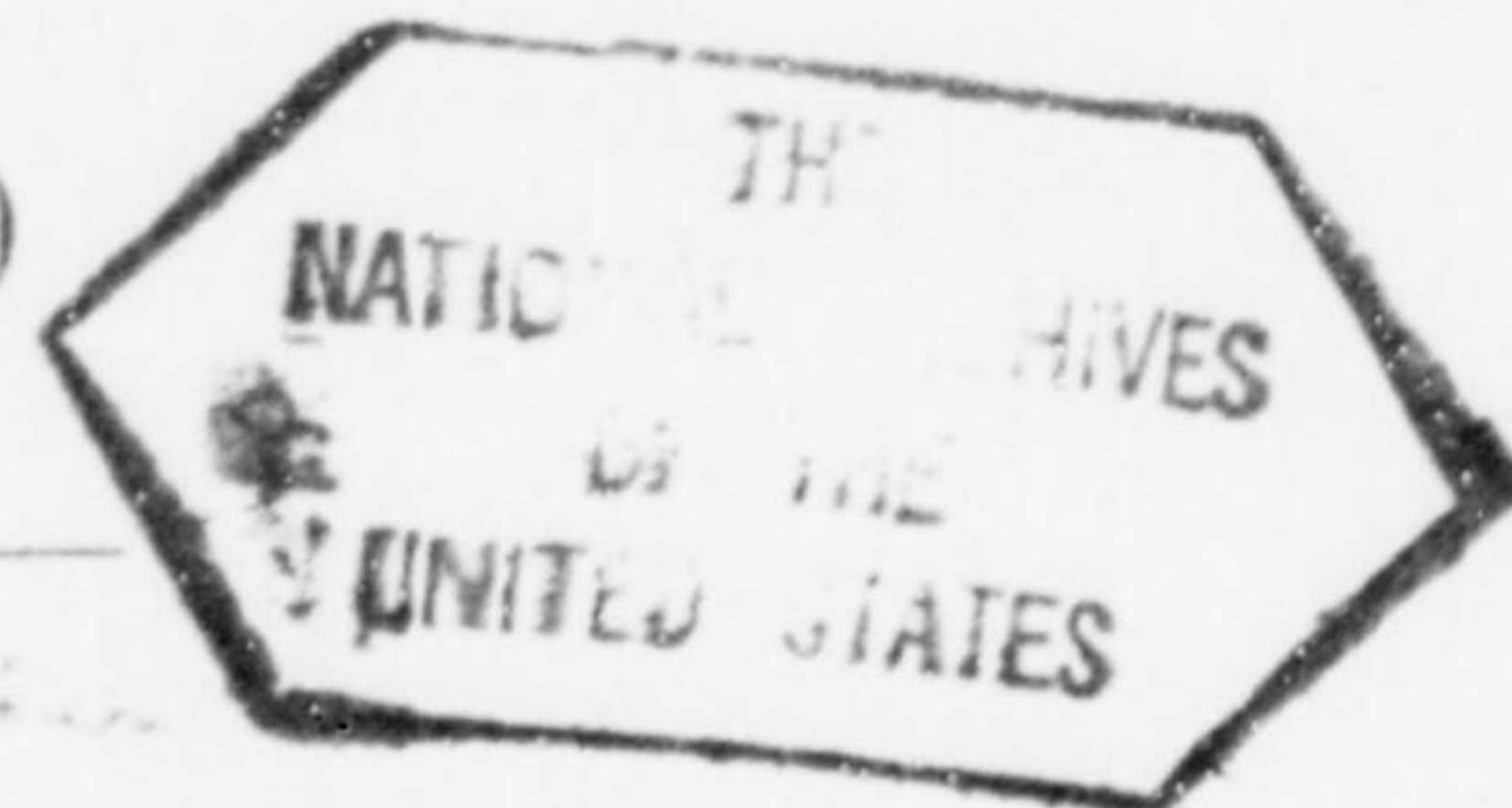


GHQ/SCAP Records(RG 331)
Description of contents



- (1) Box no. 2098
- (2) Folder title/number: (20)
Zaibatsu Controls - Correspondence - General

(3) Date: Feb. 1948 - June 1948

(4) Subject:

Classification	Type of record
540	a, e

- * (5) Item description and comment:
Includes contents list

(6) Reproduction: Yes No

(7) Film no. _____ Sheet no. _____

I N D E X

1. Discussion of Zaibatsu at Third Meeting Allied Council For Japan30 Apr 46
2. Ordinances and Regulations Affecting the Holding Company Liquidation Commission 23 Jul 46
3. Comments on the Japanese Plan For Removal of Zaibatsu Family Members and Appointees from Positions in Zaibatsu and other Companies 11 Sep 47
4. Elimination of Economic Concentration in Japan12 Sep 47
5. Proposed Plan for Removal Exclusion of Persons Representing Zaibatsu Interests from Zaibatsu Companies. 11 Oct 47
6. Proposed Bill For the Elimination of Zaibatsu Family Influence15 Nov 47
7. Law For the Termination of Zaibatsu Family Control25 Nov 47
8. Protection of United Nations Nationals' Interests in Zaibatsu Concerns Under Zaibatsu Family Law 21 Feb 48
9. Protection of United Nations Nationals' Interests in Zaibatsu Concerns Under Zaibatsu Family Law 26 Feb 48
10. Purge Statistics, Including Forecasts 27 Feb 48
11. Protection of United Nations Nationals' Interests in Zaibatsu Concerns under Zaibatsu Family Law 1 Mar 48
12. Interim Report on Operation of Zaibatsu Family Control Law18 Mar 48
13. Zaibatsu Family Control Law 15 Apr 48
14. Applications of Zaibatsu Family Control Law 17 Apr 48
15. Appointees Examination Committee 3 Jun 48
16. Request by Appointees Re-Examination Committee11 Jun 48

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

11 June 1948

MEMORANDUM FOR COMMANDER HUSSEY

SUBJECT: Request by Appointees Re-examination Committee

1. Mr. Tsuyoshi INOUE called at GS to obtain permission to postpone its decision until 21 June (or earlier if decision can be reached) on the below named officials.

2. He was informed that this section had no objection, providing the postponement did not extend beyond the period specified in the law.

3. Mr. INOUE indicated that the Committee will also obtain permission of the Prime Minister.

<u>NAME</u>
IMOTO, Teisuke
KASHIMA, Yoshinobu
OSAWA, Chuzo

<u>ZAIBATSU</u>
NETSU
MITSUBISHI
SUMITOMO

T. Diamantes
Capt. T. Diamantes

Handwritten initials

16.

16

JUN - 3 1948

APPOINTEES EXAMINATION COMMITTEE

Mr. TSUMURA Shinjiro -- Chief of Secretariat

Committee Members

UFEDA Misao - Chairman
OSHIMA Yoshio
YAMADA Seiichi
TAKAGAKI Torajiro
WAKIMURA Yoshitaro
FUKUDA Ichitaro
SUGI Michisuke
HIRAOKA Toshio
TAKIGUCHI Yoshihiro

Phone
(57-2942)
can reach
all

APPOINTEES RE-EXAMINATION COMMITTEE

Mr. INOUE Tsuyoshi -- Chief of Secretariat

Committee Members

KAWAZOE Seikichi - Chairman
KASHIMA Goro
OKI Kinjiro
OKUI Fukutaro
ENJOJI Jiro
NISHIYAMA Yuichi
ANZAI Hiroshi

Sumino - Foreign Office Liaison man
1st Committee

15.

15

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

17 April 1948

MEMORANDUM FOR THE CHIEF, GOVERNMENT SECTION

FROM: GOVERNMENTAL POWERS DIVISION, GOVERNMENT SECTION

SUBJECT: Application of Zaibatsu Family Control Law

1. The "Law for the Termination of the Zaibatsu Family Control" was enacted by the Diet on 9 December 1947 and promulgated on 7 January 1948 as Law No. 2 of 1948. The law became effective on the date of its promulgation. The Screening Committee established under the law by Cabinet Order No. 5 of 1948, issued on 7 January 1948, was set up on 12 February 1948 and started its work on 14 February.

2. The law affects (a) All persons whose names are in the same family census register with a member of a Zaibatsu family as designated under Article 1, paragraph 1, of the HCIC Ordinance. (b) Officials holding office in Zaibatsu companies who were appointed by, subject to the control of, or in charge of policy matters for one of the Zaibatsu families. Members of a Zaibatsu family are required to vacate all offices held and are prohibited from holding office in any company belonging to or which belonged to any Zaibatsu combine for a period of ten years. Zaibatsu appointees are removed from all official positions or connection with any company belonging to his particular Zaibatsu combine and are barred from holding office or a position of influence therein for a period of ten years.

3. Under the law, the Prime Minister designates the companies to which it applies. The designation has been made by classification: (a) According to which of the Zaibatsu combines the company belonged; and, (b) The degree of affiliation with the central Zaibatsu concern. Table I, attached hereto, shows the figures on the companies affected by the law under the Prime Minister's designation. Forty-four companies in all have appealed from this designation, five on the basis that they are successor companies within the meaning of Article 9, and thirty-nine on the basis that the designation was wrong. Individuals may appeal on the following grounds: (a) That the company was not a Zaibatsu concern during the time he held office (Article 6); (b) That he was not a Zaibatsu appointee (Article 6 - 7); and (c) That he was not a member of the Zaibatsu family (Article 7). Where all officials of a company must vacate office under the law, one of them may apply for retention for not more than six months (Article 8). Where a company is deemed essential to the reconstruction of national economy, officials considered indispensable and whose replacements

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Memo to Chief, Government Section, cont'd.

17 April 1948

are unobtainable, may apply for retention for not more than one year (Article 8). Persons engaged in liquidation and essential to that work may upon application be retained for not more than one year (Article 8).

