

Japan

NOTES  
ON  
JAPAN  
1982-1986

Alkohol/PASCAL, Unit of J. Meft

BANK + FINANC 10Y  
BUSINESS AFFAIRS

CSO LEVY

PKK

CTIBANK  
CREDIT

DIVERS JAPAN

FINANCIALS

FACT SHEET FOREIGN FINCO

EXES  
GOVT SYSTEM

The Japanese

LEGAL

LANGUAGE

LIVING IN JAPAN - ACC

LISTING REQUIREMENTS

Market of

Osaka - Z, BYU

PLAN

Prognosis/Analysis

Product Comparisons

RATE

SOPHIA (COURSE N)  
Technology

TENTO SHOKU

VOGEL - Jar #1

VOLUME TABLE B/E

MORSE (5 Yrs)

MPR MAP

NTT

## J Swords - distinctive character

Innovations have come close to resolving seemingly be  
contradictory - unbreakability  
rigidity  
cutting power

### Features:

1. 2 metals -  
soft, durable iron core  
hard outer skin of steel (forged & reformed to  
produce complex and close knit structure)
2. Cross Section -  
wide at back - (thick for strength)  
acute angle - (thin for cutting power)
3. Highly tempered edge -  
formed by covering rest of the blade with heat  
resistant clay. Then heating the exposed part.
4. Curvature for faster draw

### MORE DETAILED FEATURES

In forging outer skin with heat resistant clay, unique  
patterns are left.

### EXPERTISE

Usually a few expert families Hon Ami pre-eminent bewildering  
universe of specialized terms. Accurate application and  
manipulation of such linguistic models may have helped in  
modern tech growth.

### TRADITIONS:

1. Yamashiro - (Kyoto)
2. Sazami - Kamakui
3. Bizen - Okayama  
Center iron production  
Most prolific

Three great names - (Heian Period)  
Tomonari  
Masatoure  
Kanchina

4. Yamato - (Oldest tradition)  
Central Japan
5. Mino

September 2, 1986

NOTES:

Japan US investment 86 - \$60 billion

Major force US markets for many years

Recycling part of massive trade surplus just like OPEC did prior years

Soft dollar makes great bargains for Japanese buyers (capital items - factories etc.)

High savings rates in Japan encourage investment US. Better yields US.

A lot to be said for this...the huge flow of investment helps keep borrowing costs down and finances part of our federal deficit. Japanese also have big stake in future prosperity of our country.

THIRD COUNTRY LOAN SITUATION

Declining interest rates are easing the pressure on the latin American indebted countries. But, the possibility of continued economic slow down and increased protectionism pose a threat to their economic health.

TEXAS BANKS

Borrow at discount window more than ever before. Up to \$500MM in one week. Normally banks go to the money markets. But those banks in trouble have to pay a premium for this money. They have instead gone to the FED.

January 29, 1986

Four Tigers - Singapore, Hong Kong, Korea, Taiwan

Last four years, slow down in growth. Are glory days over?

High average growth rates ( 14% plus) in 60's and 70's

Early success: manufacture for export by labor-intensive industries. Problem is that this strategy could be reproduced in any country with low wages and some entrepreneurial talent.

Also, as countries grew, their wage levels rose faster than did productivity. Priced themselves out of the market.

Mid 70's solutions:

HK: Retained traditional government hands off attitude.

South Korea: Emphasize large capital intensive industry. Large credits to major private business groups. Government itself undertakes giant steel mill project.

Taiwan: Same as SK, however less large private firms so government itself undertakes large capital projects. Private sector encouraged to develop high tech.

Singapore: Also increased government intervention. Government invests in capital-intensive industry; seeks to draw private sector into higher technologies; undertakes high-wage policy in early 1980's; provides investment incentives for high tech industries.

#### Results:

HK: Range of industrial production same as before. Emphasis remains on consumer products of low to middling technology. Employment in manufacturing sector stagnated; but, slack has been taken up by services, including rapidly expanding warehouse trade and financial services.

SK: Government industrial policy shows mixed results. Some successes in ship building (but market glut), and in auto export. Too early to tell, however.

Taiwan: Capacity in new industries generally within the range of domestic demand, so dependence on exports remains low. More successful than South Korea, but more limited strategy.

Singapore: Mixed results. Overbuilt shipyard industry affected by depressed market for oil exploration rigs. New petrochemical industry faces heavy competition from low-cost capacity in ME. High wage policy a mistake, raising wage costs above those of competing countries and contributing to the current severe recession. High tech is a success. Much new foreign investment.

#### Prospects:

HK: Future dominated by relations with China. Current trend will continue: Services expanding rapidly, and manufacturing at a standstill. When China resumes sovereignty in 1997, Hong kong will become the chief port of southern China and the main commercial, trading and financial center.

SK: Future depends heavily upon continuing growth and openness of Western markets. Idle capacity is available to expand exports rapidly. Currency is more competitive, having depreciated by one third against yen and major European currencies in 1985. Requires resurgence of world trade to get back to 8% growth rate.

Taiwan: Similar to SK, but less ready to take advantage of renewed growth in world markets. But, less exposed to damage that could arise if growth fails to materialize. Has more than \$20 billion in exchange reserves; its external debts are small. But its industrial sector has not made the huge investments necessary to significantly expand product range. Return to 10% growth rate seems unlikely.

Singapore: Hard for Singapore to prosper if world oil markets don't improve. Some hope if they can get high-tech to thrive.

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# THE ART OF JAPANESE MANAGEMENT

applications for American Executives

Richard Tanner Pascale GS Business,  
Stanford Univ.

Anthony G. Athos, Harvard Business Sch

Man is limited not so much by his tools  
as by his vision. 19

We tend to be blind to our own assumptions  
when we are locked inside them.

In a true sense, the chief controller  
was the third eye of Geneen. If you  
saw how the controller's office  
worked, you'd realize that being an  
ITT line manager was like living in a  
room that's bugged, with a closed-  
circuit television all around you, and  
with a bug up your ass! 65

The moral of the story is this: The  
inherent preferences of orgs are  
clarity, certainty, and perfection. The  
inherent nature of human relationships  
involves ambiguity, uncertainty, and  
imperfection. How one honors, balances  
and integrates the needs of both is  
the real trick of management. 105

## THE SEVEN S'S

2

Strategy	Plan or course of action leading to the allocation of a firm's scarce resources, over time, to reach identified goals
Structure	Characterization of the organization chart (ie functional, decentralized, etc.
Systems	Proceduralized reports and routinized processes such as meeting formats.
Staff	"Demographic" description of important personnel categories within the firm (ie engineers, entrepreneurs, MBA's etc
Style	Characterization of how key managers behave in achieving the org's goals; also the cultural style of org.
Skills	Distinctive capabilities of key personnel or the firm as a whole.
Superordinate	Goals - The sig. mngs org'g concepts tht an org imbues in its members.

P-81

The trap for our younger people is that there is little in their education or in our management culture that prepares them to cope with these nuances of the reward and punishment system, which often determine success or failure. For years in school they get promoted every twelve months for anything better than dreadful work, and their feedback if frequent, explicit, and generally well understood in that context. Our culture does not make much of subtlety; we do not place a lot of emphasis on listener sensitivity to capture implied meanings. But while we extol clarity, most of those who excel in organizations, both Japanese and Americans, are masters at reading the subtle signals. 106

Citicorp offers a second provocative illustration. "FNCB is an elite institution with a considerable organizational ego," states one of its senior personnel officers. "Over the years, we have hired a great many talented and aggressive people. We have in place, of course, a great many first-class management training courses that teach not only the technicalities of banking, but the importance of patience in changing organization and the virtues of effective communications and sensitivity. But the informal system rewards

4

ART JAP. MGT

aggressiveness and verbal skill. The term we use around here is "tiger"-- and it is not a negative image. The attributes sought are naked ambition, tremendous flexibility, willingness to change, and an assertive kind of 'meeting macho' where you verbally punch your points home and spear those who disagree. Problems arise, however, when an organization can't expand fast enough to absorb that kind of aggressive energy. Then the tigers turn into sharks ... all swimming around in a confined space...waiting. The quicker students who attend these courses on the niceties of management are watching out of the corner of their eye to see who the managers are who are going to survive and thrive. 'Interpersonal virtue' is no match for the powerful force of role models who consistently exemplify aggressiveness and hustle." 109

Contrast this to subordinates in the West, who often have to discern a superior's weakness thru a veneer of pseudocompetence. We are often inhibited from directly offering to help a boss because we are supposed to accept the "superior" image he is trying so hard to portray. 137

Art Jap Mgt 5

American

Japan

Finacial goals

More than fin. gls

CEO stnds out

CEO strng, but  
blnds with inst.

Drive for explicit-  
ness.

Tolerance for  
ambiguity

Task emphasis

Group stability  
emphasis

confrontation &  
conflict

go with flow,  
blnd group, steer  
point of view

self concept: in-  
dependance

Self concept:  
interdependance  
obligation  
belonging

pseudocompetance  
in weak areas

admit to weakness  
seek complementary  
relationships.

boss spotlight  
BLT

spotlight shared

ITT Matsushita parallels:

- Powerful Central mgt. group
- semi autonomous Division structure
- highly refined subsystem of goals, targets and controls.

Differences,

Matsushita

ITT

staff controllers  
coordinators

staff controllers  
2nd info source,  
check and balance

Art Jap Mgt 6

Matsushita

Firm servant to society

ITT

Environment 'input' to ITT system.

Personnel emphasis on training

Personnel emphasis on elaborate compensation/bonus schemes.

Superordinate obj.

No super ord. obj.

Matsushita strategy:

1. Brand name promo thru advertising

2. Pass cost savings of higher prodn volumes on to consumer, going for share. Retain share at lower price--keep out competitors

3. Followership - Let others innovate. Improve product then produce in volume at lower cost. Big \$ spent on production engineering.

Org structure:

.Decentralized Divisions

.4 key functions centralized

. Controller/MIS

. Company Bank

. Personnel

. Training (emphasis on values)

Matrix 10 years advance of US firms

BUSINESS AFFAIRES  
BANK + FINANCE 104

## **Sogo Banks**

Reading "Sumitomo Bank Moves Forward by Thinking Small" (Credit Lines, Feb. 24), I felt an urge to explain a little about Sogo banks of Japan. Sogo banks are not mere "mutual lending institutions." They are, like "city" banks such as Sumitomo, joint-stock commercial banks. But, unlike those other banks, they put their emphasis on financing for medium and small enterprises. I believe that the Heiwa Sogo case is unique, and I sincerely hope that the remaining 68 Sogo banks will not need to follow the Heiwa Sogo into being taken over.

SHIGEO YAMADA  
New York Representative  
National Association of Sogo Banks  
New York

November 15, 1983

Note to : Ed Harshfield  
From : Steve Taylor  
cc : Dick Kovacevich, Jack Berger

BCG Seminar

I recently attended a Boston Consulting Group Seminar on doing business in Japan. I have outlined below key points that emerged during the discussions.

\* Japan Inc. not a multilateral economic juggernaut. Many industries are suffering: cement, petrochemicals, non-ferrous metals, synthetic fibres, aluminum, paper and pulp and steel. Many of these industries are energy intensive. Countries like Korea and Brazil becoming increasingly competitive. One of the great successes of Japan has been their ability to "adjust" out of these industries with a relatively high degree of industry/govt/labor cooperation.

\* Foremost issue in minds of Japanese planners is population issue. Population rapidly aging, birth rate dropping. Pensions will reach 21% GNP by 2000 on current projections. Public debt is already high as proportion of budget (over twice US per capita). As long as savings are high, this could be ok, but as savings erode, as they are expected to do as post war population size increases, govt. may be faced with necessity to increase taxes.

\* Proportion of college educated rapidly increasing. Will the better educated labor force tolerate the tedious work procedures that older Japanese have been used to?

\* Many companies now have an "age bulge" in their employment structures. In the late 70's significant hires brought on in anticipation of continuing economic growth. Subsequent hires have been far less, with the companies having revised downward their growth expectations. As the "pig moves thru the python," the expectation is that these companies will come under great cost pressure and that the life long employment system could give way. Social change implications are enormous.

\* A foreign entrant into a given Japanese industry upsets the process. He can't attend the "Thursday meeting," he doesn't know the informal rules, he doesn't know when to keep profits down.

\* Ordinarily, Japan would seem a prime target to seek an acquisition. PE ratios are high and assets are generally understated. But, no more than 20 or 30 since war. According to BCG, climate changing. Facts:

- No. of foreign and domestic acquisitions increasing
- Today no "formal" barriers
- Usually, foreign company obtains equity position in return for technology
- Cash has not been a strong incentive

Best prospects for active investment:

- bring technology with a competitive advantage
- have good distribution outside of Japan
- industry should be under some pressure
- acquiror should be prepared to actively assist acquiree in gaining an international standing

\* History has shown that a foreign suitor that succeeds in acquiring a company in deep trouble, has generally not been able to succeed in the rescue operation.

\* It is difficult to be the first company in an industry to acquire; easier when you follow.

\* ISSUE OF CONTROL - "Do you really want 50%?" Dilution on ROE of acquiror is a major factor. Do a few extra shares really affect ability to control? (My notes: Reps of GM, Ford, Kodak at Group, Division levels were at the seminar. Points of view that emerged included that control of a company was not necessarily dictated by control of shares. In the case of Ford and GM, for example, with their minority positions in Toyo Kogyo and Isuzu respectively, control of world markets and distribution allowed them to have significant say on what went on in the Japanese unit.

\* Major cause of TRADE FRICTION is not Japanese intransigence on specific trade issues. Preoccupation with trade issues is dealing with symptom not cause. Major factor is Yen/\$ FX rate disequilibrium. Yen is now undervalued, so the theory goes, due to a Japan preoccupation with funding the large domestic deficit. By establishing controls on the outflow of capital from Japan, (there are informal and formal controls on Japanese external bank debt, insurance company external portfolios, foreign issued, yen denominated -samurai bonds- bonds etc.) the government is able to insure that its large budget deficit is financed at affordable rates, and that domestic rates are kept low enough to ensure a drastically needed economic recovery. The restrictions on foreign capital outflows necessary to keep Japanese rates low, obviously impact adversely on the Yen and the \$ seeking their proper equilibrium. Irony: Japanese criticise US deficit, but in reality it is their own deficit that is as great or greater contributor to the FX disequilibrium between the Yen and the dollar.

\* FAILURE PATTERN OF FOREIGN COMPANIES DOING BUSINESS IN JAPAN - US company comes in with technological advantage. Product is superior, price is high. Target market is limited and focussed to proprietary segment. Japanese respond rapidly, but with technologically inferior product targeted to a broader base. Volume leads to a cost advantage which, in turn gives cash flow/profits. No dividends paid at this stage! Money reinvested to narrow the technology gap with the foreign competitor. Once equal technology achieved, attack the foreign proprietary segment with better costs. The foreign company tends to be smug with its high price, up-market position and not take into account the

Japanese competitor's effort to improve his technology and cost position.

\* Some inherent difficulties for foreign companies:

More management layers to the decision point compared to the local competitor.

Different investor expectations. Short term vs. long term etc. The Japanese company goes for share, retains all the earnings, borrows heavily to reinvest in more growth, with growth gets cash flow, reduces costs by improving technology with technology investments, then, drives out the high cost high tech competitors. It gains its profits thru share, economies of scale, low costs later in the game. Over time the stock price increases and the investor benefits.

\* MYTH - Japanese investors don't do very well. False. No dividends, true, but payoff comes from share price appreciation. When these are plotted, the average return on shares for the Japanese investors exceeds that for US investors in the US market. eg. Dividends and appreciation averaged together for yeild calculation. Further, no capital gains tax in Japan.

There were more interesting points. The ones I have selected caught my attention.

  
Steve

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JAPANESE BANKING

- . Rigid would since World War II
- . but, economy changes high growth to low growth.
- . Rate liberalization
- . International business.

Since WW II - influenced segregation according to role.

Pre WW II - British mode general business - securities, trustee, banking.

Bank Law of 82

- . Role of ordinary banks defined
- . Foreign banks, previously exceptional, now treated as ordinary banks. ✓

## ORDINARY BANKS

- . Deposits
- . Loans discounts
- . FX
- . Ancillary business

*impact  
w  
segregation  
IMPACT*

TRUST BANKS - are ordinary banks

BUT: Trust business conducted under separate law and TB's limited to trust by admn guidance

SEC law of 1948 - Securities limited  
to security companies.

BOT - Specialized FX Bank  
In return for privileges -  
right to issue debentures.  
Concentrates on foreign business.

LTCB - 1952 Law  
Creation of capital in post  
war nation with weak financial  
structure.  
Fund selves thru debenture.

MUTUAL BANKS  
COOPERATIVES  
POST OFFICE

Now - FX control order of 1980 gives  
domestic banking system new  
found freedom.

### POST WAR

Institutional would reinforced by rate  
rate control.

Rate Adj Law of '47 mechanism  
for rate control.  
Deposit + Lending

Postal savings different law.

LTCB & Trust voluntary conform rates.

Competition restricted to provision of service.

LTCB, BOT some branches but could gain deposits via debentures.

Trust banks source thru trust funds.

Lending opportunities not function of competition - but rather, of

- cross shareholding
- group linkage
- regional assn

Foreign banks profit niche due capital starvation and sig growth.

- . impact loans in foreign currency.
- . Japanese bank excluded from impact loans.

T

1970's -

Slower growth (oil shocks)  
 Changed funding requirement of  
 gov't and corp sectors.

Corp sector -

requirements fell from 8% GNP  
 73 to 3.5% 1980.

Flush with liquidity, increased  
 consciousness of rates and  
 investment opportunities.

Government sector -

growing expdr/needs (4% to  
 8% GNP)

flattering revenues

therefore up bond issues

Bank took bonds reluctantly

Domestic lending declined

Bond rates up 78-80, therefore  
 write down and losses.

Securities companies strengthened

- . offer money market rate  
 investments to corps.

- . Earned fees on govt funding  
 issues.

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Banks pressed for underwriting  
 privileges, but not yet available.

SINCE 1978

- . Liberalization of bond and money market rates but slow going.
- . Conundrum
  - . Treasury needs to fund deficit ergo better rates for lenders but
  - . Treasury needs to keep costs down
  - . MOF pushing for open financial markets (foreign pressure).
  - . BOJ obligated to protect weaker institutions. Concerned about M.

Why reluctance to open financial markets to international borrowers?

- Insurable, but upsets rates
- low yen rates attract borrowers
  - borrower sells yen
  - yen rates go up
  - yen fix rates go down

MOF off and on about above.

Foreign lender frustration.

- . Admn guidance on amount of Euro yen borrowed
- . Admn guidance on SWAP.
- x . Minimum ¥500M on nego CD.
- . No branch network.
- . No debenture.
- x . Fall away of impact loan business



Therefore must get exp money  
market funds and relend cheaply  
to seekers of marginal funds.

### Problem

- . Liberalized financial market  
will endanger protected  
deposit market.
- . 1980 J security company can  
issue money market funds.
  - 5 yr - 9.2%
  - 30 day - 5.6%
- . Trust banks issue BIG
  - 9.6%
- . Bank rates 2%-6%

Result Bank and P.O.  
disintermediation.

US lesson under similar circum-  
stances

- . Funds drained resources  
of SB, and regional bank.
- . Upset deposit structure.
- . Distorted efforts to control  
monetary aggregates.
- . Therefore relaxation save  
deposit rates.
- . Rate free for all.

BOJ reluctant to move fearing the above. Reg and Sogo banks might not survive under the above deregulation.

Also, treasury not want to disrupt postal savings - a good funds source.

#### Benefit

Tax exempt on deposits to ¥3MM.

Can open up in many names. Move to green card prompted out fow so govt backed off.

### LIBERALIZATION PROGNOSIS

- . Stops and starts.
- . Profit squeez at house made J banks look international.
- . 1980 new fix and capital control law/  
no license required for commercial transactions.
- . Foreign assets piled on.
- . Little regional bank participation

### PRIOR CORP FINANCE

- . Corps beg at banks for funds.

## NOW CORP FINANCE

- . Competition between banks and securities companies to provide services

### LIABILITY

- Equity issues on local or foreign market.
- Long term debt floatation.
- Convertable issues.
- Syndicated medium term loans.
- Concessional finance thru export credit agencies.

### ASSET

- Japan MM instruments.
- Euro Asian CDs.
- Fix services.

Securities companies have edge at home, banks abroad.

## CONTROVERSY

Off shore market

FOR Japanese banks - (major) can offer more services to discomfot of securities companies.

For Banks - increased business

MOF - Ease foreign criticism.

## AGAINST

BOJ - Free trading in yen  
financial instruments  
will remove rate control  
from its preserve.  
Upset deposit structure.  
Put regional banks in

# BANK-LAW REVISIONS

- . Ancillary business, formerly covered by administrative guidance, have now been included in the law - eg dealing in govt bonds.
- . Single borrower limit to 20% of banks capital. (Foreign banks in 87)
- . Foreign bank branching now governed by the same law.
- . Aggregation of regs from prior laws, such as Securities Transaction Law, into new banking law.
- . STL had formally prevented banks from dealing in securities except for govt, bonds. But, securities industry prevented banks from 'floating' and relegated them to underwriting. With its incorporation into the banking law, banks may now deal in govt securities.

## New Ancillary Business

- . Securities
- . CD's
- . CP's
- . housing loan originated most certificates
- . Teito Shoken

(over)

FTC also has  
recommended ~~extent~~  
relaxation on  
branching regulations

Foreign Banking in Japan

Ray Webster

1. Post War phase -  
letter of credit  
military banking facility
2. 1960 - Impact Loan -  
foreign currency loans
3. 1966 - lost L/C business to Japan  
banks.  
Out of one niche (L/C's) into  
another (IMPACT Loans)
4. 1970 Oil Shock - much foreign  
borrowing, that is, much foreign bank  
bank profitability on impact loans.
5. 1970's foreign banks unhappy  
with niche.
6. Late 70's liberalization begins
  - A. CD's
  - B. Gensaki (Repo) market introduced.
  - C. Larger swap limits.
  - D. Deposit base removed small

LC

IMPACT

7. 1980 New FX reg allows local bank to make impact loans. Niche lost.

- . Spreads narrow with new competition.
- . More foreign banks come in (same % of total loans).
- . Bad economy (triple squeeze).

Deregulation/liberalization, combined with more foreign bank competitors, along with bad economy forces lending downstream this raise spectre of credit losses, which foreign lenders haven't had to deal with in Japan before.

Some also into FX, consumer small business.

Result some must go.  
therefore govt. forced merger,  
therefore possibility of foreign  
bank entry, but only for  
a troubled sogo or smaller.

But bricks and mortar?

Expensive people?

during a period of transition  
to more cash machines and  
electronic banking?

