economic Plan" (asset doubling plan). This report will be fleshed out and pamphlets will be distributed at the first faction study meeting in September, but following Ikeda's example, Miyazawa has blocked publication of the interim report.

Main Points of the Top Secret Material

Let's now take a look at secretly obtained material on what is contained in the interim report.

The "Interim Report" is made up of three sections: "Introduction," "The Framework of Growth," and "The Concept of Asset Doubling."

Introduction

The Japanese economy has not only skillfully weathered the oil crises over the past 10 years, but in the course of doing so, has undergone extensive technological development and is now re-emerging as a new force.

Advances in electronics and information-related technology have greatly exceeded our past expectations, and we anticipate a technological revolution in new fields such as new materials and biotechnology in the future. Because of the new media, social changes are taking place slowly, but steadily.

As a result of all this, Japan's industrial structure is undergoing major reform, and it is believed that by the start of the 21st century, Japan will have undergone economic and social changes even more drastic than those experienced by Japan in the mid 1950's. Japan now stands at the point of departure for this new age. (Omission)

Provided that we do not err in handling this opportunity, the Japanese economy shows the potential to take another great leap between now and the 21st century--a great leap for the second time, since the period of the 1950's-1960's.

First, what about the demand side?

Because the people's need for basic goods necessary for life has been satisfied, one might say that the people are "indifferent toward things." However, we believe that the people's demand will continue to diversify toward higher quality goods and services. It is difficult to believe that consumption has reached its saturation point.

Now, the demand we must satisfy before all others is that for the domestic housing stock and social capital. As a result of income doubling in the 1950's and 1960's, the per capita income in Japan is now among the highest in the world. However, because this flow has not accumulated as housing and social capital stock, the people feel a lack of depth or richness of lifestyle. (Omission)

In addition to improving the social capital in the areas of housing as well as sewers, parks, roads, urban redevelopment and other areas of the living environment, we must also replace facilities that were built earlier as temporary structures with permanent and attractively constructed, good quality facilities. Although a tremendous amount of resources and funds will be required for this, Japan's economy has the potential to yield this in the future. At present, Japan tends to export its economic power to excess, and this has given rise to a great deal of international friction. By improving domestic demand, especially in the area of housing and social capital, we can reduce the pressure to export and thereby ease the economic friction.

We must revise the common notion that improvement of the social capital is a job entirely for public financing and administration. We must change the outlook of the legal and regulatory system and change the views of people involved so that we can introduce private sector vitality--including private capital, private technology, and private sector consensus--as well as positive efforts from public financing.

Next is the problem of the budget. As an after-effect of escaping from the recessions in the past, Japan's budget is afflicted today with a large deficit. Considering that we will soon have an aging society, we must rebuild the budget immediately.

Although budget economizing efforts in the past such as deferring general annual expenditures over as much as 4 years deserve special mention, we have started to see limits to this. At the same time, it is unlikely that the people will accept large scale new taxation in order to rebuild the budget. Thus, the only way left open to us is to tap fully the new potential of our nation's economy, revitalize the Japanese economy and generate the funds to rebuild the budget through growth. We believe this is possible.

Over 20 years have passed since our predecessors raised the "income doubling" standard and aimed to expand the flow of the Japanese economy. Looking toward the 21st century, we now intend to raise the flag of "asset doubling," with the aim of doubling Japan's economic stock or the assets of the public and each individual.

In the 10 or so years until the 21st century, we will try to make this the age of the second great advance of the Japanese economy, and reach the goal of doubling our assets.

The Goal of 8 Percent Nominal Growth

The Framework for Growth

The following are preliminary calculations of what we will find if we consider the above in detail, within the framework of growth.

First of all, our goal will be an average economic growth rate of 7-8 percent, nominally, for the 10 years beginning in 1985, or 5 to 5.5 percent in real terms. Policy measures necessary to achieve this include working to get the level of interest rates below the growth rate, as well as instituting special redemptions and other forms of investment tax reductions for business. The government's fixed capital formation should increase every year at a rate close to the economic growth rate, although this will depend on the status of the budget reconstruction.

