

INTERNATIONAL TELEPHONE & TELEGRAPH CORPORATION

Memoranda Regarding

Nippon Electric Co., Ltd.

Sumitomo Electric Industries Ltd.

All America Cables & Radio Inc.

Commercial Pacific Cable Company

Mackay Radio and Telegraph Company

To accompany letter from Col. S. Behn to U.S.  
Department of State, dated September 4, 1945.

*DCR  
file*

*8943  
6461/9-445  
574-445*



(5)

SUMMARY OF REPORTS

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XPR  
894.75  
894.74  
894.76  
811.74

- 1 - ✓ Nippon Electric Co., Ltd.
- 2 - ✓ Sumitomo Electric Industries, Limited.
- 3 - ✓ All America Cables and Radio Inc.
- 4 - ✓ Commercial Pacific Cable Company.
- 5 - ✓ Mackay Radio and Telegraph Company

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894.6461/9-445

FILED

NOV 28 1950

DO/R
Appt <u>31</u>
Rev _____
Cat _____

894.6461/9-445



NIPPON ELECTRIC COMPANY, LIMITED  
(Nippon Denki Kabushiki Kaisha)

(NOTE: The data regarding this Company, as well as that regarding the Sumitomo Wire and Cable Works, which follows, was all compiled from information available in New York. The information is neither complete nor up to date due to the fact that Government restrictions gradually increased during the several years preceding the outbreak of hostilities between the United States and Japan - nevertheless, it is felt it affords a good general picture of the situation).

The Nippon Electric Co., Ltd., a Japanese Company, was organized July 17, 1899 as a joint American (Bell System) Japanese enterprise. Initially, this Company was principally engaged in importing and distributing telephone equipment and supplies and miscellaneous electrical products. It also maintained a repair shop and did a small amount of manufacture and assembly.

Gradually the manufacturing activities of the Company were expanded under an arrangement with the Bell System, and later with the International Telephone and Telegraph System, whereby the latter organizations supplied patents, manufacturing information and technical assistance, and trained certain Nippon Electric Co., employees in the American and European factories.

Generally speaking, at the outbreak of hostilities the Company was capable of producing a complete line of telephone apparatus and supplies, except for such line materials as wire and cable.

The Nippon Electric Co., Ltd., became a part of the International Telephone and Telegraph System in 1925 when the International Telephone and Telegraph Corp. purchased from the Western Electric Co., all of the capital stock of the International Western Electric Company which in turn owned a controlling interest in Nippon Electric Co., Ltd. Shortly thereafter the name International Western Electric Company was changed to International Standard Electric Corporation which is still a wholly owned subsidiary of International Telephone and Telegraph Corporation.



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The International Standard Electric Corporation continued to own approximately 59% of the capital stock of Nippon Electric Co., Ltd., until June 1932 when, to strengthen the management and representation of the Company and to counteract prejudices against a foreign controlled Company, particularly one selling a large proportion of its products to the National Government and subdivisions thereof, an arrangement was made with Sumitomo Goshi Kaisha, later known as Sumitomo Honsha, whereby International Standard Electric Corporation transferred 36064 shares of Nippon Electric Co., Ltd., to Sumitomo Goshi Kaisha, in exchange for 36064 shares of the Sumitomo Electric Wire and Cable Works. Since 18032 of the Nippon Electric Co., Ltd. shares so exchanged were three-quarters paid and 18032 of the Sumitomo Electric Wire and Cable Works shares were only half paid, International Standard Electric Corporation received a cash adjustment of the difference amounting to ¥225,400.

The name "Sumitomo Electric Wire and Cable Works" was later changed to "Sumitomo Electric Industries" which is described in a subsequent section of this report.

As a result of this transaction, and certain other adjustments, the ownership of International Standard Electric Corporation in Nippon Electric Co., Ltd. was reduced to just under 50%, and the share capital of Nippon Electric Co., Ltd. was fixed at 250,000 fully paid shares of ¥50 each, or ¥12,500,000. Of this amount, International Standard Electric Corporation owned 124,995 shares, and so far as is known, Japanese nationals owned the balance. The principal Japanese stockholder was Sumitomo Goshi Kaisha.

From time to time the principal Japanese stockholder which, under agreement also directed the domestic operations of the Company, reported that it was being embarrassed by demands on the part of certain Japanese Government officials that the percentage of foreign ownership to Nippon Electric Co., Ltd. be further reduced, and



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felt that expansion of the Company eventually would be hampered unless something could be done to meet the wishes of such Government officials. During this period the Company actually was expanding rapidly, and by the end of 1937 additional capital was needed to finance this expansion.

Accordingly, on Jan. 10, 1938 it was voted to increase the capital of Nippon Electric Co., Ltd., from 250,000 shares of ¥50 each to 600,000 shares of ¥50 each. Of the additional 350,000 shares so created, 325,000 were offered to stockholders at par on a part paid basis, the initial payment being ¥25 per share subscribed. The balance, 25,000 shares, was set aside for distribution to employees. Subsequently, the balance of the subscription price of ¥25 was called, and the entire 600,000 shares were placed on a fully paid basis.

International Standard Electric Corporation subscribed to 96,500 of the new shares and transferred the balance of the subscription rights, representing just under 66,000 shares, to Sumitomo Honsha. This left International Standard Electric Corporation 221,995 shares (including 500 shares in the name of S. Behn) or about 37% of the new capitalization.

In order to minimize the reduction of its equity position in the telecommunications industry of Japan, International Standard Electric Corporation at the same time purchased 66,000 fully paid shares of the Sumitomo Electric Wire and Cable Works at a total price of ¥1,501,500. Furthermore, since exchange controls were developing and drastic exchange control was anticipated, it was arranged that Sumitomo Honsha should advance International Standard Electric Corporation the funds needed to complete these transactions and to meet the second instalment when called on the 96,500 partly paid shares of Nippon Electric Co., Ltd., and that the funds so advanced should be liquidated only out of dividends and royalties becoming payable by Nippon Electric Co., Ltd. to International Standard Electric Corporation after December 31, 1937. See Exhibit 3.

Subsequently, the Japanese exchange authorities, who had been consulted



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before the above arrangement was consummated, reversed their position evidently with the objective of forcing International Standard Electric Corporation to export U.S. Dollars to Japan or, alternatively, to dispose of its subscription rights. As a compromise, International Standard Electric Corporation sold 25,400 Nippon Electric Co., Ltd. half paid shares to Sumitomo Honsha with a ten year option to repurchase at ¥70 per share to cover the second call on the balance of Nippon Electric Co., Ltd., half paid shares, such balance being 71,100 shares. The remainder of the advance from Sumitomo Honsha to International Standard Electric Corporation was liquidated by May 1, 1941 mainly out of dividends and royalties accumulated in Japan.

The repurchase option covering the above 25,400 Nippon Electric Co., Ltd., shares in substance provides that International Standard Electric Corporation may repurchase such shares at the sale price of ¥70 each, plus subsequent calls as to subscription price, plus interest at an agreed maximum rate, with an equitable adjustment as to dividends and subscription rights which may accrue to Sumitomo Honsha during the interval between sale and repurchase under the option. See Exhibit. 4.

The sale and option contract, at Sumitomo Honsha's request, later was changed to substitute Sumitomo Electric Industries for Sumitomo Honsha. See Exhibit 5.