4. The attached tables indicate the progress to date of the application of the law. Table I has already been referred to (paragraph 3). Table II shows the number of Zaibatsu family members affected. The figures in this table include all members of the family, whether holding office or not. The fourth column shows the number of persons actually removed under the law. Table III shows the Zaibatsu appointees affected by the law as compared with other officials of the companies not affected. The difference between the figures of 2,809 officials affected as of 2 September 1945 and the figure of 813 as of 7 January 1948 is accounted for primarily by resignations and dissolution of companies. In some cases, of course, officials were purged under SCAPIN 550. The figure of 813 again represents offices rather than individuals and while the accurate figures are not now available, there is every reason to believe that the number of persons to be affected will be somewhat less than this. Table IV shows the appeals to date. This table needs no comment. The same is true of Table V which shows the approximate ratio.

5. The Screening Committee expects to have its work entirely completed by the end of May. The Appeals Committee, in the process of being set up, should have no difficulty in winding up its work by the middle of June at the latest. There will be no further designations of either individuals or companies so that the maximum impact of the law upon the economy is now known.

Alfred R. Hussey, Jr.
Alfred R. Hussey, Jr.

Chief, Governmental Powers Division

4 Incl
Table I
Table II
Table III
Table IV & V

TABLE I
COMPANIES AFFECTED

<u>ZAIBATSU</u>	<u>CATEGORY</u>						<u>TOTAL</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>F</u>	<u>F</u>	
1. Mitsui	23	24	11	25	238	61	382
2. Mitsubishi	15	12	10	9	142	63	251
3. Sumitomo	14	12	12	8	112	75	233
4. Yasuda	5	5	4	16	43	36	109
5. Nissan	4	19	26	33	64	64	210
6. Okura	1	3	4	24	24	12	68
7. Furakawa	1	5	7	8	27	39	87
8. Agano	1	5	2	2	65	9	84
9. Fuji	1	2	2	62	29	78	174
10. Nomura	1	3	6	10	18	9	47
	66	90	84	197	762	446	1,645

TABLE II
FAMILY MEMBERS AFFECTED

<u>Zaibatsu</u>	<u>Families</u>	<u>Members</u>	<u>Persons Affected</u> /	
			<u>2 Sept 45</u>	<u>7 Jan 48</u>
1. Mitsui	10	56*	13*	0
2. Mitsubishi	6	37	31	0
3. Sumitomo	4	28	8	0
4. Yasuda	10	76	39	2
5. Nissan	1	17	9	1
6. Okura	4	17	23	0
7. Furukawa	2	17	11	0
8. Asano	4	27	72	3
9. Fuji	4	22	10	1
10. Nomura	4	22	15	0
	49	319	231*	7

/ i.e. Persons holding official positions.

* Discrepancies in these two columns result from the fact that here as in other tables the figure of persons affected is calculated on the basis of one job = one man. Actually, one man usually has held from two to four or more positions. Thus, the total number of persons affected will be less than the figures given here show.

TABLE III

APPOINTEES AFFECTED

<u>Zaibatsu</u>	<u>2 Sept 45</u>		<u>7 Jan 48</u>	
	<u>Affected</u>	<u>Not Affected</u>	<u>Affected</u>	<u>Not Affected</u>
1. Mitsui	714	1,121	222	1,122
2. Mitsubishi	491	804	126	744
3. Sumitomo	517	872	158	808
4. Yasuda	161	529	57	435
5. Nissan	318	552	80	571
6. Okura	122	468	23	307
7. Furukawa	156	256	53	286
8. Asano	171	356	47	351
9. Fuji	20	751	16	588
10. Nomura	139	190	31	182
	<u>2,809</u>	<u>5,899</u>	<u>813</u>	<u>5,394</u>

TABLE IV

APPEALS

As of June 29

Persons

<u>Zaibatsu</u>	<u>Companies</u>	<u>Total</u>	<u>Denied</u>	<u>Exempted</u>	<u>Retained Temporarily</u>
1. Mitsui	19	121	2 11	5 134	6 10
2. Mitsubishi	7	81	0 10	6 63	6 10
3. Sumitomo	5	110	0 5	6 80	0 2
4. Yasuda	3	45	0 7	0 37	0 0
5. Nippon	2	79	0 18	1 55	1 8
6. Okura	4	15	0 12	0 13	0 0
7. Furukawa	4	40	0 6	0 36	0 0
8. Asano	0	24	0 4	0 26	0 3
9. Fuji	0	13	0 1	0 0	0 1
10. Nomura	0	25	1 2	1 11	1 2
	44	553	4 66	19 435	14 36

TABLE V

RATIOS

2 Sept 45				7 Jan 48			
<u>Total Persons</u>	<u>% Family</u>	<u>% Appointees</u>	<u>Balance</u>	<u>Total</u>	<u>% Family</u>	<u>% Apt.</u>	<u>Bal.</u>
8,939	2.5	31.0	66.5	6,214	0.1	13.0	86.9

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

15 April 1948

MEMORANDUM TO THE CHIEF, GOVERNMENT SECTION

SUBJECT: Zaibatsu Family Control Law

Judge Ueda, Chairman of the Zaibatsu Family Control Screening Committee, called on me Monday, 12 April 1948, to inquire whether, in view of the visit of the Draper Mission and the published statement of General Draper, the committee should not suspend operations. He said that it was the feeling in the committee that there might possibly be a change in policy with respect to the application of this law. I assured him that there was no such change in policy, that SCAP had full confidence in the committee and expected it to continue to function in the manner it had been functioning previously. I further told him that if and when we were officially advised of a change in policy which would bear upon the application of this law, the Government would be informed and his committee would be given the necessary new instructions.

ARR:mta

Alfred R. Hussey, Jr.
Chief, Governmental Powers Division

⊕ Comdr. Hussey's files

(A)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

18 March 1948

MEMORANDUM TO THE CHIEF, GOVERNMENT SECTION

SUBJECT: Interim Report on Operation of Zaibatsu Family Control Law

1. The "Law for the Termination of the Zaibatsu Family Control" was enacted by the Diet on 9 December 1947 and promulgated on 7 January 1948 as Law No. 2 of 1948. The law became effective on the date of its promulgation. The Screening Committee established under the law by Cabinet Order No. 5 of 1948, issued on 7 January 1948, was set up on 12 February 1948 and started its work on 14 February.

2. The law affects (a) all persons whose names are in the same family census register with a member of a zaibatsu family as designated under Article 1, paragraph 1, of the HCLC Ordinance. (b) Officials holding office in zaibatsu companies who were appointed by, subject to the control of, or in charge of policy matters for one of the zaibatsu families. Members of a zaibatsu family are required to vacate all offices held and are prohibited from holding office in any company belonging to or which belonged to any zaibatsu combine for a period of ten years. Any zaibatsu appointee is removed from all official positions or connection with any company belonging to his particular zaibatsu combine and is barred from holding office or a position of influence therein for a period of ten years.

3. Under the law the companies to which the law is to be applied are designated by the Prime Minister. This designation has been made in connection with each of the ten zaibatsu and five categories of relationship or affiliation have been set up.

4. Under the law certain appeals are allowed. In the first place any individual may appeal on the ground that he is not in fact a member of the zaibatsu family or is not in fact a zaibatsu appointee. An individual may further ask for exemption on the grounds that he is an indispensable member of a business essential to national recovery but exemption may be granted only for one year. If all officials of a company are affected retention may be granted a single official as indispensable for not to exceed six months. If a company is in process of liquidation officials designated as liquidators may be authorized to remain in office for a period not to exceed one year. Any company may appeal designation as a zaibatsu enterprise.

5. The attached tables (Tab. "A") indicate the progress made in the

Comdr Hussey

12.

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Memo to Chief, GS, cont'd

18 Mar 48

application of the law. The figures are, of course, incomplete but in so far as an accurate estimate can be made it is believed that the totals given indicate with accuracy the maximum application of the law. A wide discrepancy will be noted between the number of officials coming under the law as of 2 September 1945 and the number of officials affected as of 7 January 1948. The difference represents reductions, resignations, and in some cases removals under SCAPIN 550. In all such cases the persons who would have been removed if they had remained in office are barred under the terms of the law from taking office.

1 Incl
Tab A

Alfred R. Hussey, Jr.
Chief, Governmental Powers Division

TABLE I

COMPANIES AFFECTED

<u>ZAIBATSU</u>	<u>CATEGORY</u>						<u>TOTAL</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	
1. Mitsui	23	24	11	25	238	61	382
2. Mitsubishi	15	12	10	9	142	63	251
3. Sumitomo	14	12	12	8	112	75	233
4. Yasuda	5	5	4	16	43	36	109
5. Nissan	4	19	26	33	64	64	210
6. Okura	1	3	4	24	24	12	68
7. Furukawa	1	5	7	8	27	39	87
8. Asano	1	5	2	2	65	9	84
9. Fuji	1	2	2	62	29	78	174
10. Nomura	1	3	6	10	18	9	47
	66	90	84	197	762	446	1,645

TAB "A"

TABLE II

FAMILY MEMBERS AFFECTED

<u>Zaiatsu</u>	<u>Families</u>	<u>Members</u>	<u>Persons Affected</u> *	
			<u>2 Sept 45</u>	<u>7 Jan 48</u>
1. Mitsui	10	56*	13*	0
2. Mitsubishi	6	37	31	0
3. Sumitomo	4	28	8	0
4. Yasuda	10	76	39	2
5. Nissan	1	17	9	1
6. Okura	4	17	23	0
7. Furakawa	2	17	11	0
8. Asano	4	27	72	3
9. Fuji	4	22	10	1
10. Nomura	<u>4</u>	<u>22</u>	<u>15</u>	<u>0</u>
	49	319	231*	7

* i.e. Persons holding official positions.

* Discrepancies in these two columns result from the fact that here as in other tables the figure of persons affected is calculated on the basis of one job - one man. Actually, one man usually has held from two to four or more positions. Thus, the total number of persons affected will be less than the figures given here show.