As a result of this, the size of the Japanese economy (nominal GNP) can be expected to reach about 450 trillion yen by 1990, and 650 trillion yen by 1995.

As for the international balance of accounts, assuming that the value of the yen will rise to some degree, it is estimated that the current accounts balance will settle at about 20 billion dollars in the mid-1990's. This is equivalent to about 1 percent of the GNP, and if one takes into account such things as our increase in aid to the developing countries, this amount of a current accounts surplus is necessary.

Let us now attempt to calculate the possibilities for a budget reconstruction within the above framework. If we establish the variable for tax income at 1.2 and include a small decrease in the interest level of national bonds, it will be possible to escape from reliance on special bond issues by 1990. If this is accomplished, a 3 percent average annual increase in general expenditures would be permissible.

Now, in order to increase the amount of public investment, we will consider in a flexible manner (1) the easing of regulations, accompanied by the active introduction of private funds; (2) full use of the special revenue sources system; (3) introduction of funds from low-interest foreign bonds; and (4) after budget reconstruction, the issue of construction bonds.

Table 1. Summary of Asset Doubling

		(1) (5) 資産倍増の概要 (2)			(3)		
		フローの変化 (兆円)			ストックの変化		フローからストックへの影響
		(4) 57年度 (実績)	59年度 (見込み)	70年度 (見通し)	(6)	(7) 最近時点	(8) 70年度
(9)	国民総生産(名目)	267	296	650程度			
(10)	国民総生産(50年価格)	205	221	390程度			
(11)	政府固定資本形成 (50年価格)	18	18	28程度	(12) 社会資本 ストック 金額 (50年価格)	(13) 180兆円 (56年度 末)	(14) 360兆円 程度 57~70年度累積投資額 300兆円程度 その他社会資本向け投資 や除却にまわるものを除 き、約180兆円が社会資 本ストックに追加される
(16)	住宅投資 (政府、民間計 計50年価格)	11	11	(17) 21程度	(17) 住宅ストック 金額 (50年価格)	(20) 102兆円 (57年末)	(22) 200兆円 弱 59~70年度累積投資額 200兆円程度 約800万戸の建て替えを 含め、1500万戸程度の住 宅建設が行われるととも に、規模の拡大等質的向 上が図られる。
				(19) 1戸当り面積	(18) 住宅戸数 3865万戸 (58年)	4500万戸 程度 86㎡ (58年)	95㎡ 程度

(21) (23)

Key:

1. Change in flow (trillion yen)
2. Change in stock
3. Effect of flow on stock
4. FY 83 (actual figures)
5. FY 85 (estimate)
6. FY 95 (estimate)
7. Recent times
8. FY 95
9. GNP (nominal)
10. GNP (in 1975 prices)
11. Government fixed capital growth (1975 prices)
12. Social capital stock, in yen (1975 prices)
13. 180 trillion yen (end of FY 81)
14. About 360 trillion yen
15. Accumulated investment FY 82-FY 95: about 300 trillion yen. Excluding other investment in social capital and other exceptions, about 180 trillion yen would be added to the social capital stock.
16. Housing investment (government and private, combined; 1975 prices)
17. Housing stock, in yen (1975 prices)
18. Number of homes
19. Area per home
20. 102 trillion yen (end of 1982)
21. 38.650 million homes (1983)
22. Nearly 200 trillion yen
23. About 45 million homes
24. Accumulated investment FY 84-FY 95: about 200 trillion yen. Including about 8 million homes to be rebuilt, about 15 million homes would be constructed, and quality of housing would improve, including an increase in the size of homes.

