

## Steel and Iron Industry

### Steady Growth Features It, Government Steel Works Lead Private Interest

Japan produces about half the pig iron it consumes and about two thirds of the steel. The pig iron is imported from Manchuria, Korea and India. The Hanyehping Coal & Iron Company supplied pig iron and ore. For the last three years, however, this source has been blocked, first by peculations of the Chinese managers and secondly by the seizure of the mines by the Nationalist armies.

Private producers are handicapped by the fact that the Government Steel Works dominates the market. Its output is about 55 per cent of the Japanese production. There handicapped even more, however, by over-expansion of capacity. Japan's steel industry sprang to life during the World War boom, when European and American steel was not available. Prices rose to unprecedented heights and steel company after steel company organized. When the panic of 1920 broke over the country, some of these companies were weeded out, but many remained. These have not been profitable. During 1926 only two companies reported profits in excess of 4.6 per cent against paid capitalization. These were the Kawasaki Dockyard Company, which tampered with its books and since has gone bankrupt, and the Osaka Iron Works. The latter was obliged to go through a sweeping readjustment early in 1927, taking cognizance of the fact that it had not provided properly for depreciation and that many items in its inventory were over-valued. At the same time, however, it raised the valuation of its real estate to take care of the changes elsewhere.

The status of the leading companies is summarized below.

The Kawasaki Dockyard estate has been erected covering two of its properties and on this security nine banks have made a loan of ¥11,000,000. The Navy is to name a new president and the operation of the shipways will be in the hands of the Government indirectly. The sheet mill will continue in operation.

The Osaka Iron Works went through a complete readjustment last year, taking a loss of ¥1,659,000 for the first half. This concern is controlled by the Kuhara interests. The readjustment included writing off ¥1,400,000 of bad debts, reducing inventory figures on ships and materials and adding ¥6,546,000 to the valuation of the Sakurajima works and ¥1,350,000 to the shipways at the Innoshima plant. Oshima Steel reported a 4.8 per cent profit for the first half of 1927. It declared a 3.2 per cent dividend.

Tokyo Steel's future depends upon the ability of the Asano interests to pay for the Kokura Steel Works, which they purchased some years ago. These "Kokura Steel Accounts" amount to about 89 per cent of the company's paid capitalization. The Japan Steel Tubing Company is being carried by a subsidiary, the Fushiki Electric Iron Manufacturing Works, which has been yielding good profits.

Toyo Iron's income is derived principally from the fact that its two smelters are being operated by the Government Steel Works at a rental of ¥300,000 a year. The Kuhara interests own a quarter of its shares and Baron Seinosuke Goh is president. Late last year it decided to cut its capitalization from ¥40,000,000 to ¥36,000,000. The shares were ¥42.50 paid up. This was done by

retiring 80,000 shares at a maximum price of ¥25.

Fuji Steel has been hit by panic and earthquake and had one readjustment after another. Its debts are high and cost of production is above that of competing companies.

The Kobe Steel Works, which was a subsidiary of the Suzuki interests, was seriously embarrassed by the failure of the parent company but was able to continue in business by going below debentures and other indebtedness with a mortgage for ¥3,000,000. It was in difficulties because the parent company sold it the Harima Dockyard and the Toba Shipbuilding Works, accepting notes for ¥24,000,000. These notes it discounted with the Bank of Taiwan.

With Hanyehping iron no longer coming to Japan, the nation's steel mills have been handicapped and the Government Steel Works is casting about for more sources of supply. A contract was concluded by the works last year for the purchase of 500,000 tons of ore from the Nanyo Industrial Development Company. This ore is produced at Johore. However, this will not be enough and another contract was signed with the Kuhara interests, involving 250,000 tons of ore a year, to contain not less than 65 per cent iron. These will come from a state near Hohore, but since production has not yet been started the enterprise is in nebulous state, at best. The contract is explained by the exceedingly close connection between Fusanosuke Kuhara and Premier Tanaka's Seiyukai party.

In Japan proper, the Pig Iron Joint Sales Guild attempts to control prices. It was formed in 1926 as an adjunct of the Iron and Steel Consultation Commission and did about 200,000 tons of business the first year, the bulk of which was with manufacturers of cast iron, steel makers preferred imported pig iron.

Early last year the consulting commission sent Mr. Joraji Ishiki, its managing director, and for other representatives to India in an attempt to get the Indian producers to limit their shipments to Japan to 200,000 tons a year. It was believed that such a limitation would enable the Japanese producers to charge higher prices and Mr. Ishiki produced that the import price be raised five rupees a ton. British Indian producers, however, could see no advantage in the scheme, which was based on the idea that the steel trade would stay in its present condition, whereas sales of Indian iron in Japan are increasing rapidly, more rapidly than sales of Japanese pig iron.

The Suzuki Shoten formerly handled imports of Tata iron. When that concern ran on the rocks, the agency was turned over to the Nippon Commercial Company, with which it was affiliated. Burn iron also comes here in large quantities.

It was reported last year that imports of steel scrap into Japan were increasing, due to the shortage of ores. While figures for the entire year are not available, it was reported that imports up to the end of May totaled 20,551 tons, a gain of 200 per cent over the corresponding figure of 1926.

During June the Asano Shipbuilding Yard at Tsurumi built in a 150-ton smelter.

Ever since the end of the World War pig iron and