TABLE III

APPOINTEES AFFECTED

<u>Zaibatsu</u>	<u>2 Sept 45</u>		<u>7 Jan 48</u>	
	<u>Affected</u>	<u>Not Affected</u>	<u>Affected</u>	<u>Not Affected</u>
1. Mitsui	714	1,121	222	1,122
2. Mitsubishi	491	804	126	714
3. Sumitomo	517	872	158	808
4. Yasuda	161	529	57	435
5. Nissan	318	552	80	571
6. Okura	122	468	23	307
7. Furukawa	156	256	53	286
8. Asano	171	356	47	351
9. Fuji	20	751	16	588
10. Nomura	139	190	31	182
	<u>2,809</u>	<u>5,899</u>	<u>813</u>	<u>5,394</u>

TABLE IV

APPEALS

<u>Zeibatsu</u>	<u>Companies</u>	<u>PERSONS</u>				<u>Retained Temporarily</u>
		<u>Total</u>	<u>Denied</u>	<u>Exempted</u>		
1. Mitsui	19	121	2	5	6	
2. Mitsubishi	7	81	0	6	6	
3. Sumitomo	5	110	0	6	0	
4. Yasuda	3	45	0	0	0	
5. Nissan	2	79	0	1	1	
6. Okura	4	15	0	0	0	
7. Furukawa	4	40	0	0	0	
8. Asano	0	24	0	0	0	
9. Fuji	0	13	1	0	0	
10. Nomura	0	25	1	1	1	
	44	553	4	19	14	

TABLE V

RATIOS

<u>Total Persons</u>	<u>2 Sept 45</u>			<u>7 Jan 48</u>			
	<u>% Family</u>	<u>% Appointees</u>	<u>Balance</u>	<u>Total</u>	<u>% Family</u>	<u>% Apt.</u>	<u>Bal.</u>
8,939	.025 2.5	.310 31.0	.665 66.5	6,211 6,214	.001 0.1	.130 13.0	.869 86.9

TRG

CW/CLK/ARH/mh

Protection of United Nations Nationals' Interests
in Zaibatsu Concerns under Zaibatsu Family Law

GS

CPC

1 March 1948

1. Reference is made to conversations between representatives of your Section and Commander Hussey of this Section on 21 February 1948, concerning the protection of interests of United Nations corporations in Japanese companies, officials of which are affected by the Law for the Termination of Zaibatsu Family Control.

2. Under the provisions of that law all persons falling under the above definitions of appointees may be exempted from designation as appointees by showing either (1) that the company of which he was an official was not during the period of his incumbency under the control of the zaibatsu with which he was associated or (2) that the circumstances of his appointment or his actual activities in the exercise of his duties were such that he could not be designated as a zaibatsu appointee without gross injustice.

3. Whether or not an individual affected by the law was a zaibatsu appointee is a question of fact to be decided in each particular case by the Appointees' Examination Committee of the Japanese Government and upon review by the Appointees' Re-examination Committee, subject to the inherent right of review retained by the Supreme Commander. If an individual is able to show that he is an appointee of any interest other than the zaibatsu interest with which that particular company is identified, regardless of whether such other interest is a United Nations neutral or Japanese, he is qualified for exemption from designation.

4. Consequently, in connection with this law, the question of nationality is immaterial and irrelevant, and the law will be administered by the Japanese Government under the over-all supervision of this Section, without discrimination in favor of or against United Nations nationals.

----- CW -----

4/11
COMDR HUSSEY

*memo
for Hussey*

11.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

Not Sent on General's
div —
RWS. 1 Feb 48.

21 February 1948

MEMORANDUM FOR THE RECORD:

SUBJECT: Protection of United Nations Nationals' Interests in Zaibatsu Concerns under Zaibatsu Family Law

1. Mr. Spencer and Mr. Welty of CPC called this morning to discuss the problem of protecting the interests of United Nations Nationals (including corporations) in zaibatsu concerns and zaibatsu affiliates. In many cases one or more of the officials of the company are considered to be essential for the protection of these interests. CPC did not want and felt that it was not in a position to make a plea for the retention of any particular individual. They further have taken the position that no action should be taken in any event where the interests of the United Nations Nationals were less than 50%.

2. After discussing the matter at some length, I suggested that we leave the matter entirely up to the Japanese Government, that the Finance Ministry be informed that they would be held strictly responsible for protecting the interests of United Nations Nationals, and that if they had reason to believe that the removal of any official would endanger such interests they should make application to the Prime Minister for his retention. At the same time GS would inform the Zaibatsu Screening Committee that in the case of any company in which a United Nations National had an interest a plea by the Finance Ministry for temporary retention in office should be given careful consideration. This plan would keep the responsibility both for enforcement of the law and protection of United Nations Nationals' interests just where it belongs, that is in the Japanese Government.

3. Once the Japanese Government has been informed of their responsibilities no further action would be taken to influence the decision of the Screening Committee or to urge or require the Finance Ministry to apply for retention or exemption and the Japanese Government will be informed that no one in SCAP has or will have the authority to insist or request upon the taking of any particular action. It will be up to the Japanese Government to decide each case on the merits.

4. Both Mr. Spencer and Mr. Welty agreed to this plan for CPC. Subsequent to their departure I informed Col. Kades of the conversation and agreement reached. Mr. Sone, Deputy Director General of the Cabinet, was present and he was informed of the agreement and was told that SCAP was leaving the matter entirely in the hands of the Japanese Government and would not interfere with the effective implementation of the law.

Alfred R. Hussey, Jr.
Chief, Governmental Powers Div.

NOTED: C.L.K.

cc - CPC (Attn: Mr Spencer)

✓
JH
CPC - Info copy (Mr. Spencer)

GENERAL HEADQUARTERS
FAR EAST COMMAND

APD 500
27 February 1948

AG 091 (27 Feb 48)GS

SUBJECT: Purge Statistics, Including Forecasts

TO: The Adjutant General, Dept. of the Army
Washington 25, D.C.
(Attn: Civil Affairs Division)

1. Reference: Ltr. Dept of Army, Wash., D.C. AGAO-S 014
Japan, (26 Jan 48) CSCAD: subject, "Purge Statistics, Including
Forecasts," dated 2 Feb 1948.

2. Inclosed herewith are available purge statistics and forecasts
as requested in Series I.

3. Since the information requested in Series II has never been
required, purge statistics have never been compiled in accordance with
subdivisions comparable to A,B,C and D of that Series. Generally,
however, it may be said that every person found subject to the purge
directive by virtue of the position held actively supported the policies
leading to war and aggression and none were able to present satisfactory
proof to the contrary, although all had full opportunity to do so.

4. Throughout the administration of the purge operation, it has been
the concept here that the persons to be removed and excluded from im-
portant positions in government and business should be the policy-makers
rather than the technicians. Accordingly, the detailed criteria included
in the Japanese Government's implementing ordinances and the actual
operation of the purge were such that none other than persons who had
made or influenced policy in government or in business in the direction
of war would be affected thereby. To this end, if any individual
occupying a position classified under the criteria as policy-making
was able to show that he was not in fact a policy-maker or that he
opposed the policies leading to war and aggression, he was exempt from
the provisions of the purge. Full opportunity to secure such exemption
was afforded both in the initial screening and the appeal. In addition,
with due regard to the critical economic condition of Japan, temporary
exemptions or extensions were granted to individuals where a showing
was made that the continued services of such individuals were essential
to the efficient operation of enterprises important to national economic
recovery.

5. At various stages of this operation the fear has been expressed
in certain quarters that the removal of important individuals from the

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AG 091 (27 Feb 48)GS

economy would adversely affect the operating efficiency of business concerns, retard economic recovery, and increase the burden on the taxpayers of the United States. Statistics of production and trade during the last six months have failed to bear out this fear. In fact, evidence has come to the attention of this Headquarters that the removal of old leaders has, by permitting younger and more vigorous executives to assume more important positions, created a healthier and sounder base for the future Japanese economy.

FOR THE COMMANDER-IN-CHIEF:

1 Incl:
Purge Statistics and
Estimates. in quadruplicate.

A. J. REHE
Major AGD
Asst. Adj. Gen.

BASIC: Ltr. Dept. of Army, Wash., D.C. AGAO-S 014 Japan, (26 Jan 48)
 OSCAD; subject, "Purge Statistics, Including Forecasts", dated
 2 February 48.

PURGE STATISTICS AND ESTIMATES
 (As of 14 February 1948)

SERIES I

a. Numbers of Persons removed and excluded (barred) from principal categories of public office listed in Imperial Ord. of 27 February 1946:	<u>REMOVED</u>	<u>BARRED</u>
(1) Government officials and candidates for position in Government.	706	216
(2) Officials of corporations, associa- tions and other organizations under special control of the government.	139	0
	<u>845</u>	<u>216</u>
b. Numbers of persons removed and excluded from public office under each of the 12 categories of public office listed in Appendix II of Imperial Ord. No. 1 of 1947:	<u>REMOVED</u>	<u>BARRED</u>
Par. 1. National Government entity.	2,550	0
2. National Diet	20	204
3. Commissioners or committees (of prefectural level or above) etc.	339	1
4. To, Do, Fu or Ken (metropolis,) territory or prefecture)		
5. City, town or village or "Town) and Village Association.	779	997
6. Special companies, banks, etc. in which the Government is the largest stockholder.	33	0
7. Companies and organizations to be designated under Temporary Supply and Adjustment Law	5	0
8. Organizations established under special legislation, subsidized organizations, other organiza- tions serving for the public benefit.	1,320	118

BASIC: Ltr. Dept. of Army, Wash., D.C. AGAO-S 014 Japan, (26 Jan 48)
 CSCAD: subject: "Purge Statistics, Including Forecasts", dated
 2 February 48.

Purge Statistics and Estimates - Contd.