Table 2. The People's Welfare Under Asset Doubling

		資産倍増下の国民の暮らし		
		(1)	(2)	
		最近時点	1970年前後	
(3)	住宅1戸当たり面積	(4) 86㎡ (58年)	(5) 95㎡程度	
(6)	最低住宅水準以下世帯数	400万世帯 (58年)(7)	おおむねゼロ	(8)
(9)	下水道普及率	(10) 33% (57年度)	60%近く	(11)
(12)	1人当たり都市公園面積	(13) 4.4㎡ (57年度)	7㎡程度	(14)
(15)	高速自動車国道供用延長	(16) 3,435km (58年度)	5,000km近く	(17)
(18)	一世帯平均年収	(19) 500万円 (57年)	1000万円程度	(20)
(21)	貯蓄残高対年収比	1.4倍 (57年)	1.8倍程度	(23)
(22)				

Key:

- | | |
|---|---|
| 1. Recent times | 13. 4.4 square meters (FY 82) |
| 2. Around 1995 | 14. About 7 square meters |
| 3. Area per household | 15. Extension of super highways |
| 4. 86 square meters (1983) | 16. 3,435 km (FY 83) |
| 5. About 95 square meters | 17. Nearly 5,000 km |
| 6. Number of households below the minimum housing standards | 18. Lifetime average annual income |
| 7. 4 million households (1983) | 19. 5 million yen (1982) |
| 8. Almost none | 20. About 10 million yen |
| 9. Sewage rate of dispersion | 21. Ratio of savings balance to annual income |
| 10. 33 percent (FY 82) | 22. 140 percent (1982) |
| 11. Nearly 60 percent | 23. About 180 percent |
| 12. Per capita area of city parks | |

Three Pillars of Asset Doubling

The Concept of Asset Doubling

In looking at the specific details of asset doubling, we will first consider doubling the housing stock.

Japan's housing stock doubled, in monetary terms, over a period of 5 years around 1970, and from the mid-70's until recently, doubled over a 10 year period. At present the housing stock is worth about 100 trillion yen (in 1975 prices). There are 38.65 million houses, exceeding the number of households. Thus, in terms of volume, the housing situation in Japan could be said to be adequate. However, Japan still lags behind in the area of housing quality; for example, there are still 4 million households that do not satisfy the minimum housing standards that have been set as a policy goal (50 square meters per 4-person family).

In the future, we must place the emphasis on improving quality rather than the number of houses. To accomplish this, we will first aim at eradicating housing below the minimum residential standards by 1995. Second, we will aim to have new houses constructed at a size of at least 100 square meters.

Because about 90 percent of the housing stock is private housing stock, it will be essential to fully mobilize the private sector vitality in order to improve the housing stock in the future. It is important to create conditions to enable this to take place.

In creating these conditions, since the core of the housing problems in large urban areas is the problem of land, it will be necessary to change our thinking from the relief that mere ownership is a goal in itself for lands that are national public assets; rather, effective use is the true purpose of such holdings. Therefore, we will first of all consider promoting the supply of land for housing and rationalizing the cost of obtaining land by introducing land-lease and land trust systems for the effect use of unused or under-utilized land in large urban areas.

Second, we will promote housing construction that does not entail new land purchases, giving emphasis to reconstruction, enlarging, and remodeling.

Third, we will actively promote urban redevelopment and obtain housing in urban areas through efficient use of land.

Fourth, in order to rebuild poor quality private housing and provide good quality rental housing, we will review the land lease and housing lease laws and we will promote rationalization of the laws and systems involving housing, by such steps as revising the rules on rent.

Fifth, we will expand the preferential treatment of interest on housing loans in the tax system. Through these kinds of policy moves, we will attempt to bring vitality to private investment in housing. This, together with government efforts in the area of improving public housing, is expected to bring about 200 trillion yen (in 1975 prices) in accumulated housing investment by 1995. During that period, construction of about 15 million homes will take place, including the reconstruction of about 8 million homes. By 1995, we will have a housing stock of about 45 million homes (in 1975, it was about 38.65 million homes). (Omission)

The second pillar of asset doubling is doubling the social capital stock. We will put special emphasis on improvements in social capital that involve our standard of living.

As a result of high growth in the mid 1960's and early 1970's, Japan's social capital stock grew rapidly, and although this growth slowed a little in the mid 70's, our principal social capital stock has reached a total of about 180 trillion yen (in 1975 prices) as of 1983. However, the level of service is far behind that of Europe and the United States, and many facilities were built as stopgap facilities in the past.