During the summer of 1941 it again became necessary to increase the capital of Nippon Electric Co., Ltd. because of expended operations, and on October 1, 1941 the first payment of ¥25 became due on subscriptions to an aggregate new issue of 400,000 shares of ¥50 each offered at the rate of two new shares for three held by stockholders of record September 1, 1941. The only arrangement which it was practicable to effect at that time to protect International Standard Electric Corp. equities, involved the sale of 22,930 of the Nippon Electric Co., Ltd., fully paid shares to Sumitomo Honsha at ¥95 per share. These shares were mailed to Tokyo on



September 18, 1941 and receipt thereof was acknowledged by Tokyo on October 21, 1941. On November 22, 1941 the Japanese Government refused permission to consummate the transaction. As far as known, the present situation is as follows:-

	<u>Outstanding</u>	<u>Owned</u> by <u>I.S.E.C.</u>	<u>Under</u> Option to <u>I.S.E.C.</u>	<u>TOTAL</u> <u>I.S.E.C. owned</u> and <u>Under Option.-</u>
Nippon Electric Co. Ltd. fully paid shares	600,000	196,595*	25,400	221,995
Nippon Electric Co., Ltd. half paid shares	<u>400,000</u>	-	-	-
Total:-	<u>1,000,000</u>			

\*Including 500 shares in name of S. Behn.

The certificates representing International Standard Electric Corporation interests in Nippon Electric Co., Ltd., are now located, so far as known:

U.S.A. . . . .	173,665
Japan owned . . . . .	22,930
Under option . . . . .	25,400

Had the transaction agreed to, under protest, with reference to the share increase from 600,000 to 1,000,000 been consummated, the International Standard Electric Corporation interest would have been as follows:-

	<u>Total Shares</u>	<u>Name of ISEC</u>	<u>Name of S. Behn</u>
Held before increase:	196,595	196,095	500
<u>Less</u> shares to be sold	<u>22,930</u>	<u>22,930</u>	-
Balance:	<u>173,665</u>	<u>173,165</u>	<u>500</u>
New shares at two for three	<u>115,776</u>	<u>115,443</u>	<u>333</u>
Balance after new issue:	<u>289,441</u>	<u>288,608</u>	<u>833</u>

(Note 1.- In addition, as described above, International Standard Electric Corp., has option rights to re-acquire 25,400 old shares, plus 16,933 and one third new shares subscribable under rights accruing to the 25,400, or a total of 42,333 1/3 shares. The shares held, plus option rights, taken together represent about one-third of the capital shares of Nippon Electric Co., Ltd. So far as known, the remaining shares are held by Japanese interests and the principal stockholder is Sumitomo Honsha).

(Note 2.- Efforts made from time to time to handle expansion so as to minimize the effect on International Standard Electric Corporation equity. It is only fair to say that the principal Japanese stockholder did all that could reasonably be expected to cooperate with International Standard Electric Corporation in this regard. One such step was the ¥20,000,000 Debenture issue sold by Nippon Electric Co., Ltd., in late 1938 and early 1939. There was also a letter of intent executed October 30, 1939 between International Standard Electric Corporation and Sumitomo Honsha



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(Exhibit 6) proposing to use bonds for the next Sumitomo Electric Industries financing and to arrange in case of future stock issues of Nippon Electric Co., Ltd. and Sumitomo Electric Industries, so as to enable International Standard Electric Corporation to use yen accumulations for subscription payments.

The values of International Standard Electric Corporation share holdings in Nippon Electric Co., Ltd. and of its Receivables from Nippon Electric Co., Ltd. as present shown on the Corporation books, are as follows:-

Shareholdings at cost, not including equity in surplus and surplus reserves	US\$ 3,522,822.00
<u>Receivables:</u> subject to substantial upward adjustments	507,038.00

The above figures are several years out of date and, accordingly, are subject to adjustment when more complete records become available.

Besides the financial relationship described above, there is an agreement between International Standard Electric Corporation and Nippon Electric Co., Ltd., which provides for an exchange of patents and technical information, and for patent protection under which the Nippon Electric Co., Ltd. agrees to pay service fees to International Standard Electric Corporation of 2% (with certain exceptions) on sales of apparatus and equipment to outside customers. See Exhibit 1.

The Board of Directors at the commencement of hostilities between the United States and Japan was as follows:-

M. Ogura	Chairman	Osaka
Tsunekichi Asabuki		Tokyo
Sosthenes Behn		New York
James E. Fullam		New York
Yoshinori Iwadare		Tokyo
K. Ishikawa		Tokyo
Annis G. Jillard		Tokyo
Sehchi Koh		Osaka
Yasujiro Niwa		Tokyo
T. Obata		Osaka
Jinza Satori		Tokyo

The business of the Nippon Electric Co., Ltd., consisted of the manufacture and sale of telephones; step-by-step type automatic central office



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equipment; manual central office and toll equipment; private branch exchanges; telegraph equipment, a broad range of radio equipment; carrier equipment, vacuum tubes; picture transmission equipment, measuring instruments and miscellaneous electrical supplies. Output, based on gross sales, had been growing steadily for some years and was expected to be around ¥60,000,000 for the year 1940. This, combined with such miscellaneous information as was obtainable at that time, would indicate an organization of some 10,000 people.

The manufacturing activities were conducted at two locations. One plant located at No. 2 Mita Shikokumachi, Shiba-Ku, Tokyo, generally referred to as Mita, housed the general offices of the Nippon Electric Co., Ltd., and the machinery, stores, laboratory equipment and so forth generally associated with that part of the company's production, outside the radio field. The buildings were modern and of heavy reinforced concrete construction. The other main plant, generally referred to as the Tomogawa plant was located about two miles upstream from the old Tokyo-Yokohama road on the Yokohama side of the river which forms part of the boundary between Yawasaki and Tokyo. This plant, from last accounts, was engaged mainly on radio work. The buildings were constructed from 1936 on and, aside from the office building, which was a two story wood frame structure with a tile roof, generally speaking were steel frame and sash buildings with cement mortar walls and asbestos cement roofs.

It is believed that the capacities of the two plants were about equal in 1939 and 1940. The tendency from them on would have been for growth to take place at the site of the Tomogawa plant as the ultimate structure planned for Mita had already been completed, and land for expansion was still available at Tomogawa. Nippon Electric Co., Ltd., also had a small reinforced concrete plant and lumber yard in Tokyo about a mile east of the Mita plant. It is understood that this plant had been allocated to radio experimentation.



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Nippon Electric Co., Ltd., had branch offices in Osaka, Manchukuo and Formosa.

Nippon Electric Co., Ltd. pursued a policy quite actively from 1935 on of acquiring control or substantial ownership in smaller manufacturing companies engaged in related fields of operation. A summary of such information as is available here regarding investments made in such companies, and the nature of their activities, is set forth below:-

<u>Name of Company</u>	<u>% Owned by N.E.Co.</u>	<u>Location</u>	<u>Date of Most Recent Bal. Sheet</u>	<u>Engaged in:</u>
Manshu Tsushinki K.K.	100%	Dairen Manchuria	12.31.38	Manufactures and sells telephone apparatus and supplies in Manchuria.
Nippon Tsushin Kogyo K.K.	85%		5.31.39	Manufactures condensers, radio sets, time recording equipment, telephone and manual switchboards.
Toyo Tsushinki K.K.	60%		3.30.39	Manufactures radio receiving sets, particularly for fishing fleets.
Nichiden Dempa Kogyo K.K.	59%		5.31.39	Manufactures small radio sets, medical radio equipment and batteries.
Ando Denki K.K.	55%		do.	Manufactures manual telephone equipment.
Anritsu Denki K.K.	50% plus		do.	do. do.
Nikeda Sales Co.	50%		do.	Manufactures time recorders.
Tohoku Kinzoku Kogyo KK	41%		3.31.39	Manufactures special metals, including Permalloy.
Iwaki Glass Seisakujo K.K.	30%		do.	Manufactures glass, including glass for radio tubes.
Oana K.K.	25%		-	Manufactures small motors of the type used largely by NEC in the manufacture of telephone apparatus.
Nippon Telephone & Telegraph Construction Co.	18%		-	Government sponsored company incorporated to sell and construct telephone systems in China.