*little page*

JAPANESE CONSUMER FINANCE INDUSTRY OVERVIEW

SUPPLIER OF PRODUCT BY CATEGORY					COMPETITIVE SITUATION		1983	% MARKET	ESTIMATED			
SITUS OF CREDIT	CHANNEL	INDUSTRY SEGMENTATION	PRODUCT OFFERINGS (PRODUCT CHARACTERISTICS)	MAJOR SUPPLIER	Product Equivalent	Strength	Weakness	NEW LOAN MARKET SIZE 1988	SHARE BY INDUSTRY SEGMENT	MARKET GROWTH AVE % OF LAST 5 YEARS		
CONSUMER FINANCE INDUSTRY	NOW POINT OF SALE	DIRECT	CONSUMER CREDIT	CASHING SERVICE (SMALL SIZE, SHORT TERM, CARD ACTIVATED)	SARAKIN, BRCC, SHIMPAN, BANK DEPARTMENT STORE, SUPERMARKET	None			8.5	5.8	35.0	
				PERSONAL LOANS	UNSECURED (TO ¥2MM (\$8M), 5 YEARS)	BANK, SHIMPAN, BRCC	Personal	-reasonable interest rate within Interest Restriction Acts. -prosperct customers of broad spectrum and in large quantity.	-limited outlet -relatively long processing; no CD/AMT -unspecified customers in large quantity	5.4	3.7	27.0
					SECURED (SIZE/TENOR FUNCTION OF SECURITY)	BANK, SHIMPAN, BRCC	Home Equity Secured	-large loan amount ceiling -reasonable interest rate within Interest Restriction Acts	-high interest rate -long processing time -low corporate awareness and recognition as reliable financial institution.	23.9	16.3	16.1
			MORTGAGE CREDIT	HOUSING LOANS (SIZE FUNCTION OF SECURITY, TENOR TO 25 YEARS)	GOVERNMENT, JUTAKU KINYU CO., LEASING CO., INSURANCE CO., BANK	Housing Bridge Home Imp.	-large loan amount ceiling -flexible loan purpase	-high interest rate -high interest rate - small loan amount	40.2	27.5	2.2	
			POINT OF SALE	DIRECT	RETAILERS CREDIT	SHOPPING LOANS (SIZE FUNCTION OF PRODUCT SOLD, TENOR TO 4 YEARS)	DEPARTMENT STORE, SUPERMARKET				19.5	13.3
	CAPTIVE FINANCE	SHOPPING LOANS			MANUFACTURER AFFILIATED					7.7	5.3	7.5
	SALES FINANCE	SHOPPING LOANS			SHIMPAN	Consumer in direct in general	Golf Membership (We usually ask recourse) Referred	-large loan amount ceiling	-high interest rate -good tie-up partners pre-empted by competitors.	30.9	21.1	29.2
	PRIVATE LABEL	SHOPPING LOANS			DEPARTMENT STORE					5.8	4.0	13.5
	TIE-UP	SHOPPING LOANS			SHIMPAN		Housing W/H Tie-up W/H Golf W/H Tie-up Loan			4.5	3.0	10.5
		INDIRECT										
TOTAL CONSUMER FINANCE INDUSTRY 146.4									100.0	10.5		

- J consumer finance expanding -
- . Retailers offer credit in addition to money lender (sarakin)
  - credit card co (BRCC)
  - installment sales firm (shinpan)

JCFA Market size estimate	<u>\$10.6 bn</u>
Banks	34.8%
Money lenders	40.9
Shinpan (7)	14.6
BRCC	7.4
Foreign backed	2.3

1982 - according to JCFA

1. Large expansion money lender offices
2. New retailer entry
  - Tobu Dept Store
  - Ito Yokado ) super market
  - Nichii
  - Seibu
  - Daimaru
  - Marui (installment sales firm)
3. JCFA survey showed that banks and other grew by only 5%.
4. Household, Beneficial, BA left due to difficulties adapting local customs.

5. 6 credit card companies
  - JCB
  - Union Credit
  - Sumitomo Credit
  - Diners Club
  - Million Credit
  - Diamond Credit
6. 7 Shinpan
  - Nippon Shinpan
  - Orient
  - JACCS
  - Life
  - Kokunai Shinpan
  - Central Finance
  - Daishinpan
7. BRCC raised lending limits and saw 70% increase in cashing service.
  - mail loan service continued to expand.
8. 161 members of JCFA
  - Outstanding balance of lending ¥545 bn, 55% increase over 1981.
9. Rates of JCFA 36.5 to 73.

11. Amended law on money lending.  
Passed Lower House Aug 1982  
Expected passage Upper House.

JCFA Official Pstn

Will increase public trust  
in money lenders.

Will help them expand business  
further.

10. Four money lender firms, 357 bn  
in 81, doubled in 82.

Takefuji  
Promise  
Amco  
Lake

12. Federations of Banker's Assn  
apprehensive about rapid  
expansion.

- . Small borrowers without  
experience have
- . High debts - .5 to 1.5% of ANR

13. Banks may come in either directly  
or thru investment in money  
lenders.

14. BOJ cautious banks against  
lending to money lenders.

1/17/83

YEN LOAN SYNDICATION

Before '82 - Long term yen loans for categories linked to J foreign trade only. Ant to supra nationals - World Bank etc.

May '82 - MOF opened market

Criticism diffused that cap markets are closed to foreigners.

But capital outflow and yen.

But MOF announces semiannual quotas for all banks, therefore admn guideline-type restriction. No legal force, but followed.

MOF more influential than BOJ.

There is a quota system for foreign yen loan syndications.

4 Periods  
of work

73-75

31

08

2

78-79, 91

12

CONSUMER CREDIT MARKET

I. Expanding Market

A. Ratio new credit to final private consumption increase from 7.5% in 1971 to 11.7% in 1980.

B. 4 periods of growth

1. 73-75

- . Rapid expansion
- . Product development
  - non purpose
  - BRCC guaranteed loan
  - Loans thru sogo accounts
  - Shopping loan increase
  - Consumer finance company increase
- . Increase personal disposable income.

2. 76-77

- . Sluggish expansion (oil crisis)

3. 78-79

- . New expansion - card loans
- . Rent up demand spurs growth
- . 19% growth rate

4. 1980-present

- . Sluggish income growth
- . Saturation consumer goods markets.
- . 14.3% growth rate.
- . eg lower, but still double digit.

II. Bank's share of lending to individuals increased to 8.2% by 1979 - Credit Assn up to 15.1%.  
Main reason: great increase in housing loans.

Real consumer loan share flat at 1%.

Dull growth bank consumer loans.  
High growth non purpose loans.  
Card cash loan growth.

But banks have shown large increases in lending to installment sales companies and financing companies.

Banks indirectly supporting consumer credit expansion.

III. Credit Financing Companies  
(Shinpan)

. High growth rate 80, slower than 79.

Achieved by:

1. Breakdown restraints credit card business.
2. Nationwide office network, adding participating stores.
3. Product diversification.

*Shinpan have a BASE 3*

\* Credit purchases have shown slower growth (shopping loans) Why? inroads of manufacturers sales credit. Also saturation of stores in chains. *credit history*

\* Personal Loans on other hand have shown marked growth. Why? Good credit data history, numerous offices.

Credit guarantee growing at remarkable pace.

Prognosis - Moving away from Credit Sales - more competition in loans.

IV. BRCC

- Low growth compared to Shinpan.
- Doing much better in cashing service than in credit cards.
- Credit card companies turning into cashing service companies.

Prognosis - No high growth original credit card use.

If move to cashless society, even cashing service will dwindle.

## V. Sarakin (Money Lenders)

- Rapid loan volume growth
- Rapid office network expansion
- But yield fallen due to competition of foreign finance companies BRCC's and shinpan.

## Why growth?

- Institutions respond to consumer needs.
- Intense competition
- Trend towards homogeneous industry.

## VI. Market Assessment

## Positive market forces

- ✓ 1. Individual resistance to borrowing weakening.
- ✓ 2. Movement towards cashless society.
- ✓ 3. Increasing complexity in personal budgeting.

Growth rate -  
will slow -  
But will stay in double digits.

Companies related to distribution sector will diversify during low economic growth and will exploit connections with consumers.

Past: Supply has responded to meet customer requirements; rates have fallen.

Future: Shift from quantitative expansion to qualitative improvements.

Will see buildup consumer protection, consumer info services and credit data banks.

#### VII. Prognosis for Banks

- Can now factor (April 1982 Banking Law)
- Purchase notes of Credit companies will increase.
- Computer know how will be put to work.
- POS terminals in retail stores.

BANKS

- 50% deposits
- 50% loans and discounts
  
- March 81 - 86 banks

I. Ordinary Banks

- . Conduct business under Bank Law of '81.
- . Deposit major source
- . Growing time deposits; less dd.

A. City Banks (13)

- large cities
- nation wide
- branch network (ave brchs 213)
- 40% sources all banks; 18% all  
    fina inst.
- Mainly corporate banking
- But, digest large portion nat'l  
    bond debt. 30% total floata-  
    tion.

B. Regional Bank

- . Based on prefecture
- . 63 banks
- . 1/9 ave size of city banks
- . Some branching Tokyo/Osaka
- . Ave offices 85
- . Call funds supplier
- . Regional clients

## C. Specialized FX Banks

- . Bank of Tokyo
- . Can find by special debentures as well as ¥ deposits.
- . Specialized FX Bank - B of T
- . 186 others authorized on sub level.

## D. Foreign Banks (65)

85 branches

- issue CD's but not debentures
- 3% nat'l loan total
- 1% deposit
- wholesale

## II. Long Term Credit Banks

LTCB Law of 1952

Lend long fund thru debentures

3 Banks - BOJ

LTCB of J

Nippon Credit Bank

Out growth of weak capital markets.

10% equip lendings

Securities trustee function

## III. Trust Banks

Ordinary banks under Bank Law -  
but - > banks

"administrative guidance" to  
concentrate on trusts.

Functions

Long term finance

Fiduciary

25% of equip finance

## IV. Other Financial Institutions

## A. Sogo (mutual)

Credit Assn

Credit Coops

Same as banks

different chargers

Small scale; agriculture,  
fishery

Deposit rates 25 bp higher

Important role among market.

## B. Insurance Company

Life - lendings =  $1/5$  of  
city banks.

Non life

## C. Housing Finance

Sogo, Credit Assn, Credit Coops  
plus Govt Housing Finance Corp.  
8 Housing Finance Companies.

## D. Postal Savings

23,000 offices

tax exempt

 $1/2$  yearly compound interest90% of deposits of all banks

- \* Telecommunications Sub-yr
- \* More to Qualitative improvements

## JAPANESE BANKING TRENDS

1

- . Public telecommunications law due for amendment
  - . extensive networks coming
  - . link-ups between banks, securities companies, credit card firms and consumer finance firms.
- . Implications
  - . only profitable, well managed companies will be able to afford capital invest in systems.
  - . therefore, widened managerial gaps.
  - . small institutions gobbled up by larger ones.

## Now - Most Banks

- . On-line system - connect all offices deposit and loan operations.
- . ATM's increasing
- . Zengin - automated interbank clearing.

New Initiatives - Regulations on "joint use" of telecom circuits will be relaxed. Banks link up computers to corp computers by direct, exclusive circuits.  
Cash management.

Therefore, Salary payments,  
billings  
payment receipts  
all simultaneous.

*Future*

No more credit notices for banks  
No more policy receipts (paper)  
for corps.

Banks beginning to offer full  
Cash Management Service.

Consumers - INS - Information Network  
System.

. Home banking - telephone lines  
By phone can: obtain balance  
credit & debit  
Experimental system 1984.

. CAPTAIN - letter image information  
Net-Work System.

Shopping by TV -  
test now - Go line 84.

. Linkage of super markets and  
banks.  
Buy thru on-line cash card.

Impact of Upcoming Changes

~~\* Bricks and mortar less important.~~

. Competitive advantage?

Ability to offer convenient,  
computer operated services to  
customers.

Therefore, large investment.

Therefore, more efficiency.

Therefore, widened earning power  
differentials.

But, MOF doesn't want this to happen,  
so still considers corp bank linkup  
(Banking Law 1982) within its  
purview to regulate and does for  
the time being but trend is toward  
deregulation.

JEJ 12 Oct 1982

FOREIGN BANKER VIEW JAPAN MARKET

Funding in yen difficult - costly,  
cumbersome.

Require more flexible CD issues.

Interest rates favor postal savings.

Need more instruments e.g.,

Negotiable CD's

Fed Funds

Foreign bank competition still -

1. Economy

2. Japan CD's have better cash  
flows.

How foreign bank can help J company:

Cheaper funds

or . N.Y. commercial paper

. Leverage lease

PUBLIC TELECOMMUNICATIONS LAW -  
ENACTED 10/23/82

Previously prohibited connection of leased (private) and public telephone circuits now permissible on individual application to MOF.

If public → lease → public, then A can transfer money to B's account.

Banker's federation wants greater flexibility .

No individual applications.

MOF now approved Fuji/Sanwa Postable terminal on true home banking in concert with MPT above deregulation on communications.

JEJ : 12 Oct 1982

EVIDENCE OF LIBERALIZATION OF  
JAPAN CAPITAL MARKET

1. FX transaction 8 fold increase 76 to 81.
2. Magnitude of long term capital movements = to West Germany
3. Stock & bond market 2nd in volume to U.S. 2 times West Germany.
4. Short term market - liberalization of interest rates and introduction CD's.
5. Foreign Bank share of market. %

	<u>Call</u>	<u>Bill</u>	<u>CD</u>	<u>Gensaki</u>
1979	3.3	9.2	14.0	1.9
1981	11.3	18.4	12.6	18.1

Clearly, restrictions on foreign investment are not responsible for yen decline.

6. Yen denominated foreign bonds.
7. Yen assets held by non residents \$900B.

# RETAIL BANKER - JAPAN SUMMARY

3/83 1

## 12 City Banks (ordinary) (all banks)

	<u>Asset</u>	<u>Branches</u>
DIK	\$88B	339
Fuji	80	246
Mitsubishi	72	209
Sumitomo	76	213
Sanwa	69	244

## 63 Regional Banks (ordinary) (all banks)

Yokohama	18B	142
Hokuriku	10B	150
Chiba	10B	120
Shizuoka	10B	169
Joyo	10B	115

One prefecture only

## Trust Banks (ordinary on small scale) (all banks)

Mitsubishi	43B	50
Sumitomo	37B	51
Mitsui	36B	47

- Purpose - long term finance  
                  financial management
- Take long term deposits - lend these  
                                  to industry
- Trustee for various pensions and  
                                  funds, etc.

LTC (all banks)

Long term loans to industry.

## Postal Savings System

Deposits \$260B - world's largest  
financial institution.

Deposits go to govt. trust fund  
bureau, which finance housing and  
small business.

Independent of many regulations.

## Sogo Bank

Similar to regional, but greater  
concentrations on small business  
and personal customers.

## Shinkin Bank

Credit coops. Take deposits,  
but generally lend to members  
- but not always.

## Finance Company

Shinpan (N.S., OF) respectable.  
Sarakin 100,000, not respectable.

Key Regulation

MOF branch open approval.

New branch open guideline every  
2 years.

Currently: For 2 year period

1 full branch

2 small branch staff > 10

4 timing branch staff > 4

Also reg on location & ATM's CD's.

Restriction on hours - 09.00-15.00  
to 12.00 on Sat.

Some closure Sat in 1983.

Stats 1981 Year End

		offices
City banks	13	2,762
Regional	63	5,864
Trust	7	324
Sogo	71	3,905
Shinkin	456	5,857
Credit Coop	473	2,617
Postal Serv	2	22,428
Ag Coop (1980)	4,496	17,179
Fish Coop	1,685	2,000

Deposit TakingDemand

Current Account - Rare

Ordinary Deposit a/c used for payment transaction.

- . low rate paid (50% 3 mo TD)
- . passbook
- . personal seal, but some signatures.
- . Credit transfers + direct debit

## 12/81 Demand Deposit

	<u>JPY Trillion</u>	<u>%</u>
City Bank	7.0	23
Regional Bk	7.5	24.5
Sogo	2.9	9.5
Shinkin	4.5	14.7
Credit Coop	1.0	3.3
Ag Coop	5.1	16.7
Giro	0.1	0.5
Other	2.3	+ 7.7
	<u>30.4</u>	<u>100.0</u>

Savings + Time

80% at banks  
are TD.

3 to 6 mo, 1,2,  
or 3 years.

Longer periods  
are available  
on postal Sav'gs

that is,  
competitive  
issue.

PS - 10 years

New Competitive Facilities:

- . Annual compounding on long term deposits.
- . Notice a/c's - No loss of interest if adv notice.
- . Automatic savings transfers from ordinary demand accounts.
- . Special savings schemes.

Long Term Savings Instrument -  
the loan trust offered by Trust Banks  
deposit pooled + lent to commercial  
world.

Some door to door collection of  
PRSL savings.

Sogo A/C link TD & ordinary A/C.  
Customers overdraw ord with TD  
as security. Rate on borrowing  
is .25% over TD rate.

Securities Companies - New  
Competition  
Not deposits but Investment Trusts  
(mutual funds)  
Higher rates are available.  
7 trillion investments attracted  
12/81.

## Savings + TD's 1981

	<u>¥trillion</u>	<u>%</u>
City Bank	30.0	15.0
Rg Bank	28.8	14.4
Sogo	15.1	7.6
Shinkin	23.2	11.6
Credit Coop	7.1	3.6
Og Coop	21.1	10.6
Post Sav	68.2	34.2
Other	6.2	3.1
Total	199.7	100.0

Rates (dep and loan) MOF controlled admn guidance.

Sogo pay slightly higher than  
CB & RB.

Postal Savings highest of all  
NOT MOF controlled.

Since WWII govt encouragement of  
savings thru tax break.

Now tax payable on

¥3MM dep for-1 financial institution  
-govt bond  
-postal save

that is, up to 9MM dep tax free.

Also easy to have fictitious names  
at postal savings. 2 PS a/c for  
each Japanese. Green card mooted  
then fell flat.

## Other concessions:

- A. For workers who buy house,  
tax relief on savings and  
on interest from savings.
- B. Deposit insurance.

PERSONAL FINANCIAL WEALTH

TD's - 50% of Assets

Bank + PS deposits and trust assets  
accounts for 70% of all personal  
financial assets.

Life insurance not a large piece.

Personal Financial Wealth  
Y/E 1981

<u>Finan'ial Assets</u>	<u>¥trill</u>	<u>%</u>
Currency	16.2	4.4
DD	30.4	8.3
TD	199.7	54.4
Trust	24.2	6.6
Insurance	52.0	14.2
Bond	30.0	8.2
Share	6.5	1.8
Security Invest Trust	6.3	1.7
Other	1.9	0.5
Total	<u>367.1</u>	<u>100.0</u>

Financial Liab

Loans fm Private Inst.	85.0	23.1
Loans fm Public Inst.	23.7	6.5
Trade Credit	<u>31.8</u>	<u>8.7</u>
	140.5	38.3

LENDINGConsumer Credit

1971 to 1981 2 trillion to 14 trillion  
Practices backward.

Consumer credit per capita - low  
Inefficient competition  
Extreme rate variation  
No efficient system for info on  
personal credit stdg.  
2/3 shopping or purchase related,  
1/3 PL non purpose.

Connected Credit → Dept. stores  
Regional retail  
coops.  
Shinpan  
(specialized  
sales finance)  
BRCC

Unconnected Credit ->

Money lenders

Banks

Now newly BRCC + Shinpan

Cash Loans

New innovation - Dept Store &  
super markets  
up to 300,000 yen thru cash  
machines.

Rate Law

IRR 20% per annum

Money Lender .3% per diem (109.5%)

1982 Legislation - Lower max money  
lender to 40% i

Introduce other consumer protection  
methods.

Despite lower rates available  
elsewhere, Sarakin have enjoyed.

Other Bank Sources Consumer Credit

1. Draw on sogo a/c.
2. Postal Savings can also over-  
draw up to .5% over deposit  
rate for up to 6 Mo.
3. Bank O/D possible to arrange,  
using card.

Bank Strategy

- . Cautious
- . Rigid screening requirements
- . Make more money in wholesale financial financing.

1981 Consumer Credit

	<u>JPY trillion</u>	<u>%</u>
City Bank	.4	3
Rigional Bk	.4	3
Sogo	.2	2
Shinkin	.4	3
P.S.	.3	2
Other Bank	.8	8
Shinpan	3.0	22
BRCG	.8	6
Sarakin	2.1	15
Captive	2.9	21
Retailer	2.4	17
Other	.3	2
Total	13.9	100

HOUSING FINANCE

- . Harder to obtain than most idl countries.
- . But growing and now 10% of bank lending.
- . 95% of loans to individuals are housing.

### Availability

- . CB
- . JU Housing Finance Co.
- . Housing Loan Corp
  - Largest House Lender
  - Largest of 12 Govt Fin Inst.
- . JU's between
  - bank & insurance company
  - also sogo, og coop etc.
  - now eight JU
- . P.S. to make housing loan  
in 84.

Maturity - 20-25 years

Refinancing system available.

### Rate Ceilings

No specific, but kept low as a matter of policy. Rate fixed. Same rates as large companies pay long term loans.

Available amount understated as paternalist's companies supply some housing lending.

Trust Banks offer uncelling services  
surveys  
advice  
arrange finance  
on line info systems

House Finance Y/E 81

	<u>JPY</u>	<u>%</u>
City Bank	6.6	14.3
Regional Bk	5.7	12.4
Other	3.3	7.1
Sogo	2.9	6.3
Shinkin	4.5	9.8
Credit Corp	0.7	1.6
Labor Credit Coop	1.2	2.6
Og Coop	2.0	4.2
Insurance Co	2.6	5.6
H.L. Companies	3.8	8.2
H.L. Corp	12.8	27.8
Total	46.0	100.0

Low lend back ratios result mainly from relatively high savings.

PAYMENT SERVICES

## Payment System Organization

175 local clearing houses  
operated by local banker's  
assoc.

Largest - Tokyo Clearing House

1/3 volume

2/3 volume

### Zengin System

- . Central telecommunications
- . Electronic transactions between banks.
- . 1973 start
- . Links 700 institutions and 18,000 branches.
- . Direct Debit/Credit now being considered.

### Paper Payments

- . Historically cash
- . Now salary/wage thru banking system.
- . Checks not widely used.
- . Check A/C no interest/no charge.
- . 30% J travellers carry yen checks.

### Plastic

- . Banks cannot operate card business directly.
- . Therefore JU compansis.
- . Dept Stores and Shinpan have cards
- . Used for purchases and obtaining loans.
- . BRCC cannot offer installment option of repayment.
- . All card repayment is direct debit. Precondition of card issue

3 BRCC affiliated to Mastercard.  
 1 " to Visa  
 (Sumitomo)

Amex Gold Card  
 Japan Diners Club  
 75% local ownership.

Credit Cards Mid-82

000

Master	5,970
Visa	2,888
JCB	3,900
Diners	290
Amex Gold	80
Shinpan	10,450
Retailer	11,270
Oil	8,000
Other	2,630
Total	45,478

Electronic Payments

- . Credit transfers - not checks
- . Zengin links all banks (not giro)
- . Customer can chose paper transfer but slower (cheaper).

Tokyo Clearing House

Direct credits - payroll  
 pension  
 dividend

Direct debit - telephone bill  
 utility  
 insurance premium  
 credit card  
 taxes  
 social security

- . Central on line computer most banks.
- . Postal savings on line in 1984.
- . Shared cash dispenser networks- put in by banks to compete w/postal savings.
- . Automation extended to safety deposit boxes.

### Automated Services

#### ATM's/CD's

- . Considered sub branches
- . Easy approvals
- . 8:45-6:00, 9:00-2:00 Sat

Nippon Cash Service - ~~Joint~~  
Joint Regional/Sogo shared  
 ATM network.

- . 4 ATM shared networks now in operating.
- . 50% cash withdrawal ATM
- . Can use ATM for inter A/C transfers.  
 Worlds first self service,  
 mass electronic funds  
 transfer service.

PRICING & PROFITABILITY

Ordinary A/C's - free to customer; pay interest.

Charges: Only when

1. Zengin used
2. Use another bank cash dispenser
3. Charge for direct debit (recipient).
4. Charge (paper) say, dividends.

Interest rates controlled - therefore controlled levels of profitability.

No option to get higher rates on consumer credit.

Housing credit at special concessionary rates. Therefore, not much profit opportunity.

So, no profit to speak of in fees, consumer or housing lending.

Profit lies in low cost deposits onward lent to industry. But even these profits are depressed due to forced holding of low yield bonds.

Selected 1981 Rates

Ordinary Deposit	1.75
3 Months	4.25
2-5 Year	6.5
5 Year	8.0
Bank Consumer Credit	14-20
Shinpan	16-40
Sarakin	30-110
Mortgage	8.3
Money Market	6.3

SUMMARY AND CONCLUSIONS

IMMATURE retail banking market.

- Opportunities for branch network expn limited.
- Savings market dominated by single govt. inst.
- Tight control over rates.
- Housing credit - short supply.

Consumer Credit Market shows signs of pre-revolutionary system.

High proportion credit direct link to sales.

- Interest rates restrict bank interest.
- Unregulated lenders felt to satisfying market needs at exhortatiout rates of interest.

"Not borrowing"

Individual needs have been sacrificed to needs of industry. But, then individuals have enjoyed fruits of industrial success.


Good Strategy:

1. Release banks from interest rate ceilings on consumer credit.
2. Release credit card restrictions.

Possible Result: Like Canada banks rush into market charging high rates than before, but undercutting competition. Overall beneficial effect to consumer.