If the Japanese economy achieves another growth period, and we plan to put emphasis on increasing public investment (government fixed capital formation) at a real annual rate of about 4 percent, while putting efforts toward rebuilding the budget within the economic framework described previously, accumulated investment will exceed 300 trillion yen (in 1975 prices) by FY 95.

Major social capital makes up about 70 percent of the capital stock covered by these figures. Thus, taking into account the rate of amortization of already existing social capital, about 60 percent of this 300 trillion yen--or about 180 trillion yen--will be added to the social capital stock.

Recently, growth of public capital has stagnated or declined in real terms, and it will be impossible to achieve the rapid growth of the early 1970's in the future. Thus, it will not be easy to double the already huge amount of social capital. However, depending on the efforts we put forth, we will be able to reach the goal of doubling our assets by 1995. As a result, looking, for instance, at types social capital related to daily life, the dispersion rate of sewers will approach 60 percent (compared with 33 percent in FY 83), the per capita area of urban parks will be about 7 square meters (4.4 square meters in FY 83), human waste and garbage will be managed practically entirely in a sanitary manner. Moreover, the national super highway system--the mainstay of social capital--will be expanded to nearly 5000 km (compared with 3435 km in FY 83), and by further expanding the national network, we will help shorten time and distance between places. (Omission)

The third pillar of asset doubling is doubling household financial assets.

With asset doubling as our aim, we will bring life to the economy as a whole through new economic policies that emphasize investment (public investment, housing investment, and private investment in plant and equipment), and we will raise the lifetime average annual income from the current level of about 5 million yen to 10 million yen (in nominal terms) by about 1995. Savings--a financial asset--will increase in parallel with the steady increase in earnings, and the ratio of savings balance to yearly income will probably increase from the current ratio of about 1:4, to about 1:8 by around 1995; thus the savings balance will double. By thus improving financial assets in the household sector, and with annuity payments we will make anxiety-free life styles possible for the elderly, even in the aging society of the future. Moreover, we will be able to put to use the financial resources coming from not only the facilities of the housing stock and social capital stock, but also from the more substantial investment in private capital.

The above are the main points of Miyazawa's "Asset Doubling Plan."

The Interested Tanaka Forces

Kakuei Tanaka has praised this plan as "the flip side of the Archipelago Reconstruction," while Fukuda, who is close to Miyazawa, has said that he is "concerned about inflation." Although Komoto--who favors active fiscal policy--gave the same evaluation as did Tanaka, Nakasone--who is seeking reelection--is holding his breath and watching developments within the party.

However, the majority of the party is leaning toward supporting the asset doubling idea. This is because after 4 years of a "zero ceiling," economic recovery has not been achieved, and people believe the economy might turn stone cold. Moreover, the core of the electorates of most LDP Diet members is the local small or medium size construction business.

Failing to increase spending on public works may well affect votes and political funds.

Certainly, the nominal growth rate of 7-8 percent named in the asset doubling plan is possible. However, there will be problems in determining a budget framework beforehand, on the basis of ideas from the Finance Ministry. It is in this regard that the "Interim Report" by Shiozaki and Tsushima is very significant.

The biggest problem is that the land policy has not been explained in detail. Once the land policy is settled, one could say that 90 percent of the social capital improvement will be taken care of.

Kakuei Tanaka's Archipelago Reconstruction failed--despite all the attention it received--because it did not forge a detailed land policy. The asset doubling plan, as it now stands, may cause land prices to rise dramatically again.

Miyazawa knows this well. This is why he does not want the interim report drafted by Shiozaki and the rest of the project team to be made public.

As was Ikeda's aim when put forth his income doubling plan without giving precise figures, Miyazawa's aim is to create a favorable mood toward his asset doubling plan, and to ride this mood to replace Nakasone in the LDP general elections this fall.

Moreover, the 120 members of the Tanaka forces, who are eager to increase spending on public works, have shown an inclination to support the Asset Doubling Plan.