	<u>REMOVED</u>	<u>BARRED</u>
Par. 9. Information media organizations.	151	2
10. Political parties and members in Diet and branches and organi- zations affected by Imperial Ord. 101 of 1946.	12	1
11. Influential companies, finan- cial institutions, and other economic organizations.	246	4
12. Influential companies, finan- cial institutions, and other economic organizations not listed in Par. 11.	16	1
	<u>5,471</u>	<u>1,328</u>

c. Numbers of persons removed and excluded
 from public office under each of the
 7 categories and principal sub-categories
 listed in Appendix I of Cabinet and
 Home Ministry Ordinance of Feb. 27, 1946
 and Appendix I of Imperial Ord. No. 1
 of 1947:

(1) Cabinet and Home Ministry Ordinance
 of 27 Feb. 1946. (Including Cabinet
 Announcements of 10 Mar. 46 and 16
 April 46).

	<u>REMOVED</u>	<u>BARRED</u>
Category A	29	7
B	231	58
Career army officers - 165		
Career navy officers - 116		
Chokunin rank offi- - 8 cials in War or Navy Ministries.		
C	4	9
D	106	26
E	49	12
F	9	2
G	273	100
Economic - 41		
Public Information - 15 Media.		
Special Higher - 331 Police, etc.		
Compound	<u>44</u> <u>845</u>	<u>11</u> <u>216</u>

BASIC: Ltr. Dept of Army, Wash., D.C. AGAO-S 014 Japan, (26 Jan 48)
 CSCAD; subject: "Purge Statistics, Including Forecasts", dated
 2 February 48.

Purge Statistics and Estimates - Contd.

	<u>REMOVED</u>	<u>BARRED</u>
(2) Appendix I, Imperial Ord. No. 1 of 1947 (including Amendments).		
Category A	8	2
B	2,652	663
Approx: Career - 1,835 army officers.		
Career navy - 980 officers, (in- cludes Demobili- zation Bureaus, etc.).		
C	131	32
D	1,026	257
E	38	9
F	2	0
G	1,511	340
Compound	103	25
	<u>5,471</u>	<u>1,328</u>

d. Estimates of numbers of persons who have
resigned from each category of public
office to avoid possible removal:

Par. 1. National Government entity.	1,300
2. National Diet	470
3. Commissioners or committees (of prefectural level or above) etc.	0
4. To, Do, Fu or Ken (metropolis, territory or prefecture)	5,000
5. City, town or village or "Town and Village Association".	0
6. Special companies, banks, etc. in which the Government is the largest stockholder.	0
7. Companies and organizations to be designated under Temporary Supply and Adjustment Law.	2,000
8. Organizations established under special legislation, subsidized organizations, other organiza- tions serving for the public benefit.	250
9. Information media organizations.	250

BASIC: Ltr. Dept. of Army, Wash., D.C. AGAO-S 014 Japan, (26 Jan 48)
 CSCAD: subject: "Purge Statistics, Including Forecasts",
 dated 2 February 48.

Purge Statistics and Estimates - Contd.

Par. 10. Political parties with members in Diet and branches and organi- zations affected by Imperial Ord. 101 of 1946.	200	
11. Influential companies, finan-) cial institutions, and other : economic organizations. :		
12. Influential companies, finan-) cial institutions, and other : economic organizations not listed in Par. 11.	450	
	<hr/>	
	9,670	
e. Estimate of numbers of persons in each category of undesirable persons who have been or will be excluded under pro- visional purge prescribed by Cabinet Ordinance No. 119, July 1, 1947:		
Category A	0	
B	129,315	
C	3,356	
D	822	
E	0	
F	44	
G	83,480	
	<hr/>	
	217,017	
f. Total numbers of persons removed and excluded from public office to date:		
	<u>REMOVED</u>	<u>BARRED</u>
1946 (Screened)	845	216
1947 (Screened)	5,471	1,328
(Purged thru provisional designation)	<hr/>	<hr/>
	6,316	152,491
		<hr/>
		154,035

26 February, 1948

SUPPLEMENTAL MEMORANDUM FOR THE RECORD

SUBJECT: Protection of United Nations Nationals' Interests
in Zaibatsu Concerns under Zaibatsu Family Law

REFERENCE: Memorandum for the Record, same subject, 21 Feb. 48

1. Further consideration of the issues raised by representatives of CPC on 21 Feb 48 (reference memorandum) indicates the need for clarification of the situation and restatement of the conclusions.

2. The Zaibatsu Family Control Law was prepared as one step in the implementation of basic Occupation economic policy. Outlined in directives from Washington and amplified by the Supreme Commander in numerous public utterances, this policy is to break up excessive concentrations of economic *power* and to eliminate from economic life in Japan those persons and interests which supported militarism and totalitarianism. The removal and retirement of the members of the Zaibatsu families and their appointees is a necessary step in carrying out this work.

3. The law itself provides the machinery for claiming and establishing the right to exemption from the operation of the law by an individual on the grounds that he was not appointed by a member of the zaibatsu, that he did not represent their interests and that he did not hold office in more than four zaibatsu concerns. It also provides for an appeal by a company from the designation as a zaibatsu concern or affiliate.

4. The law further provides that officials whose presence is deemed required in the interests of national economy, and officials required to be retained as liquidators may, upon petition, be exempt for periods not to exceed a year. In all these cases, there is provision in the law for hearing, presentation of supporting evidence and appeals.

5. If, therefore, any designated company considers that it does not fall within the definition of the law, it may appeal the designation and present all pertinent evidence in support thereof. If any individual official considers that he is not a zaibatsu official - if he feels that he is the representative of the United Nations National - he may file his appeal. If it is necessary to retain an individual in office to procure smooth and efficient liquidation, the company or other interested party may so represent.

6. In all such cases, where direct representation cannot be made by a United Nations National, it would be proper for the Ministry of Finance, charged with safeguarding the property of such nationals, to act for the individual or company making the request or supplying the supporting evidence. But such action is entitled to no greater weight or more special consideration than any other evidence.

7. Furthermore, the Ministry of Finance is not to take upon itself or to consider itself authorized or encouraged to make any representations or recommendations to either the Prime Minister or the Screening Committee ~~xxxxxxx~~. Its sole function is to act as an agent with power of attorney in those cases where an appellant needs and requests ~~xxxxxxx~~ evidence to support its petition and the Finance Ministry is in a position to assist.

8. In proposing the plan outlined at the conference of 21 February, it was not intended that the Ministry of Finance should be instructed to make any ~~xxxx~~ representation whatsoever or that action by the Finance Ministry should be given any special consideration. The instructions were intended to prohibit interference ~~or~~ and to deprive that ~~xxxxxx~~ Ministry or any other agency from official support should it attempt to interfere.

~~9. The ownership of stock in a Zaibatsu concern by a United Nations National gives it no authority or justification for seeking to protect from removal a Japanese national under~~

~~xx~~ 9. If an official is in fact a zaibatsu appointee and has contributed to the exercise of monopolistic controls or other practices, he is subject to removal. The fact that a foreign national has an interest in the company is, of ~~xxxxxx~~ and in itself, of no pertinence. The act in question is the law of Japan, and all persons, Japanese or foreign nationals, are subject thereto where they presume to accept the protection of and exercise rights thereunder.

10. One further point needs clarification. Paragraph 4 of the reference Memorandum should not be interpreted to mean that SCAP has relinquished or will relinquish the right to review all action taken by the Japanese Government under the law. Such is not the case. The Japanese Government has been called upon to enforce the law. In so far as they do that fairly and fully, they will be supported. If, however, any special interests are being favored, if they become too lenient - too tender - of the susceptibilities of those who may become affected, then they will be called to account and their decisions reversed.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

21 February 1948

MEMORANDUM FOR THE RECORD:

SUBJECT: Protection of United Nations Nationals' Interests in Zaibatsu Concerns under Zaibatsu Family Law

1. Mr. Spencer and Mr. Welty of CPC called this morning to discuss the problem of protecting the interests of United Nations Nationals (including corporations) in zaibatsu concerns and zaibatsu affiliates. In many cases one or more of the officials of the company are considered to be essential for the protection of these interests. CPC did not want and felt that it was not in a position to make a plea for the retention of any particular individual. They further have taken the position that no action should be taken in any event where the interests of the United Nations Nationals were less than 50%.

2. After discussing the matter at some length, I suggested that we leave the matter entirely up to the Japanese Government, that the Finance Ministry be informed that they would be held strictly responsible for protecting the interests of United Nations Nationals, and that if they had reason to believe that the removal of any official would endanger such interests they should make application to the Prime Minister for his retention. At the same time GS would inform the Zaibatsu Screening Committee that in the case of any company in which a United Nations National had an interest a plea by the Finance Ministry for temporary retention in office should be given careful consideration. This plan would keep the responsibility both for enforcement of the law and protection of United Nations Nationals' interests just where it belongs, that is in the Japanese Government.

3. Once the Japanese Government has been informed of their responsibilities no further action would be taken to influence the decision of the Screening Committee or to urge or require the Finance Ministry to apply for retention or exemption and the Japanese Government will be informed that no one in SCAP has or will have the authority to insist or request upon the taking of any particular action. It will be up to the Japanese Government to decide each case on the merits.

4. Both Mr. Spencer and Mr. Welty agreed to this plan for CPC. Subsequent to their departure I informed Col. Kades of the conversation and agreement reached. Mr. Sone, Deputy Director General of the Cabinet, was present and he was informed of the agreement and was told that SCAP was leaving the matter entirely in the hands of the Japanese Government and would not interfere with the effective implementation of the law.

NOTED: C.L.K.

cc - CPC (Attn: Mr Spencer)

Alfred R. Hussey, Jr.
Chief, Governmental Powers Div.

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Comdr Hussey

(H)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

25 November 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Law For The Termination of Zaibatsu Family Control

I. Origin and Background

This law was prepared by the Japanese Government in order to complete the implementation of the instructions contained in paragraph 3 of SCAPIN 1079 (AG 091.3 (20 July 46) ESS/AC) which reads as follows:

"3. To further implement the program of deconcentration of economic power and independently of proposals for the enactment of permanent legislation to effectuate such programs the Imperial Japanese Government is directed to take such immediate action as may be necessary, as a minimum, to insure the following:

a. The elimination of the influence of listed families or family members through security ownership or the holding of a position of business responsibility by either such family member or his appointee in any company; provided, however, that the Imperial Japanese Government may, with the approval of the Supreme Command for the Allied Powers, permit certain families and individuals to be exempt or removed from this restriction upon a showing of necessity or good cause.

b. Limitation on intercorporate security holdings by Restricted Companies.

c. Prohibition of multiple directorates in all Restricted Companies except those of a financial nature, where adequate controls will be established.

d. Prohibition among Restricted Companies of contractual, service or patent arrangements which restrict competition or restrict competition or restrain trade and commerce."