J has high savings rate.

Why? . Hard to borrow  
. Tax incentives  
. Low levels of social security.



Some points worth emulating elsewhere:

- . Paperless direct debit.
- . Zengin - worlds most effective transfer system.
- . ATM's
- . Banks offer ATM's at own branches, and pool in public places. Elegant solution to choice between cooperation and competition.
- . CD's as well as ARM's - Greater ratio of machines to branches.
- . Performance related deposit in trust banks' loan trusts.
- . Sogo account - single integrated account. Saving borrowing and payment facilities in one A/C.

May 3, 1983

BANK CREDIT CARDS

Citybanks establishing own card companies.

Card competitors

Credit Sales Companies

N.S.

Orient

Consumer Loan Firms

Takefuji

Department Stores, Supermarkets

Marui

Seibu

JTB

Cosmetic Companies

Service Stations

LDP

Therefore, Individual Credit Card War.

Bank Response:

- . Union Credit (DIK, FUJI, TKB, Saitama) set up own card company February '83.
- . JCB (Sanwa, Mitsui, TKB, Daiwa, Kyowa) followed suit.

Why cards?

- . Future integration cash and credit cards.
- . Future integration cards and home banking.
- . Customer base for receiving deposits.
- . Starting point for business strategy aimed at consumer clients.
- . Greater linkages AJM networks. with, say, regionals.
- . Regionals thinking of setting up a bank card.

New entrants (credit sales, consumer loan, department store, etc) issue 2.5 x number of cards as banks.

5/18/83

FACT SHEET

21 Japanese bank subsidiaries in US

Citibank 12% foreign bank market share  
.05% total country market share

CSG Vehicles

CCKK

FNNS

Citicorp Service

Citicorp Internat'l Business KK

Diners Club

CCKK 5 year Scan

	<u>1982</u>	<u>1987</u>
PCE	1.5	12.0
Asset	300	1,000
Capital	10	40
People	280	750

CSI  
CITIBANK  
CCKK

contacts

2 CREDIT  
CAPITAL

strategy  
commodities

Capital Strategy

Global Trends

Order

Performance

« Credit Project Book  
and table page

EXISTING RELATIONSHIPS WITH CREDIT EXPOSURE OVER ¥220MM



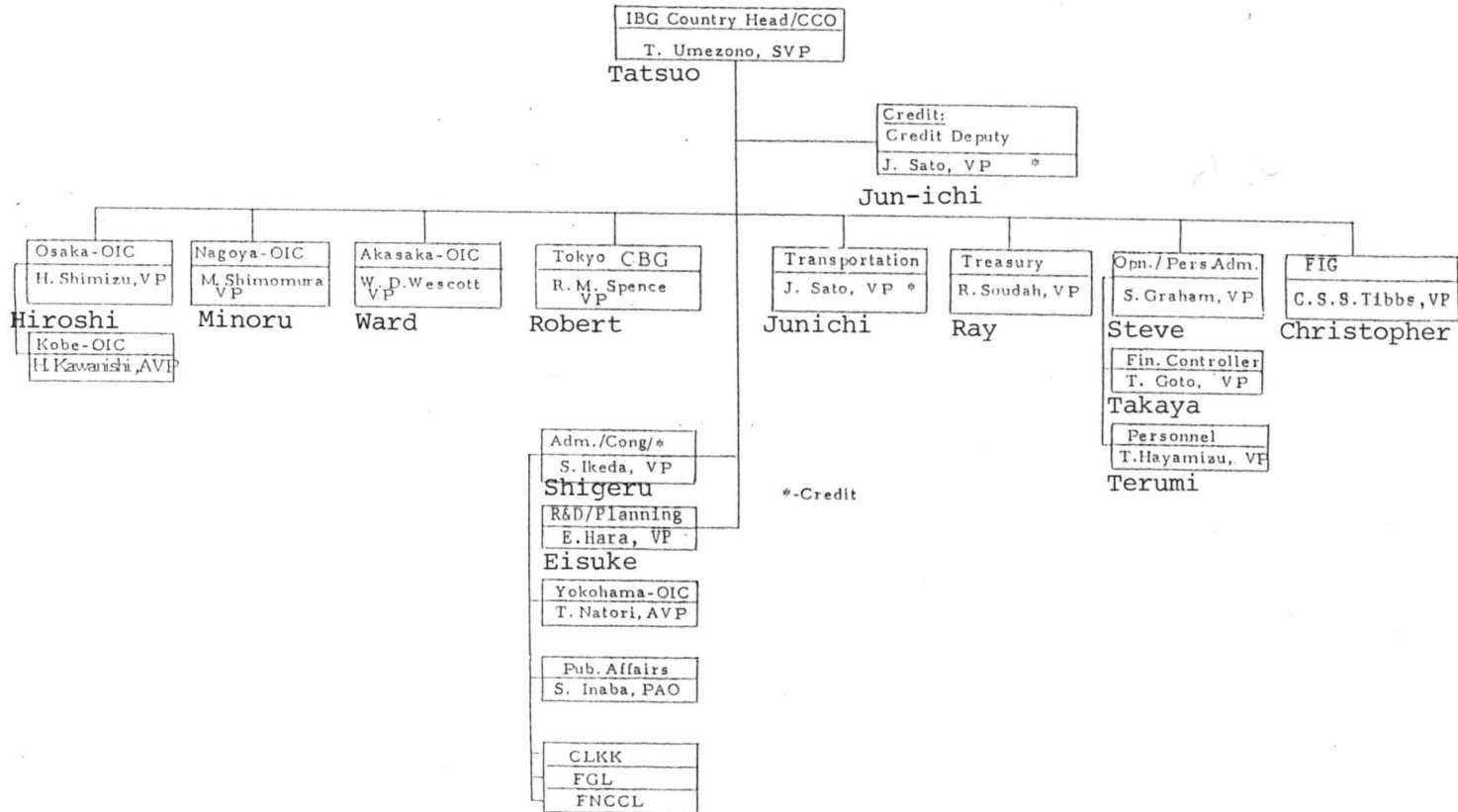
DATE: January 19th, 1983

Credit Project Book

	COMPANY	PRODUCT	CREDIT LINE	O.S.B. AS OF DEC. 31, '82 (¥MM)	NET RISK AS OF DEC. 31, '82 (¥MM)	CURRENT REVIEW DATE	REMARKS
LESS THAN ¥439MM	SANYO KOSAN	P/N	240	227	227	SEP. 27th, '83	
	HONDA CHIYO	BL	300	300	300	DEC. 1st, '83	
	SAMARIYA	HW	330	330	330	NOV. 29th, '83	
	LOANS ESAKA	BL	400	400	400	NOV. 17th, '83	
MORE THAN ¥430MM	DAIWA SEKIYU	P/N	440	0	0	APR. 27th, '83	Include For Gurantee Line ¥240MM
	NISSHIN SHINFAN	BL	500 ✓	500	500	SEP. 28th, '83	
	TAKEFUJI	BL	500 ✓	500	500	OCT. 25th, '83	
	NIKKO SHINWA	HW	600 ✓	514	462	JAN. 21st, '82	Under Proposal On Liquidation Base, Classification 1A
	KANSAI SPORT	TW	900	669	669	MAY. 24th, '83	
	HAKUYUKAI ✓	BL	950 ✓	420	420	<del>FEB. 17th, '83</del>	1 Feb Reschedule 2Mo.
	AICHI GROUP	P/N	1,000	1,126	940	MAR. 18th, '83	Classification 1A
	KANEI	P/N	1,000	990	950	JAN. 26th, '83	Interim Review ✓
	TAIHEIYO KANKO	TU, P/N	1,300	1,415	1,235	JUN. 21st, '83	
	KOKUBU GROUP	TW, TU, P/N, REF	1,800	1,301	1,088	MAR. 29th, '83	Watch List
	UTSUNOMIYA KOKUSAI	TW, TU	1,900	1,049	1,049	SEP. 10th, '82	CA Pending Approval ✓
	*NIHON GOLF KOGYO	TW, TU, P/N	2,000	1,696	1,608	SEP. 9th, '82	Under Preparation ✓
NIHON KOKU'DO	TU, P/N	2,100	1,625	1,609	JUN. 21st, '83	Classification 1A	

OK

CITIBANK ORGANIZATION - JAPAN



CCKK LOAN TYPES

CONSUMER

(BA) Unsecured -

- . Personal Loans  
10.7 to 8.1; 2.96 to 2.44  
norm 3.3
- . Home Improvement Loan  
81=10.2%; 2.66 ANR, nor 3.3

(A) Secured -

- . Referred Loans - loans from tie-up company but non-recourse.
- . Tie-Up Loan - same as referred but repurchase obligation for tie-up company.
- . Golf Membership - tie up loan limited to purchase of golf membership.
- . Securities Loan - secured by securities or precious metals.

Housing Related -

- . Mortgage 43%, 32MM  
installment, 3.61% del
- . Home Equity 50%, 37MM  
installment, 1.5% del
- . Bridge 7%, 4.8MM  
bullet, 0% bridge loans

COMMERCIAL

Housing Warehouse

22.2 5 or 23% classif

P/N Discount

25.5 9 or 36% classif

Golf Warehouse

11.4 0 classif

2/2/83

## CCKK SUCCESS RATIONALE

Most consumer credit (2/3) shopping (connected) related.

Banks not eager consumer non-purpose lenders.

Only other non-purpose lenders were Sarakin who didn't wear mantle of legitimacy.

Niche → Go in where banks don't want to lend.

Grow with that rising market.

But, BRCC and Shinpan have started to complete in non-purpose area.

therefore, what?

SO. Taylor  
3-1-81  
Linn

FINCO FINANCE INC  
RECEIVED  
SEP 10 1981  
President's Office

CAPITAL ISSUES

- FINCO has a total networth of \$72.1MM and risk asset of \$759.2MM as of August 20, 1981 for a Capital to Risk Asset ratio of 9.5% versus a requirement of 8%. By December 31, 1981, the requirement will be 10% and FINCO will have difficulty meeting it.
- In 1982, assuming a 12% growth in risk assets, FINCO's networth must consequently grow by the same percentage point or approximately \$10MM. This growth cannot come from "normal profits" alone, recognizing that FINCO still has to pay out dividends on preferred shares out of this "normal profits".
- Two alternatives open to FINCO to alleviate this capital to risk asset burden are as follows:
  - 1) Receivables parking to "Island Finance". This will be achieved by FINCO lending to conduit, conduit lending to "Island Finance" and "Island Finance" buying FINCO's receivables. A more direct approach is for Island Finance to borrow money outside using FINCO's guarantee and use same to purchase FINCO's receivables. Parking has the added advantage of front-loading FINCO's income.
  - 2) Equity Infusion
    - a) Phase I - (Pseudo Equity)
      - Central Holdings invests \$15.0MM on FINCO's remaining unsubscribed common shares. Central Holdings either borrows from the outside if it can or FINCO funds it through a conduit.
    - b) Phase II - (Real Equity)
      - Assuming FINCO posts healthy earnings in 1981 and projects another reasonably good year in 1982, the idea of a real equity infusion could be sold to its existing stockholders or possibly to new stockholders. Our present corporate clients could be tapped for the purpose.
      - In 1982, common stock maybe issued to replace 50% of our preferred shares in effect saving 23% before tax interest on \$18.75MM equivalent to \$4.3MM.

CREDIT

1. How help personally
2. Party.

Rivers. Japan

Earnings  
Expenses



# Foreign Exchange.

FINANCIALS

FCCS

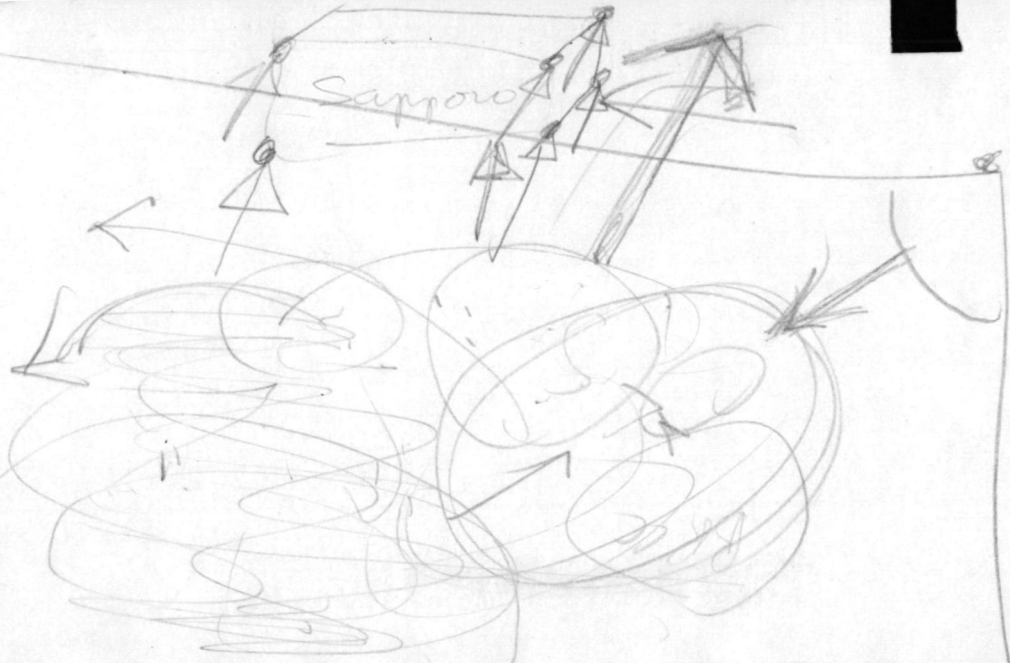
Foreign Finance Co.

Capital  
Expenses  
Treasury  
Asset Reserve  
Particulars

Credit  
Structure  
Notes

Financial Table Chart

Sapporo



- o The Japan-America Society in South Florida is:

The Japan-America Society of South Florida  
P. O. Box 160575  
Miami, FL 33116  
257-8184

The contact is Betty Lou Rosen, President. She is sending you information about her organization, the language instruction, and any other materials you would need.

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MORIKAMI MUSEUM  
4000 Morikami Park Road  
Delray Beach, FL 33446  
499-0631

The contact is: Larry Rosensweig

Betty Lou Rosen feels you would be very interested in this museum. It is the center of Japanese culture. George Morikami left this land to the city of Delray Beach on which they built this museum.

## FINANCIALS - 3 YEARS PROJECTION ('84 - '86)

UNIT \$M

	'82 ACTUAL		'83 FCST		'84 FCST		'85 FCST		'86 FCST	
	\$M	% ANR	\$M	% ANR	\$M	% ANR	\$M	% ANR	\$M	% ANR
Tot. Asset	194,093		219,623		274,530		343,160		428,950	
ANR	179,914	100.0	205,255	100.0	256,570	100.0	320,710	100.0	400,890	100.0
Interest Revenue	22,103	12.3	23,919	11.6	30,275	11.8	37,844	11.8	47,305	11.8
Interest Expense	14,669	8.2	16,215	7.9	20,269	7.9	25,336	7.9	31,670	7.9
Gross Spread	7,434	4.1	7,704	3.7	10,006	3.9	12,508	3.9	15,635	3.9
Fees on Loans	1,577	0.9	2,053	1.0	2,566	1.0	3,207	1.0	4,009	1.0
Other Revenue	122	0.1	120	0.1	150	0.1	190	0.1	238	0.1
Adj./Ref.	(782)	(0.4)	(690)	(0.3)	(200)	(0.1)	(300)	(0.1)	(400)	(0.1)
NRFF - LCY	8,351	4.7	9,187	4.5	12,522	4.9	15,605	4.9	19,482	4.9
NRFF - FCY	(603)	(0.3)	(430)	(0.2)	(516)	(0.2)	(516)	(0.2)	(542)	(0.2)
NRFF	7,748	4.4	8,757	4.3	12,006	4.7	15,089	4.7	18,940	4.7
Commissions	239	0.1	205	0.1	257	0.1	321	0.1	401	0.1
Adj./Ref.	(22)	-	-	-	-	-	-	-	-	-
Net W/O	2,555	1.4	3,899	1.9	2,566	1.0	2,886	0.9	3,207	0.8
Staff Pay	3,694	2.0	4,574	2.2	4,940	1.9	5,335	1.7	5,762	1.5
Premises	1,611	0.9	1,722	0.8	1,860	0.7	2,009	0.6	2,170	0.5
Dir. Var.	456	0.3	591	0.3	770	0.3	962	0.3	1,203	0.3
Mkg./Adv.	834	0.5	1,433	0.7	1,575	0.6	1,701	0.5	1,837	0.4
Other Dir.	2,164	1.2	1,932	1.0	2,087	0.9	2,254	0.7	2,434	0.6
<del>Expense</del> Total	8,759	4.9	10,277	5.0	11,232	4.4	12,261	3.8	13,406	3.3
Contribution	(3,349)	(1.8)	(5,214)	(2.5)	(1,535)	(0.6)	263	0.1	2,728	0.7
Dir. Alloc.	313	0.2	427	0.2	513	0.2	641	0.2	801	0.2
E.Q. Alloc.	968	0.5	714	0.3	910	0.4	1,138	0.4	1,422	0.4
Ind. Alloc.	132	0.1	143	0.1	179	0.1	224	0.1	280	0.1
Affil. Earn.	609	0.3	402	0.2	500	0.2	600	0.2	700	0.2
Transl. G/(L)	(9)	-	-	-	-	-	-	-	-	-
EBIT	(2,226)	(1.3)	(4,668)	(2.3)	(817)	(0.3)	1,136	0.4	3,769	1.0
FGN Tax	341		227		280		336		392	
U.S. Tax	(295)		(258)		(226)		(222)		(216)	
PCE	(2,272)	(1.3)	(4,637)	(2.3)	(871)	(0.3)	1,022	0.3	3,593	0.9
PCE (Local Book)	(2,746)		(4,784)		(1,019)		779		3,270	
ROTA	(1.2)		(2.1)		(0.3)		0.3		0.8	
ROE	(30.0)		(54.1)		(8.1)		7.6		21.5	

1st Qtr FCST



with 101

FINANCIALS

	'82 ACTUAL		'83 PLAN		1st QTR FCST		30 % Vol. Share Basis	
	\$M	% (ANR)	\$M	% (ANR)	\$M	% (ANR)	\$M	% (ANR)
ANR	179,914	100.00	270,109	100.00	248,757	100.00	233,304	100.00
INTEREST REV.	23,806	13.23	35,250	13.05	31,696	12.74	29,722	12.74
COST OF FUND	15,272	8.49	23,490	8.70	20,580	8.27	19,328	8.28
ADJUSTMENTS	(810)	(0.45)	-	-	-	-	-	-
NRFF	7,724	4.29	11,760	4.35	11,116	4.47	10,394	4.46
COMMISSIONS	240	0.14	270	0.10	379	0.15	365	0.15
CREDIT LOSS	2,555	1.42	1,575	0.58	1,778	0.72	1,778	0.76
DIRECT EXP.	8,759	4.87	10,680	3.95	10,277	4.13	10,277	4.40
OTHER	1,123	0.62	1,161	0.43	694	0.28	640	0.27
EBIT	(2,227)	(1.24)	936	0.35	134	0.05	(656)	(0.28)
PCE	(2,272)	(1.26)	874	0.32	97	0.04	(668)	(0.29)
FTE	209		208		208		208	

NOTE: OTHERS INCLUDE DIRECT ALLOCATION EXP/INDIRECT ALLOCATION EXP/EQUITY ALLOCATION EARN./AFFILIATE EARN.

## I S S U E S

### ORGANIZATION/PERSONNEL

FUNCTIONAL CENTRALIZATION  
NUMEROUS PROJECTS TO BE COMMENCED  
TRAINING GAINING MOMENTUM

### PEOPLE

WE ARE A "NEW" ORGANIZATION  
MAKING HEADWAY BUT STILL GAPS IN FILLING POSITIONS

### CONTROL

PROOFS IMPROVING - PROCESS UNWEILDY  
FORECASTING/ANALYSIS WEAK  
DISCIPLINES BEING FORCED IN - STILL SLOPPY  
PROJECT CONTROL

### CLIMATE

AGITATED/IMPROVING

### CREDIT

B/P LOANS BOXED; FIXES IN PLACE  
SHELTER IN PROCESS - RISK  
RETAIL - CONTINUES IMPROVEMENT  
INTERNAL AUDIT IN PLACE  
MUCH FINE TUNING, PROCESS ENHANCEMENT, TRAINING NEEDS

# 1ST QTR FCST



## B/P VOLUME

BUSINESS FINANCE DEPARTMENT

TARGET MARKET/CALLS

## RETAIL VOLUME

SALES ORGANIZATION GAINING MOMENTUM

BEACH HEAD, BUT NICHE NOT SECURE

REFERRAL/SUB BRANCH

ADVERTISING REVIEW

BERGER STUDY

## SYSTEMS

GET MORE OUT OF WHAT WE HAVE

GET PROCESSING BASE "CONVERTABLE"

REASSESS HARDWARE STRATEGY

## COST OF FUNDS

MORE JAPANESE BANKS

L/A's

MIX MORE TO SHORT

TEITO SHOKEN

## OTHER

ACCOUNTING FOR FEES

<u>Date of Corporate Registration</u>	<u>Company</u>	<u>Capital (\$MM)</u> \$1 = ¥250	<u>Ownership</u>	<u>Ratio of Capital</u>	<u>No. of Office (Distribution)</u>	<u>No. of Employee</u>	<u>1982 OSB (\$MM)</u> \$1 = ¥250
Apr. 1977	Japan AVCO Finance	4.8	AVCO Financial Services Inc. (U.S.A.)	100%	22	200	52
Feb. 1978	Japan Hawaii Finance	3.1	Hawaii Thrift & Loan Inc. (U.S.A.)	100%	20	120	76
Mar. 1978	Japan Security Pacific Finance	1.2	Security Pacific Credit LTD. (Hong Kong)	100%	11	50	20
✓ Mar. 1978	Japan Beneficial Finance	6.0	Beneficial Finance International Corp. (U.S.A.)	100%	15	40	32
Mar. 1978	Japan Express Finance	4.0	Bright Light Trading Co., Ltd. (Hong Kong)	100%	12	45	24
(Jun. 1978	Japan Household Finance)	Withdrew	In August 1981	-	-	-	-
✓ (Oct. 1978	BA Finance)	Withdrew	In April 1982	-	-	-	-
Oct. 1978	Citicorp Credit	9.6	Retail Consumer Services Inc. (U.S.A.)	100%	9(4-SUB)	193	176
Jan. 1979	Japan Associates Finance	3.0	Associates Corporation of North America (U.S.A.)	100%	10	40	28
Feb. 1980	Toshiba GE Finance	2.4	Toshiba (Japan) GE (U.S.A.)	50% 50%	10	84	56

General Transition  
General

AM PLAN  
The Government, Horribly  
GOUT SYSTEM

1/12/83

Engine of growth of the 50-60-70's  
highway → auto → housing no longer

80's ? → information?

First solve short term deficit  
problems.

## JAPANESE GOVERNMENT SYSTEM

### . Constitution 1947

- . Sovereignty to people - Emperor figurehead
- . Pacifism denial of war
- . Human rights - bill of rights, etc.

### . Diet

Shugiin - House of Reps

511 members

4 years term

Sangiin - Upper House

252 members

6 year term

elected by people

Only and highest national legislative organization.

- . Cabinet - Elected members of diet  
Responsible to Diet  
Must maintain confidence of Diet - If not (vote of No. Conf from H of R).  
Diet must be disbanded in 10 days with new elections - or, Cabinet must resign in some 10 day period.

- . Court - Independent, watchguard over constitution. Cannot be dismissed unless proven mental deficiency or public impeachment.

Polit Parties - 6 parties hold Diet  
sects.