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Oki Electric Co., 15% (approx)

Manufactures general line of  
telephone equipment.

Matshushita 10%

Manufactures motors and batteries.

It will be noted that relatively little data regarding the foregoing companies is available here and that such data is out of date. This is due to Government restrictions which started to be imposed several years before the outbreak of American-Japanese hostilities, and became increasingly burdensome with the approach of the war.

The following pages contain the latest financial data available here with respect to Nippon Electric Co., Ltd. and with respect to the companies listed above in which it is recorded that Nippon Electric Co., Ltd., has made investments.

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NIPPON ELECTRIC COMPANY, LIMITED (TOKYO)

The following summary shows in a comparative form, the Company's financial position at December 31, 1940, 1939 and 1938.

	<u>1940</u>	<u>1939</u>	<u>1938</u>
<u>Assets:</u>			
Net plant	¥ 19,840.1	¥ 17,965.2	¥ 16,848.7
Investments - Special funds	26,445.5	15,460.5	12,349.7
Current assets-			
Cash	10,324.7	3,339.4	1,243.6
Accounts and Notes Receivable	25,472.8	18,543.6	15,786.5
Inventories	39,748.3	34,155.0	29,618.1
Total current assets	¥ <u>75,545.8</u>	¥ <u>56,038.0</u>	¥ <u>46,648.2</u>
Total assets	¥ <u>121,831.4</u>	¥ <u>89,463.7</u>	¥ <u>75,846.6</u>
<u>Capital and Liabilities:</u>			
Capital stock	¥ 30,000.0	¥ 21,250.0	¥ 21,250.0
Surplus and Reserves	14,228.3	10,896.4	8,918.9
Funded debt	20,000.0	20,417.0	10,270.3
Current liabilities-			
Borrowings	32,969.0	26,685.0	27,320.0
Other	24,634.1	10,215.3	8,087.4
Total current liabilities	¥ <u>57,603.1</u>	¥ <u>36,900.3</u>	¥ <u>35,407.4</u>
Total capital and liabilities	¥ <u>121,831.4</u>	¥ <u>89,463.7</u>	¥ <u>75,846.6</u>



MANSHU TSUSHINKI K.K.BALANCE SHEET AS OF DECEMBER 31, 1938

	<u>Amount</u>
<u>Assets:</u>	
Net plant	¥ 2,270.5
Guarantee deposits	10.1
Current assets-	
Cash at banks and on hand	375.0
Accounts receivable	712.0
Inventories	3,636.5
Marketable securities	50.0
Total current assets	<u>¥ 4,773.5</u>
Total assets	<u>¥ 7,054.1</u>
<u>Capital and Liabilities:</u>	
Capital stock (authorized)	¥ 3,000.0
Less - Capital unpaid	<u>1,000.0</u>
Total capital stock issued	¥ 2,000.0
Surplus	(166.5)
Current liabilities-	
Accounts payable	<u>5,220.6</u>
Total current liabilities	<u>¥ 5,220.6</u>
Total capital and liabilities	<u>¥ 7,054.1</u>



NIPPON TSUSHIN KOGYO K.K.BALANCE SHEET AS OF MAY 31, 1939

	<u>Amount</u>
<u>Assets:</u>	
Net plant	¥ 878.8
Special deposits	18.0
Current assets-	
Cash in banks and on hand	159.5
Accounts and notes receivable	875.3
Suspense payment	720.1
Branch house account	32.2
Inventories	1,184.3
Marketable securities	264.6
Total current assets	<u>¥ 3,236.0</u>
Total assets	<u>¥ 4,132.8</u>
 <u>Capital and Liabilities:</u>	
Capital stock authorized	¥ 3,000.0
Less - Capital unpaid	<u>1,350.0</u>
Net capital stock issued	¥ 1,650.0
Surplus including legal reserve	183.1
Special reserve	120.0
Reserve for retirement payments	22.9
Current liabilities-	
Bank borrowings	500.0
Suspense receipt	1,430.9
Bills payable	63.1
Accounts payable	162.8
Total current liabilities	<u>¥ 2,156.8</u>
Total capital and liabilities	<u>¥ 4,132.8</u>



TOYO TSUSHINKI K.K.BALANCE SHEET AS OF APRIL 30, 1939

	<u>Amount</u>
<u>Assets:</u>	
Plant, property and equipment (net)-	
Land	¥ 493.6
Buildings	927.8
Machinery and tools	926.7
Furniture and fixtures	160.9
Construction account	<u>106.5</u>
Deferred charges	¥ 2,615.5
	14.3
Current assets-	
Cash at banks and on hand	¥ 762.6
Accounts receivable	1,488.2
Suspense account	335.8
Inventories	7,298.4
Marketable securities	<u>195.8</u>
Total assets	<u>10,080.8</u> <u>¥ 12,710.6</u>
 <u>Capital and Liabilities:</u>	
Capital stock - authorized	¥ 4,000.0
Less - Capital unpaid	<u>750.0</u>
Net capital stock issued	¥ 3,250.0
Surplus including Legal Reserve	395.3
Special reserve	349.2
Current liabilities-	
Bank borrowings	¥ 700.0
Advance receipt	7,532.0
Bills payable	205.7
Accounts payable	<u>278.4</u>
Total capital and liabilities	<u>8,716.1</u> <u>¥ 12,710.6</u>



NICHIDEN DEMPA KOGYO K.K.BALANCE SHEET AS OF MAY 31, 1939

	<u>Amount</u>
<u>Assets:</u>	
Plant, property, equipment and intangibles (net)-	
Land	¥ 35.4
Buildings	48.4
Permanent fixtures	22.3
Machinery	47.9
Tools	30.0
Dies	.8
Furniture and fixtures	6.8
Goodwill	18.0
Prepayments and deferred charges	¥ 209.6
1.3	
Current assets-	
Cash at banks and on hand	¥ 2.5
Accounts receivable	96.4
Tokyo factory account	52.1
Inventories	234.3
Marketable securities	.5
Total assets	¥ 596.7
	385.8
	1.3
<u>Capital and Liabilities:</u>	
Capital stock - authorized	¥ 500.0
Less - Capital unpaid	250.0
Net Capital stock issued	¥ 250.0
Surplus including Legal Reserve	29.5
Special reserve	2.5
Reserve for employees retirement payments	.5
Current liabilities-	
Bank borrowings	¥ 133.0
Advance receipt	115.3
Accounts payable	65.9
Total capital and liabilities	¥ 596.7
	314.2



ANDO DENKI K.K.BALANCE SHEET AS OF MAY 31, 1939

	<u>Amount</u>
<u>Assets:</u>	
Plant, property and equipment (net)-	
Land	¥ 59.1
Buildings and permanent fixtures	45.8
Machinery and tools	32.7
Furniture and fixtures	<u>4.7</u> ¥ 142.3
Current assets-	
Cash at banks and on hand	¥ 335.0
Accounts receivable	72.8
Suspense payment	14.3
Inventories	18.1
Marketable securities	25.0
Total assets	465.2 <u>¥ 607.5</u>
 <u>Capital and liabilities:</u>	
Capital stock - authorized	¥ 500.0
Less - Capital unpaid	100.0
Net capital stock issued	¥ 400.0
Surplus including Legal Reserve	70.1
Special reserve	3.0
Current liabilities-	
Bank borrowings	¥ 75.0
Suspense receipts	30.5
Sundry current liabilities	<u>28.9</u>
Total capital and liabilities	134.4 <u>¥ 607.5</u>