Acting under Imperial Ordinance No. 233 of 1946, as amended, the Holding Company Liquidation Commission has (1) proceeded toward the dissolution of the four top zaibatsu holding companies (Mitsui, Mitsubishi, Sumitomo, and Yasuda). (2) Ordered closed and liquidated the Mitsui and Mitsubishi "Trading" Companies, the largest of their type in Japan. (3) Designated 56 persons as heads of the families which compose the ten leading zaibatsu

Comdr Hussey

(7)

H. R. Rizzo
7

households or family clans, taken over the corporate securities and established control over the properties of these 56 and (4) designated for liquidation 67 holding companies which, through their 4,018 subsidiaries and affiliates, controlled approximately 75% of the industrial, financial, and commercial business of Japan.

Under Imperial Ordinance No. 233 (paragraph 19-3) the 56 designated family heads are prohibited from holding or assuming positions as officials in any concern (official as used in these laws means counselor, adviser, auditor, director, or higher.)

The law for the Deconcentration of Economic Power now under consideration in the Diet together with the Anti-Monopoly Law enacted in March 1947, will, if enacted, complete the implementation of sub-paragraphs b, c, and d of paragraph 3 of SCAPIN 1079 quoted above. Namely, the limitation of inter-corporate holdings, prohibition of multiple directorates and prohibition of restrictive service and patent arrangement fostering monopoly.

There remains to be accomplished therefore the full implementation of sub-paragraph 3 a, namely the termination of control or influence of zaibatsu families over zaibatsu enterprises which may still be exercised by virtue of securities and officerships held by members of the immediate families of the 56 designated zaibatsu family heads, or through officials who having been appointed by and having represented the interests of zaibatsu, may be expected to continue such influence if permitted to remain or become officials in enterprises affiliated with the zaibatsu.

II. Persons Affected.

Two categories of persons are affected by this law. (1) The immediate family members of the 56 zaibatsu family heads designated under Imperial Ordinance No. 233 and (2) non-family members who as officials in zaibatsu-controlled companies have owed their appointment to and have represented the interests of such zaibatsu in the companies with which they have been associated.

The first category consists of persons who on the day the 56 zaibatsu family heads were designated under the Holding Company Liquidation Commission Ordinance (Imperial Ordinance No. 233) were in the same family register with any of the 56 (under the revised Civil Code this means spouse, son, daughter, or adopted son or daughter).

The second category includes persons who, having held certain positions as officials in zaibatsu-controlled companies, are defined as "appointees" of the zaibatsu. The zaibatsu-controlled companies, totalling 243, have been classified as "direct zaibatsu affiliates" (Class A, numbering 66) "quasi-direct zaibatsu affiliates" (Class B, numbering 90) and "zaibatsu associate

companies" (Class C, numbering 87). Under the law, all persons who prior to 2 September 1945 occupied positions as officials in Class A companies, or as standing directors and higher in Class B companies, or as chief executive in Class C companies, are defined as zaibatsu appointees. Officials of lower rank will be individually screened to determine whether they were appointees. In the case of companies whose securities have been transferred to or the voting rights those securities entrusted to the Holding Company Liquidating Commission, persons who, between 3 September 1945 and the date of the first transfer or proxy, held positions as officials in Class A companies or as standing directors or higher in Class B companies or as chief executive in Class C companies will be individually screened to determine whether they were in fact zaibatsu appointees.

All persons falling under the above definitions of appointees may be exempted from designation as appointees by showing either (1) that the company of which he was an official was not during the period of his incumbency under the control of the zaibatsu with which he was associated or (2) that the circumstances of his appointment or his actual activities in the exercise of his duties were such that he could not be designated as a zaibatsu appointee without gross injustice.

The criteria set up for the individual screening are as follows:

- (1) That he was not a spouse, parent, child, brother, sister (or spouse of any of these) of designated persons (56 zaibatsu heads) or their family members.
- (2) That there was no arrangement for his appointment by the zaibatsu or that he was not in fact appointed by the zaibatsu.
- (3) That the authority in fact exercised by him was less than that of officials defined in the law as appointees (although he may have held the title).
- (4) That he never held concurrently more than three positions in zaibatsu companies.

III. How Affected.

Persons in the first category, i.e., the immediate family members of the 56 designated zaibatsu family heads, are prohibited from holding or assuming any position as official in any zaibatsu or restricted company or their subsidiaries and affiliates as defined under Imperial Ordinance 567 of 1946. This prohibition will be for ten years. They are, however, free to become officials of companies outside the restricted category and they are not excluded from public office.

If the total securities holdings of the immediate family members of any

of the 56 designated zaibatsu families aggregate more than 10% of the stock of any company identified as belonging to that zaibatsu group the excess over 10% will be divested under procedures now in existence for divesting the holdings of zaibatsu family heads.

Persons who are designated as appointees of the zaibatsu are prohibited from holding or assuming positions as officials in any of the restricted concerns identified with the zaibatsu family of which such persons are designated as appointees. This prohibition lasts ten years. Such persons are, however, free to hold or assume positions as officials in all companies outside the restricted list. Even within the restricted category, they may serve as officials in companies not identified as under the control of the particular zaibatsu whom they represent. They are not divested of any of their securities and they are not excluded from any public office.

Both family members and appointees affected will, within 30 days after the enactment of the law, retire from any jobs prohibited under the law. Non-family member appointees who file for exemption within the 30 days need not retire unless their application is disapproved in which case they will retire 30 days from receipt of notice that they are designated.

IV. Special Exemptions.

In the event all the officials of a company are subject to retirement under the provisions of this law, they may apply for permission for one person elected from the group to retain his position for a period of six months from the effective date of the law.

In the case of officials for whom replacements are unobtainable and whose services are indispensable for the management of a company which is engaged in activities essential to the reconstruction of national economy, such persons may, upon application of the company, be permitted to retain their posts for a period not exceeding one year from the effective date of the law.

In case a company such as described in the above paragraph is reorganized or succeeded by another company any officials therein who have been granted the exemptions described may continue to serve in the successor company up to a period of one year from the granting of the original exemption.

Persons subject to retirement under this law who are serving as liquidators in companies under liquidation or chosen to serve in such capacity may, upon application, be exempted for a period of one year, renewable if necessary.

In all the above cases the persons affected may retain their posts until their application is acted upon.

V. Enforcement of the Law.

The enforcement of this law is under the jurisdiction of the Prime

Minister, who is advised by the Appointees Examination Committee, which examines all applications for exemption from designation, applications for retention in or assumption of office, and reports its findings and recommendations to the Prime Minister. The Examination Committee consists of not more than nine members. A quorum of seven is required for meetings and decisions may be made by a majority of those attending, including the chairman who may cast the deciding vote in the event of a tie.

Persons whose applications for exemption from designation or for retention in or assumption of office have been disapproved have the right to request re-examination. Such requests for re-examination will be referred by the Prime Minister to the Appointees Re-examination Committee which, after examination, will submit its reports, findings, and recommendations to the Prime Minister. The Re-examination Committee will consist of not more than seven members and a quorum of five is required for meetings of the Re-examination Committee.

VI. Scope.

The number of persons who will be affected by this law has been variously estimated at between 1,000 and 3,000. It is impossible at this time to determine with any degree of accuracy how many will actually be removed or prevented from assuming office, for the reason that although approximately 1,200 positions in zaibatsu companies are such as would disqualify those who have held them from serving as officials in the zaibatsu and restricted concerns and their subsidiaries some of these positions may have been occupied by several persons in succession, thus disqualifying each of them under the present law. It is also probable however that a number of persons may have held concurrently several positions, thus serving to reduce the number of persons affected.

It should be noted that a number of persons previously affected by the economic purge have moved from positions in the list of 238 or so companies screened under SCAPIN 550 into affiliated and subsidiary companies which are either zaibatsu restricted concerns or subsidiaries thereof. A number of these persons will probably be rendered ineligible under the present law to continue to hold the present positions, if they are found to be appointees of the zaibatsu which controls the company they are now in.

VII. Consistency With Basic U. S. Government and FEC Policies.

FEC 230 (12 May 47) United States policy on excessive concentration of economic power in Japan, recommended to the Far East Commission for its approval, states (paragraph 5):

"All individuals who have exercised controlling power in or over any excessive concentrations of economic power, whether as creditors, stockholders, managers, or in any other capacity, should be:

a. Divested of all corporate security holdings, liquid assets, and business properties.

b. Ejected from all positions of governmental or business responsibilities.

c. Forbidden from purchasing corporate security holdings or from acquiring positions of business or governmental responsibility at any time during the next ten years."

All other persons likely to act on behalf of the individuals described above should be subjected to the measures specified below. In determining who such persons may be, such factors as ties by blood, marriage, adoption or past personal relationship should be taken into account. (The phrase "past personal relationship" is used in the previous sentence chiefly in reference to persons who have been placed in positions of substantial responsibility in holding companies or their subsidiaries by the zaibatsu families, but it would also be taken to refer to persons otherwise associated with the zaibatsu whom SCAP may consider to be acting as "fronts" for the latter). Such persons should be:

a. Divested of liquid assets and business properties, where they possess such assets or properties in amounts of any significance; and divested of all corporate security holdings in any excessive concentration of economic power and corporate security holdings representing an interest of more than 1% in any other major private enterprise;

b. Ejected from all positions in business or government which might be used to favor zaibatsu interests;

c. Forbidden from purchasing corporate security holdings or from acquiring positions in business or government which might be used to favor zaibatsu interests, at any time during the next ten years.