Liberal Democratic Party (Jiminto)  
20 year contral (conservative)  
6/81 - 287 seats H of R  
135 seats Upper House

Japan Socialist Party (Shakaito)  
reform party, lacks org. punch  
6/81 - 104 seats H of R  
47 seats Upper House

Clean Govt Party (Komeito)  
Sohka Gakkai based  
Midele of Road  
6/81-34 H of R  
22 Upper House

Democratic Socialist Party  
(Minshato)  
Launched 1970-Socialist but more  
conservative than Shakaito.  
6/81 - 32 H of R  
11 Upper HUse

Communist Party (Kyosanto)  
6/81 - 29 H of R  
12 Upper HUse

New Freedom Club (Shin Jiyu Club)  
Splinter from Jiminto  
6/81 - 0 H of R  
11 Upper House

Holiday Pay -

Hong Kong

Reflection  
See the  
Galvanometer  
Procedure

The Japanese

Japanese Mind  
Warren Christopher

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# To the Japanese, It's Americans Who Are Perplexing

By YUJI AIDA

Americans are a strange, inexplicable people to the Japanese. We kid ourselves that we understand them, but the American temperament is the most mysterious of all nationalities.

The U.S. is a salad bowl of ethnic groups, and each region is distinctive, from laid-back California to proper New England. Yet there is a broad consensus about political and economic principles, so the U.S. is actually less diverse than India or China.

Nor is the U.S. national character especially complex. Far from it. Americans see things only in black and white terms. It is this outlook, along with the bad habit of forcing simplistic ideas on others, that confounds the Japanese.

Once Americans get a bee in their bonnet, they are convinced that they are absolutely right. They will use every argument to achieve the goal at hand. What disconcerts Japanese most isn't so much their logic as the naive sanctimoniousness. They believe their position is a universal truth.

## Hysterical Approach

Prohibition, a puritanical mass hysteria, was a textbook example of this simple-mindedness. Hatchet-wielding crusaders attacked saloons, screaming about "Demon Rum." The only beneficiaries of this lunacy were bootleggers and gangsters.

Even today, countless U.S. laws and

social movements are equally hysterical. The campaigns for the Equal Rights Amendment, racial equality, amnesty for illegal aliens from Mexico and Central America and a ban on whaling are but a few.

I once had the disagreeable experience of being interviewed by a young American journalist. I was told she was a feminist and first-rate intellectual. During the discussion she insisted that a career and social involvement are the only way for women to achieve equality. Japan is a backward, barbaric country, she charged, and Japanese women are slaves of men. On and on she went.

Except for a few statistics about working women, she was totally ignorant of Japan. What gall that such an airhead should enlighten the Japanese barbarians. Ah, the inexplicable behavior of Americans!

## True Believers

Debating is a part of the curriculum in U.S. high schools. Winning a debate is important, but it isn't everything. It's more important to understand the complexity of issues. Students should first learn whether it is possible, or desirable, to take a pro or con position after a few minutes of facile argumentation and rhetoric. Americans aren't trained to appreciate ambiguity, the gray area between black and white.

Afflicted with tunnel vision, Americans often force their positions on others. But single-mindedness has an advantage: It creates true believers. Once committed to a principle, Americans go all the way, even at the expense of their personal interests. This makes America a dynamic, open society.

Japanese are the opposite. We know all about ideals, but to us they are merely the face we show others. We have no intention of defending them to the end. And we don't become missionaries. We leave that to young hotheads, eccentrics and fanatics. Americans may call us "unprincipled," but they are wrong. Skepticism, call it opportunism even, shows the maturity of this society.

On the other hand, Japanese often present unfair or unreasonable demands with utmost sincerity. We wrap our selfish interests in names like "social justice," "protection of the weak" and the "uniqueness of Japanese society."

## 'Sincere Position'

To this sophist stew we add a dash of chopped logic, and then we serve it up as our "sincere position." Apparently what Americans most dislike about Japanese bureaucrats is their "sincere explanations."

Although the collusion of big business, bureaucracy and the ruling conservative party in Japan is obvious, our officials solemnly maintain that they are acting in all sincerity. Americans regard this as insolent hypocrisy.

Despite these cultural differences, common economic and security interests link Tokyo and Washington. The often acrimonious dialogue over trade must be detoxified. Open markets aren't enough. We also need open minds and mutual candor.

*Yuji Aida is a professor emeritus of Kyoto University. This article was translated from the Sankei Shimbun by the Asia Foundation.*



In a soon-to-be-published book, *The Japanization of America*, author Boyd DeMente states: "Despite an intimate relationship that goes back more than 100 years, Japan and the United States continue to misunderstand, misuse, and abuse each other. The Japanese often appear to be incapable of communicating effectively with foreign businessmen or politicians, while Americans are more likely to not even make the attempt. One result is that this 'irritation threshold' that exists between our two countries is very low, and frightening."

Later in that same book, DeMente quotes a *Time* magazine article which, in a handful of words, also describes the relationship between East and West: "Japan: The name alone evokes modernity; dials, lights and numbers. The ancient civilization, with its Shinto priests and fragile poems, is more closely associated with all that is new in our times than any place on Earth. Even the New World, now graying at the temples, regularly peers East to assess the future, to note where today's advances are going for finishing touches."

Orient for the Orient ended by slaughtering thousands of fellow Orientals in Nanking.

There was no buffer zone in their thinking between the transcendental and the empirical—between the chrysalis and the sword. They were religious but had no God in the Western sense—that is, a single Divine Being. They were sincere but had no concept of sin; they had sympathy but little humanity; they had clans but no society; they had a rigid family system which gave security but took away individuality. They were, in short, a great and energetic people often driven by opposing forces and often trying to go in opposite directions at the same time.

There were also numerous petty differences between East and West that needlessly aggravated matters. If a Westerner asked, "This isn't the road to Tokyo, is it?" the Japanese would reply yes, meaning, "What you say is correct; it is the road to Tokyo." Confusion also resulted when the Japanese agreed with the Westerner just to be agreeable or to avoid embarrassment, or gave wrong information rather than admit his ignorance.

To most Westerners, the Japanese was utterly inscrutable. The way he handled his tools was all wrong: he squatted on an anvil; he pulled rather than pushed a saw or plane; he built his house from the roof down. To open a lock he turned a key to the left, the wrong direction. Everything the Japanese did was backwards. He spoke backwards, wrote backwards, wrote backwards. He sat on the floor instead of in chairs; ate raw fish and live, wriggling shrimp. He would tell of the most tragic personal events and then laugh; fall in the mud in his best suit and come up with a grin; come up with ideas by misdirection; discuss matters in a devious, tortuous manner; treat you with exaggerated politeness in his honor and rudely shove you aside in a train; even assassinate a man and apologize to the servants for messing up the house.

What Westerners did not realize was that underneath the veneer of modernity and westernization, Japan was still Oriental and that her plunge from feudalism to imperialism had come so precipitously that her leaders, who were interested solely in Western methods, not Western values, had never the time nor inclination to develop liberalism and humanism.

...

2.

Hostility between the Russians and the Japanese flared, but this was less a misunderstanding of culture than a struggle for territory. In the summer of 1938 they battled for possession of a barren hill on the Manchurian-Soviet border, and the Red Army and air force gave the Japanese such a drubbing that within two weeks it led to a settlement. Some ten months later another battle started near Nomonhan on the Manchurian-Outer Mongolian border, relatively close to Peking. In a few weeks it developed into full-fledged warfare, with the first large-scale tank battle in history. Once again the Russians crushed the Japanese who suffered more than fifty thousand casualties. Training for war not only caused a re-evaluation of Japanese weaponry and military tactics but drew Japan closer to an alliance with Germany and Italy, since the Soviet Union, England, China and America were all against her at any moment.\*

Before this border war could be settled, Stalin and the Chinese and the Japanese—into turmoil by the August 23, 1939, a pact with his bitterest enemy, Prime Minister Kiichiro Hiranuma, who had been Prince Konoye in January, and whose cabinet had held more than seventy meetings in a futile effort to reach agreement on a Tripartite Pact, was so embarrassed and dismayed that he announced, "The Cabinet herewith resigns because of the inscrutable situations recently arising in the Far East."

Both Hitler and Stalin trumpeted to the world the signing of their historic treaty—except for a secret protocol.

\*This was not mere paranoia. Shortly before, Stalin had told Chiang Kai-shek: "If our negotiations with the Europeans should produce satisfactory results—which is not impossible—an important step toward the creation of a bloc of nations in the Far East as well. Time is working favorably for the formation of such a bloc."

As a result of the now two-year-old war with China, Japan, her balance, begun to get nervous, and is hurling herself against Britain, and now against Soviet Russia and the Outer Mongolia. This is a sign of Japanese weakness and may unite all others against her. From Soviet Russia, Japan received the counterblows she deserves. Britain and the United States are waiting for an opportune moment to harm Japan. At present, doubt that before long she will receive another coup from China, one that will be a hundred times mightier."

From Ireland's Fall  
Free & Fall  
of J. Curjive

All this emotional turmoil was worsened by marked differences between East and West in morality, religion and even patterns of thinking. Western logic was precise, with axioms, definitions, and proofs leading to a logical conclusion. Born dialecticians, the Japanese held that any existence was a contradiction. In everyday life they instinctively practiced the concept of the contradiction of opposites, and the means of harmonizing them. Right and wrong, spirit and matter, God and man—all these opposing elements were harmoniously united. That was why a thing could be good and bad at the same time.

Unlike Westerners, who tended to think in terms of black and white, the Japanese had vaguer distinctions, which in international relations often resulted in "policies" and not "principles," and seemed to Westerners to be conscienceless. Western logic was like a suitcase, defined and limited. Eastern logic was like the *furoshiki*, the cloth Japanese carry for wrapping objects. It could be large or small according to circumstances and could be folded and put in the pocket when not needed.

To Westerners, the Japanese were an incomprehensible contradiction: polite and barbarous, honest and treacherous, brave and cowardly, industrious and lazy—all at the same time. To the Japanese, these were not anomalies at all but one united whole, and they could not understand why Westerners didn't comprehend it. To the Japanese, a man without contradictions could not be respected; he was just a simple person. The more numerous the contradictions in a man, the deeper he was. His existence was richer the more acutely he struggled with himself.

This philosophy was derived mainly from Buddhism, a doctrine wherein all is absorbed in the spaceless, timeless abyss of nondifference. All is vanity and nothing can be differentiated because nothing has entity or identity. "I" has no entity and is an illusion appearing transitorily and momentarily as constantly floating relations of fallacious phenomena which come and go as the Almighty Wheel of Causality moves on. Nobody knows or is responsible for the movements of change, since there is no Creator or Heavenly Father or Fate.

\*Almost every Japanese household had two shrines—one Buddhist, one Shinto. Shinto ("the way of the gods") was the national religion. It was based on awe inspired by any phenomenon of nature. More of a cult of ancestor worship and communion with the past than a religion per se, it had been revived in the nineteenth century and transformed into a nationalistic ideology.

Among the reasons for Japan's plunge into military adventure in Manchuria and China, this Wheel of Causality loomed significantly. Out of cowardice, for in some cases out of self-interest or simple indecision, a number of military and political leaders failed to curb the fanatic group of young officers who engineered these aggressions. But many on all levels just moved along with the tide; caught up in the Wheel of Causality. They lay down obediently and quietly, as it were, on the road of Blind Change, following the Buddhist belief that the Wheel of Causality went on eternally and absolutely nonteleologically. With characteristic flexibility, some sects believed that everyone could become a Buddha, or "blessed one," after death; others that the individual was nothing and salvation lay only in the negation of self; that man was a bubble on the Ocean of Nothingness who would eventually vanish in the boundless water where there was no birth, no death, no beginning, no end. Buddha himself was nothing more than a finger pointing at the moon.

This was all expressed in the word *sayonara* (*sayo=so, nara=if*), that is, "So be it." The Japanese said *sayonara* every moment to everything, for he felt each moment was a dream. Life was *sayonara*; Empires could rise or fall, the greatest heroes and philosophers scumble to dust, planets come and go, but Change never changed, including Change itself.

This strong recognition of death gave the Japanese not only the strength to face disaster stoically but an intense appreciation of each moment, which could be the last. This was not pessimism but a calm determination to let nothing discourage or disappoint or elate, to accept the inevitable. The most admirable fish was the carp. He swam gallantly upstream, leaping the sheerest falls; but once caught and put on the cutting board, lay quiet, accepting serenely what must be. So be it—*sayonara*.

Understanding little or nothing of either the Wheel of Causality or the power wielded by the dedicated young rebels, informed Americans mistakenly assumed that the takeover in Manchuria and the foray into China were steps plotted by military leaders who, like Hitler, wished to seize the world for themselves.

Within the Japanese, metaphysical intuition and animalistic, instinctive urges lay side by side. Thus philosophy was brutalized and brutality was philosophized. The assassinations and other bloody acts committed by the rebels were inspired by idealism; and the soldiers who sailed to China to save the

REDIFORM PARAMUS, N.J. 07652 U.S.A. 672

February 3, 1986

Toland comments on Japanese nature, "Rise and Fall of the Japanese Empire."

Moreover, how could a vast country like the United States even begin to understand the problems that had beset Japan since World War I? Why was it perfectly acceptable for England and Holland to occupy India, Hong Kong, Singapore and the East Indies, but a crime for Japan to follow their example? Why should America, which had grabbed its lands from Indians by trickery, liquor and massacre, be so outraged when Japan did the same in China?

In this connection, Ambassador Grew once told the State Department: "We should not lose sight of the fact, deplorable but true, that no practical and effective code of international morality upon which the world can rely has yet been discovered, and that the standards of morality of one nation in given circumstances have little or no relation to the standards of the individuals of the nations in question. To shape our foreign policy on the unsound theory that other nations are guided and bound by our present standards of international ethics would be to court sure disaster."

REISSHAUER SPEECH

Speaking of Japan  
February 1983

Group Orientation

Interests of group before self.

Little affected by devisive forces  
of modern culture where many  
choices are available.

Prefere small and intimate to grandiose  
of West.

garden

literature

culture-tea ceremony, not ball

When west was reaching out, J was  
turning inward to self imposed  
isolation. May because of relative  
slowness of J innovation.

Lack of great revolutions, that is,  
more of the old has come forward to  
present.

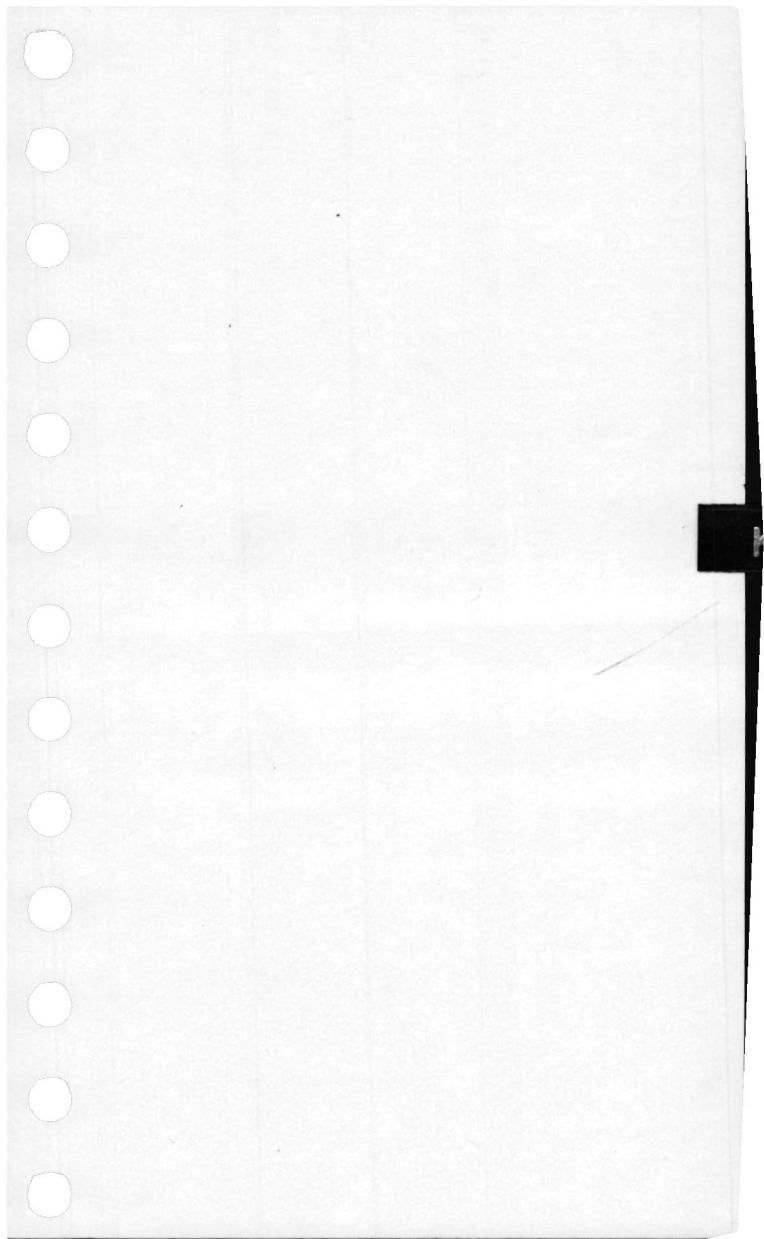
Isolation - never colonized. Sense of  
uniqueness uniqueness.

A weakness in today's world of  
interdependence.

America's individualism no longer  
appropriate for urban life.

**THE JAPANESE MIND: THE GOLIATH  
EXPLAINED, by Robert C. Christopher  
Linden Press/Simon and Shuster. New York, 1983.**

1. The Japanese language is complex, encouraging the indirect verbal communication that the Japanese prefer.
2. Japan is racially and culturally homogeneous.
3. Japanese society is exclusive — entry is by birth only.
4. Japanese feel strong responsibility towards groups in which they are involved.
5. Japanese dislike personal confrontation and try to avoid it through consensus agreements.
6. Japanese' foremost concern is the welfare of their "tribe," not to any ideology or religion, and this facilitates acceptance of change.
7. Although they seek foreign ideas and technology, Japanese do not want too much personal contact with non-Japanese. Japanese feel superior to other peoples.



LANGUAGE  
LIVING IN JAPAN ACC

LISTING REQUIREMENTS  
LEGAL

1950

130,000

CHAPTER II - LIVING IN JAPAN

Executive Behavior - Values

U.S.

If disagree, speak up.

Personal separated from performance.  
Personal dislike not always  
equated to professional dislike.

Differentiate between private self  
and public self.

Boss/subordinate

Digital

"professional"

Cook book

Mgt/worker gap

JAPAN

If disagree, often remain quiet.

Personal and performance interrelated.

No differentiation between private  
and public.

Husband/wife

Analogue

"emotional"

Policy instruction more easily  
procedualized

Mgt/worker homogeneity

## Listing Requirements

Business Operations - 5 years

Started '78

Earliest listing date Jan 1 '84

Profit Requirement - for the 3 years preceding listing the net profit (including reserves set aside for corporation taxes and local inhabitant taxes must be:

	78	79	80	81	82
Yr 1	¥200MM (-)	(-)	(-)	36MM	
	\$800M				
2	¥300MM				
3	¥400MM				

Share Distribution

2,000 share holders

25% of the number of shares - non  
Citicorp

Benefits of Listing

- . Issue debentures
- . Raise capital

\* Citicorp itself already listed on J exchange. Possibility of Citi to issue debentures. But would it be considered to be a bank?

Marketing Strategy  
MPR MAP  
MODEL 5 year

Marketing

1/14/83

MANAGEMENT STYLE

Japan - Little delegation until  
high degree of trust  
develops.  
Relatively few formal  
guidelines.

West - Delegate within confines of  
heavy guidelines. Trust  
less of an issue.

CUSTOMER NEED

Consumer's want convenience -

rate

simplicity of procedures

settlement flexibility

amount

repayment method

loan purpose flexibility

additional services

*With page*

LONG RANGE PLAN  
(CSG TOTAL)

\$M

	1982 ACTUAL		1983		1984		1985		1986		1987	
	\$M	ANR	\$M	ANR	\$M	ANR	\$M	ANR	\$M	ANR	\$M	ANR
EXCH. RATE	¥250.14		¥250		¥250		¥250		¥250		¥250	
TOTAL AVERAGE ASSETS (ANR/.95)	194,093		284,320		369,470		480,000		624,210		811,580	
ANR	179,914		270,104		351,000		456,000		593,000		771,000	
INTEREST REVENUE	22,121	12.3	32,090	11.9	42,120	12.0	55,176	12.1	72,346	12.2	94,833	12.3
FEES ON LOAN	1,579	0.9	3,160	1.2	4,410	1.3	6,200	1.4	8,750	1.5	12,410	1.6
INTEREST EXPENSE	(15,285)	(8.5)	(23,490)	(8.7)	(30,537)	(8.7)	(39,732)	(8.7)	(51,651)	(8.7)	(67,134)	(8.7)
COMMISSIONS	231	0.1	270	0.1	351	0.1	456	0.1	593	0.1	771	0.1
ADJUSTMENTS	(721)	(0.4)	-	-	-	-	-	-	-	-	-	-
N.R.F.F.	7,925	4.4	12,030	4.5	16,344	4.7	22,100	4.8	30,038	5.1	40,877	5.3
NET CREDIT W/O	2,555	(1.4)	1,575	(0.6)	2,457	(0.7)	3,192	(0.7)	4,151	(0.7)	5,397	(0.7)
NET FROM CUSTOMER	5,370	3.0	10,455	3.9	13,887	4.0	18,908	4.1	25,887	4.4	35,480	4.6
STAFF PAY	3,694	2.0	4,629	1.7	5,376	1.5	6,555	1.5	7,992	1.3	9,744	1.3
PREMISES	1,611	0.9	1,600	0.6	1,960	0.6	2,352	0.5	2,822	0.5	3,386	0.4
OTHER OPERATING	3,414	1.9	4,451	1.7	5,480	1.6	6,472	1.4	7,641	1.3	9,016	1.2
TOTAL EXPENSE	8,719	4.8	10,680	4.0	12,816	3.7	15,379	3.4	18,455	3.1	22,146	2.9
CONTRIBUTION	(3,349)	(1.8)	(225)	(0.1)	1,071	0.3	3,529	0.7	7,432	1.3	13,334	1.7
DIRECT ALLOCATION	313	0.2	427	0.2	580	0.2	720	0.2	940	0.2	1,220	0.2
BUSINESS INCOME	(3,662)	(2.0)	(652)	(0.3)	491	0.1	2,809	0.6	6,492	1.1	12,114	1.5
TRANSL. G/(L)	(9)	-	-	-	-	-	-	-	-	-	-	-
EQUITY ALLOCATION	968	0.5	1,329	0.5	1,729	0.5	2,246	0.5	2,921	0.5	3,798	0.5
INDIRECT ALLOCATION	132	-	143	-	180	-	200	-	230	-	260	-
AFFILIATED EARNINGS	609	0.3	402	0.1	480	0.1	530	0.1	585	0.1	645	0.1
EBIT	(2,226)	(1.2)	936	0.3	2,520	0.7	5,385	1.2	9,768	1.7	16,297	2.1
PCE	(1,202)	(0.7)	874	0.3	2,435	0.7	2,908	0.6	5,275	0.9	8,800	1.1
FTE	209		208		228		260		296		337	
ROE	(15.9)		8.6		14.9		15.5		21.7		27.8	
ROA	(0.62)		0.31		0.58		0.61		0.85		1.08	
ANR PER HEAD	861		1,299		1,595		1,900		2,238		2,570	
PSP PER HEAD	17.7		22.3		23.6		25.2		27.0		28.9	
EQUITY (CCKK) *	7,570		11,088		14,409		18,720		24,344		31,652	
EQUITY (FNNS)	1,024		1,189		1,396		1,630		1,894		2,190	
TOTAL EQUITY	8,594		12,277		15,805		20,350		26,238		33,842	

\* Allocated equity based on 3.9% of total assets

10TT

NTT REFORM PLAN

Deserves Praise -

1. NTT to special corp with all stock held by government.
2. Devide within 5 years into "central corporation" handling key circuits, and "local companies" offering local services.
3. Offer stock of both "central" and "local" corporations to public.

Why do it?

Profits huge (¥400B) but poor ROA (10%) and declining margins.

Low labor efficiency.

To big to handle efficiently (bureaucracy).

NTT - Nippon Telegraph & Telephone Corporation

- . Symbol US drive to opper Japan high tech markets to foreign suppliers.
- . Japanese information process market second to U.S.
- . NTT traditional favor "Denden Family".