ANRITSU DENKI K.K.BALANCE SHEET AS OF MAY 31, 1939

	<u>Amount</u>	
<u>Assets:</u>		
Plant, property and equipment (net)-		
Land, buildings and permanent fixtures	¥ 512.0	
Machinery tools and furniture	<u>225.3</u>	¥ 737.3
Special deposits		18.2
Deferred charges		21.3
Current assets-		
Cash at banks and on hand	¥ 986.1	
Accounts and notes receivable	850.4	
Suspense payment	38.8	
Kobe House account	86.8	
Inventories	5,928.6	
Marketable securities	<u>277.4</u>	<u>8,168.1</u>
Total assets		<u>¥ 8,944.9</u>
 <u>Capital and Liabilities:</u>		
Capital stock		¥ 2,000.0
Surplus including Legal Reserve		309.9
Special reserve		160.0
Reserve for research fund		150.0
Reserve for employees retirement payments		183.2
Current liabilities-		
Suspense receipts	¥ 5,198.4	
Accounts payable	540.3	
Bills discounted	51.7	
Accrued taxes	293.5	
Sundry current liabilities	<u>57.9</u>	<u>6,141.8</u>
Total capital and liabilities		<u>¥ 8,944.9</u>



TOHOKU KINZOKU KOGYO K.K.  
BALANCE SHEET AS OF MAY 31, 1939

		<u>Amount</u>
<u>Assets:</u>		
Plant, property, equipment and intangibles (net)-	¥	250.0
Land	1,610.8	
Buildings	884.6	
Machinery	125.3	
Tools and furniture	554.5	
Construction account	80.0	¥ 3,505.2
Patents		22.0
Investments		4.9
Special deposits		
Current assets-	¥	657.2
Cash at banks and on hand	495.7	
Accounts receivable	1,447.0	2,599.9
Inventories		¥ 6,132.0
Total assets		
 <u>Capital and Liabilities:</u>		
Capital stock - authorized		¥ 7,000.0
Less - Capital unpaid		3,200.0
Net Capital stock issued		¥ 3,800.0
Surplus including Legal Reserve		210.4
Special reserve		10.0
Reserve for employees retirement payments		14.9
Current liabilities-	¥	1,381.0
Bank borrowings	379.0	
Accounts payable	336.7	2,096.7
Sundry current liabilities		¥ 6,132.0
Total capital and liabilities		



IWAKI GLASS SEISAKUJO K.K.  
BALANCE SHEET AS OF MARCH 31, 1939

		<u>Amount</u>
<u>Assets:</u>		
Plant, property, equipment and intangibles (net)-	¥	129.0
Land		424.4
Buildings		323.6
Machinery		25.5
Goodwill	¥	902.5
Current assets-		
Cash at banks and on hand	¥	154.2
Accounts and bills receivable		300.6
Suspense payments		102.0
Inventories		291.1
Marketable securities		33.2
Sundry current assets		1.0
Total assets		<u>882.1</u> <u>¥ 1,784.6</u>
 <u>Capital and Liabilities:</u>		
Capital stock		¥ 1,200.0
Surplus including Legal Reserve		212.3
Special reserve		138.2
Reserve for employees retirement payments		19.1
Current liabilities-		
Accounts payable	¥	32.7
Accrued taxes		106.4
Other current liabilities		75.9
Total capital and liabilities		<u>215.0</u> <u>¥ 1,784.6</u>



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SUMITOMO ELECTRIC INDUSTRIES, LIMITED,  
formerly  
SUMITOMO ELECTRIC WIRE & CABLE WORKS.

The Sumitomo Electric Wire and Cable Works, a Japanese Company, was organized December 11, 1920. Its business consists of manufacturing and selling electric wire and cables (including submarine types), electric apparatus and appliances, hard alloy tools and other machinery and appliances, wires, bars, rods, ropes, tubes, plates, sheets, rivets, boxes, net and various kinds of metals, paint compounds and other materials for insulating purposes, blue vitriol, synthetic rubber and other chemical manufactures, accessories of and piece parts for the above and investment in and management of similar enterprises.

At the time of the organization of this Company Nippon Electric Co, Ltd., was engaged to some extent in the manufacture of telephone wire and cable under rights obtained through a general relations agreement with the Western Electric Co., U.S.A. then a majority owner of Nippon Electric Co., Ltd., common shares. It was decided to consolidate this activity, except for certain excluded items as enamelled wire, cords and switchboard cable, with the activities of the Sumitomo Electric Wire and Cable Works. Accordingly, in 1921 an agreement was entered into between Western Electric Company, Nippon Electric Co., Ltd., and Sumitomo Electric Wire and Cable Works whereby the last named company would receive the Western Electric patents information and so forth through Nippon Electric Co., Ltd., for such items of manufacture as were determined for transfer, and whereby Nippon Electric Co., Ltd. would obtain a 25% interest in the capital shares of Sumitomo Electric Wire and Cable Works. The other principal stockholder of Sumitomo Electric Wire and Cable Works was Sumitomo Goshi Kaisha, later known as Sumitomo Honsha.

When International Standard Electric Corporation and Sumitomo Goshi Kaisha entered into an association of interests in Nippon Electric Co., Ltd. in June 1932, the capital shares of Sumitomo Electric Wire & Cable Works amounted to a total of



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200,000 full and 100,000 half paid shares. Sumitomo Goshi Kaisha transferred 36064 of these shares of Sumitomo Wire and Cable Works, 18032 of which were half paid, to International Standard Electric Corporation for a similar number of Nippon Electric Co., Ltd. shares and, in addition, paid International Standard Electric Corporation, ¥225,400 as more fully described in the preceding section of this report.

As a result of this transaction, the International Standard Electric Corporation's direct and indirect interest in Sumitomo Wire and Cable Works became:

	<u>Total</u>	<u>Fully Paid</u>	<u>Part Paid</u>
Shares Outstanding	300,000	200,000	100,000
Owned by I.S.E.C.	36,064	18,032	18,032
Owned by Nippon Electric Co.Ltd. (then half owned by ISEC) as estimated from records which are not entirely clear	75,000	60,000	25,000

In May 1937 the capital of Sumitomo Electric Wire and Cable Works was increased from 300,000 to 600,000 shares of ¥50 each, and International Standard Electric Corporation took up one half of its portion of the capital increase. Subsequently, as described in the preceding section hereof, relating to Nippon Electric Co., Ltd., International Standard Electric Corporation purchased 66,000 fully paid shares of Sumitomo Electric Wire & Cable Works.

It is not clear from the records available here just what transactions took place in Nippon Electric Co., Ltd., holdings of Sumitomo Electric Wire and Cable Works between June 1932 and October 30, 1939 when Sumitomo Electric Wire and Cable Works again increased its capital, this time by 400,000 shares to a total of 1,000,000 of ¥50 each. However, at the start of this transaction, International Standard Electric Corporation held 120,096 and Nippon Electric Co., Ltd., 36,500 fully paid shares out of a total of 600,000 Sumitomo Electric Wire and Cable Works shares. Nippon Electric Co., Ltd., took up its subscription rights amounting to 24,332 shares.



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International Standard Electric Corporation was handicapped by exchange controls and contracted with Sumitomo Honsha to take up its subscription rights with reference to the new 400,000 shares amounting to 80,064 under an option contract extending for ten years to repurchase such shares and otherwise restore its equity position. See Exhibit 4.