Where doubt exists as to whether a given person should be covered by the above policies, that doubt should be resolved by SCAP in favor of coverage, since it is desired to divest a sufficient number of holdings to effect a thorough-going transformation of the ownership and control of large-scale Japanese industry.

FEC-014/9 (20 June 47) The Basic Post-Surrender Policy for Japan unanimously approved by the Far Eastern Commission on 19 June 1947 states (paragraph 2 of Part IV - ECONOMIC)

"..... Policy shall be laid down with the object of insuring a wide and just distribution of income and of the ownership of the means of production and trade

To this end it shall be the policy of the Supreme Commander: (b) to require a program for the dissolution of the large industrial and banking combinations accompanied by their progressive replacement by organizations which would widen the basis of control and ownership."

The above substantially duplicates the instructions to the Supreme Commander for the Allied Powers contained in JCS 1380/15 (2 November 1945) The Basic Directive for Post Surrender Military Government in Japan Proper issued by the Joint Chiefs of Staff which states (paragraph 25):

"It is the intent of the United States Government to encourage and show favor to:

a. Policies which permit a wide distribution of income and of ownership of the means of production and trade....."

The treatment accorded in this law to both the zaibatsu family members and zaibatsu appointees is substantially milder than that called for in the United States Policy paper. If that policy were followed literally all these persons would in effect be purged from all positions of governmental or business responsibility, would be divested of all securities holdings in companies with which they have been affiliated and of all corporate securities holdings in excess of 1% in any major private enterprise. Since the purpose of this law is not the removal of individuals from positions of importance but the termination of zaibatsu control of zaibatsu enterprises the drastic treatment called for in the Basic Policy Paper is neither necessary nor desirable. By preventing zaibatsu family members from becoming officials in any zaibatsu concerns and reducing the aggregate holdings of zaibatsu family members in the companies of their own zaibatsu line to 10%, personal influence is prevented and control is effectively scattered. There is no need to deprive these persons of the opportunity to invest in the securities of companies not related to their own zaibatsu interests. Further it is considered desirable in view of the present situation in Japan to leave these persons free to utilize their talents in non-zaibatsu enterprises, in the government service, or in the professions if they so desire.

As for the appointees, since the only purpose of their removal is to prevent the continued exercise of zaibatsu family influence through "fronts" it is not necessary to divest these persons of their securities. It appears sufficient to prevent them from holding or assuming important posts in the companies which have been controlled by the zaibatsu which these persons have represented. If they are persons of talent and ability they can use such ability in the service of other concerns even in the zaibatsu classification.

Incls

Summary of Bill for Termination of the
Zaibatsu Family Control
Bill for Termination of the Zaibatsu
Family Control

FRANK RIZZO

Proposed Bill for the Elimination of Zaibatsu Family Influence

ESS

GS

15 Nov 1947

2

1. Reference is made to Check Note 1 re subject matter.

2. ESS has examined proposed bill carefully and recommends that its coverage be limited to Zaibatsu family members as defined in the proposed action. It is considered that appointees and other officials who can clearly be shown to have been Zaibatsu policy officials can be removed from positions of influence through the procedure of reorganization of economic concentrations under the Economic Deconcentration Bill.

3. Concur in recommendation of Government Section.

1 Incl: n/c

----- W.F.M. -----

26 November 1947

MEMORANDUM FOR THE RECORD

On 14 November 1947, Mr. Welsh, Chief, ESS/AC, in telephone conversation with Co. Kades, Deputy Chief, G.S., stated the contents of Check Note No. 2 above. On 17 November 1947, General Marquat, in telephone conversation with General Whitney, stated that the Check Sheet had been approved by him and was on its way to Government Section. He further stated that the ESS Check Note constituted concurrence in the Government Section's proposal in Check Note No. 1.

/s/FR
F.R.

6

6.

COPY

CW/CLK/FR/SR

Proposed Bill for the Elimination of Zaibatsu
Family Influence

Govt Section

ESS

7 November 1947

- 1
1. In accord with instructions contained in paragraph 3a of Memorandum for the Japanese Government, Subject: Ordinances and Regulations Affecting the Holding Company Liquidation Commission, File AG 091.3 (23 July 46) ESS/AC (SCAPIN 1079), the Japanese Government on 24 October 1947 submitted for approval a draft bill providing for the elimination of the influence of listed families, family members and their appointees from Zaibatsu-controlled companies. Copy of this draft was hand-carried to ESS/AC on the same day.
 2. After examination of subject draft, the Government Section is of the opinion that, with certain minor modifications as discussed in the inclosed Memorandum for Record (Tab "A"), the proposed bill will provide a satisfactory vehicle for the implementation of the instructions contained in paragraph 3a of SCAPIN 1079.
 3. Since the elimination of Zaibatsu family influences to be achieved by this bill complements the dissolution of excessive intercorporate control contemplated by the Economic Deconcentration Bill now under consideration in the Japanese National Diet (which is also based on SCAPIN 1079), the two bills should be considered at the same time.
 4. In view of the proximity of adjournment by the Diet, the bill should be cleared by GHQ, SCAP on or before 10 November 1947.
 5. Accordingly, unless opposition is expressed by the Economic and Scientific Section, the Government Section proposes to advise the Japanese Government that the draft bill of 24 October 1947 with the modifications proposed in Tab "A" hereto is considered satisfactory.

1 Incl
Memo for Record (Tab "A")

----- C.W. -----

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

11 October 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Proposed Plan for Removal and Exclusion of Persons Representing Zaibatsu Interests from Zaibatsu Companies.

1. The undersigned met with Mr. E. C. Welsh, ESS/AC this morning in conference on subject plan. Mr. Welsh briefly stated ESS/AC's objections to the plan as follows:

a. Article 2, the definition of zaibatsu company is inadequate because of its arbitrary including companies whose officials should be exempt from removal and exclusion and leaves out some companies whose officials should be included. The definition of a zaibatsu company as one with a capitalization of 10 million yen whose stocks were controlled by any one of the zaibatsus or companies with the same capitalization figure but whose stocks were indirectly controlled by the stocks of a zaibatsu company, eliminates certain firms whose capitalization was below that amount and who should be included in the directive.

b. The second objection was that in defining the officials to be excluded the word "appointee" as used in SCAPIN 1079 is not defined and that the present plan interprets appointee as any person holding executive positions as listed in the proposed plan. He stated that many of the directors or officials of the concerns affected were in effect merely administrative officials of these concerns and in no way influential on a policy basis and therefore should not be included as coming under an exclusion program.

c. The third objection was that he believed the plan as now drawn was administratively unfeasible for the reason that it would tend to drag out individual cases through long periods of investigation and hearings and subsequent appeals.

2. As an alternate suggestion to the plan already proposed, Mr. Welsh suggested that a plan whereby the exclusion of undesirable zaibatsu officials could be accomplished at the time of the reorganization of the various companies affected, pointing out that already in some reorganizations undesirable officials have been eliminated.

3. The undersigned believes that objection number one may be met by having the words "direct affiliates and quasi-affiliates" defined in the law, the definitions between the two is the degree of zaibatsu control in each instance. The present proposed plan calls for such classifications to be defined by the Prime Minister. The second objection may be met by an

adequate definition of the word "appointee," in the law. A blanket exclusion of all officials as listed in the present plan could hamper Japanese economy. To meet the third objection, a time limit for submitting and answering appeals should be stipulated in the law. The three foregoing suggestions which meet ESS objections have been given to the Japanese C.L.O. representatives with further instructions that the proposed plan is unacceptable in its present form as a cabinet order and should be redrafted as law. They have been asked to submit a revised draft on Monday, 13 October. On receipt of the revised draft another conference will be held with ESS/AC.

C.L.O. representatives were also informed to work out some provision for differential treatment between zaibatsu persons in the major and minor zaibatsu concerns. The present plan contained no such proposal. This is in line with Major Rizzo's proposal in a memorandum for the record dated 11 September 1947.

4. As to Mr. Welsh's alternate suggestion as to implementing SCAPIN 1079 by the exclusion of zaibatsu persons at the time of the reorganization of the individual companies, the undersigned has no opinion other than that he believes such plan would result in still more unrest and confusion in the companies concerned from the fact that such a plan would take considerable more time in effecting the exclusion of zaibatsu persons. SCAPIN 1079 was issued on 23 July 1946. There should be no further delay in its implementation.

/s/DPC

Douglas P. Campbell
Governmental Powers Division

NOTED: C. L. K.

No Comment
Required at
Present -

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets) WFM/ECW/neh

File No.:

Subject: Elimination of Economic Concentration in Japan

Note No.:

From:

ESS

To:

GS

Date:

12 Sept 47

General Whitney

1.

1. Reference is made to the program for the elimination of economic concentration in Japan, which provides for action to be taken placing authority and responsibility in the Holding Company Liquidation Commission, under direct supervision of SCAP, for reorganization of enterprises which constitute concentrations of economic power.

2. In compliance with instructions from the Supreme Commander, I have advised the Director General of the Economic Stabilization Board as follows:

"The Government:

"a. May adopt without change the bill approved by the headquarters for passage by the Diet at the earliest possible date.

"b. May decline to adopt the bill in which case a SCAPIN will be issued by the headquarters pursuant to which an ordinance by the Cabinet will be required in accordance with provisions of the Potsdam Declaration.

"c. May not under any circumstances promulgate the bill as a Cabinet ordinance except upon the issue of the SCAPIN mentioned in b above."

3. You will be advised of the decision of the Japanese Government. If the Japanese Government chooses to submit the bill as proposed for passage by the Diet, such action will proceed through the established channels for the presentation of legislation. Clearance of legislation by you prior to presentation to the Diet will be requested. In the meantime, I will appreciate any suggestions or recommendations you may have to offer in the interest of expeditiously completing the contemplated action.