That Miyazawa, who has set his sights on becoming party president and prime minister, has worked out this plans for asset doubling is "ultra C." It is interesting to note that these plans have come up in 12 hear cycles--the Income Doubling Plan was proposed in 1950, the Archipelago Reconstruction in 1972, and now the Asset Doubling Plan in 1984. Will what happened twice happen a third time? Miyazawa has taken his shot at this moment of truth.

ECONOMIC

NISSAN AUTO ENTERS 'FINALIZATION' OF ITS INTERNATIONAL STRATEGY

Tokyo JITSUGYOKAI in Japanese 1 Aug 84 pp 40-43

[Text] Welcomed by Both Countries

"Survival in the world market without internationalization is impossible. Mr Toyota may also have to follow the same path that Nissan has been following."

Shun Ishihara, president of the Nissan Motor Co, Ltd has been saying this for some time, and the trend of the auto industry is moving exactly in this direction.

The joint production of passenger vehicles in the United States by the Toyota Motor Co, Ltd and General Motors is a typical example. The internationalization of the auto industry is finally taking place, and there is no time to delay.

Producing passenger vehicles in the United States by the Nissan Motor Co will contribute greatly to settling trade friction between Japan and the United States. Accordingly, it is "positive news" for our country's industrial community as a whole.

Even president Bieber of the United Auto Workers Union, who had once vigorously demanded control of Japanese auto imports, was reported to have said that, "If Japan's car makers come over to the United States and solve the unemployment problem of American workers, it will be alright to lift import control."

Officials of the Ministry of International Trade and Industry of our country also praise the move highly. "Our industry's advancing overseas in such a format is really a desirable thing. This will bring about positive results in the future of Japan-U.S. relations."

That is to say, it appears that the present project is welcomed by the governments and the peoples in both Japan and the U.S.

At a press conference held in an auditorium of the Federation of Economic Organizations, a little after eight o'clock on the evening of this past 11

May, Yutaka Hisayone, vice president of the Nissan Motor Co explained: "At the Tennessee plant in the United States, production of small size trucks is moving smoothly, and in less than the year since production began it has reached near full-capacity. Therefore, for the second step, we have decided to start production of passenger vehicles." As background, he said: "To do business in the United States, it is still desirable to contribute to the local economy."

In charge of the production of passenger vehicles in the United States is the U.S. Nissan Motor Co., Nissan's U.S. local corporation. The president is Marvin T. Runyon. Its capital is \$375 million, 20 percent of which is from the Nissan Motor Co, and 80 percent is from the U.S. Nissan Motor Co.

The U.S. Nissan Motor Co was established in 1980, and the plant is located in Smyrna, Tennessee. It is a huge plant, which occupies 960,000 tsubo (1 tsubo = 3,306 square meters), and its building site is about 300,000 square meters (about 114,000 square meters for the press and chassis plant, about 48,000 square meters for the painting shop, and about 11,000 square meters for the assembly plant). The capacity of the production facility is 15,000 cars a month, and the number of employees is about 1,900.

Since June of last year, the plant has been producing Datsun trucks (the local name is Nissan trucks), and during the half-year period from June to December, it produced 19,979 trucks. Total production from June to May of this year was 60,323 trucks. Within less than a year, the plant has reached near full-capacity level of production.

The following information is provided for reference. The actual record of sales of Nissan trucks in the U.S. shows that for February of this year, more than 23,000 trucks were sold, which was the highest sales record in history. Also, in May, close to 20,000 trucks were sold. Such good truck sales have contributed greatly to the total sales of the Nissan Motors Co. In May, the highest sales record in history was established by selling a combined total of 71,377 passenger and commercial vehicles.

Upon seeing the excellent start at the Tennessee plant, the company has moved into the "second step" for the production of passenger vehicles.

The type of car manufactured is the Sunny (the local name is the Nissan Sentra), and annual production capacity is 100,000 cars (initially, between 60,000 and 70,000 a year).

Production begins in April 1985. The additional amount of investment for this purpose is \$85 million (about 20 billion Yen). Press, chassis assembly and trimline facilities will be newly established.

The company is planning to make this plant the most advanced one of its kind.