Nippon Electric	8.2%	revenues
Fujitsu	12.2	
Oki Electric	20.9	
Hitachi	1.1	
- . U.S. companies only limited success so far.
- . Proposed backlash legislation serious:

95%	domestic (US) complementa-
	tion electronics parts.
- . J govt. on board to force change but NTT bureaucracy powerful in own right.

30 years existance
\$20B annual sales
330M employees

- . Shinto, new pres., attempt to open procurement policy thru org. restructure. Hard to due bec. entrenched bureaucrats.
  
- . But NTT problems
  - Costs increasing faster revenues.
  - Phone installation down.
  
- . Some alternatives -
  - New revenue sources -
    - Get into high growth info processing markets.
  
- . Jan 1981 - New procurement code established, but only \$24MM out of \$2.5B foreign procurement so far.
  
- . NTT side -
  - US companies don't do ground work.
  - US companies won't modify equipment.

ouchi-2

1941  
October

Oyichi  
Oichi

Aichi - theory Z

To an extent Americans would find unusual, the Japanese have succeeded in displaying the short run desire for gratification of self interest with the long-run, simultaneous satisfaction of individual & corporate interests.

People committed to long-term relationship with one another have strong commitments to behave responsibly and equitably toward each other.

Individuals on the move are capable of indifference to deep rifts and incapable of establishing deep bond.

Durkeheim prediction for America

1. Destruction primary bonds
2. Social illness
3. Dissolution of society

US-careers between org., within single specialty.

Japan-careers between specialty within single org.

US org.-explicit control mechanism + individual decision making

Japan org.-implicit control and consensual decision making

Prognosis/Analysis.

Plan

Product Comparisons

PLAN (83) process

~~US  
Product  
Comparisons  
PLAN  
Production~~

F

KENICHI OHMAE

Managing Director, Tokyo McKinsey & Co

Myth #1 - J is global champion due to high depending on exports.

Reality: 10% of J economy competitive in foreign markets.

Strong - Capital intensive manufacturing

Weak - Food, pharmaceuticals, chemicals, agriculture, minerals, aerospace, nonferrous materials.

U.S. percapita output better in  
retail/wholesage -25%  
transport/communications-41%  
service -32%

Export rate	%GNP
Japan	12%
France	18%
WG, UK, Can	20%

Myth #2 - Cut prices overseas  
because easy time at home.

Reality: 10 auto producers  
Domestic (Ricoh, Fuji Xerox)  
photo - copy competition

Myth #3 - Cheap Labor  
J's cost advantage not low  
cost labor, but low labor  
content.

L = 7% of sales Nissan  
L = 30% of sales GM

Myth #4 - J business dominated by  
MITI + huge corps who  
collectively dictate  
economic policy.

MITI influence not all  
pervasive.

Myth #5 - J business win in U.S. by  
taking share.

No - rather by creating  
new markets.

Sub-compacts  
Walkman  
VTR

Myth #6 - J planners take long  
term view.

No - Consumer elec., auto,  
semi-conductor all short  
term issues.

Myth #7 - Japan is booming

Reality: Unease,  
lower growth rates.

BUSINESS WEEK 9/27/82

Japan - Transition to Post Boom Economy

Debate - A. Stimulate economy?

or

B. Balance the Budget.

Businessmen, conservative politicians  
and bureaucrats for B.

Why?

Japan must retrench in preparation  
for slow growth due pressure on  
exports due.

World recession

Protectionism

Big revenue shortfalls forecast.  
Covering with debt (now \$389B)  
could increase interest burden -  
now 12% of budget. Could go to  
25% if shortfalls not met by cuts  
or increased taxes.

Also stimulation inflationary  
perhaps even despite high savings  
rates of Japan.

Prob for Govt - Supplemental budget?

Raise taxes (now

22% GNP vs 30% U.S.)

ASIA LETTER 9/21/82

JDA- White Paper Paper

Urges : A. Step up military spending  
B. Expansion defense capabilities

Purpose : Thwart increasing Soviet Asian expansion.

Respond to Western pressure to carry more of own load.

Protect sea lanes vital to Japan trade.

Prognosis: Beginning of revival of Japanese navy.

JAPAN LETTER 9/1/82

Suzuki comes in on Textbook.  
Equivocating stance, but ensures his re-reelection.

Political league created by Shigeo Nagano, Pres of Japan Chamber of Commerce and Industry.

Why? Support for Kiichi Miyazawa  
Chief Cabinet Secretary in bid for PM.

Resentful of Toshiwo Doko of smaller but more powerful Keidanren.

Doko chaired Admn reform committee LDP.  
Recommendation accepted  
- restructure JNR, NTT

9/15/82

LDP proceeds w/ground work to revise constitution.

Anti war language to be watered down  
Self defence force to be legitimized

Failures U.S. Finance Companies in Japan - Why

1. Failed to understand logic of Sarakin. Despite hard, unsophisticated tactics (loose screening and crude collection tactics), they fulfilled social need: bailed out gamblers and poor budgeting house wives.
2. U.S. companies only succeeded in making competition more intense, driving down rates etc not really getting foothold in market. Due to poor credit screening, many of AVCO's new creditors were just refinancing old sarakin loans.
3. No central Credit bureau in Japan. So, develop new tricks.
  - . health card produced by employer? Evidence of a lot of borrowing.
  - . No salary statements issued by employers.
  - . Pay cash directly to dealer.
  - . Wife approved (dent to ego, but lowered rates.)

Bad reputation of Sarakin, rubbed off onto finance company entrants. Promised legislation to legitimize the industry was not passed.

4  
This affected funding availability dried up.

170 Japan loan companies formed association. Did some self policing to avoid regulatory reform.

Some of media decided to accept adv only from Assn members restricted to Japanese.

5  
Advertising Prohibitions

In effect until legislation to control is passed.

No main poster at JNR.

Problem

"People now think we're Sarakin", and we continue advertise to explain we're different.

Sarakin means salaried man  
finance (kinyu)

Citicorp - Initially avoided  
taint by

- A. Positioning as Near Bank
- B. Low rates - 15%-18%
- C. Enlist responsible borrowers  
in lifetime membership,  
subscribe by mail-Club.

## Technology Race

- U.S. - Ahead pure research;  
high tech applications  
defense & aerospace.
- Europe - Ahead of Japanese in  
"information" systems -  
videotex (Fr + 6B).
- Japan - Far ahead consumer electro-  
nics, taking dead aim on  
global office automation.  
Closing US gap; genetic  
engineering, computers  
semi conductors.  
Ahead in manufacturing  
technology (productivity,  
knowledge intensive).
- Japan - Disadvantage - applied  
research, but narrowing  
the gap.
- Advantage - Labor - workers  
cooperate more in return  
for guaranteed employment.
- Management - Not short term  
profit oriented.
- Gov't. - Direction setting.

Productivity - Robots-new  
art form.

Competition - 65 "Sony's"

Marketing - Elaborate sales  
efforts.

Applied R&D - Educational  
system produces  
technical manpower.

Slow in - Aerospace  
- Information  
technology  
- Housing  
- Agricultural  
productivity  
- Retail distribution  
slow and  
cumbersome

AMA March '82

Japan - Emulate or Adapt?

Why Japan success?

- lienevalent trade situation
- little need high defense spending
- educated motivated work force
- excellent govt. bus. relationship

Great creative adopters -  
Basic Oxygen Process

Here (adaptation) is where  
US can learn from Japan

7/26/82 AWSJ

Chalmers, Johnson

LESSONS FROM JAPANESE EXPERIENCE

Japan's Clear Advantage

- . Tranquil labor relations
  - enterprise unionism
  - semi-life time employment
- . Freedom from shareholders/analyst in decision making.
- . Highest savers
- . Lowest price of capital

But real reason is deeper:

Different relationship between govt and private sector existing in high growth economies.

OK, high growth economies had to have had some advantages.

- . Easy access US market
- . US defense protection

	<u>Anglo American Capitalism</u>	<u>Asian High Growth Capitalism</u>
Govt Relation- ship	Regulatory	Developmental
Farm, Defense	Developmental	Developmental
Preeminence	Aviation, Nuclear subs	Autos, Consumer electronics
Govt Cooperative relations	Lokheed, General Dynamics Boeing	Hitachi, Japan Steel Toyota
Attitude	Autogonistic	Cooperative

Action Steps for U.S.

- A) Don't replicate Japan  
 Can't duplicate . elite bureaucracy  
                   . weak parliament  
                   . slight reliance on courts  
                   . govt controlled financial  
                   institutions
- B) Protections he doesn't work - except for  
 new strategic industries.
- C) Build more developmental incentives into  
 US system (supply side).
- \* Bring regulatory and welfare commitments  
 under discipline of cost benefit analysis.
- Eliminate corporation gains tax  
     Tax free savings accounts (like Japan)
- Emphasize trade promotion
- Enact legislation promoting trading  
 companies.

September '82 Oriental Economist

JAPAN ECONOMIC FUNDAMENTALS

International invest, that is flight  
to Dollar

Despite decline US rate people stick  
to dollar.

That is, profit declines Japan basic  
industry.

That is, upswings commodity prices.

Weak fundamental

Oil suffering, that is price hike

Electric power suffering

Iron & steel can't cut prices,

that is, will have to cut costs  
giving rise to unemployment.

Exports - Some improvement due decline.

Summary - Economy highly vulnerable  
to international development.

COMPETITIVE OVERVIEW

*N.S. + BRCC biggest competitor who advertise in paper. They are at same rate, but lower process charge*

PERSONAL LOAN

A) OSB AND KEY LOAN TERMS BY INSTITUTION

BANK	OSB (\$MM)	INTEREST RATE	KEY LOAN TERMS		LOAN TERM
			LOAN AMOUNT	LOAN TERM	
BANK	3,490	61.1%	13.5 - 15.0%	\$400 - \$8,000	6 - 60 MONTH/ REVOLVING
B.R.C.C.	742	13.0%	13.5 - 17.4%	\$400 - \$8,000	"
SHIMPAN	1,464	25.6%	15.0 - 27.0%	\$200 - \$8,000	6 - 60 MONTH/ REVOLVING
C.C.K.K.	16	0.3%	14.0 - 17.0%	\$1,200 - \$8,000	12 - 60 MONTH
TOTAL	5,712	100.0%			

\$1 = ¥250

(OSB AS OF AUG., '82)

\*+ 1.7% CREDIT PROCESSING CHARGE

*Banks at lower rate but don't aggressively solicit business*

B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	REPAYMENT	LOAN PURPOSE	PROCEDURE/ QUALIFICATION	OTHER SERVICE	GEOGRAPHICAL COVERAGE
BANK	LOWEST	ADEQUATE	INSTALLMENT REVOLVING	RIGID	RELATIVELY COMPLICATED/RIGID	NONE	NATIONAL
B.R.C.C.	LOW	ADEQUATE	INSTALLMENT REVOLVING	FLEXIBLE	MODERATE	PERIODICAL/SHOPPING/ CONSUMER INCENTIVE PROGRAM	NATIONAL
SHIMPAN	WIDE RANGE	ADEQUATE	INSTALLMENT REVOLVING	FLEXIBLE	SIMPLE/EASY	PERIODICAL/SHOPPING/ CONSUMER INCENTIVE PROGRAM	NATIONAL
C.C.K.K.	LOW	ADEQUATE	INSTALLMENT	MODERATE	MODERATE	MY CITI	MAJOR MARKETS

COMPETITIVE OVERVIEW

HOME EQUITY LOAN

\$1 = ¥250

A) DSB AND KEY LOAN TERMS BY INSTITUTION

KEY LOAN TERMS

		(\$MM)
BANK		5,625 77.2%
SHIMPAN	1,624	22.3%
C.C.K.K.	36	0.5%
TOTAL		7,285 100.0%

INTEREST RATE	LOAN AMOUNT	LOAN TERM
10.8%	UP TO M\$40	1 - 10 YEARS
*12.51 - 13.94%	UP TO M\$80	3 - 20 YEARS
**12.0 - 14.0%	UP TO M\$200	1 - 15 YEARS

\* 1% OF LOAN AMOUNT IS REQUIRED AS HANDLING FEE  
 \*\* + 1.7% CREDIT PROCESSING CHARGE

B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	REPAYMENT	LOAN PURPOSE	PROCEDURE/ QUALIFICATION	DOCUMENTATION	GEOGRAPHICAL COVERAGE
BANK	LOWEST	SMALL	INSTALLMENT	RIGID	RIGID	RIGID	NATIONAL
SHIMPAN	LOW	LARGE	INSTALLMENT/ REVOLVING	FLEXIBLE	MODERATE	MODERATE	NATIONAL
C.C.K.K.	RELATIVELY HIGH	LARGE	INSTALLMENT	RELATIVELY RIGID	MODERATE	RIGID	MAJOR MARKET

COMPETITIVE OVERVIEW

*Problem with outside appraisal evaluations*

*Potential to improve by going in house \$1 = 4250*

SECURED LOAN

A) OSB AND KEY LOAN TERMS BY INSTITUTION

KEY LOAN TERMS

	(\$MM)		INTEREST RATE	LOAN AMOUNT	LOAN TERM
BANK	355		39.2%	10.2%	UP TO M\$40 - 10 YEARS
SHIMPAN		549	60.6%	14.37 - 17.47%	" 3 - 60 MONTHS
C.C.K.K.	2		0.2%	*12.0 - 14.0 %	" 3 - 36 MONTHS
TOTAL		906	100.0%	*+ 1.7% CREDIT PROCESSING CHARGE	

B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	REPAYMENT	LOAN PURPOSE	PROCEDURES/ REQUIREMENTS	GEOGRAPHICAL COVERAGE
BANK	LOWEST	ADEQUATE	INSTALLMENT/ ONE TIME	RIGID	RIGID	NATIONAL
SHIMPAN	HIGH	ADEQUATE	INSTALLMENT/ REVOLVING/ ONE TIME	FLEXIBLE	SIMPLE/EASY	NATIONAL
C.C.K.K.	LOW	ADEQUATE	INSTALLMENT/ ONE TIME	RELATIVELY RIGID	RELATIVELY RIGID	MAJOR MARKETS

COMPETITIVE OVERVIEW

\$1 = ¥250

GOLF MEMBERSHIP LOAN

A) DSB AND KEY LOAN TERMS BY INSTITUTION

		KEY LOAN TERMS		
	(\$MM)	INTEREST RATE	LOAN AMOUNT	LOAN TERM
B.R.C.C.	65.7	41.3%	80% OF ASSESSED VALUE	UP TO 5 YEARS
SHIMPAN	92.9	58.4%	"	"
C.C.K.K.	0.7	0.4%	"	1 - 15 YEARS
TOTAL	159.0	100.0%	*+ 1.7% CREDIT PROCESSING CHARGE	

B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	REPAYMENT	TIE-UP PARTNERS	GEOGRAPHICAL COVERAGE
B.R.C.C.	LOW	SUFFICIENT	INSTALLMENT	MAJOR BROKERS	NATIONAL
SHIMPAN	LOW	SUFFICIENT	INSTALLMENT	MAJOR BROKERS	NATIONAL
C.C.K.K.	RELATIVELY HIGH	ADEQUATE	INSTALLMENT	MEDIUM BROKERS	MAJOR CITY

COMPETITIVE OVERVIEW

HOME IMPROVEMENT LOAN

\$1 = ¥250

A) OSB AND KEY LOAN TERMS BY INSTITUTION

	(\$/M)	
PUBLIC INST.	2,270	24.9%
HOUSING LOAN COMPANY	3,998	43.9%
SHIMPAN	2,831	31.3%
C.C.K.K.	6	0.1%
TOTAL	9,105	100.0%

KEY LOAN TERMS

INTEREST RATE	LOAN AMOUNT	LOAN TERM
6.0%	UP TO M\$10.8	1 - 10 YEARS
*9.3% - 9.72%	M\$40 -	1 - 30 YEARS
*12.95%	M\$8 - M\$120	3 - 20 YEARS
**12.0 - 14.0%	M\$1.2 -	1 - 15 YEARS

\*1% OF LOAN AMOUNT IS REQUIRED AS HANDLING FEE.

\*\* + 1.7% CREDIT PROCESSING CHARGE

B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	LOAN PURPOSE	PROCEDURES/ REQUIREMENTS	DOCUMENTATION	GEOGRAPHICAL COVERAGE
PUBLIC INSTITUTION	LOWEST	INSUFFICIENT	RIGID	VERY RIGID	VERY RIGID	NATIONAL
HOUSING LOAN COMPANY	LOW	ADEQUATE	RIGID	MODERATE	MODERATE	NATIONAL
SHIMPAN	HIGH	ADEQUATE	FLEXIBLE	MODERATE	MODERATE	NATIONAL
C.C.K.K.	HIGH	ADEQUATE	FLEXIBLE	MODERATE	RELATIVELY RIGID	MAJOR MARKET

## HOUSING LOAN

## COMPETITIVE OVERVIEW

\$1 = ¥250

## A) QSB AND KEY LOAN TERMS BY INSTITUTION

	(\$MM)	KEY LOAN TERMS		
		INTEREST RATE	LOAN AMOUNT	LOAN TERM
PUBLIC INSTITUTION	52,592	28.8%	5.5 - 8.0%	UP TO M438 - 30 YEARS
BANK	85,976	46.8%	8.34%	UP TO M4120 - 25 YEARS
HOUSING LOAN COMPANY	15,632	8.5%	*9.36 - 9.84%	WITHIN ASSESSED VALUE - 30 YEARS
INSURANCE COMPANY	16,188	8.8%	8.87%	UP TO M4200 - 25 YEARS
SHIMPAN	910	0.5%	*9.57%	UP TO M4120 - 25 YEARS
LABOR CREDIT ASSOCIATION	4,732	2.6%	9.46%	UP TO M480 - 25 YEARS
AGRICULTURE COOP.	7,808	4.2%	9.46%	UP TO M4120 - 25 YEARS
C.C.K.K.	27	0.02%	**9.48 - 9.98%	UP TO M4200 - 20 YEARS
TOTAL	183,865	100.0%	*1% OF LOAN AMOUNT IS REQUIRED AS HANDLING FEE. ** 1.7% CREDIT PROCESSING CHARGE	

## B) KEY INDICATORS

INSTITUTION	INTEREST RATE	LOAN AMOUNT	REPAYMENT	PROCEDURE/ QUALIFICATION	GEOGRAPHICAL COVERAGE
PUBLIC INSTITUTION	VERY LOW	INSUFFICIENT	LONGEST INSTALLMENT	VERY RIGID	NATIONAL
BANK	LOW	ADEQUATE	INSTALLMENT	RIGID	NATIONAL
HOUSING LOAN COMPANY	RELATIVELY LOW	SUFFICIENT	LONGEST INSTALLMENT	MODERATE	NATIONAL
INSURANCE COMPANY	RELATIVELY LOW	ADEQUATE	TIE-UP INSTALLMENT	MODERATE	NATIONAL
SHIMPAN	MODERATE	ADEQUATE	INSTALLMENT	MODERATE	NATIONAL
LABOR ASSO/ AGRI COOP.	MODERATE	ADEQUATE	INSTALLMENT	AVAILABLE FOR MEMBERS	NATIONAL
C.C.K.K.	RELATIVELY LOW	ADEQUATE	INSTALLMENT	MODERATE	MAJOR MARKET

COMPETITIVE OVERVIEW  
COMPETITIVE SITUATION SUMMARY (1)

<u>Product</u>	<u>Strength</u>	<u>Weakness</u>
Personal Loan	<ul style="list-style-type: none"> <li>-reasonable interest rate within Interest Restriction Acts.</li> <li>-prospect customers of broad spectrum and in large quantity. (common with other products)</li> </ul>	<ul style="list-style-type: none"> <li>-limited outlet (common with other products)</li> <li>-relatively long processing; no CD/AMT</li> <li>-unspecified customers in large quantity needs careful credibility check (common with other products)</li> </ul>
Secured Loan	<ul style="list-style-type: none"> <li>-reasonable interest rate within Interest Restriction Acts</li> </ul>	<ul style="list-style-type: none"> <li>-low corporate awareness and recognition as reliable financial institution.</li> </ul>
Home Equity Loan	<ul style="list-style-type: none"> <li>-large loan amount ceiling</li> </ul>	<ul style="list-style-type: none"> <li>-high interest rate</li> <li>-long processing time</li> </ul>
Housing Loan	<ul style="list-style-type: none"> <li>-large loan amount ceiling</li> </ul>	<ul style="list-style-type: none"> <li>-high interest rate</li> </ul>
Home Improvement Loan	<ul style="list-style-type: none"> <li>-flexible loan purpose</li> </ul>	<ul style="list-style-type: none"> <li>-high interest rate</li> <li>- small loan amount</li> </ul>
Golf Membership	<ul style="list-style-type: none"> <li>-large loan amount ceiling</li> </ul>	<ul style="list-style-type: none"> <li>-high interest rate</li> <li>-good tie-up partners pre-empted by competitors.</li> </ul>

ENVIRONMENT OVERVIEW

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
GDP GROWTH (REAL) %	4.0	2.9	3.0	4.5	5-5.5	4-4.5
PRIVATE CONSUMPTION (REAL) %	1.8	-0.2	2.5	4.0	4.5	3.5
GOVT. EXPEND. (REAL) %	2.1	3.9	3.5	2.0	2.0	3.0
CAPITAL FORMATION (REAL) %	0.1	1.9	2.5	4.5	5.5	4.5
EXPORTS (CURRENT) %	39.3	16.9	7.0	15.0	20.0	15.0
IMPORTS (CURRENT) %	37.3	6.0	5.0	12.5	15.0	11.0
BALANCE OF TRADE	\$2.1B	\$20.0B	\$25.0B	\$15.0B	\$15.0B	\$10.0B
PRIME RATE %	7.5	6.0	6.0	7.0	7.0	
INFLATION %	8.1	4.9	4.5	5.5	6.5	6.0
YEN (X: US\$ - YEAR END)	203	220	215	190	180	205

SOURCES: BUSINESS INTERNATIONAL

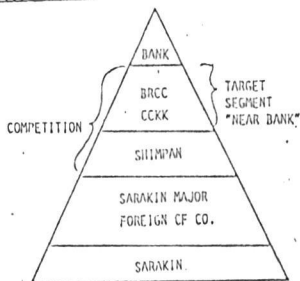
JAPANESE CONSUMER FINANCE INDUSTRY

ENVIRONMENT OVERVIEW (P)

SITUS OF CREDIT		CHANNEL	INDUSTRY SEGMENTATION	PRODUCT OFFERINGS (PRODUCT CHARACTERISTICS)	1980 NEW LOAN MARKET SIZE ¥MM	% MARKET SHARE BY INDUSTRY SEGMENT		
CONSUMER FINANCE INDUSTRY	NON POINT OF SALE	DIRECT	CONSUMER CREDIT	CASHING SERVICE (SMALL SIZE, SHORT TERM, CARD ACTIVATED)	3.8	3.7		
				PERSONAL LOANS	UNSECURED (10 Y2M (18%), 5 YEARS)	2.4	2.3	
					SECURED (SIZE/TENOR FUNCTION OF SECURITY)	14.6	14.2	
			<u>TOTAL NON POINT OF SALE DIRECT CONSUMER</u>				<u>20.8</u>	<u>20.2</u>
			POINT OF SALE	DIRECT	MORTGAGE CREDIT	HOUSING LOANS (SIZE FUNCTION OF SECURITY, TENOR TO 25 YEARS)	37.8	36.7
	RETAILERS CREDIT	SHOPPING LOANS (SIZE FUNCTION OF PRODUCT SOLD, TENOR TO 4 YEARS)			16.2	15.7		
	CAPTIVE FINANCE	SHOPPING LOANS			8.2	6.0		
	SALES FINANCE	SHOPPING LOANS			14.2	13.8		
	<u>TOTAL POINT OF SALE - DIRECT</u>				<u>36.6</u>	<u>35.5</u>		
	INDIRECT	PRIVATE LABEL	SHOPPING LOANS	4.2	4.1			
TIE-UP		SHOPPING LOANS	3.6	3.5				
<u>TOTAL POINT OF SALE - INDIRECT</u>				<u>7.8</u>	<u>7.6</u>			
<u>TOTAL CONSUMER FINANCE INDUSTRY</u>				<u>104.0</u>	<u>100.0</u>			