1 Incl:

Ltr fr Gen. Marquat
to Mr. Wada

WFM
WFM

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WFM/ECW/neh

Elimination of Economic Concentration in Japan

ESS

GS
General Whitney

12 Sept 47

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to Mr. Wada

-----WFM-----

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

12 September 1947

INFORMAL MEMORANDUM:

FOR: Mr. Hiroo Wada
Director General of the Economic Stabilization Board

1. Information has been received that the Prime Minister on 4 September 1947 directed a communication to the Supreme Commander on the subject of the deconcentration of economic power in Japan, to which the Supreme Commander has sent a reply.
2. I am authorized to bring to your attention certain official policy documents pertaining to this subject in order to clarify the headquarters position.
3. Concerning the implementation of this policy the government:
 - a. May adopt without change the bill approved by the headquarters for passage by the Diet at the earliest possible date.
 - b. May decline to adopt the bill in which case a SCAPIN will be issued by the headquarters pursuant to which an ordinance by the Cabinet will be required in accordance with provisions of the Potsdam Declaration.
 - c. May not under any circumstances promulgate the bill as a Cabinet ordinance except upon the issue of the SCAPIN mentioned in b above.
4. The headquarters is willing to receive from the Cabinet members any suggestions deemed appropriate by them as to the detailed procedures to be followed in implementing the proposed plan of action.
5. The contents of this communication are not to be made public.

W. F. MARQUAT
Brigadier General, U. S. Army
Chief, Economic and Scientific Section

COPY

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

11 September 1947

MEMORANDUM FOR COMMANDER HUSSEY

SUBJECT: Comments on the Japanese Plan for Removal of Zaibatsu Family Members and Appointees from Positions in Zaibatsu and other Companies (1 August 1947)

1. Paragraph 2, sub-paragraph 1, proposes to bar from office in any company the fifty-six persons designated on Cabinet notification No. 10 of 1947. These persons constitute the official members of the ten leading Zaibatsu families. The list of families is as follows: Aikawa, Asano, Furukawa, Iwasaki, Mitsui, Nakajima, Nomura, Okura, Sumitomo and Yasuda. The position of Government Section has been that since the treatment contemplated in Article 19-3 of Ordinance 233 which calls for the elimination of Zaibatsu family members from officership in any corporation is so drastic, it should not be applied indiscriminately to the members of all ten families but should be applied only to the family heads of the five biggest combines and their heirs over twenty years of age. The principle behind this is that the first five groups so clearly overshadow the second five that they may be said to constitute the inner core of Zaibatsu domination.

2. The other five listed Zaibatsu families plus the five listed in Appendix 1 should receive somewhat lighter treatment. The position of Government Section is that the heads of those families, their heirs over twenty years old, their appointees as well as the appointees of the big five be barred from positions in restricted concerns and subsidiaries and affiliates of restricted concerns as defined in Imperial Ordinance No. 567.

3. Paragraph 2 (2) deals with persons named in Appendix 1 of the plan. Government Section is in accord with the treatment of those persons, but as noted above, would combine them with the smaller five of the ten designated Zaibatsu families.

4. On page 2 of the plan under note 1 appears the statement that liquidators of companies under liquidation shall not be regarded as officials. Since in many cases the liquidators are or were connected with the companies to which they have been appointed as liquidators, appropriate exception should be made to the exception (for example Mitsui Honsha).

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5. On page 3 under sub-paragraph 3 (1) 2 the list of positions defined is inadequate. The same positions should be taken as are given in note 1 under paragraph 2. At the end of this same sub-paragraph is a provision attempting to exempt persons who were officers while companies were not subject to Zaibatsu control or persons who did not represent Zaibatsu interests. These provisions are administratively unworkable and would furnish an easy way of evading the workings of the plan.

6. On page 5 are certain standards for the determination of degree of affiliation or control. Under note 3a is stated a minimum capital requirement of 10 million yen and a stock ownership of 50% by companies in the same chain of capital. The lower capital limit should be 5 million yen and the chain of capital definition should be closer to 10 or 20%, similar to that used in Ordinance 567.

7. On page 6 are specified certain kinds of evidence for exemption from the application of the plan which are considered unworkable and should be thrown out.

8. On page 8 under sub-paragraph 4 is a provision permitting retention of "those persons who are essential for the making of the enterprise reconstruction and reorganization plan." This should be deleted.

9. As a basis the following quotations from FEC 230/1 are pertinent (page 11): "However, direct family stockholdings in the various subsidiaries of the combines have not been divested and some positions in subordinate companies are still held. The first step in destroying the cohesive influence of the family upon the business must be to complete the removal of official family members from the rest of their directorates and executive positions and to divest them of the rest of their stockholdings. In order to prevent evasion of the program for breaking business connections the members of Zaibatsu families must be deprived of opportunity to re-establish their influence and control under new corporate masks. Hence the divestiture of offices and stock should be applicable not only to holdings within the combine but to all corporate holdings. To prevent the use of liquid wealth to acquire new positions of business power under some plausible disguise, the cash, deposits and bonds of these persons and families should also be sequestered.

"Such action should reach beyond members of the official families. There is danger that the authority formerly enjoyed by the official heads of the families will be transferred to their near relatives who are not officially a part of the families. Hence there is need to extend the prohibition of stockholding and officeholding to include the immediate blood relatives of members of the official family

and also their close relatives by marriage and adoption.....In some cases, moreover, executives of a corporation may have been so closely allied with a family by years of association and by personal favor as to have developed a clan loyalty as effective as a blood tie. Where such relationship can be identified these persons should be regarded as members of the family and should be subjected to the same restrictions....."

/s/FR

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APC 500

23 July 1946

AG 0913 (23 Jul. 46) ESS/AC
(SCAPIN - 1079)

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT
THROUGH : Central Liaison Office, Tokyo
SUBJECT : Ordinances and Regulations Affecting
the Holding Company Liquidation Commission

1.
2.

3. To further implement the program of deconcentration economic power, and independently of proposals for the enactment of permanent legislation to effectuate such programs the Imperial Japanese Government is directed to take such immediate action as may be necessary, as a minimum, to insure the following:

- a. The elimination of the influence of listed families of family members through security ownership or the holding of a position of business responsibility by either such family member or his appointee in any company; provided, however, that the Imperial Japanese Government may, with the approval of the Supreme Commander for the Allied Powers, permit certain families and individuals to be exempt or removed from this restriction upon a showing of necessity or good cause.
- b. Limitation on intercorporate security holding by Restricted Companies.
- c.
- d.
4.
5.
6.

(2)

For the Supreme Commander

John
Hohu B. Cooley
Colonel, ACo
Adjutant General

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List of the Shareholders Present at
the 38th Special General Meeting of the Shareholders

- | | | |
|---------------------------------|---|----------|
| 1. Chikuhei Nakajima | } | ZAIBATSU |
| 2. Kimihei Nakajima (President) | | |
| 3. Chuhei Nakajima | | |
| 4. Monkichi Nakajima | | |
| 5. Kiyochi Nakajima | | |
| 6. Gonshiro Kimura (Auditor) | | |
| 7. Ichiro Sakuma | | |
| 8. Jingo Kurihara | | |

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 091.3 (23 Jul 46)EES/AG
(SCAPIN - 1079)

APD 500
23 July 1946

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT.
THROUGH : Central Liaison Office, Tokyo.
SUBJECT : Ordinances and Regulations Affecting the Holding Company
Liquidation Commission.

1. Reference is made to the following:

a. Central Liaison Office Memorandum No. 1171 (2.1), dated 12 March 1946, forwarding Memorandum from Ministry of Finance, LO 341 dated 5 March 1946, subject: "Organization Ordinance Concerning the Supervising Committee of the Liquidation of the Holding Companies," and attached final draft of the reference Organization Ordinance;

b. Central Liaison Office Memorandum No. 2296 (EF), dated 13 May 1946, inclosing two (2) Memoranda from the Ministry of Finance, LO 522, dated 11 May 1946, subject: "The Regulations Concerning the Enforcement of the Holding Company Liquidation Commission Ordinance (The Ordinance of Cabinet, Ministry of Finance and Ministry of Justice)," with attached final draft of the reference Cabinet Ordinance, and LO 528, dated 13 May 1946, subject: "Articles of Incorporation of the Holding Company Liquidation Commission," with attached Articles of Incorporation.

2. No objection is offered to the proposed two (2) Ordinances nor to the Articles of Incorporation, provided that, with respect to compensation to the zaibatsu, adequate safeguards be established to provide against windfall or gain resulting from an increase in the market price or value of bonds received in compensation beyond the value assigned to such bonds when exchanged for receipts.

3. To further implement the program of deconcentration of economic power, and independently of proposals for the enactment of permanent legislation to effectuate such programs the Imperial Japanese Government is directed to take such immediate action as may be necessary, as a minimum, to insure the following:

a. The elimination of the influence of listed families or family members through security ownership or the holding of a position of business responsibility by either such family member or his appointee in any company;

Basic: Memorandum for Imperial Japanese Government from GHQ, SCAP, file AG 091.3 (23 Jul 46) ESS/AC (SCAPIN - 1079), subject: "Ordinances and Regulations affecting the Holding Company Liquidation Commission," dated 23 July 1946.

provided, however, that the Imperial Japanese Government may, with the approval of the Supreme Commander for the Allied Powers, permit certain families and individuals to be exempt or removed from this restriction upon a showing of necessity or good cause.

b. Limitation on intercorporate security holdings by Restricted Companies.

c. Prohibition of multiple directorates in all Restricted Companies except those of a financial nature, where adequate controls will be established.

d. Prohibition among Restricted Companies of contractual, service or patent arrangements which restrict competition or restrain trade and commerce.

4. The Imperial Japanese Government is, accordingly, directed to submit promptly, in quintuplicate, typed in English on 8" x 11" paper, to the Supreme Commander for the Allied Powers, its proposal for carrying out the requirements of paragraphs 2 and 3, above.