So far as known, no additional capital share financing has been done by Sumitomo Electric Industries. It is understood that additional financing was arranged for at the end of July 1941 by authorizing the issuance of bonds up to ¥30,000,000. If this understanding is correct, the present situation is as follows:-

	<u>Outstanding</u>	<u>I.S.E.C.</u> <u>Owned Option</u>	<u>N.E.Co.</u> <u>(about 1/3)</u> <u>owned by ISEC</u>
Sumitomo Electric Industries fully paid shares	600,000	120,096	36,500
Sumitomo Electric Industries 3/4 paid shares	<u>400,000</u>	<u>80,064</u>	<u>24,332</u>
Total:-	1,000,000	120,096 80,064	60,832
Approximate percentages:		12%    8%	6%

The certificates representing the International Standard Electric Corporation interest in Sumitomo Electric Industries are located as follows:-

New York	54,096 fully paid shares
Osaka	66,000 " " "
"	80,064 three-quarters paid option shares.

So far as known, the shares of Sumitomo Electric Industries not owned by International Standard Electric Corporation are held by Japanese nationals, and the principal Japanese shareholder is Sumitomo Honsha.

The values of International Standard Electric Corporation share holdings in Sumitomo Electric Industries, and its Receivables from Sumitomo Electric Industries as presently shown on the Corporation books, are as follows:-



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- |  |                  |
|--|------------------|
| (1) Share Holdings at cost, not including equity in surplus and surplus reserves | U.S. \$1,442,046 |
| (2) Receivables - Subject to substantial upward adjustment                       | 98,815           |

(NOTE 1 - The Nippon Electric Co., Ltd., investment in Sumitomo Electric Industries shares at October 1939 was shown as ¥1,825,000).

(NOTE 2 - There is also a Receivable from the Sumitomo Steel Works in the amount of ¥100,000 payable for outright purchase of rights and engineering information which exchange controls prevented from being settled, and which dates from July 1937).

The above figures, of course, are subject to proper adjustments when full information can be obtained on which to base such adjustments.

Besides the financial relationship described above, there is an agreement between International Standard Electric Corporation, Nippon Electric Co., Ltd., and Sumitomo Electric Industries extending to December 31, 1949 which grants the last named Company a non-exclusive license to manufacture and sell certain designated cables, with reciprocal rights from Sumitomo Electric Industries to International Standard Electric Corporation, for royalty to be paid by Sumitomo Electric Industries to International Standard Electric Corporation, amounting to 1% of sales but not less than ¥50,000 per annum. See Exhibit 2.

The Directors of the Sumitomo Electric Industries, according to records in New York just prior to hostilities, were:

Masatsune Ogura	Chairman	Osaka
Sadatoshi Bekku		Osaka
James E. Fullam		New York
Shunnosuke Furuta		Osaka
Takeshi Fajii		Tokyo
Masakazu Nishida		Tokyo
Tadayoshi Obata		Osaka
Sadakatsu Shinozuka		Osaka
Yoshio Tanaka		Osaka
Nobuo Yamamoto		Osaka

The output of the Company, based on gross sales, was probably around ¥60,000,000 for the year 1940. This would indicate an organization of 5,000 to 6,000 persons.



SUMITOMO ELECTRIC INDUSTRIES, LIMITED

formerly

SUMITOMO ELECTRIC WIRE AND CABLE WORKS LTD.Financial Information

The Company's financial position at the dates indicated below was as follows:

		June 30, 1941	December 31, 1940	December 31, 1939	June 30, 1939
<u>Assets:</u>					
Plant, property and equipment	Yen	22,344.2	20,311.3	13,830.6	12,576.6
Investments and loans		30,681.2	29,034.2	21,376.1	19,551.9
Special deposits		377.5	326.6	220.0	172.0
Current Assets-					
Cash at banks and on hand		2,323.1	5,213.9	12,675.8	2,341.0
Accounts receivable		22,985.4	11,540.3	12,664.4	12,468.7
Inventories		35,853.8	34,792.5	19,711.9	19,869.5
Bonds		139.0	139.0	-	-
Other assets		105.9	126.5	-	-
Total current assets	Yen	<u>61,407.2</u>	<u>51,812.2</u>	<u>45,052.1</u>	<u>34,679.2</u>
Total assets	Yen	<u>114,810.1</u>	<u>101,484.3</u>	<u>80,478.8</u>	<u>66,979.7</u>
<u>Capital and Liabilities:</u>					
Capital stock- authorized	Yen	50,000.0	50,000.0	50,000.0	30,000.0
Less- Capital unpaid		5,000.0	5,000.0	5,000.0	-
Net Capital stock issued	Yen	<u>45,000.0</u>	<u>45,000.0</u>	<u>45,000.0</u>	<u>30,000.0</u>
Surplus		4,331.0	4,280.2	3,791.5	3,518.1
Reserves-					
Legal reserve		6,550.0	6,370.0	6,030.0	5,870.0
Special reserve		5,800.0	4,800.0	3,600.0	3,000.0
Reserve for future dividends		2,000.0	2,000.0	2,000.0	2,000.0
Reserve for plant expansion		850.0	850.0	500.0	-
Reserve for technical study and research		1,800.0	1,600.0	1,200.0	1,000.0
Reserve for pension- employees workmen		800.0	800.0	400.0	200.0
Sundry reserves		377.5	326.6	220.0	172.0
		4,654.6	4,458.1	-	-
Current liabilities-					
Notes payable		23,563.5	20,985.0	7,000.0	11,000.0
Accounts payable		16,310.6	7,325.9	8,291.4	7,862.5
Employees savings accounts		2,772.9	2,688.5	2,445.9	2,357.1
Total current liabilities	Yen	<u>42,647.0</u>	<u>30,999.4</u>	<u>17,737.3</u>	<u>21,219.6</u>
Total capital and liabilities	Yen	<u>114,810.1</u>	<u>101,484.3</u>	<u>80,478.8</u>	<u>66,979.7</u>



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The original, and so far as known, main plant of Sumitomo Electric Industries, was located at 60 Okijima Minamino-Cho, Konohanaku, Osaka. There was a separate plant in Osaka about two miles distant from the main plant where submarine type cable was manufactured. The general office building was modern reinforced concrete construction of three or four stories, but the bulk of the buildings were steel frame open shed type of construction.

It is believed Sumitomo Electric Industries also had several branch offices but no information is available here as to the locations.

There were some indications in 1940 that a second large plant might be under construction, but the project, if one existed, was under a security black out and nothing definite is known here regarding it.

Sumitomo Electric Industries is known to have had an interest, perhaps as much as 40%, in the Fujikura Electric Cable Works. There is no information available here on this interest company, and no information on whether other similar investments had been made. However, it seems doubtful whether there were such investments in any important amount.

The attached contains the latest financial data available here with respect to Sumitomo Electric Industries.



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MISCELLANEOUS AGREEMENTS COVERING  
PATENT INFORMATION ETC.

In addition to the two agreements between International Standard Electric Corporation and Nippon Electric Co., Ltd., and between International Standard Electric Corporation, Nippon Electric Co., Ltd., and Sumitomo Electric Industries, already mentioned, the following miscellaneous agreements are known to have been in existence. As these agreements were less important, full copies have not been included in this report.