ENVIRONMENT OVERVIEW (II)

COMPETITIVE SUMMARY



RATES (P/L UNSECURED)	
1979	1982
10.50	↓
15.0 - 18.0	13.5 18.0
18.5 - 36.0	↑
47.45	29.2 - 47.45
25.55 - 48.0	
73.0 - 102.2	

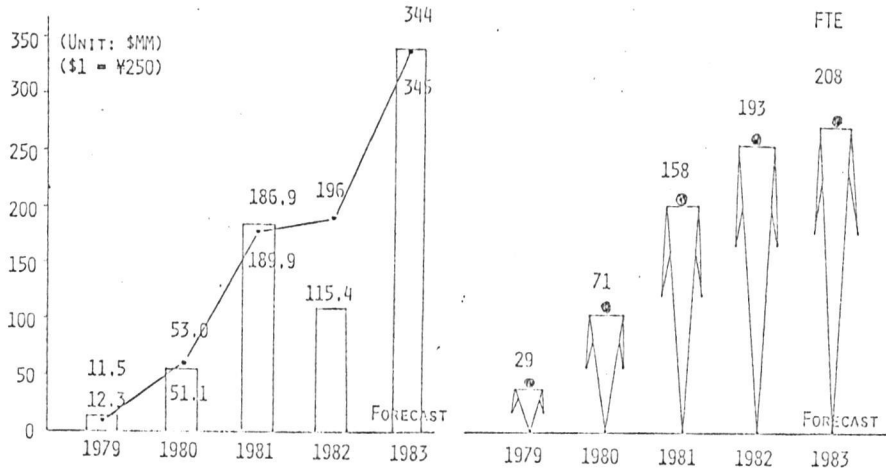
INSTITUTIONS	INTEREST RATE	PROCEDURES/ QUALIFICATIONS	IMAGE/ AWARENESS	PRODUCT AVAILABILITY	GEOGRAPHICAL COVERAGE
BANK	LOWEST	RELATIVELY COMPLICATED AND RIGID	HIGH	BROAD & EXTENSIVE	NATIONAL
B. R. C. C.	LOW	MODERATE	GOOD	RELATIVE LIMITED	NATIONAL
SIHIMPAN	MEDIUM	MODERATE	GOOD	BROAD	NATIONAL
MAJOR SARAKIN	HIGH	SIMPLE/EASY	HIGH AWARENESS/POOR IMAGE, BUT IMPROVING	LIMITED	NATIONAL
SARAKIN	VERY HIGH	SIMPLE/EASY	HIGH AWARENESS VERY POOR IMAGE	LIMITED	LOCAL
C. C. K. K.	LOW	MODERATE	LOW AWARENESS/ HIGH IMAGE	BROAD	NATIONAL

CCKK STRATEGY

<u>OBJECTIVE</u>	<u>APPROACH</u>
1. POSITION AS NEAR BANK	1. A. OPERATE WITHIN INTEREST RESTRICTION LAW B. PRESTIGE MEDIA APPROACH C. QUALITY PREMISES IN PRESTIGE LOCATION
2. ACHIEVE NATIONAL PRESENCE	2. A. COVER MAJOR POPULATION AREAS B. COVER MAJOR ISLANDS
3. ACHIEVE GROWTH RATES IN EXCESS OF MARKET	3. A. EFFECTIVE PRODUCT POSITIONING - PL B. "GUERRILLA WARFARE" C. ENTER HOUSING SECTOR D. ENTER SECONDARY BUSINESS/GOVERNMENT MARKET
4. BUILD HIGH VOLUME LOW COST DISTRIBUTION BASE ( BY JAPANESE STANDARDS )	4. A. SINGLE OFFICE PER POPULATION CENTER B. UTILIZE EFFICIENT TELEPHONE/POSTAL FACILITIES C. CONSIDER TRANSPORTATION ACCESSIBILITY IN LOCATION D. PRICE TO MAKE CUSTOMER VISIT BRANCH
5. SELF FUNDING	5. A. MATCH; AVOID GAPS B. MIX SOURCES BETWEEN JAPANESE + FOREIGN INSTITUTIONS C. REDUCE RELIANCE ON L/G. SUBSTITUTE WITH LETTER OF AWARENESS.

GROWTH SUMMARY - CCKK

NEW LOAN VOLUMES (BAR)  
BALANCE OUTSTANDING (LINE)



RECEIVED FROM THE BANK OF CHINA

1983 OBJECTIVES (A) - CCKK

1. OUTPACE MARKET IN RETAIL LOAN PORTFOLIO GROWTH, BACK-UP CONSUMER GROWTH THROUGH BUSINESS/GOVERNMENT SECONDARY MARKET LENDING.
2. IN VIEW OF WEAKENED ECONOMIC ENVIRONMENT, CONTINUE DEFENSIVE CREDIT MANAGEMENT POSTURE.
3. MANAGE CAPITAL BASE TO INDUSTRY STANDARDS.
4. MATCH FUNDING SOURCES TO PORTFOLIO TENORS WITH INCREASING RELIANCE ON JAPANESE BANK AND INSURANCE COMPANY FUNDING.
5. CONTINUE TO MODERATE EXPENSE GROWTH RATE, WHILE SHIFTING EMPHASIS FROM BRANCH EXPANSION TO THE ACQUISITION/DEVELOPMENT OF MANAGEMENT TALENT AND SYSTEMS.
6. BECOME SUBSTANTIALLY PROFITABLE.

1983 OBJECTIVES (C)

1982 FYF/1983 PLAN - CSG

\$MM \$1 = ¥250	1982		1983	
	\$M	% ANR	\$M	% ANR
A N R	182,500		270,104	
CUSTOMER NET REVENUE	6,755	4.8	12,030	4.5
CREDIT LOSS	2,848	(1.6)	1,575	(0.6)
EXPENSES	8,812	4.8	10,765	4.0
P C E	(932)		779	0.3

## 1983 OBJECTIVES (D)

PORTFOLIO/REVENUE

	<u>1982</u>	<u>1983</u>	<u>% INC</u>
\$MM \$1 = ¥250			
BOOKINGS			
RETAIL	53.0	100.5	89.6
B/G	<u>62.3</u>	<u>244.5</u>	<u>292.2</u>
TOTAL	115.3	345.0	199.1
ANR			
RETAIL	102.4	135.8	32.6
B/G	<u>80.1</u>	<u>134.3</u>	<u>67.7</u>
TOTAL	182.5	270.1	48.0
CNR			
RETAIL	6.8	7.7	13.0
B/G	<u>2.0</u>	<u>4.4</u>	<u>118.3</u>
TOTAL	8.8	12.1	37.1
FEES			
RETAIL	1.5	2.3	53.5
B/G	<u>0.5</u>	<u>0.9</u>	<u>84.7</u>
TOTAL	2.0	3.2	61.1

1983 NEW LOAN BOOKINGS

	REVENUE POINT	TOKYO		OSAKA		NAGOYA		FUKUOKA		SAI'PORO		TOTAL	
		Y/M	R.P.	Y/M	R.P.	Y/M	R.P.	Y/M	R.P.	Y/M	R.P.	Y/M	R.P.
PERSONAL	10.0	3,045	30,450	1,390	13,900	1,175	11,750	1,175	11,750	835	8,350	7,620	76,200
SECURED	9.1	1,760	16,016	295	2,685	740	6,734	160	1,456	80	728	3,035	27,619
HOME EQUITY	5.0	3,450	17,250	1,570	7,850	1,330	6,650	1,330	6,650	950	4,750	8,630	43,150
HOUSING	2.3	790	1,817	360	828	305	702	300	690	220	506	1,975	4,543
BRIDGE	3.4	410	1,394	80	272	-	-	50	170	-	-	540	1,836
HOME IMPROVEMENT	7.1	635	4,509	270	1,917	205	1,456	150	1,065	-	-	1,260	8,947
REFERRED	9.2	110	1,012	-	-	-	-	-	-	-	-	110	1,012
TIE-UP	7.1	1,795	12,745	500	3,550	-	-	-	-	-	-	2,295	16,295
GOLF MEMBERSHIP	9.9	430	4,257	165	1,634	250	2,475	-	-	-	-	845	8,366
<u>TOTAL RETAIL</u>	<u>7.1</u>	<u>12,425</u>	<u>89,450</u>	<u>4,630</u>	<u>32,636</u>	<u>4,005</u>	<u>29,762</u>	<u>3,165</u>	<u>21,281</u>	<u>2,005</u>	<u>14,334</u>	<u>26,310</u>	<u>187,968</u>
BUSINESS LOAN	2.1	15,650	32,865	5,380	11,298	1,670	3,507	2,660	5,586	1,875	3,938	27,235	57,194
HOUSING WAREHOUSE	2.8	3,345	9,366	1,990	5,572	970	2,716	1,365	3,822	495	1,386	8,165	22,862
GOLF WAREHOUSE	8.3	2,410	20,003	920	7,636	1,395	11,579	-	-	-	-	4,725	39,218
TIE-UP WAREHOUSE	2.6	3,215	8,359	1,835	4,771	495	1,287	495	1,287	250	650	6,290	16,354
P/NOTE	5.8	7,955	46,139	5,045	29,261	1,365	7,917	2,215	12,847	695	4,031	17,275	100,195
<u>TOTAL B/G</u>	<u>3.7</u>	<u>32,575</u>	<u>116,732</u>	<u>15,170</u>	<u>58,538</u>	<u>5,895</u>	<u>27,006</u>	<u>6,735</u>	<u>23,542</u>	<u>3,315</u>	<u>10,005</u>	<u>63,570</u>	<u>235,823</u>
<u>GRAND TOTAL</u>	<u>4.7</u>	<u>45,000</u>	<u>206,182</u>	<u>19,800</u>	<u>91,174</u>	<u>9,900</u>	<u>56,771</u>	<u>9,900</u>	<u>45,323</u>	<u>5,400</u>	<u>24,339</u>	<u>90,000</u>	<u>423,291</u>

NEW LOAN BOOKING

(Y194)

	1992		1983	
	<u>F/CAST</u>	<u>%</u>	<u>GOAL</u>	<u>%</u>
TOKYO	14,019	48.6	45,000	50.0
OSAKA	6,505	22.6	19,800	22.0
HAGOYA	3,579	12.4	9,900	11.0
FUKUOKA	3,516	12.2	9,900	11.0
SAPPORO	1,221	4.2	5,400	6.0
<u>TOTAL</u>	<u>28,840</u>	<u>100.0</u>	<u>90,000</u>	<u>100.0</u>

	1982		1983	
	<u>F/CAST</u>	<u>%</u>	<u>GOAL</u>	<u>%</u>
PERSONAL	4,542	15.8	7,620	8.5
SECURED	1,107	3.8	3,035	3.4
HOME EQUITY	4,875	16.9	8,630	9.6
HOUSING	808	2.8	1,975	2.2
BRIDGE	130	0.5	540	0.6
HOME IMPROVEMENT	298	1.0	1,260	1.4
REFERRED	5	-	110	0.1
TIE-UP	1,100	3.8	2,295	2.6
GOLF MEMBERSHIP	390	1.4	845	0.8
<u>TOTAL RETAIL</u>	<u>13,255</u>	<u>46.0</u>	<u>26,310</u>	<u>29.2</u>
BUSINESS LOAN	4,630	16.0	27,235	30.2
HOUSING WAREHOUSE	2,350	8.2	8,165	9.1
GOLF WAREHOUSE	1,425	4.9	4,725	5.3
TIE-UP WAREHOUSE	1,500	5.2	6,290	7.0
P/NOTE	5,600	19.7	17,275	19.2
<u>TOTAL B/G</u>	<u>15,585</u>	<u>54.0</u>	<u>63,570</u>	<u>70.8</u>
<u>GRAND TOTAL</u>	<u>28,840</u>	<u>100.0</u>	<u>90,000</u>	<u>100.0</u>

## 1983 OBJECTIVES (E)

## PORTFOLIO GROWTH

PRODUCT CATEGORY	CCKK PRODUCT	1982					1983					% INCREASE	
		BOOKING		A.N.R.		YIELD	BOOKING		A.N.R.		YIELD	BOOK-	
		\$M	%	\$M	%		%	\$M	%	\$M		%	ING
PERSONAL - STANDARD	PERSONAL	19,040	17	15,650	9	15.47	29,080	9	27,520	10	15.45	53	76
PERSONAL - TAILORED	SECURED	4,530	4	2,251	1	13.70	11,520	3	5,988	2	13.18	154	166
PERSONAL - 2ND - MORTGAGES	HOME EQUITY	16,920	15	35,178	19	13.46	32,920	10	46,862	17	11.99	95	33
SHELTER - MORTGAGES	HOUSING	3,040	3	28,444	16	10.91	7,520	2	30,465	11	10.90	147	7
	BRIDGE	710	-	2,265	1	9.75	2,000	1	1,877	1	9.74	182	(17)
SHELTER - OTHER	HOME IMPROVEMENT	1,210	1	5,734	3	14.00	5,240	2	7,660	3	12.72	333	34
OTHER	STAFF LOAN												
AUTO - INDIRECT	-												
OTHER - INDIRECT	REFERRED	220	-	445	-	16.50	400	-	575	-	16.66	82	29
	TIE-UP	6,320	5	11,890	6	10.50	8,650	3	13,390	5	11.34	37	13
	GOLF MEMBERSHIP	1,030	1	543	-	15.20	3,200	1	1,447	1	14.03	211	166
TOTAL RETAIL		53,020	46	102,400	55	12.74	100,530	29	135,784	50	12.30	90	33
BUSINESS/GOV'T	BUSINESS LOAN	9,060	8	3,560	2	9.60	105,270	31	32,759	12	10.00	1062	820
	HOUSING WAREHOUSE	6,920	6	25,526	14	10.29	31,200	9	18,525	7	10.00	351	(27)
	GOLF WAREHOUSE	3,410	3	940	1	11.48	18,000	5	5,146	2	10.35	428	447
	TIE-UP WAREHOUSE	6,210	5	15,716	9	12.00	24,000	7	27,029	10	10.61	286	72
	P/NOTE	36,740	32	34,358	19	12.85	66,000	19	50,861	19	13.00	80	48
TOTAL B/G		62,340	54	80,100	45	11.13	298,470	71	134,320	50	11.22	232	68
GRAND TOTAL		115,360	100	182,500	100	12.05	345,000	100	270,104	100	11.84	199	48

1983 OBJECTIVES (F)

DEFENSIVE CREDIT

\$MM \$1 = ¥250

	<u>1982</u>	<u>1983</u>	<u>% DECREASE</u>
<u>CLASSIFIED LOANS</u>			
IA	6.00	4.00	33.3
II	0.85	1.00	(17.6)
III	2.60	2.50	3.8
TOTAL	9.45	7.50	20.6

DELINQUENCY 30 DAYS

	<u>1982</u>	<u>1983</u>	<u>DECREASE</u>
<u>RETAIL PORTOFOLIO</u>			
PERSONAL STANDARD	5.0%	2.8%	2.2%
PERSONAL TAILORED	0	0	-
PERSONAL 2ND MORT	9.4	7.1	2.3
SHELTER-MORT-HOUSING	13.2	10.6	2.6
BRIDGE	0	0	-
SHELTER-OTHER	10.6	7.5	3.1
OTHER INDIRECT	0	0	-
TOTAL	8.3	5.5	2.8

1982

1983

	<u>1982</u>		<u>1983</u>	
<u>WRITE-OFFS</u>	<u>AMOUNT</u>	<u>% ANR</u>	<u>AMOUNT</u>	<u>% ANR</u>
RETAIL	1.59	1.55	1.30	0.96
B/G	1.26	1.57	0.28	0.20
TOTAL	2.85	1.56	1.58	0.60

1983 OBJECTIVES (G)

CAPITAL BASE

\$MM \$1 = ¥250

	1982	1983
RISK ASSETS	196.2	344.0
CAPITAL	9.6	19.2
RATIO RISK ASSETS/CAPITAL	20.4/1	17.9/1

CAPITAL INFUSION OF 9.6 TARGET FOR DEC. 83

1983 OBJECTIVES (H)

MATCH FUNDING SOURCES

\$MM \$1 = ¥250

	1982			1983		
	VOLUME	RATE %	TOTAL	VOLUME	RATE %	TOTAL
<u>SHORT</u>						
FOREIGN BANK	86	7.8	43.0	103	8.25	36.3
JAPANESE BANK	4	7.8	2.0	32	8.25	11.2
SUB TOTAL	90	7.8	45.0	135	8.25	47.5
<u>LONG</u>						
FOREIGN BANK	48	9.2	24.0	63	9.2	22.2
JAPANESE BANK	12	9.0	6.0	12	9.0	4.2
OTHER	50	9.4	25.0	74	9.2	26.1
SUB TOTAL	110	9.3	55.0	149	9.2	52.5
<u>TOTAL</u>	200	8.6	100.0	284	8.7	100.0

NEW INITIATIVES

- TREASURER
- MORTGAGE BOND CERTIFICATES/NEW LIABILITY PRODUCT

1983 OBJECTIVES (1)

MODERATE EXPENSE GROWTH

\$MM \$1 = ¥250

	<u>TOTAL EXPENSES</u>	<u>% ANR</u>	<u>% INC</u>
1979	1.2	20.7	-
1980	3.2	11.1	158.7
1981	6.5	5.0	101.5
1982	8.8	4.8	36.4
1983	10.8	4.0	22.2

EXPENSE EMPHASIS SHIFT

\$M \$1 = ¥250

	1982		1983		% INC
	AMOUNT	% TOTAL	AMOUNT	% TOTAL	
EDUCATION EXPENSE	65	1	231	2	255
SYSTEM EXPENSE	193	2	561	5	190
STAFF COSTS	3,715	42	4,629	43	25
OTHER	4,839	55	5,344	50	10
TOTAL EXPENSES	8,812	100	10,765	100	22

MANAGEMENT TALENT

DIRECT HEADS

	<u>1982</u>	<u>1983</u>
PRODUCT MANAGERS	0	6
GROUP MANAGERS	0	4
OTHER INCREASES	1	8
DECEMBER 82 BASE	171	188

1983 OBJECTIVES (J)

PROFITABILITY

\$MM \$1 = ¥250

	<u>1982</u>	<u>1983</u>
PCE	(932)	779
ROE (%)	(12.44)	7.03
ROA (%)	(0.48)	0.27
PCE % ANR	(0.5)	0.3

1983 OBJECTIVES (M)

DISTRIBUTION

PHILOSOPHY

COVER MAJOR POPULATION CONCENTRATIONS  
COVER MAJOR ISLANDS

STRATEGY

SINGLE OFFICE IN DESIGNATED POPULATION CENTER  
UTILIZE EFFICIENT MEDIA TO CREATE PRODUCT AWARENESS  
CONSIDER TRANSPORTATION ACCESSIBILITY IN BRANCH LOCATION  
PRICE TO INDUCE CUSTOMER TO VISIT BRANCH  
UTILIZE EFFICIENT COMMUNICATIONS SYSTEM  
CENTRALIZE PROCESSING + APPROVALS IN TOKYO

EVOLUTION

SYSTEM 38/NETWORK  
RESIDENTIAL REPRESENTATION  
DECENTRALIZE CREDIT SCORING SHORT TERM

OPPORTUNITIES AND RISKS

	<u>PERCENT PROBABILITY</u>	<u>IMPACT ON PCE</u>
<u>OPPORTUNITIES</u>		
A) INTEREST EXPENSE L-T RATE DOWN BY 50 BP JULY - \$182M	40%	39
S-T RATE DOWN BY 50 BP MARCH - \$675M	40%	146
B) EXCHANGE RATE 10% APPRECIATION FROM PLAN RATE ¥250/\$1	50%	<u>167</u>
TOTAL OPPORTUNITIES		352
<u>RISKS</u>		
A) CREDIT W/O PROVISION FOR HIGHER THAN PLAN WRITE-OFFS \$500M	30%	81
B) EXCHANGE RATE 10% DEPRECIATION FROM PLAN RATE ¥250/\$1	50%	137
C) VOLUME 25% DECREASE B/G	60%	108
D) YIELD 10% WORSE THAN PLAN RATE - P/N \$663	40%	<u>143</u>
TOTAL RISKS		469
OPPORTUNITIES/NET RISK		<u>(117)</u>



Reel 7C / FASE

Rates Phil

Rates US

Real Estate

Regulations

Rate Chart IRPPD

Rate Chart

Real Estate

- . Housing exceeds Households  
35.2MM to 32.4MM
- . Govt policy de-emphasize mass supply  
emphasize improvement in existing  
house holds.
- . Extension/renovations
 

1969	130M
1978	800M

## Why?

1. 10 years since housing expansion in 1973. Old ones now need extending.
2. Bldg costs lower for extension.
 

Average cost extension	¥5.75MM
Remodel/Repair	¥3.70MM
New	¥10.00MM
3. Population mvts have slowed
  - More people living in same house.

## ° Gross Market Size -

	¥trillion
Extension Alteration	7
Existing House Transaction	4
New (replacements)	16
Sights	11
	38
	(\$152B)

Largest Potential overtime

- Alteration

- Transactions existing houses

1. Extension & Alteration

Starts 1982	1.1MM	) 40%
1973	1.9MM	

But alterations as % of starts

1970 14%

1982 25.3%

10% growth to ¥11 trillion projected.

2. Second hand transaction

% of total

1973 87.6M 4.6%

1982 200M 17.4%

1987 402M 33.5%

Why?

- 8% vacancy rate

- second hand house 10% lower price

- Move from rentals as living standard improves.

Government subsidy loans fuel replacement.

*Little pages*

INTEREST RATE CHART

6/4/82

EXHIBIT IX

Consumer															Commercial			
Loan without Collateral				Loan with Collateral														
Regular Payment				Regular Payment						One Time Repayment					C/A Required			
Product: Personal Referred Home Imp. (w/mortgage)				Product: Home Equity Secured Home Imp. (w/mortgage) Golf H/ship			Product: Housing			Product: Home Equity Secured		Product: Bridge			Product: Housing W/H Tie-up W/H Golf W/H P-Note Disc.			
Loan Amount	Rate	Credit Process Charge	Loan Term	Rate	Credit Process Charge	Loan Term	Rate	Credit Process Charge	Loan Term	Rate	Credit Process Charge	Loan Term	Rate	Credit Process Charge	Loan Term			
V300H	17%	1.7%	12 - 18	14%	1.7%	12 - 18	*	*	*	14%			*	*	*			
V310H   V400H	17%	1.7%	12 - 24	14%	1.7%	12 - 24	*	*	*	14%			*	*	*			
V410H   V500H	17%	1.7%	12 - 36	14%	1.7%	12 - 36	*	*	*	14%			*	*	*			
V510H   V790H	17%	1.7%	12 - 48	14%	1.7%	12 - 48	*	*	*	14%			*	*	*			
V800H   V2,000H	14%	1.7%	12 - 60	13%	1.7%	12 - 60	*	*	*	13%	1% of Loan Amount	3 - 12	*	*	*			
V2,010H   V2,990H	*	*	*	13%	1.7%	24 - 96	*	*	*	13%					*	*	*	
V3,000H   V4,990H	*	*	*	13%	1.7%	24 - 96	9.98%	1.7%	60 - 120	13%					*	*	*	
V5,000H   V9,990H	*	*	*	12%	1.7%	24 - 120	9.48%	1.7%	60 - 240	12%					10.98%	1% of Loan Amt	6	
V10,000H 	*	*	*	12%	1.7%	60 - 180	9.48%	1.7%	60 - 240	12%					10.98%	1% of Loan Amt	6	

Note: Interest rate is actuarial unless specified.

Speeches

Shareholders FINCO

Sale of Asset w/o Recourse

SRSR

Selay Dates NY

SOPHIA COURSE

# SWORD

*Handwritten notes:*  
Sword  
Sword  
Sword  
Sword  
Sword

## PERIODS OF JAPANESE HISTORY

### 1. Ancient Period (before A.D. 650).

Jimmu, first emperor of Japan, set out from Kyushu through the Inland Sea to Kashiwara, in Yamato Province, and subjugated hostile tribes, thereby establishing the Japanese Empire.