As has been said by President Ishihara, "Passenger vehicles can be built any time if an assembly line is additionally installed." The Tennessee plant was originally designed by the Nissan Motor Co to be a base for production of

passenger vehicles in the United States. In other words, this was done out of recognition that the U.S. market is the "lifeline" for survival in the war of small cars in the world market.

Most Advanced Auto Plant

Accordingly, as will be mentioned later, the Nissan Motor Co went to the United States to produce small-size trucks, after conducting a careful rehearsal in this country. That is now followed by the second step, the manufacturing of passenger vehicles. Therefore, naturally, it has to be the most advanced plant.

Two hundred and twenty robots are already operating, and 30 more robots will be added. Thus, a total of 250 robots are expected. At present, the production of small-size trucks and passenger vehicles is done in the same line, but two plant buildings for press, chassis and final assembly will be expanded. Robots will be used in the chassis welding line.

Undoubtedly, this high degree of flexibility of production is possible because a large number of robots are employed, but the line which depends exclusively upon welding machines does not enjoy such flexibility.

Therefore, the transforming of the present production line of small trucks into one for small passenger vehicle "Sunny" production is possible by simply changing the robot's program.

Such a formula has already been tested at our country's Nissan March line at Nissan's Murayama plant and Nissan's Kyushu plant. Thus, it is a very carefully refined project.

Specifically, it would do well if the "teaching" software of the same type of robot of the Nissan Koki (industrial machines) plant is made into a magnetic cassette and sent to the Tennessee plant. The 250 robots can then start working by responding to the new types of production.

At present, about 9,000 small-size trucks are put out; however, the trial production of passenger vehicles will begin when the expansion of the final assembly line, like chassis welding and interior equipping, is completed by April of next year.

Passenger vehicle production will be gradually increased, and by around October of 1985, it is expected to reach about 5,000 cars a month. Initially, the 1600 cc engine, transmission and exterior body plate will be shipped from Japan, and the assembly will be done locally.

Also, by completing the expansion of the press plant by around April 1986, and by sending the metal mold from Japan, the whole vehicle, starting from the exterior body plate, will be produced there.

Nissan Motor Co says: "Initially, the proportion of domestic production is 40 percent, however, we hope to raise it to 50 percent soon." The company

also has Mexico Nissan, a local corporation. It also makes engines and parts and plans to ship them to the Tennessee plant.

Mexico Nissan has started to put out the "FF" Sunny, and the engine plant and the transmission plant were completed last summer and this summer respectively. Thus, exchange of parts with the Tennessee plant becomes possible.

The locally produced Sunny (the local name is Sentra) will be a totally improved new type of car, and the volume of the production is expected to be around 8,000 a month.

Now, speaking of the Sunny, it is noted as one of the world's most produced types of cars with production of 556,000 in 1983. It is Nissan's largest selling car, and for the future, it is a promising type of car. The annual increase in demand is expected to be around 4 percent in the U.S. market.

As for workers at the Tennessee plant, there are presently about 1,900; however, the number will be increased to around 3,000 as the production of passenger vehicles begins.

Its contribution has become greater since local employment opportunities have been created.

"As there is not much industry in the area, they are very happy. Since there are quite a few female workers, street talk often sounds like this: "There goes the car Mama made"... "they are in a good mood," said the Nissan Motor Co. It is a bit of good news for the solution of trade conflicts.

High Quality, High Productivity

By means of such solid measures, the Tennessee plant of the U.S. Nissan Motor Co has the prospect of becoming the most advanced automated plant, even in comparison with the Nissan Motor Co's newest plants in the country, and, of course, Toyota Motors included.

At present, this Tennessee plant has already been included among the superior plants in the United States.

The latest issue of the American magazine, FORTUNE, ranked the plant among the 10 best in the United States

Through interviews with specialists, the magazine has picked seven plants which are outstanding in the quality of their products and in their productivity.

It picked only those super first-rate industrial plants, which include, besides the Nissan Tennessee plant, the East Fishkill Plant of IBM (semiconductors, New York state), the Erie General Electric Plant (locomotives, Pennsylvania), its Louisville plant (dishwashers, Kentucky), and the Richmond plant of ATT Technologies Co (circuit plates, Virginia).

