



FY 1985 Profits Look Bleak

Nonfinancial Japanese companies listed in the first (major) section of the Tokyo Stock Exchange will report an average 4.9% rise in unconsolidated sales for fiscal 1985, but their pre-tax profits from regular operations will fall 1.3% for the first drop in three years due to the growing impact of a U.S. economic slowdown, according to the Nikko Research Center's revised projection. The center, a research arm of Nikko Securities Co., had earlier forecast an average 4.2% profit gain for the year ending in March. It blames the turnaround on downward revisions of profit projections for two key industries: the drastic drop from a 3.1% increase to a 16.7% decline for electric machinery, and steel's change from a 5.8% to a 16.6% drop. A sluggish market for industrial electronics products such as microchips is causing the electric machinery industry's slump. Steel is suffering from stagnant exports to the U.S. and falling export prices.

Weighing particularly heavily on the earnings picture is the protracted semiconductor market slump, which is now spreading to chemical, nonferrous metal, and other associated industries. The manufacturing sector is projected to suffer a 5.0% profit decline in contrast to fiscal 1984's 39.1% surge. But the non-manufacturing sector is heading for another year of better profits due largely to the 9.5% profit gain the electric power industry is expected to chalk up in a reversal of the previous year's 8.4% slip. The industry will benefit from the yen's higher value, which is trimming fuel import costs, as well as lower crude oil prices and improved capacity utilization at hydro-electric plants. Fiscal 1985 is going to see contrasting performance between export-oriented industries and those primarily relying on domestic demand.



Japan's First STOL Plane Makes Successful Test Flight

The Science and Technology Agency's National Aerospace Laboratory has successfully flown Japan's first STOL (short take-off and landing) jet plane after eight years of research and development.

The first test flight of the STOL plane, christened "Asuka," took place at an Air Self-Defense Force base in Gifu Prefecture on October 28, 1985. Tests will continue for three years.

The STOL plane can take off or land within half the distance required by ordinary jets its size. It uses a special system to nearly triple lift power. National Aerospace Laboratory scientists say that in the future the four-engine aircraft will be able to operate from a runway as short as 900 meters.

The Asuka is the brainchild of Japan's state-of-art aeronautics technology. Some ¥28.6 billion (\$140 million) has been spent on the STOL project since 1977 when design work began. It is the first "homemade" plane developed since the war, with every part produced domestically.

The most impressive feature of the Asuka is a set of engines mounted over the wing. This system, called a "USB" system, helps divert high-speed engine exhaust downward with the flap of the wing to boost lift power.

Officials say STOL planes will be useful in future commuter air service between local airports with short runways. A commercial version of the Asuka, 29 meters in length with a wingspan of 30 meters and weighing 39 tons, can carry about 80 passengers, they say.



Trilateral Patent Chiefs Agree to Cooperate

Top patent officials of Japan, the United States, and Europe, meeting in Tokyo, October 14-15, 1985, agreed to continue cooperation in the field of industrial property.

The two-day annual patent summit meeting, the third of its kind, was held at the Ministry of International Trade and Industry in the presence of Michio Uga, director general of the Japanese Patent Office, Donald J. Quigg, commissioner of the U.S. Patent and Trademark Office, and Paul Braendli, president of the European Patent Office.

They agreed to:

- 1) Start mutual exchange of patent information stored on video tapes in 1986.
- 2) Study automatic translation of automated patent data to enable such data to be effectively utilized by each country.
- 3) Conduct comparative studies in order to harmonize patent practices and procedures among the three parties.

The annual summit was inaugurated at a meeting in Washington in 1983 as a forum for exchanging views on mutual cooperation among patent officials to provide better protection to world industrial property.

Japan, the U.S., and European countries play a leading role in adjusting the world patent system, since they are home to most high technology inventions and most of the world's patent applications are filed there.



Legislation of 60-Year Retirement Age Recommended

The Employment Council, an advisory body to the Labor Minister, is urging legislation to raise the mandatory retirement age in Japan's business sector to 60 in a bid to improve employment opportunities for the nation's growing numbers of elderly.

The council's recommendation, submitted to Labor Minister Toshio Yamaguchi on October 3, 1985, said a mandatory retirement age of 60 should be the goal of private companies, and that this should be made legally binding, although without penal provisions.

The bill, when it becomes law, will empower the government to:

- 1) Give administrative guidance to companies in developing and implementing plans to raise the retirement age.
- 2) Announce via newspapers and other media the names of companies which disregard the 60-year retirement age rule.
- 3) Provide subsidies to companies where people aged between 60 and 65 represent a certain percentage of the work force.

The Labor Ministry is expected to draft a bill in line with the recommendation and submit it to the current Diet session for enactment in fiscal 1986 (April 1986-March 1987).



Interest Rates Decontrolled

As part of Japan's financial market liberalization, interest rates on time deposit accounts of ¥1 billion or more have been decontrolled, effective October 1, 1985. The country's 13 largest commercial banks collected an estimated ¥950 billion (\$4.63 billion) in floating interest deposits on the first day. Rates varied widely, from 6.2% to 6.8% per annum. Fuji Bank collected the largest amount, ¥180 billion, followed by Dai-Ichi Kangyo Bank at ¥150 billion. But some profit-oriented banks were less aggressive, with Mitsubishi and Sumitomo banks collecting only ¥50 billion each. Higher rates mean more deposits, but also higher fund-raising costs. Financial experts agree that the key to surmounting the dilemma is the ability to achieve high investment returns on costly funds. In their view, Japan's major banks, which have so far striven to keep pace with one another, now seem to be splitting into two groups—aggressive and cautious—over the decontrol of time deposit interest rates.