A.D. 284 Chinese culture (silk, weapon making etc. introduced). Few swords in existence from that period.

### 2. Nara Period (650 to 793).

Permanent capital established at Nara (Yamato province). Buddhism flourished. Golden Age of religious art, architecture, painting, and sculpture. Taika Reform (645) established the imperial family as the absolute rulers of Japan. National laws were introduced. Art of swordmaking still primitive, but rise of national army spurs demand for a better sword.

### 3. Heian period (794 to 1191)

Capital moved to Kyoto. Power shifted from royal family to Fujiwara clan, who had managed to marry their daughters into the royal family and thus had obtained control of the government. For eight reigns (100 years) Fujiwara clan ruled as regents, and there was relative peace in the land. Too much extravagance. Peasants desert farms and become highwaymen. Two samurai clans of Minamoto and Taira come to power and replace Fujiwara's.

Urge for contact with China dies down. Japanese sense of "arrival" with own culture. Japanese begin to devote selves to their own way. Tremendous progress in swordmaking. Samurai swordmaking reaches zenith during latter half of this period.

### 4. Kamakura Period (1192 to 1336)

Minamoto's establish shogunate (feudal government) at Kamakura. Marked beginning of 675 years of feudalism under shogunate which had administrative and judicial power. In 1274 and 1281 Mongols attempted invasion. Defeated by Kamakura warriors with help of two sudden typhoons. Such national emergencies prompted demands for better weapons. Smiths in Sagami province perfected swords yet to be surpassed.

Emperor Godaigo and Ashikaga clan overthrow shogunate capital and regain control of government.

5. Muromachi (ashikaga) period (1337 to 1573)

Ashikaga clan betrays Godaigo, sets up own puppet government at Kyoto, and reestablishes shogunate system. Godaigo escapes to Nara. For fifty-five years (1337 to 1392) two imperial courts in Japan. Dark period. Internecine fighting between feudal lords. Ashikagas weak - couldn't consolidate power. This period of wars (the Sengoku period) lasted over one hundred years (1467 to 1574). Demand for swords increased, and smiths made them in great numbers throughout Japan. In Kyoto, arts flourished under extravagant patronage of Ashikaga shoguns, who imitated the Fujiwaras.

6. Azuchi-Momoyama period (1574 to 1602).

Oda Nobunaga, low birth samurai, came to Kyoto at request of emperor to restore order. Appointed vice-shogun. Assassinated. Toyotomi Hideyoshi, Nobunaga's lieutenant, completed task of unification and restoring order in Japan. Hideyoshi, of humble birth, was appointed regent of empire. How to dispose of no longer necessary large army? Two unsuccessful invasions of Korea and China. Moved capital to Osaka.

7. Edo (tokugawa) period (1603 to 1867).

Tokugawa Ieyasu moved capital to Tokyo. Clan ruled in Edo (Tokyo) for over 250 years. Laws established (order). Closed-door policy toward foreign countries. Unique and rigid class system, which divided the people into daimyo, samurai, farmer, artisan, and merchant was established. Peaceful period came to an end when foreign powers attempted to open Japan to outside commerce, Sotozama daimyos, the descendants of the lords who had made peace with Tokugawa after the battle of Sekigahara, arose in opposition to the shogunate.

8. Modern period (since 1868)

Emperor Meiji, the 122nd descendant of Emperor Jimmu, aided by the Sotozama daimyos, regained sovereignty from Tokugawa clan and moved capital to Todyo in 1868. In 1876 wearing of the sword was prohibited by national decree.

## PERIODS IN THE HISTORY OF THE SAMURAI SWORD

### SAMURAI SWORD

- \* MADE OF STEEL
- \* SINGLE BLADED
- \* CURVED
- \* TEMPERED

Four periods:

#### 1. Ancient Sword (Chokuto or Ken) period (until A.D. 900).

Swords made by smiths from China or Korea or by the early Japanese smiths. Made of steel, but tempering faulty. Mostly straight (chokuto) type.

Centers of swordmaking were in Yamato, Mutsu, and San-in. Imitations of Chinese blades. High ranking officers usually carried expensive swords made in China.

#### 2. Old Sword (koto) period (900 to 1530)

Disintegration of peaceful civil administration under Fujiwara clan in latter half of Heian period. New samurai class arises. Power obtained by means of warfare. Samurai adopted sword for combat. Sword with curvature came into prominence.

By tempering steel from iron ore or iron sand, the swordsmiths succeeded in fashioning nearly perfect swords with primitive tools. The most famous swordsmiths appear in Japanese history between 900 and 1450.

Location of smiths was governed by: proximity to administration center; where demand was high; easy access to ore and charcoal; plentiful supply of good water; mild climate.

Schools of smiths from 5 provinces (Bizen, Yamashiro, Yamato, Soshu, and Mino) produced eighty percent of all swords made this period. Collectively, these are known as the Five Schools.

### a. The Bizen School.

Close to continent. Started sword making at early date. Village of Osafune center of activity.

Tomonari (c. 1100) founder of Bizen School. Followed by Kanehira, Sukehira, Nobufusa, Takahira, and Masatsune. (Early Bizen or Ko-Bizen School.)

Norimitsu and Morimitsu come from Osafune Branch of Bizen school and fashioned their swords during Kamakura period around 1392.

### b, c, d, and e.

Will not cover in detail.

70 years following 1467 are known as Sengoku period and were marked by series of feudal civil wars. Blades turned out in mass production. Because of the methods employed and because the swordsmiths no longer refined their own steel, swords of an inferior quality resulted. Today, large number of swords from Sengoku period, but few can be considered good.

Mid 16th century, merit of swordsmiths won official recognition from emperor. Name of a province and title was prefixed to smith's first name. Suke, Jo, Daijo, and Kami were titles most frequently bestowed.

### 3. New Sword (Shinto) period (1530 to 1867)

Hideyoshi brought civil wars to close. Peace. Sword loses functional value. Length of long sword (daito) shortened. Cutting edge reduced to two feet. Samurai began carrying sword by inserting it between the hip and the sash. Traditional and distinctive methods of the Five Schools were lost, and nearly all castle towns became centers of the swordmaking art. Sword makers began putting "gingerbread" on swords (fancy engravings).

### 4. Modern sword (Shin-Shinto) period (after 1868)

Swords no longer worn. Meiji restoration. Feudal system comes to an end, and with it prestige of samurai. Swordsmiths lost trade and turned to blacksmithing. Made hoes, scissors, knives, horseshoes etc. No single great swordsmith during this period. At beginning of WWII there were about one hundred craftsmen in Japan who made swords as a sideline.

## STATISTICS ON SWORDSMITHS AND SWORDS

13,000 swordsmiths throughout Japanese history until the Meiji Restoration in 1868. Including sideline makers and hobbyists, number reaches 20,000. If each smith averaged 100 swords, total number of swords would be two million.

Prior to WWII there were about 1.5 million (including factory-made) swords in existence, nearly one-third of which were over two feet in length (daito). About two hundred thousand of this number were made by the Japanese government in sword factories and by smiths after the Meiji Restoration. Today, no more than one hundred thousand swords in Japan. 250,000 to 300,000 swords brought to US as war souvenirs.

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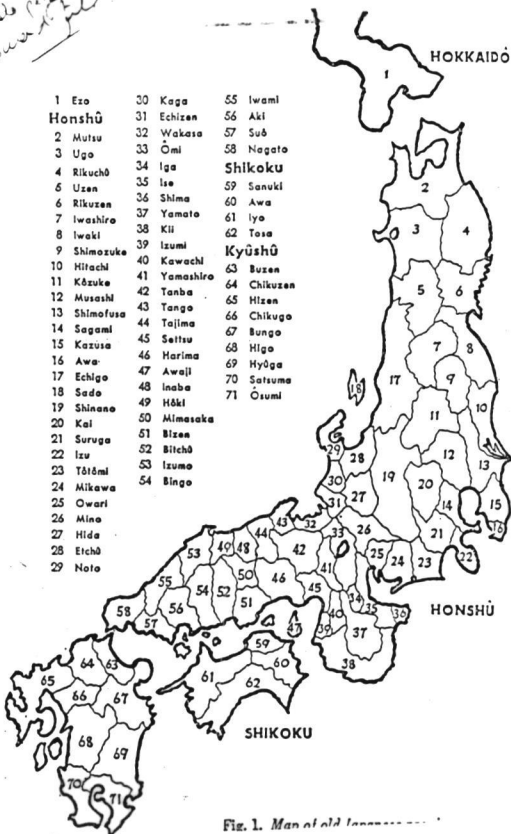


Fig. 1. Map of old Japan

## Japanese Screens

Freer Gallery of Art  
Smithsonian Institution

Decorated and painted screens have been used extensively in Japan since their introduction from China and Korea in the seventh to eighth centuries A.D. With the evolution of a uniquely Japanese style of architecture employing few permanent walls, movable folding screens assumed an indispensable role in the division, enclosure, and demarcation of space. Screens also provided a flexible, large-scale format that was utilized creatively by many of Japan's greatest painters.

The folding screen or *byōbu* 襖, literally, "protection" or "screen" against "wind" is the most important type of Japanese screen. The *tsuitate* 襖, a single-panel *byōbu*, has been used since early times to demark a corridor or passage, but folding screens of two or more panels have undergone more significant functional and artistic development. In terms of their dual role as both partitions and paintings, folding screens are comparable to *fusuma* 襖, the sliding-door panels that enclose Japanese rooms. *Fusuma*, however, are an integral part of the building for which they are made; in contrast to the intrinsically portable folding screens, they are rarely seen outside Japan.

Early *byōbu* were made up of separately framed panels covered with silk or paper and linked together by leather or silk cords passed through holes near the upper and lower corners of adjacent screens. This method of linking the panels was replaced during the Kamakura period (1185–1333 A.D.) by a system of double paper hinges that join the unframed screen panels securely but inconspicuously along the entire vertical edge. Since the Kamakura period, all folding screens have followed similar principles of construction, resulting in a light-weight but sturdy and flexible structure. Individual panels are made of layers of paper pasted over a wooden lattice to form a taut, smooth surface, and the panels are joined by paper hinges. The final surface on which the painting is executed may be either paper, or, less commonly, silk. Silk apparently was used more frequently in screens of early date.

Destruction by fire, warfare, and the natural wear of repeated use has left few examples of screens predating the sixteenth century. Fortunately, the better-



Screen painting, by an unknown artist of the Edo period (1615–1868): Left hand screen (of 127) from a pair of six-panel screens

preserved narrative handscroll paintings of the period from the twelfth to fifteenth centuries record in detail the appearance of earlier Japanese screens and their widespread use in the interiors of residential and temple buildings. In the small illustrations of narrative handscrolls, *byōbu* are depicted as they actually appeared in daily life: providing background for a formal occasion, seclusion for a study, or privacy for the bedchamber of a sleeping or ailing monk or noble. Literature of the same period augments our understanding of the role of screens, mentioning besides these more mundane and practical functions the role of specific types of *byōbu* in court ceremonies.

Among surviving *byōbu*, screens of two, four, or six panels are most numerous, but screens of up to ten panels were occasionally made. The majority of screens were composed as pairs, a custom that may distantly reflect the early formal, ceremonial role of screens. By far the most common format among extant *byōbu* is a pair of six-panel screens. These may treat complementary or related pictorial themes (for example, landscapes of summer on the right-hand screen and winter on the left), or they may form a single monumental composition when placed side by side.

Although most screens originated as pairs, it was by no means obligatory to use both screens if space were limited or the occasion demanded a more intimate setting. The illustration above shows one of a pair of six-panel screens depicting a room of the Edo period (1615–1868) within which a single freestanding six-panel screen acts as a partition defining an intimate space. The screen represented within the screen painting is virtually identical to the right-hand member of a famous pair of screens in the collection of the Freer Gallery of Art: the *Waves at Matsushima* [06.231, 06.232] by the seventeenth-century master of the

Rimpa school, Sōtatsu. The casual draping of a kimono over this masterpiece of screen painting reminds us of the utilitarian function of even the most brilliantly executed Japanese screens.

A few Japanese screens are embellished simply with applied gold leaf to form a background for formal occasions. Others are decorated with applied *shikishi* (decorated rectangular papers inscribed with poetry), painted fans, or even parts of silk kimonos. However, the majority of screens in private collections and museums bear paintings so admirably adapted to the format that they are appropriately called "screen paintings."

The format of the folding screen presents unique problems for the painter. Early screens exhibit the obvious but expressively limited solution of composing a separate painting on each panel. As early as the Heian period (794–1185 A.D.), however, painters of screens seem to have experimented with treating the panels of a screen as a single composition. The illusion of continuity was usually enhanced by a landscape setting in which hills or bodies of water tended to draw the eye across the disruptive folds of the screen. Technical improvements in screen construction achieved by the fourteenth century, especially the paper-hinging system, had the important artistic consequence of enhancing the illusion of pictorial unity increasingly sought by painters of folding screens.

In striving for integrity of the pictorial composition, the artist had to remain constantly aware of the effects of the angular bending of the screen during normal display. Painters of the most successful screen paintings also took into account the point of view from which the screen would usually be seen. Thus, if a screen were to serve as the background to the formal audiences required by a great lord, a simple, bold design intelligible from a considerable distance might be



Names, by Ogata Kōrin (1658–1716). Left-hand screen (50.21) from a pair of six-panel screens.

most effective, whereas a multitude of detailed narrative scenes might prove more entertaining when enjoyed at closer range. Screens were usually viewed from a seated position on the floor, and the proportions of most screens reflected this practice. Few screens are much taller than five and one-half feet, including their borders and frames. Screens do not usually exceed the height of *fusuma*, the sliding-door panels that would normally surround a room in which screens are displayed. Indeed, some *fusuma* paintings are remounted on folding screens, usually with some reduction of their proportions, for better preservation after they have become worn from constant use. Low, two-panel screens are used to demark an area suitable for the tea ceremony.

Since screens required considerable time and skill to construct and decorate, many were produced for specific patrons. Only in later periods did screen production become a commercial activity in which workshops of artisans mass-produced screen paintings for sale. The earliest screens in the collection of the Freer Gallery date from the late fifteenth to early sixteenth century. They embody the taste of the military-class patrons of the Muromachi period (1392–1573), fostered in the meditative atmosphere of Buddhist temples, for ink paintings of landscapes and bird, flower, and animal subjects in styles reflecting those of Chinese master painters whose works these patrons acquired and collected.

The ensuing Momoyama period (1573–1615), although very brief, is regarded as an important transitional period in the arts of Japan, and has been called the "golden age" of the Japanese screen. It was during this period of relative peace and prosperity following a century of intermittent warfare that patrons and artists alike strove for new modes of expression. For the first time, gold leaf was extensively used to cover entire sur-

faces of screens and sliding doors prior to painting them with bold, often colorful designs. The major painters in this new mode were members of the Kano school which had been established during the Muromachi period. The multitude of painters trained in Kano workshops made a vast number of paintings for screens, scrolls, and fans which were admired both in Japan and abroad. Folding screens made by the workshop under the great painter Kano Motonobu (1476–1559) were exported to Ming dynasty (1368–1644) China. From the second half of the sixteenth century into the Edo period (1615–1868), Kano school painters continued to have an important role in the production of screen paintings encompassing a variety of subjects and styles.

The diversification of subject matter and style in screen paintings of the Momoyama and Edo periods is striking. Genre subjects representing scenes from contemporary life came to play an ever-increasing role as subjects for screen paintings. Literary subjects formerly depicted mainly in smaller formats such as narrative handscrolls were also adapted to the larger screen format. Themes of nature and the seasons were treated in a more personal manner by artists who explored the range of expressive possibilities suggested by new combinations of media.

Masters of the Rimpa school, beginning with Sōtatsu in the early seventeenth century, evolved their own highly stylized manner of screen painting from their close study of the traditional Japanese Yamato-e style, and to a less obvious degree, of Chinese painting as well. Rimpa school artists simplified forms and arranged them consciously in a rhythmic, yet not rigidly repetitious manner. The illustrated screen, the left-hand member of a pair by Kōrin (1658–1716), exemplifies this principle of design. Although most Rimpa school artists did ink paintings as well, many of the

most striking Rimpa compositions are executed in vivid colors on gold or silver leaf.

In contrast to the generally colorful and bold designs of the Rimpa school are the screen paintings by masters of the Nanga school. These painters took the styles of Chinese painting of the Ming and Ch'ing dynasties as their models, and visualized Chinese scenes that most of them had never seen. As in the earlier landscapes of the Muromachi period, the primary medium used by Nanga painters is ink, usually with only the slightest washes of color. New in the work of Nanga painters was their emphasis on brushwork, often used in a highly personal manner.

Not to be neglected in surveying the accomplishments of Edo period screen painters are the individual artists who created screens so distinctive that they defy classification according to school.

Ideally, *byōbu* should be viewed in a setting that does not conflict with their function in providing an intimate, self-contained environment, a focal point, or an appropriate theme or mood. Although they have once again proven their versatility through their effectiveness as flat hangings in modern buildings and museums, the sense of remoteness thus created transforms the essential nature of the screen.

In the subdued light of the Japanese rooms for which they were intended, screens—especially those covered with gold leaf—have an aura of mystery as light catches and constantly shifts across the surface. More than a thousand years ago, the Heian courtier, Sugawara no Michizane (895–903) appropriately expressed the essence of the *byōbu*: "The characteristic of a *byōbu* lies in its opening and folding, if you sit surrounded by the *byōbu*, immediately new worlds emerge around you, and you can enjoy their lasting pleasure."<sup>1</sup>

<sup>1</sup> Quoted from Elise Grillo, *The Art of the Japanese Screen* (1970), p. 153.

#### SUGGESTED READING

- Elise Grillo, *The Art of the Japanese Screen*. New York and Tokyo: Walker-Weatherhill, 1970.  
Miyeko Murase, *Byōbu Japanese Screens from New York Collections*. New York: The Asia Society, 1971.

Photographic reproductions of the objects illustrated in this leaflet are available at the Museum Shop, Freer Gallery of Art, Smithsonian Institution, Washington, D.C. 20560.

Numbers in brackets refer to Freer Gallery accession numbers.

Treasury

TRANSFER POOL  
TEITOSHOKEN

MORTGAGE BOND-ISSUING COST CALCULATION (ESTIMATE)

(Annual)	Issuing Amount 2,000MM		Issuing Amount 3,000MM	
		¥M		¥M
1. Bond interest (Investor)	<u>7.8%</u>	156,000	<u>7.8%</u>	234,000
2. Management fee (CCKK)	<u>0.2%</u>	4,000	<u>0.2%</u>	6,000
 (Up-front)				
1. Underwriting fee (CCKK)	<u>0.65%</u>	13,000	<u>0.65%</u>	19,500
2. Appraiser's fee (a)		300		350
3. Mtg. registration tax (b)		2,600		3,900
4. Stamp duty (c)		600		600
5. Scrivener's fee		200		250
6. Mtg. bond issuance fee (d)		70		105
7. Documentation/legal fee (e)		<u>2,500</u>		<u>2,500</u>
Total Up-front	(0.9635%)	19,270	(0.907%)	27,205

*out of pocket*

300
2,600
600
200
70
<u>2,500</u>

Average Cost Ratio (Simple Interest)

(a) 10-year maturity	8.096%	8.091%
(b) 5-year and 10-year maturities	8.128%	8.121%

Adjustment Plans

(a) Bond interest 8.0% (7.5 years)	8.328%	8.321%
(b) Bond interest 8.0%, Management fee 0.15%, and Underwriting fee 0.65%	8.278%	8.264%

Note:

- (a) Special rate requested on appointing a certified appraiser
- (b) Computation:

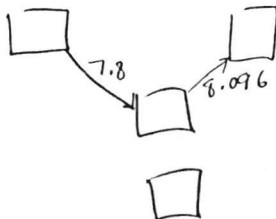
$$2,000 \times 130\% \times \frac{1}{4} \times \frac{4}{1,000}$$

- (c) Loan agreement: Loan amount below ¥5,000MM - ¥400M
- Receipt: Amount of receipt above ¥1,000MM - ¥200M

- (d) Payable to the Registration Office  
¥3,500 per piece of mtg. bond. Face of a mtg. bond scheduled ¥100MM

- (e) One half of the documentation/legal fee is assumed.

*Chair Tsunayumi  
Pres Nishio  
SMD Sasaki  
MO Imokawa*



East West - Arms race

West Japan - Tech Race

US - Ahead pure research and high tech applications defense & aerospace.

UK/France - Ahead of J in information age with videotex systems.

Japan - Far ahead, consumer electronics.

- Respectable office automation

- leader robotics, optical electronics.

- Closing gap

  - . Computers

  - . Semi conductors

  - . Genetic engineering

- Undisputed leader manufacturing technology.

Japan challenge future

- Can no longer borrow tech.

  - Must develop.

- RD as % GNP is growing.

Before

- . Great demand for post war reconstruction.

- . Free trade

- . Stable currencies.

Now adopt. How? Technology adoption has already started:

- . MITI - tech based nation in 80's.
- . Already decline of factory workers increase into knowledge jobs.
- . Robotics accelerating trend .
- . Possible decline exports as Japan begins exporting technology - factories overseas.

Due to tech, nat'l tradition is changing.

- . Now 5 (not 6 ) day work week in vague.
- . 3rd wave - blurred distinctions between home and office.

Pre 73 - Major world positions

- . consumer electronics
- . heavy industries
  - steel
  - auto
  - shipbuilding

1974 - Oil Shock

Due good ele J long range planning, capital investment continued, on equipment that would improve productivity.

1976 - Heavy investment set stage for next wave of exports 76-79.

1979 - Export boom dies off due yen appreciation to true value.

TECH

1979-80 - Sensed the need for more innovation and less tech borrowing from the west.

79-80 - That is surge consumer electronics VTR's.

DAD (loser based digital audio disc) electronic image cameras.

Also surge to manufacture overseas given rising protectionist trends.

NEC wants 50/50 split in export and manu operations with USA.

MITI induced surge into semi conductor. Now export \$1B 64K RAM's.

Now 256k RAM

Toshiba Mega chip. 1MM bits on single chip.

Fujitsu, NEC, Hitachi claim hardware equal to IBM. Progress office computers - SORD.

Closing gap genetic engineering export interferon.

To innovate requires a major change in J way of thinking. A move to individualism from group-ism.

Wants to move

Ahead in basic research, but currently crimped by govt budget deficits.

But advantages

- . Labor cooperation in exchange for security.
- . Long term might outlook.
- . MITI - sets technological direction. Was successful with steel information.
- . Productivity - Nissan has doubled production in decade to 82 without adding people.
- . Competition - may firms
- . Marketing - Salesmen everywhere

	<u>R &amp; D</u>	
	<u>USA</u>	<u>JAPAN</u>
Source	Govt 50% thru DOD & NASA	22% Govt
Purpose	Defense <del>application</del> application	Consumer application
Efficiency	Low. US wants good defense product, little care on cost.	Hi competition Good usage of what R&D money there is.
Education	Much low and arts. Lowed to govt etc with few appli- cations for real productivity	Mostly to engineering

TECH

## Japan Shortcomings

- . Aerospace
- . Information  
only limited

## Sociological shortfalls

- Housing "rabbit hutches"
- Low agricultural productivity
- Inefficient retail distribution system.

Problem - as economy under pressure, only knowledge jobs represent employment opportunities for the future. No entrants into manufacturing or retailing. Risk of increasing labor pro-activity.

## Japanese Miracle

- 1955 - Sony first transistor radio
- 1964 - Shinkansen
- 1970 - Nippon Steel becoming world's largest manufactures.
- 1973 - Oil shock. Wave of forward thinking capital spending to improve efficiency.
- 1975 - Sony Betamax
- 1979 - Export jaugernaut high gear. \$100B in overseas sales.
- 1980 - 11MM auto prod'n
  - Surpassed U.S.
- 1981 - 64K RAM captures 70% world market.

2/15/83

BALLON

Japanese have diff. perception about relationship to productivity profit than other developed people.