Nissan's first rate standing has been thus proven. The magazine gave the following appraisals of the plant: (1) It is highly automated and has the most technologically advanced facilities; (2) Without a union, the workers are willingly involved in the decision making process. Capital and labor relations are very smooth.

Furthermore, it praises the plant as follows: "The managerial positions are all occupied by Americans. Starting operations with 80 percent of the workers being new in automobile technology, the plant has been able to produce higher quality products than even those made in Japan in just 1 year."

Presently, it is also a time in which interest in "Japanese-style management" is high. The magazine comments: "Without regard to the question of whether it is Japanese-style or American-style, the best plant is the one where superior logic and good sense are functioning."

It means that Nissan's Tennessee plant has joined the ranks of the ten best plants in the United States, and its enterprising endeavours should be highly rated.

According to those who are familiar with the automobile industry, "being among FORTUNE's 10 best plants is such an honor, that they are building a monument at the front entrance of the plant in the United States, plus they get a significantly higher rating." In the United States, they often say, "Don't buy a Monday car." It means that one should not buy a car built during the "Monday blues," because its quality suffers. This is one of the reasons for decreasing the reputation of American cars, but what is different with the locally manufactured Nissan cars in the United States has been the maintenance of high quality and high productivity.

For that purpose, Mr Marvin T. Tunyon, who was the Ford Company's vice president in charge of chassis assembly, and the top man in the automobile plant in the United States, was invited to head the U.S. Nissan Motor Co. By actively introducing the positive aspects of Japanese-style of management, and, at the same time blending it with the superb aspects of American-style management, President Runyon has developed a new management policy which is new to the United States.

Its method is delicate and detailed. To promote smooth communications between management and the workers, and to let the opinions of the workers be reflected in management decisions, job classifications from the president to the workers were divided into six categories. Ordinarily, American automakers have more than 10 job classifications. We can see what their concerns are.

Ten Percent Share

Moreover, by adopting the QC [quality control] Circle, Mr Runyan is evaluating the introduction of an employee suggestion system. He is not stopping there.

All employees of the company, including President Runyon, use the same cafeteria. Once every few months, he calls an assembly of all the employees and gives a status report. A weekly company news bulletin is published, and, as a consequence, communications within the company have been excellent.

On such a foundation, high quality and high productivity are maintained. Once a week, for quality control, every item of the parts and the whole are closely inspected. Lest the work should become monotonous, several work tasks are also available to the worker. Quality control is not dependent upon the inspector; the workers are given wide-ranging technical skills training to enable them to improve product quality themselves.

From early on, some of the workers received technical skill training at the Nissan Kyushu plant, and the work is moving very smoothly.

Such efforts have been recognized by Fortune magazine.

As has been mentioned, based upon adequate accumulated experience of building trucks, the company has begun to manufacture passenger vehicles. This was a very careful move.

In 1983, the Nissan Motor Co exported 456,000 passenger vehicles to the United States. In 1984, it also expects to export 487,000 cars to the United States under the voluntary restrictions on passenger auto exports. Japanese cars in the United States, especially the new Nissan Sylvia (the local name is 200 SX), which have been exported to the United States since mid-February, have been going very well, with more than 40 percent above the original target. It appears that it may surpass other similar-type cars, like the Honda Motor Co's Prelude of the Toyota Celica. This reflects the popularity of Nissan cars in the U.S. market.

President Ishihara of the Nissan Motor Co has been continuously pushing their internationalization strategy since the beginning of 1980's--production of four-wheel drive cars by investing in Spain's Motor Iberia Co, joint production of small cars with Italy's Alfa-Romeo Co, licensed production of the small car "Santana" of West Germany's Volkswagen Co, further decision to establish a plant in the United Kingdom, and, this time, the production of passenger vehicles in the United States. Including Mexico Nissan, which was established in the 1960's, the company has finished creating bases throughout the world. It aims at securing 10 percent of the world's small car market. President Ishihara's internationalization strategy, which has been really prudent and bold, will be highly assessed.

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