1. An agreement between Nippon Electric Co., Ltd. and Toyo Wireless Telephone and Telegraph Co., dated October 16, 1934 extending to October 16, 1939 with provision for an extension of 5 years, granting Toyo the right to manufacture and sell carrier current and repeater equipment, for a royalty payment to Nippon Electric Co., Ltd. of 5% on sales.
2. An agreement between Nippon Electric Co., Ltd. and Fuji Electric Co., Ltd. dated November 1, 1934 and extending to November 1, 1944, covering a mutual exchange of patents between the two companies with respect to a type of automatic telephone Central Office designated the "Tokyo" system, representing equipment produced by Nippon, and a type designated the "Usaka" system, representing equipment produced by Fuji. Nippon Electric Co., Ltd. was to pay Fuji Electric Co., Ltd. a royalty on equipments using the Osaka system, and vice versa.
3. An agreement between International Standard Electric Corporation and Sumitomo Steel Company, dated September 30, 1934 extending to Sept. 29, 1939 and thereafter until terminated, granting the Sumitomo Steel Company the right to manufacture and sell all types of loading coil, dust cores in Japan and Colonies for a flat payment to International Standard Electric Corporation of ¥150,000, 50,000 of which was for account of Nippon Electric Co., Ltd.
4. An agreement between Standard Telephones and Cables Ltd., London, a wholly owned subsidiary of International Standard Electric Corporation, and Sumitomo Electric Industries, dated January 2, 1938 and extending to June 1, 1948, covering the manufacture and sale of power cable and accessories under patents owned and controlled by Standard Telephones and Cables; Sumitomo Electric Industries to pay Standard Telephones and Cables 5% plus 25,000 Yen per annum on all cable and accessories using the latter's patents.
5. An agreement between International Standard Electric Corporation, Sumitomo Electric Industries and Fujikura Electric Cable Works, dated February 1, 1926 extending to August 31, 1947, under which Sumitomo Electric Industries had granted Fujikura a sub-license with reference to the manufacture of cables using a cotton binding process developed by International Standard Electric Corporation.



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6. An agreement dated November 2, 1936 under which Nippon Electric Co., Ltd. secured exclusive rights for the Empire of Japan, Republic of China, Manchukuo and Siam from Franz Georg Block, Earl Frichs and Frederich Frichs under Rototherm patents for mechanical thermometers on payment of a royalty of 5 cents for each household type of thermometer, and 12½% on thermostats, temperature measuring or control instruments.
7. An agreement dated April 24, 1939 for the lives of the patents covering transfer to Nippon Electric Co., Ltd. of patents purchased by International Standard Electric Corporation from Finch Telecommunications Laboratories Inc., and relating to production of telegraph equipment in Japan and Manchukuo.
8. A contract between Nippon Electric Co., Ltd. and Weston Electrical Instrument Company relating to the manufacture of certain electrical machinery and instruments under Weston patents with information to be obtained from Weston.



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SUMMARY OF EXHIBITS

1. Patent Agreement between International Standard Electric Corporation and Nippon Electric Co., Ltd.
2. Patent Agreement between International Standard Electric Corporation, Nippon Electric Co., Ltd., and Sumitomo Electric Wire and Cable Works.
3. Agreement of January 10, 1938 and certain supplementary letters between International Standard Electric Corporation, Sumitomo Honsha and Sumitomo Electric Wire & Cable Works with reference to increase of Nippon Electric Co., Ltd. capital from 250,000 to 600,000 shares.
4. Agreement of October 30, 1939 between International Standard Electric Corporation and Sumitomo Honsha covering sale of 25,400 Nippon Electric Co., Ltd., shares to Sumitomo Honsha and transfer of International Standard Electric subscription rights with reference to 80,064 Sumitomo Electric Industries shares under ten year option to International Standard Electric Corporation to reacquire both blocks of shares together with clarifying letter exchanged under date of Feb. 15, 1940.
5. Agreement of January 6, 1940 between International Standard Electric Corporation, Sumitomo Honsha and Sumitomo Electric Industries under which last named company was substituted for Sumitomo Honsha with reference to the sale under option of 25,400 Nippon Electric Co., Ltd. shares.
6. Letter of October 30, 1939 exchanged between International Standard Electric Corporation and Sumitomo Honsha with reference to future financing of Nippon Electric Co., Ltd. and Sumitomo Electric Industries.
7. Letter of May 4, 1936 covering understanding between International Standard Electric Corporation and Nippon Electric Co., Ltd. regarding registration of certain patents in Manchukuo.



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P A T E N T S

There are approximately 322 Japanese patents and 124 applications pending of International Standard Electric Corporation at present, which are filed in Japan in the name of Nippon Electric Co., Ltd. and approximately 409 patents and 707 applications pending, filed in the name of International Standard Electric Corporation.

In addition, there are 19 patents and 33 pending applications filed in the name of individuals or other companies which we are interested in and to which we have rights.

The value of these patents is not reflected in the balance sheet of International Standard Electric Corporation but, based on royalties connected therewith, it is estimated that they are worth in excess of \$1,000,000.

These patents were originated directly by International Standard Electric Corporation or associated or affiliated companies or obtained as a result of contractual relations, principally with Western Electric Company Inc., New York.

There are also presumed to be certain Manchukuo patents and applications which in reality are the property of International Standard Electric Corporation but were filed on its behalf by and in the name of Nippon Electric Co., Ltd. on account of political conditions obtaining at the time. In this connection please see Exhibit 7 hereof.



MEMORANDUM OF AGREEMENT made this tenth day of January, 1938, between INTERNATIONAL STANDARD ELECTRIC CORPORATION, a corporation organized and existing under the laws of the State of Delaware and having its principal office at 67 Broad Street, New York, United States of America, (hereinafter referred to as "Standard") and NIPPON ELECTRIC COMPANY, LIMITED, a corporation organized and existing under the laws of Japan and having its principal office at No. 2 Mita Shikokumachi, Shiba-ku, Tokyo, Japan, (hereinafter referred to as the "Nippon Company").

WHEREAS, Standard has, over a long period of years and at great expense, built up an organization of technical, engineering and manufacturing experts for the development of the sciences of telephony and telegraphy, both wire and wireless, and, through contracts with the principal manufacturers of telephone apparatus and equipment in all parts of the world, obtains the use and benefit of inventions and developments made by such manufacturing organizations in the arts of telephony and telegraphy; and

WHEREAS, the Nippon Company realizes that telephony and telegraphy are still comparatively undeveloped sciences, in which new inventions of great importance are being made from day to day, and that to keep abreast of such developments it is necessary to maintain research and development laboratories with a staff of highly trained electrical engineers; and

WHEREAS, the Nippon Company is desirous of obtaining the benefits of the advice and assistance of Standard's staff of experts to the end that it may be kept advised of and have the right to use the latest developments in the arts of telephony and telegraphy and the most modern methods of efficiency in manufacturing, engineering and business management, without devoting the time and incurring the expense necessary to develop and maintain a complete staff of engineers for such research and development work on its own part.



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NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth and the payment by the Nippon Company to Standard of the sum of Five dollars (\$5.00), the receipt of which is hereby acknowledged, it is agreed between the parties as follows:

## ARTICLE I.

TERRITORY

The territory of the Nippon Company, when hereinafter referred to, shall be deemed to consist of the countries or territories enumerated in Schedule A., annexed hereto, as constituted at the date of this agreement.

The territory of Standard, when hereinafter referred to, shall be deemed to consist of all countries other than those included in the territory of the Nippon Company as herein defined.

## ARTICLE II.

SERVICES TO BE PERFORMED BY STANDARD FOR NIPPON

1. Standard agrees to maintain during the life of this agreement a General Staff of experts and engineers, especially trained and of acknowledged proficiency in their respective fields, which shall render the following services for the Nippon Company:

a. Manufacturing

It shall, upon request, furnish suitable plans for the erection or remodelling of factory buildings and the character and layout of machinery required and shall lend the Nippon Company experts to supervise the construction of such factory buildings, the installations of machinery, the organization of factories and the improvement of methods of production in accordance with the most modern methods for efficiency.

b. Sales

It shall maintain a general sales organization which shall keep in touch with conditions relating to the sale of telephone apparatus and equipment throughout the world to the end that the Nippon Company shall be kept advised of competitive conditions and world prices in the telephone business.