5. As used in this Memorandum, the term "Restricted Company or Companies" shall be construed to mean those companies which are listed in Memorandum for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, file AG 004 (8 Dec 45) ESS/AC (SCAPIN - 403), subject: "Establishment of a Schedule of Restricted Concerns," or subsequent additions thereto. The term "listed families or family members" shall pertain to those families whose activities are restricted by Memoranda for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, file AG 004 (6 Nov 45) ESS/ADM (SCAPIN - 244), subject: "Dissolution of Holding Companies," and file AG 091.4 (3 Jun 46) ESS/AC (SCAPIN - 995), subject: "Reports to be Made by Certain Families."

6. For the purpose of carrying out the objectives of this Memorandum, direct communication is authorized between the companies concerned and the Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers.

FOR THE SUPREME COMMANDER:

JOHN B. COOLEY,
Colonel, AGD,
Adjutant General.

DISCUSSION OF ZAIBATSU AT THIRD MEETING
ALLIED COUNCIL FOR JAPAN

MEIJI BUILDING - TOKYO - 30 APRIL 1946.

THE CHAIRMAN: The next question on the Agenda is the Zaibatsu. This subject was proposed by the Member representing the United Kingdom, Australia, New Zealand and India. MR. MINISTER, are there any supplementary explanatory remarks you would like to make?

MR. BALL: MR. CHAIRMAN, we have submitted a certain number of questions here and I think it would be much better if you were to invite the representatives to talk about those.

THE CHAIRMAN: The first specific question is: "Whether securities owned by the holding companies are disposed of by the Holding Company Liquidation Commission, is any limitation proposed on the value of the securities which may be bought by any individual firm or financial institution." The answer to that question is that by regulation of the Commission, no non-Zaibatsu firm or family group can acquire more than one per cent of the stock of any corporation which is under the Commission's control, and there will be permanent legislation to implement that.

(To Soviet Interpreter) Was that clear to the GENERAL?

SOVIET INTERPRETER: Yes.

THE CHAIRMAN: Second question: "Since the disposal of such a large volume of securities is likely to be impeded by two factors (a) the absence of any organized security market in Japan, (b) the relatively limited market for industrial securities in Japan outside the financial institutions and wealthy families, we would appreciate information about the steps it is proposed to take to meet these difficulties." A number of steps are contemplated in this connection. One is to permit the small shareholders of the holding companies to exchange holding company shares for shares of the subsidiaries. Another is to permit holders of war savings and other government bonds to exchange such bonds for shares of the subsidiaries. The bonds thus received could be exchanged by the government for the registered bonds it is proposed to give the Zaibatsu families as compensation. Another means would be sales to associations of employees or to cooperatives. Another would be sales of properties to other companies which are in the same or related field of industrial endeavor.

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There is also a proposal that credited banks might be paid--compensated by the war savings bonds received by the Commission from the small bond holders.

The third question: "The future of some of these companies will depend on (a) the extent to which government subsidies are permitted, (b) whether their continuance will be deemed essential to the future peacetime industry of Japan. Until this is known, it will be hard to sell these securities. Is it proposed that meanwhile the Commission will retain the securities and manage the companies?" The answer is there is no intention to have the Commission retain ownership of the securities until all the various uncertainties are cleared up. Incidentally, there is an active over-the-counter market at present, amounting to some 90 to 100,000 shares a day.

In regard to the other portion of the question, the Commission does not have the intention to carry out a day-by-day management of the companies. It will exercise its stockholder rights in the selection of capable and disinterested directors, but does not intend to interfere with existing management, unless there is some reason to do so.

The fourth question: "Will the plan be applied to all firms to the schedule of restricted firms?" And the answer--at the outset, the Commission will take jurisdiction over only the four leading Zaibatsu. That is, Mitsui, Mitsubishi, Sumitomo and Yasuda. Subsequently, it may take over other holding companies on the Restricted List, but it is hoped that dissolution of many of those on the list will be carried out by voluntary plans without the necessity of going through the Liquidation Commission machinery. This plan was offered to SCAP by those four. It wasn't a dictated plan and other voluntary plans will be screened to see if the objectives can be properly accomplished.

The fifth question: "Which classes will be prevented from buying these securities? In the beginning, at the outset, it is intended that only members of the Zaibatsu families and companies on the restricted list will be prohibited. Permanent legislation is also planned for the purpose of controlling stockholdings.

Six: "Upon what scale will payments be made to the Zaibatsu families during the period in which the Commission holds the securities of the holding companies?" During the Control period

it is considered unlikely that any substantial income will accrue to the holding companies. It is unlikely that any funds which might reach the holding companies could be paid out as dividends because those companies are under the necessity of discharging their debts during the process of liquidation. The plan is that the funds realized by the Commission from securities or properties will be retained until completion of the liquidation, and then they will be distributed to the families only in the form of non-negotiable registered bonds. MR. HENDERSON tells me that the four families are now under restrictions as to their expenditures and that they can only withdraw funds for their living expenses in small amounts.

Seven: "What return of interest is it proposed should be paid on the government bonds to be issued to the holders of receipts?" There has been no discussion of that at present.

Eight: "In the Directive of 6 November 1945, the Japanese government was asked to present its program 'for the announcement of such laws as will eliminate and prevent private monopolies and restraint of trade, undesirable interlocking directorates, security ownership, and the segregation of banking, commerce, and agriculture and as will provide equal opportunity to firms and individuals to compete in industry, commerce, finance and agriculture on a democratic basis'. Is there any indication of when this program is likely to be submitted?" Draft legislation has been submitted by the Japanese government. The drafts so far submitted are considered inadequate and conferences are now going on between the representatives of the government and representatives of SCAP Headquarters.

Nine: "Since the future industrial organization will be so closely bound up with the future distribution of wealth, we would appreciate any information about the present position of any plans submitted by the Japanese government to provide for: (a) Capital levy. (b) A war profits tax. (c) An increased property tax. (d) More steeply progressive income tax." Drafts of these various tax laws have been submitted by the Japanese government and are now under consideration.

Is there any discussion?

SOVIET INTERPRETER: THE GENERAL has some additional questions.

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): Whether the selling out of properties and securities of the four concerns is considered as a basic means for suspension of activities of Zaibatsu in the future.

THE CHAIRMAN: Would you mind reading that--I will ask MR. HENDERSON of the Anti-trust and Cartels Division to explain this, please.

MR. HENDERSON: Yes, it is basic, but it is not sufficient, alone. Permanent legislation to control aggregations of this sort will be necessary and are contemplated. But you first must start by clearing out and getting a firm basis on which to operate.

LIEUTENANT GENERAL DEREVYANKO: One more question, please.

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): Has the Japanese government paid any subsidies to the four holding companies and to the restricted companies, and if so, in which amounts and for what purposes?

MR. HENDERSON: The Japanese government in the past has given preferential treatment to Zaibatsu concerns. That has been extending over a long period of years, since 1870. As to the amounts, it would be quite hard for me to answer that at this time as they were not necessarily in the forms of cash but by preferential treatment rather than--

LT. GEN. DEREVYANKO: To what percentage of the capital of all Japanese companies amounts the capital controlled by the four named concerns, as well as by the restricted companies at the present date?

MR. HENDERSON: It is quite difficult to get that figure because we don't know the capitalization of all the concerns in Japan and we haven't prepared the figures on those particular four companies. A figure I can give you is that the capitalization of twenty of the Zaibatsu of the essential companies on the list amounts to about 23% of all the capitalization in Japan. Those are approximations.

LT. GEN. DEREVYANKO: What were the profits of the above-mentioned holding companies during the period from the commencement of the war with China in 1937 up to the surrender of Japan?

MR. HENDERSON: Quite large. The figures-we simply don't have that data specifically available. Their dividend payments were arranged from 11% at the outset of the war, dropped down by government regulation to 8% at the close of the war.

THE CHAIRMAN: If there are no more comments or question--

LT. GEN. CHU: May I ask one more question, MR. CHAIRMAN? What does SCAP intend to do with lesser companies, such as Okura, Asano and many others?

THE CHAIRMAN: We plan to dissolve the holding companies in the same way and re-distribute.

LT. GEN. CHU: In other words, they will be dealt with in a similar way as the big four?

MR. HENDERSON: In the general policy, but individual companies require different types of treatment. You can't lay down a rigid policy that will apply to every company in every aggregation.

THE CHAIRMAN: Gentlemen, if there are no further comment or questions, I would suggest that we might recess.

MR. BALL: MR. CHAIRMAN, might I just ask one very short supplementary question bearing on one of GENERAL DEREVYANKO's. I wasn't quite clear about the answer as to whether the Japanese government was still paying subsidies to certain of the Zaibatsu companies. I understood the answer, that it had been paying since 1870. I am interested--I am interested in knowing whether it is still paying them now, or not.

MR. HENDERSON: Insofar as we know they are not making any payments in the form of subsidies to Zaibatsu concerns. Certain war and indemnity payments have perhaps been made to certain individual companies. That matter is now--I believe those have been discontinued by directive from the Financial Division. MR. SIFF calls my attention to the fact that they would be in blocked accounts and not available for free distribution. All payments of expenditures outside of the normal course of business are subject to SCAP review.

THE CHAIRMAN: Gentlemen, I would suggest that we recess until this afternoon. Would you like to meet at two or two-thirty, or at what hour? Gentlemen, two or two-thirty, which would you prefer?

LT. GEN. DEREVYANKO: I would consider these questions on Zaibatsu as finished already.

THE CHAIRMAN: Agreed, but there are other items still on the Agenda.

LT. GEN. DEREVYANKO: Pardon?

THE CHAIRMAN: There are other items still on the Agenda. Would you rather postpone those until the next meeting? I don't understand, did the GENERAL want to ask another question on the Zaibatsu matter?

(LT. GEN. DEREVYANKO addresses the Council in Russian.)

SOVIET INTERPRETER: The GENERAL would like to know what is the suggestion of MR. BALL for this question?

MR. BALL. My feeling, MR. CHAIRMAN, is that when in introducing the Zaibatsu question I wanted simply to get certain basic information, and we are of course free to re-introduce this subject in some form, or other into the Agenda at some future time. I am quite satisfied with the information given. I am quite prepared to postpone any further discussion on Zaibatsu until a later date that we decide on.