HOMOGENEITY

1. Physical Condition

- ° Islands - migration dead end
- ° Temperate climate
- ° Natural cataclysm

2. Social Organization

- ° Wet Rice Agriculture (inter-dependance)  
Had to work together
- ° Seclusion (Tokugawa 1635 - 1853)

3. Cultural Heritage

- ° No imasion until 45
- ° Common Language/values

Implications of language

Words are the package  
What is not said is often the meaning. The context carries the message.

1/6 Super

1/2 of US Pop living on 1/6 of CAL  
2 x Pop WG in 1/4 of WG.

Most idl countries have high % of  
foreign Pop & foreign labor. But J.  
very small %.

Only non korean or chinese

Message - Our social institutions  
experience base is not  
applicable.

What does Homogeneity mean?

\* Not one stock - Not raised purity  
Mainland ASIA - Korea - Some from  
South -  
Mongol Spot disappears after 5 years

\* Doesn't mean they all think the same.

\* 90% perceive selves as part of Middle  
Class.

\* Crime rates lower than other idl  
countries.

Collective Self Identity -

1. A Japanese is only Japanese.

° Not ASIAN, Not Oriental

° At best, NON WESTERN

"ASIA" is a western concept.

2. A Japanese is always with other Japanese.

° Always several

° Relates to interdependence

Problem in not to join a group, the Japanese is a Group.

J. Doesn't start from individual but from "WE".

3. A Japanese must be in Japan to be Japanese. If he is not, he has urge to recreate Japan.

4. Perceive selves as unique.

Westerner - Learn by understanding

J - Learn by doing

J have difficulty conceptualizing.

GROUP

J -  $1 \times 1 = 1$

U.S. -  $1 + 1 = 2$  (Individual)

J economy Doubled      70 - 73  
                                  73 - 77  
                                  75 - 78

\$ 1 trillion 1978

with no raw materials.

79 - 80 - 2nd Oil Shock  
                  Global Readjustment  
                  ¥ depreciated

81 - Low Growth

what are implciations of a growth slow down.

He said no good control.  
 But its implicit - this is one of the  
 rules they use on us. Taking advantage  
 of our literal language understanding.

Trends of Changes

Primary -- Secondary -- Tertiary

Manufac

Labor ----- Capital  
 Light ----- Heavy  
 Resources ----- Technology

Services

Clerical ----- Professional, creative

Setrength

Companies willing to change  
 Labor willing to change

Cornid Japan Inc.

Elements of Industrial Policy

- \* Tax
- \* Tarrif
- \* Tax on Dividends

U.S. has no explicit industrial policy.

Japan has Idl Policy

Protect sectors you want to move  
Lay off other areas

How does I.P. get implemented?

- \* Very small Gov't.
- \* Public employment lower than U.S.
- \* Small is beautiful
- \* "Cash Control" of gov't  
26 - 28% GNP taken in Tax  
U.S. is 35 rising  
Western Europe 40%

MITI - Reorg 1949

Ministry of Munitions in War  
Read Chalner Johnson

OR16 Post War concern: We must  
rebuild. MITI given control over:

Steel	}	Nurture
Fert		infant
Cement		industry
Power		

Control achieved by various permissions required to import, expand capacity, etc. This mission continued thru 1970. Then new task:

Help idy that once structurally depressed to get out of business. Help declining businesses decline.

Current MITI bill pending to dismantle:

- \*Steel
- \*Chemfert
- \*Petrochem
- \*Paper/pulp
- \*Synthect filres
- \*Nickle based steels

---

Before

- Gov't omnipresent
- Protected

Now changed - Gov't is just too big.

But: -

Plan Oriented Market Economy

MITI

Where should we push?

What kind of

Tax

Deprn

Subsidy should we have

What obstacles?

How can we eliminate obstacles.

Purpose  
of MITI

## Same List of Subsidies

- \* Biogenetics
- \* Energy
- \* Resalination
- \* Electric Car

What should be MITI

Point of intervention

Hasn't worked at corporate level for any country, therefore deals at industrial area

MITI - Nationalist oriented

MOF - International Oriented

Creative tension

Produces Constructive

Compromise

FTC - Administers anti-trust Law

No monolithic view

Bureaucrats run the country out of creative tension.

US bureaucrats - sloppy

J " - Sharp, homework



terrible mismatch

U.S. Gov't is employer of last resort

J. Gov't gets best people

Priority {  
MOF  
MITI  
BOJ  
Ag  
Foreign

Why be bureaucrat?

Money adequate

Sence of power

Well trained

52 retirement with a good job in industry...

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Bus. Assns.

Fed. of Econ. Organizations

Kindenerar

---

Qual of Bureaucracy

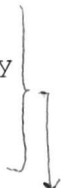
Coop But Bus + Good

Literate Public Economically

Sense of Commer Purpose

Mobility of our US

Task to taks



Contributors to J. Success

Trend - Econ more complex

Deterioration homogeneity

More leisure time -

then may be a less coherent industrial policy. But don't count on it.

- END ABBAGLEN -

2/15/83

HATTORI - Corporate Organization

Company Based Unions

Union - Mgt. interests not the same,  
but parallel.

- END HATTORI -

HARA

2/16/83

R+D

Govt' greater portion R+D in US + West  
as compared to J.

U.S. has defense R+D, Japan not.

W.G., Japan, U.S., Fr all spend  
2-3% of GNP on R+D.

\* J overtime great reliance on purchase  
of tech from abroad.

Due to gov't contribution, R+D exp in  
U.S. greater than J in various  
indices. Expense to Researchers

But R+D exp to Nat'l Income is same.

---

Built in inflexibilities in J to do

\*R+D - inability to tolerate maverick

\*Seniority System

\*Intred companies - not  
cross fertilization

\*Average capability of people -

Uniformity of training in U.S.,  
people are either exceptional or  
poor.

Quote "If you find exceptional people here, they go to US or Europe. They don't fit here, weak in fundamental sciences Below average software capability,

\* But some advantages

- + Good Gov't R. ship
- + Good university R. Ship
- + Lifetime committment to company

2 types R+D

	<u>Japan</u>	<u>US</u>
Seeds	20%	80%
Needs	80%	20%

Japan R+D is careful -

Rarely into new tech + new market

Engineers are the tresures of the company,  
Very few can design simple design  
high performance at low cost.

Total Quality Control (TQC)

After ratorializing production  
process + streamlining design -  
then go to ratorialize Mktg. +  
sales. Who ever heard of QC  
for Mktg. + Sales, then Mgt.,  
then training, then inventory  
etc.

- END HARA -

Purpose of J. Enterprise

Don't ask how they did it - wrong approach

Why? Well

1. Most of techniques came from West Society  
QC  
OR
2. Avoids fundamental question nature of Japanese enterprise

Japanese enterprise is not same type of organism as in the West.

What's different

- \* Synergism
- \* Less Conflict
- \* Fomicial characteristics
- \* Japanese work better together

What's wrong with West?

Despite all attention and effort (HBS) we don't see much improvement in cooperative effort of enterprise.

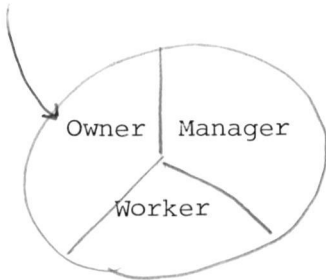
Root cause relates to purpose of enterprise in the West.

West Purpose: ROI, PCE

But this is inconsistent with needs of system, like a sports team.

Needs its purpose defined in terms of all of the CORE members.

Western enterprise defined only here



Workers didn't care about PCE.

West did not adequately define purpose of enterprise in context of 3 parties - only one - owners.

We have built in roots of conflict.

What about Japan?

How do they keep score?

Sales? Market Share? Why:

All benefit

Maximizing value added + creation of wealth.

Gov't gets GNP

Suppliers get business

Employees get security

SP - CM = VA (Value  
Sales Cost Added)  
Price Materials

Who benefits from UA  
Interest to banks  
Rent  
Dependent  
Dividend/profit  
Taxes  
Wages & salary

All of above constituencies are interested in maximization of value added. Above info is available for all constituencies. All constituencies work towards establishing the proper sharing of UA.

Clear to all constituent or team maker on how UA being allocated. Equity is perceived. So purpose of J enterprise is defined in terms of all members of E.

There is unity here -  $1 \times 1 \times 1 = 1$   
There is synergy -  $1 \times 1 \times 1 \times 1 = 2$

Transparency of accounting, fosters communication. Score keeping and allocation is understood, Results in reduced conflict, increased loyalty.

Absence of technophobia in J.  
The above shows the issue of social responsibility from the beginning.

Employees not hired labor, but members of the family. This nurtures unitz and looperation.

Absence of notion of Property in Japan -

Property ownership implied obligation not rights.

- END GREGORY -

Nakajima

Trade Frictions 2/17/83

US Turnover in Japan	\$20 bn
Japan Turnover in US	\$ 5 bn

Japan PM cannot order. He must have a consensus. Trying to force trade changes will take time and must go thru many consultations.

Success in Japan. P&G for example. Must try to learn local market practice.

Last challenge from outside west. 8-9 century - Arabs  
Then came Japan

- END NAKAJIMA -

BAIRY

2/17/83

The Japanese ways - psychology

Avoid I, talk we.

Japanese are situation + not  
problem oriented.

Japanese are working for a firm  
as through he is filling the field.  
He must fill it. He is not working  
for a boss per se.

Be aware of reasoning and logic.  
Be aware of the whole.

- END BAIRY -

Unemployment

VOGEL -Jas#1  
VOLUME TABLE (B/E)

Vogel - Japan as No. 1

## Chapter 1

Success of Japan due to tract virtues

- hard work
- patience
- self discipline
- sensitivity to others

But more to

- org structure
- policy program
- conscious planning

Japan institutions are mirror for America.

1. J consciously examined & restructured institutions
  - a. 1868 2 decade long study
  - b. Post World War II
    - p.s. (US has 200 year old system)
2. Unique in World
3. Japan a pioneer. Already faced long ago problems US now facing.
  - a. energy
  - b. pollution
  - c. population
  - d. taxation, welfare & education
  - e. foreign trade policy
4. J institutions highly successful

## Chapter 2

### Japan - Montana

Yet 120 MM population

Food 30% import

Energy 85% import

Success in steel, electronic, optical,  
watch, motorcycle, auto, piano,  
& ship.

Reason: Cheap labor? No.

but, Capital investment

Facility modernization

Productivity increase

Transportation & communication  
better.

Mail

Little crime

High reading & English

Better pollution control

Health insurance

BREAK - EVEN VOLUME TABLE UNIT: \$ M

		VOLUME ( ANR ) REQUIRED														
MODEL		-70BP	-60BP	-450BP	-440BP	-430BP	-20BP	-10BP	+10BP	+20BP	+30BP	+40BP	+50BP	+60BP	+70BP	
4.5 %		3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.6	4.7	4.8	4.9	5.0	5.1	5.2	
NRFF																
I	10	2667	3158	3077	3000	2927	2857	2791	2727	2609	2553	2500	2449	2400	2353	2308
N	20	5333	6318	6154	6000	5854	5714	5581	5454	5217	5106	5000	4898	4800	4706	4615
C	30	8000	9474	9231	9000	8780	8571	8372	8182	7826	7659	7500	7347	7200	7059	6923
D	40	10667	12632	12308	12000	11707	11429	11163	10909	10435	10213	10000	9796	9600	9412	9231
M	50	13333	15789	15385	15000	14634	14286	13953	13636	13043	12766	12500	12245	12000	11765	11538
E	60	16000	18947	18462	18000	17581	17143	16744	16364	15652	15319	15000	14694	14400	14118	13846
	70	18667	22105	21538	21000	20498	20000	19535	19091	18261	17872	17500	17143	16800	16470	16154
S	80	21333	25263	24615	24000	23415	22857	22326	21818	20870	20425	20000	19592	19200	18823	18462
H	90	24000	28421	27692	27000	26341	25714	25116	24545	23478	22979	22500	22041	21600	21178	20769
O	100	26667	31579	30769	30000	29268	28571	27907	27273	26087	25532	25000	24490	24000	23529	23077
R	110	29333	34737	33881	33000	32195	31429	30698	30000	28696	28085	27500	26939	26400	25882	25385
T	120	32000	37895	36923	36000	35122	34286	33488	32727	31304	30638	30000	29388	28800	28235	27692
F	130	34667	41053	40000	39000	38049	37143	36279	35454	33913	33191	32500	31837	31200	30588	30000
A	140	37333	44211	43077	42000	40978	40000	39070	38182	36522	35745	35000	34286	33600	32941	32308
L	150	40000	47368	46154	45000	43902	42857	41860	40909	39130	38298	37500	36735	36000	35294	34615
L	160	42667	50526	49231	48000	46829	45714	44651	43636	41739	40851	40000	39184	38400	37647	36923
	170	45333	53684	52308	51000	49759	48571	47442	46364	44348	43404	42500	41633	40800	40000	39231
	180	48000	56842	55385	54000	52683	51429	50232	49091	46956	45957	45000	44082	43200	42353	41538
	190	50667	60000	58461	57000	55610	54286	53023	51818	49565	48511	47500	46531	45600	44706	43846
	200	53333	63158	61538	60000	58536	57143	55814	54545	52174	51064	50000	48980	48000	47059	46154
	210	56000	66316	64615	63000	61463	60000	58605	57273	54783	53617	52500	51429	50400	49412	48462
	220	58667	69474	67692	66000	64390	62857	61395	60000	57391	56170	55000	53877	52800	51765	50769
	230	61333	72632	70769	69000	67317	65714	64186	62727	60000	58723	57500	56326	55200	54118	53077
	240	64000	75789	73846	72000	70244	68571	66977	65454	62609	61277	60000	58775	57600	56471	55385
	250	66667	78947	76923	75000	73171	71429	69776	68182	65217	63830	62500	61224	60000	58824	57692
	260	69333	82105	80000	78000	76098	74286	72558	70909	67826	66383	65000	63873	62400	61176	60000
	270	72000	85263	83077	81000	79024	77143	75349	73636	70435	68936	67500	66122	64800	63529	62308
	280	74667	88421	86154	84000	81951	80000	78139	76364	73043	71489	70000	68571	67200	65882	64615
	290	77333	91579	89231	87000	84878	82857	80930	79091	75652	74043	72500	71020	69600	68235	66923
	300	80000	94737	92308	90000	87805	85714	83721	81818	78261	76596	75000	73469	72000	70588	69231
	310	82667	97895	95385	93000	90732	88571	86512	84545	80870	79149	77500	75918	74400	72941	71538
	320	85333	101053	98461	96000	93658	91429	89302	87273	83478	81702	80000	78367	76800	75294	73846
	330	88000	104211	101538	99000	96585	94286	92093	90000	86087	84255	82500	80816	79200	77647	76154
	340	90667	107368	104615	102000	99512	97143	94884	92727	88696	86808	85000	83265	81600	80000	78462
	350	93333	110526	107692	105000	102439	100000	97674	95454	91304	89362	87500	85714	84000	82353	80769
	360	96000	113684	110769	108000	105366	102857	100465	98182	93913	91915	90000	88163	86400	84706	83077
	370	98667	116842	113846	111000	108293	105714	103256	100909	96522	94468	92500	90612	88800	87059	85385
	380	101333	120000	116923	114000	111219	108571	106046	103636	99130	97021	95000	93061	91200	89412	87692
	390	104000	123158	120000	117000	114146	111429	108837	106364	101739	99574	97500	95510	93600	91765	90000
	400	106667	126316	123077	120000	117073	114286	111628	109091	104348	102128	100000	97959	96000	94118	92308
	410	109333	129474	126154	123000	120000	117143	114419	111818	106956	104681	102500	100408	98400	96471	94615
	420	112000	132632	129231	126000	122927	120000	117209	114545	109565	107234	105000	102857	100800	98823	96923
	430	114667	135789	132308	129000	125854	122857	120000	117273	112174	109787	107500	105306	103200	101176	99231
	440	117333	138947	135385	132000	128780	125714	122791	120000	114783	112340	110000	107755	105600	103529	101538
	450	120000	142105	138462	135000	131707	128571	125581	122727	117391	114894	112500	110204	108000	105882	103846
	460	122667	145263	141538	138000	134634	131429	128372	125454	120000	117447	115000	112653	110400	108235	106154
	470	125333	148421	144615	141000	137561	134286	131163	128182	122609	120000	117500	115102	112800	110588	108462
	480	128000	151579	147692	144000	140488	137143	133953	130909	125217	122553	120000	117551	115200	112941	110769
	490	130667	154737	150769	147000	143415	140000	136744	133636	127826	125106	122500	120000	117600	115294	113077
	500	133333	157895	153846	150000	146341	142857	139535	136364	130435	127659	125000	122449	120000	117647	115385

AUR - Flat  
↑ 3M to NA  
10mm Run off  

---

Hole on Invasive Reath.

$$\begin{array}{r} -135 \\ -760 \\ \hline 825 \end{array}$$

wwII



Kimmel and Short were blamed for unpreparedness in the Japanese attack on Pearl Harbor, December 7, 1941. Yet:

- \* The MAGIC intercepts of Japanese cable transmissions clearly indicated weeks prior to the attack that the Japanese were contemplating an attack. These intercepts were often put in low priority in trays.
- \* Cordell Hull exhibited extremely suspicious attitudes towards the Japanese. What may have been legitimate attempts on the part of Japanese to stop war were often precipitously viewed by Hull.
- \* Hull's modus vivendi message implied that for the US to lift its embargoes, Japan would have to quit all of China, including, Manchukuo. This was not the intent of the message. More care and interest in trying to understand the Japanese could have prevented an attack.
- \* A late cable intercept of the Japanese within 5 hours of the attack was sent by Roosevelt via Western Union on a low priority status.
- \* The congressional and public mood at the time was "isolationist." No one could believe, that no matter what the provocation, that the Japanese would attack. Isolationist forces also insured that military readiness was limited to bare bones necessary to insure protection of borders. Moreover, much of American war-material had been shipped to Europe through lend lease.

Yet, Kimmel and Short bore the brunt of the blame for the attack.

### IAC

Senior Managements failure to establish strong, experienced leadership from the beginning resulted in the inability of a number of very good people at lower levels performing at sub-par levels.

When this management was later replaced, new management tended to blame these lower levels for problems created more due to an absence of leadership rather than inability at middle management levels.

February 10, 1986

A third party may well have viewed the events leading to the Japanese attack on Pearl Harbor somewhat differently than we as American's believed at the time.

In the late 1930's the United States was fearful of Japanese expansionism. Japan had expanded the size of its military forces, taken over Manchuria and Korea and had troops in parts of China.

Despite the fact that the United States and Japan had a common enemy in China - communism, the United States tried to halt the Japanese expansion through trade embargoes and a curtailment of oil shipments from the US to Japan.

There is significant evidence to show that the Japanese went to great lengths to reach conciliation with the United States. They had far greater fear of their traditional enemy, the Soviet Union; they were not seeking territory to rule, rather they were looking to liberate their yellow brothers and sisters from "white" domination. US manifest destiny in its movement through the West was, after all a similar action, and who was the United States and the European allies to establish moral guidelines for the behavior of nations?

Cordell Hull's modus vivendi insisting on evacuation of Japanese presence from all of China, Manchuria etc. after 30 years of gains was unrealistic and a significant loss of face for the Japanese. Hull also went to very little effort to facilitate dialogue between the Japanese and the US.

Yet, for one, in 1939, to say that the US was threatening Japan would be to identify with communist forces.

A similar analogy would be Theodore White's support of Mao in the face of Chiang Kai Shek's strong ties to the journalistic community of the United States.

The same type of forces tend to shape corporate cultures. Overt warmth and friendliness in some cultures is viewed as a weakness. Yet, is warmth and openness, friendliness wrong?

- Citibank -

- Celebration update

- Martin Bates July 15<sup>th</sup>

- Northern Motors

- Treasury - Aug 22<sup>nd</sup>



## 1979

JANUARY							FEBRUARY							MARCH							APRIL						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6				1	2	3					1	2	3	1	2	3	4	5	6	7	
7	8	9	10	11	12	13	4	5	6	7	8	9	10	4	5	6	7	8	9	10	8	9	10	11	12	13	14
14	15	16	17	18	19	20	11	12	13	14	15	16	17	11	12	13	14	15	16	17	15	16	17	18	19	20	21
21	22	23	24	25	26	27	18	19	20	21	22	23	24	18	19	20	21	22	23	24	22	23	24	25	26	27	28
28	29	30	31				25	26	27	28				25	26	27	28	29	30	31	29	30					

MAY							JUNE							JULY							AUGUST						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5					1	2		1	2	3	4	5	6	7				1	2	3	4	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					26	27	28	29	30	31	

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1			1	2	3	4	5	6				1	2	3						1		
2	3	4	5	6	7	8	7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8
9	10	11	12	13	14	15	14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15
16	17	18	19	20	21	22	21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22
23	24	25	26	27	28	29	28	29	30	31				25	26	27	28	29	30	23	24	25	26	27	28	29	
30																					30	31					

## 1980

JANUARY							FEBRUARY							MARCH							APRIL						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5					1	2						1					1	2	3	4	5	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	2	3	4	5	6	7	8	6	7	8	9	10	11	12
13	14	15	16	17	18	19	10	11	12	13	14	15	16	9	10	11	12	13	14	15	13	14	15	16	17	18	19
20	21	22	23	24	25	26	17	18	19	20	21	22	23	16	17	18	19	20	21	22	20	21	22	23	24	25	26
27	28	29	30	31			24	25	26	27	28	29	23	24	25	26	27	28	29	27	28	29	30				

MAY							JUNE							JULY							AUGUST						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7	1	2	3	4	5				1	2				
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23
25	26	27	28	29	30	31	29	30						27	28	29	30	31			24	25	26	27	28	29	30

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
				1	2	3				1	2	3	4				1						1	2	3	4	5	6
7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13	
14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20	
21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27	
28	29	30					26	27	28	29	30	31	23	24	25	26	27	28	29	28	29	30	31					

## 1981

JANUARY							FEBRUARY							MARCH							APRIL						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7	1	2	3	4	5	6	7				1	2	3	4
4	5	6	7	8	9	10	8	9	10	11	12	13	14	8	9	10	11	12	13	14	5	6	7	8	9	10	11
11	12	13	14	15	16	17	15	16	17	18	19	20	21	15	16	17	18	19	20	21	12	13	14	15	16	17	18
18	19	20	21	22	23	24	22	23	24	25	26	27	28	22	23	24	25	26	27	28	19	20	21	22	23	24	25
25	26	27	28	29	30	31								29	30	31					26	27	28	29	30		

MAY							JUNE							JULY							AUGUST						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2		1	2	3	4	5	6		1	2	3	4					1					
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22
24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	23	24	25	26	27	28	29	

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER									
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S			
				1	2	3				1	2	3				1	2	3	4	5	6	7				1	2	3	4	5
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12			
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19			
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26			
27	28	29	30				25	26	27	28	29	30	31	29	30						27	28	29	30	31					



1982

JANUARY							FEBRUARY							MARCH							APRIL																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						2	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																							
24	25	26	27	28	29	30	31																														

MAY							JUNE							JULY							AUGUST																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31															
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																						
23	24	25	26	27	28	29	30	31																													

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31											
12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																		
19	20	21	22	23	24	25	26	27	28	29	30	31																									
26	27	28	29	30	31																																

*Pledge to a 10% a year such a cause as that for a way to evaluate and some thought to how you might like to structure*

1983

JANUARY							FEBRUARY							MARCH							APRIL																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31															
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																						
23	24	25	26	27	28	29	30	31																													

MAY							JUNE							JULY							AUGUST																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31														
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																					
22	23	24	25	26	27	28	29	30	31																												

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31										
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																	
18	19	20	21	22	23	24	25	26	27	28	29	30	31																								
25	26	27	28	29	30	31																															

*Structure how care to structure*

1984

JANUARY							FEBRUARY							MARCH							APRIL																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31														
15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																					
22	23	24	25	26	27	28	29	30	31																												

MAY							JUNE							JULY							AUGUST																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31												
13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																			
20	21	22	23	24	25	26	27	28	29	30	31																										

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER																
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S										
						1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31															
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31																						
23	24	25	26	27	28	29	30	31																													

*SA Book opp to be w/ SB*