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c. Business Management

It shall furnish such advice and assistance as may be necessary for the installation and maintenance of a modern system of accounts, merchandising and clerical methods in connection with the operations of the Nippon Company.

d. Development and Research Work

It shall, upon request, furnish experts to aid by research and development work in the solution of engineering or manufacturing problems relating to the business of the Nippon Company.

It shall maintain laboratories and a competent and skilled staff of engineers and experts for the development of the arts of telephony and telegraphy along lines which shall keep the Nippon Company abreast of improvements and discoveries in these arts in other parts of the world, and shall promptly communicate to the Nippon Company full information concerning such developments as soon as standardized.

e. Patent Protection

It shall prepare applications for patents in the territory of the Nippon Company pursuant to the provisions of Section 4 of Article III hereof and advise with and assist the Nippon Company to obtain, maintain and protect from infringement, so far as practicable, patents in the territory of the Nippon Company.

In addition, it shall advise the Nippon Company, when so requested, in regard to outstanding patents which may effect the business of the Nippon Company and shall furnish the Nippon Company with information and advice as to the relative importance of any patentable invention in connection with other inventions of a similar type or character, its relation to other inventions patented by it or by the corporations listed in Schedule B., annexed hereto, and the probable extent of the use of such invention in the field of telephony and telegraphy.

f. Personnel

It shall assist the Nippon Company in selecting and obtaining such employees as require special fitness or training and, to the best of its ability, will endeavor to arrange for the reception into the organization of the corporations listed in said Schedule B., of a reasonable number of men designated by the Nippon Company for the purpose of studying the methods and practices followed by said corporations.

g. General

In general it shall give to the Nippon Company all information in regard to sales and business methods and tech-



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nical, engineering and manufacturing matters which it may possess or acquire and shall give assistance to the Nippon Company in every way so that it shall have the benefits of the wide and varied experience of Standard and the corporations listed in Schedule B.

2. Reservations

All information and advice given by Standard to the Nippon Company is for the latter's exclusive use and shall be kept confidential and not furnished or sold to any other person, firm or corporation, except with the written permission of Standard. Standard shall not be responsible in connection with the information or advice so furnished or the special services hereinabove agreed to be performed except to act in good faith and to exercise reasonable care in the selection of its employees and agents assigned to such work.

Except to the extent that Standard is hereby expressly required to furnish experts to the Nippon Company for performance of services within the territory of the latter, the general and special services herein agreed to be rendered by Standard shall be rendered outside the territory of the Nippon Company and this contract shall not be construed to impose any obligation on Standard to take any action or perform any services within the territory of the Nippon Company.

The salary and expenses of any experts furnished or loaned by Standard to the Nippon Company, for service within the territory thereof, shall be for the account of the Nippon Company, and, unless otherwise agreed, while so engaged, such experts shall be deemed to be acting for and in the employ of the Nippon Company.

ARTICLE III.

PATENTS

1. Standard agrees to notify the Nippon Company of all inventions with respect to which patent rights for the territory of the Nippon Company are now, or shall be hereafter during the term of this contract, owned or con-



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trolled by Standard.

2. Standard agrees to furnish to the Nippon Company, upon request and at the actual cost thereof, copies of all patent applications, specifications, drawings or other data relating to any of the inventions herein above referred to.

3. Subject to the reservations, conditions and limitations, herein stated, Standard hereby grants and agrees to grant to the Nippon Company the following rights (so far as and to the extent that Standard has, or shall acquire or control such rights) in, to and under all said patent rights;

- a. To make, use, lease and sell apparatus and equipment covered by said patent rights and to use and practice all methods and processes in connection therewith.
- b. To grant licenses thereunder for all or any part of the terms of the respective patents with the written consent of Standard (which shall not, however, be unreasonably withheld), which licenses may be exclusive during the term of this agreement, but which shall be non-exclusive and non-assignable in any respect after the termination of this agreement.
- c. To take, hold and maintain in the name of the Nippon Company, the patents above referred to in and for the territory of the Nippon Company.
- d. To bring and prosecute suits for infringements of said patent rights.

4. Upon request of the Nippon Company and payment of the actual cost thereof, Standard agrees to execute assignments to the Nippon Company of any and all right, title and interest it may have in said patent rights necessary to secure to the Nippon Company the enjoyment of the rights referred to in the preceding paragraph.

5. If the Nippon Company does not, within two months from the receipt of notice from Standard concerning an invention in respect to which the Nippon Company is entitled to patent rights hereunder, give definite written advice as to what action it has taken with respect to such invention, Standard shall take such action with respect thereto as, in the exercise of its sole discretion it deems best.



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If the Nippon Company shall notify Standard that it does not desire to make an application for a patent or patents on an invention with respect to which it is entitled to rights hereunder or that it does not desire to maintain a patent or patents already issued, Standard shall thereafter have the right to apply for or maintain such patent or patents for its sole use and benefit. In either case, the Nippon Company shall give Standard written notice of its intentions in ample time to permit Standard to protect its interest in such inventions or patents.

6. In case the Nippon Company shall exploit any patent rights or technical information derived from Standard under this contract by the grant of licenses or rights under Section 3 of this article, upon a royalty basis or for cash or stock or any other form of consideration, the Nippon Company shall pay to Standard, at Standard's option, either 50% of such consideration or the amount of the royalties specified in Article VI 1 (b). Nippon Company agrees not to grant any such licenses or rights unless the consent of Standard has previously been secured.

7. Upon termination of this agreement, whether by lapse of time or otherwise all the patents and applications for patents held or made by the Nippon Company for inventions derived from Standard shall be assigned to Standard or its nominees free and clear of all licenses or other encumbrances, except that where such termination occurs under the terms of paragraph 1 of Article VII hereof, a non-exclusive, non-assignable license, under such patents and applications, shall be retained by the Nippon Company and by its successors and assigns (and, where such termination shall have occurred under the terms of either paragraph 1 or 2 of said Article VII, a non-exclusive, non-assignable license under such patents and applications shall be retained by any licensees to whom a license shall have been granted under Section 3 of this article) to make or cause to be made, and to use, lease and sell apparatus (and to use and practice methods and processes) covered by said patent rights for the remainder of the respective terms thereof.



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8. Nothing in this agreement shall be construed as expressing or implying any warranty or agreement by either party as to the validity scope or legal effect of any patent or as to freedom from infringement of any patent.

#### ARTICLE IV

##### SALES ARRANGEMENT

1. Standard hereby appoints the Nippon Company its exclusive distributor for the sale in the territory of the Nippon Company of all apparatus, equipment and merchandise, whether patented or not, which Standard has or may hereafter have the right to sell for export, including that made by the Western Electric Company, and the Nippon Company agrees to use its best endeavors to develop the sale thereof and agrees to purchase from Standard and/or Standard's associated companies all such apparatus, equipment or merchandise, other than that of like kind and character manufactured by the Nippon Company, which the Nippon Company requires in its business and which Standard can furnish upon terms as favorable as those offered by others; provided, however, that nothing herein contained shall prevent the Nippon Company from purchasing any merchandise of Japanese origin in its territory where such purchase is clearly in the interest of the Nippon Company.