International Fine Ceramics Forum

An international fine ceramics forum will be held at the Nagoya Trade and Industry Center (Fukiage Hall) March 5-7, on the theme of "Fine Ceramics and Man, Society, and Culture."

"The International Forum on Fine Ceramics, 1986, Nagoya, Japan," as the gathering is officially called, will bring together leading foreign and Japanese fine ceramics experts for an exchange of views on problems related to the technical development of these new materials and their impact on industry, regional society, and people's everyday lives. Government officials, academics, and executives of fine ceramics companies will also participate. The forum is open to the general public.

The event is being jointly sponsored by the Japan Fine Ceramics Center (JFCC), the National Institute for Research Advancement (NIRA), Nagoya City, and the Aichi Prefecture government. It also has the backing of the Ministry of International Trade and Industry and technical and industrial organizations concerned with fine ceramics.

Nagoya was chosen to host the forum in recognition of its role as the center of Japan's fine ceramics industry. During the three-day forum, a fine ceramics fair will also be held at the same site to display fine ceramics products, materials, and production equipment.



Household Savings Continue to Rise

The rate of household savings in Japan continues to rise in 1985 despite slow growth in take-home income, according to a recent survey by the Bank of Japan.

The survey shows that 95.5% of Japanese households have savings, and that the average household's savings grew 6.5% in the past year to ¥6.88 million (\$33,560).

The ratio of savings to annual income remained at 15% for the fourth consecutive year.

The survey revealed that 58.6% of households have money on deposit at banks and post offices, while 16.7% have turned to life and casualty insurance and 11.8% to securities.

As many as 77.2% of households say they save money against illness and disaster and 43% for children's education.

The number of those who said they were saving up for old age rose 4.1 percentage points over five years ago to 42.5%.

Savings for purchasing land or houses accounted for only 19.8%, a sharp decrease from 32% five years ago.

In choosing their savings instruments, 43%, 5.3 percentage points more than the previous year, said they put top priority on safety, apparently a reflection of concern over a series of investor frauds.

Those placing priority on profitability also rose 1.5 percentage points to 30.2%.



Japan Wins 23 Medals in Technical Olympics

Japan placed second in the 28th International Vocational Training Competition, known as the Technical Olympics, held in Osaka in October 1985. Japan won 23 medals (11 gold, eight silver, and four bronze). First-place South Korea won 24 medals (15 gold, six silver, and three bronze).

Japan won gold medals in 11 events—assembling electronic apparatus, assembling machinery, assembling precision instruments, lathe work, factory electric equipment, milling machines, automobile repairs, watch repairs, electric works, stonecutting, and haircutting.

Noboru Utsunomiya, a 20-year-old worker at Toshiba Corp.'s Fuchu factory, was the champion in assembling machinery. Utsunomiya won 560 points, the highest among Japanese participants.

Japan placed first at the 1970 Technical Olympics held in Chiba, Japan, by winning 24 medals, including 17 gold. But Japan has done poorly in recent years, overtaken by South Korea, Taiwan, and other Asian countries.

Behind the poor showings, experts believe, were the introduction of robots in many factories and the shift of capable young people away from technical jobs to higher education.

"We scored better than we had expected because each player outdid himself," said Isamu Ogawa, manager of the Japanese team. "As the host country team, we tried our best. We had two training camps during which we concentrated on improving teamwork and keeping ourselves well informed about the performance levels of our competitors."



LDP Panel Maps Tax Reform Plan

A panel of the ruling Liberal-Democratic Party (LDP) has produced a report recommending a sweeping reform of the tax system, including the introduction of a broad-based indirect tax like the European value-added tax. The report was compiled by a private advisory committee to Masayuki Fujio, chairman of the LDP's Policy Affairs Research Council. Headed by former Finance Minister Tatsuo Murayama, the panel said the proposed tax reform was not aimed at boosting revenue or reducing taxes but at overhauling the system itself. This was an apparent rebuke to Prime Minister Yasuhiro Nakasone's stated intention of giving priority to tax cuts.

The report recommended considering two steps: introduction of indirect taxes, including a value-added tax similar to that levied in the EC, and abolition of tax-free small-sum savings and the postal savings systems in favor of low-rate separate taxation. The new taxes would be combined with simplified tax brackets and more moderate progressive income tax rates.



Tokyo Offshore Market Outlined

An outline of the proposed Tokyo offshore financial market has been sketched out by the Foreign Exchange Council, an advisory panel to the Finance Minister and the Minister of International Trade and Industry. A council report suggests that the market, like the New York offshore market, should be separated from the onshore domestic market, with participating Japanese and foreign banks dealing only with nonresidents. Interest rates would be free to fluctuate, and bank deposits in the market would not be subject to the reserve requirements as imposed by the central bank on domestic deposits. No withholding tax would be levied on deposit interest.

The new market would mainly be for deposit acceptance, and no securities business would be allowed. The report says the offshore market will not only give the yen a greater role in international finance but will also permit Japanese financial institutions to reduce costs by replacing some of their overseas services with offshore market operations, thereby improving their international competitiveness. The Finance Ministry has started preparations for the market and hopes to be able to open it in the near future, possibly as early as fiscal 1986 which begins in April.