2. Standard agrees to sell said apparatus, equipment and merchandise to the Nippon Company at prices not in excess of and upon terms as favorable as those at which Standard from time to time sells like quantities and kinds of apparatus, equipment or merchandise to its most favored customers.

#### ARTICLE V

##### WARRANTIES BY STANDARD

1. Standard represents and warrants that it has a contract with the Western Electric Company, Inc., in which it is agreed that Standard shall, up to and until September 30th, 1940, receive:



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- a. All patent rights for the territory of the Nippon Company relating to inventions in the arts of telephony and telegraphy (as defined in said contract) owned or controlled by said Western Electric Company Inc. the Bell Telephone Laboratories, Inc. and the American Telephone and Telegraph Company.
  - b. Such general manufacturing information relating to the field in which Standard receives the patent rights above referred to as said Western Electric Company, Inc. may possess prior to September 30, 1940 and have the right to furnish others.
  - c. The exclusive right to sell, in the territory of the Nippon Company, all apparatus, equipment and merchandise which said Western Electric Company, Inc. has the right to sell in such territory prior to September 30, 1940.
2. Standard hereby agrees to grant to the Nippon Company for the territory of the said Nippon Company, as defined herein, all rights of whatever nature which Standard shall obtain from Western Electric Company under and pursuant to the aforesaid contract, and to perform for the Nippon Company all services which Standard may be entitled to so perform, as a result of like services performed for it by Western Electric Company pursuant to said contract, subject to the limitations defined in the said contract.
3. Standard agrees to do its best in good faith to maintain during the period from September 30, 1940, to the termination date of this agreement such contractual relations with Western Electric Company as will enable Standard to furnish to Nippon rights under patents and technical information derived from Western. In case Standard shall be unable to so furnish patent rights and technical information derived from Western, the amount of the royalty payable by Nippon hereunder shall be reduced as mutually agreed by the parties hereto.
4. Standard represents and warrants that it has contracts with the companies listed in Schedule B. annexed hereto, whereby it is entitled to receive from said companies rights and benefits similar to those enumerated in the preceding section numbered 1, and undertakes to exercise its best efforts to maintain such relations with said companies, during the life of this agreement as will insure its continued ability to receive and transmit such rights and benefits to the Nippon Company.



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5. Standard represents and warrants that it has, previous to the coming in force of the present agreement, furnished to the Nippon Company full information concerning any obligations, restrictions or limitations in any way adversely affecting any of the rights herein granted or agreed to be granted, and the Nippon Company agrees to accept and be bound by all such obligations, restrictions and limitations.

## ARTICLE VI.

UNDERTAKINGS OF THE NIPPON COMPANY

1. (a) The Nippon Company agrees to reimburse Standard for the cost of any general or special services rendered under Article II hereof, as and when determined by Standard, provided, that such cost shall always be determined upon the same basis as that which Standard accords the corporations listed in Schedule B, annexed hereto.

(b) In addition, the Nippon Company agrees to pay Standard quarterly in each year during the term of this contract, as special compensation for the rights herein granted and agreed to be granted and the technical information and export services agreed to be furnished, an amount equal to 2% upon all sales of apparatus or equipment whether patented or unpatented now regularly classed by Standard as telephone, telegraph or radio apparatus or equipment or which may be hereafter classed as such, telegraph printing apparatus however to be specifically excluded; provided, however, that an amount equal to 1% shall be paid upon all sales of apparatus or equipment of the type now known as "Osaka System", provided, further, that for products on which Standard must pay Western Electric Company (or E.R.P.I.) 1-1/2% or more of Nippon Company shall pay 1% in excess of such rates. The special rates which the Nippon Company is obligated to pay on this basis at the present time are as follows:



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Terminal apparatus for deep sea cables - 100 to 200 miles in length and short length systems	6%
Terminal apparatus for deep sea cables over 200 miles	11%
Picture transmission	5%
Radio television	6%
Television additions to telephone stations	6%
Telephone-television installations	3-1/2%
Television receiving sets	6%
Telephone-television receiving apparatus	3-1/2%
Radio gramophones	3-3/4%
Sound recording and reproducing from record apparatus	6%

The aforesaid payment to Standard shall be free of any taxes which may be imposed by the Japanese Government.

(c) It is understood and agreed that if at any time the net profits (which shall mean net income as shown on line 23 of the Condensed Summary of Results Report) of Nippon plus any special depreciation charges shall be less than 4% of the total amount paid in on Nippon's issued and outstanding capital stock, a royalty rate of 1.75% shall be charged during the period such condition continues instead of the rate of 2% specified in paragraph (b) immediately preceding.

(d) The payments above provided for are in addition to any amounts paid on account of experts furnished or loaned to the Nippon Company by Standard for services within the territory of the Nippon Company, under Article II hereof, or for any other special services.

2. The Nippon Company shall forward to Standard, on or before the 10th day of each month, true statements of all sales subject to the payment above mentioned, which shall have been made during the preceding month. Standard shall have the right to make an annual audit of all books and accounts contain-



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ing records of sales which are subject to such payment.

The Nippon Company shall make all payments due under Section 1-a of this Article on or before the 15th day of the month following the month in which such payments accrue, and all payments due under Section 1-b of this Article on the 15th day of the month following the quarter in which such payments accrue, and such payments if not made when due shall commence to bear interest thereafter. Until otherwise agreed, the interest rate is as set forth in Paragraph 3 of Appendix C.

3. The Nippon Company agrees to notify Standard promptly of all inventions in respect of which it may, during the term of this contract, own or control patent rights for countries outside of the territory of the Nippon Company and agrees upon payment by Standard of the actual cost thereof to assign to Standard all its right, title and interest in and to such patent rights; provided, however, that "Rototherm Thermometer", for the manufacture and sale of which Nippon has obtained exclusive rights in China and Siam, shall be excluded from the obligation expressed in this paragraph.

The Nippon Company agrees to furnish to Standard full information which may be required in order that inventions under which Standard is entitled to such patent rights may be properly protected.

4. The Nippon Company agrees, upon request, to furnish to Standard, at the actual cost thereof, copies of drawings and data as to all types of such apparatus as the Nippon Company may from time to time regularly manufacture (or have manufactured for it for sale, and models and samples of such apparatus not intended themselves for re-sale or commercial use). Such actual cost shall include the direct expense for labor and material plus the usual "shop loading" (where shop work is involved) plus 10% of these items to cover the cost of handling the order but shall not include cost of development and engineering and general administrative overhead expense.



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5. The Nippon Company agrees, upon request, to furnish to Standard, information and special expert services similar to those described in Article II hereof, to be furnished by Standard to Nippon as it shall from time to time possess or be in a position to furnish. All such special expert services shall be furnished at cost. Standard shall have the right to furnish such information to and perform similar services for any companies with which it has contractual or trading relations.

6. The Nippon Company agrees to give Standard or its nominees the exclusive distribution, in all countries outside the territory of the Nippon Company, of all apparatus, equipment or merchandise, whether patented or not, which the Nippon Company has the right to sell for export. It shall accord to Standard or its nominees prices not in excess of and terms as favorable as those at which the Nippon Company from time to time sells like quantities and kinds of apparatus, equipment or merchandise to its most favored customers.

## ARTICLE VII

TERM

1. This agreement shall be considered as coming into force and effect on January 1, 1938, and, unless sooner terminated as herein provided, it shall continue in force and effect until September 30, 1950, and shall be automatically extended thereafter from year to year unless either of the parties hereto shall give six months notice in writing of its intention to terminate the same.

2. If either party or its successors shall at any time during the continuance of this agreement become bankrupt or insolvent this agreement shall forthwith terminate unless the other party shall thereafter give written notice, electing to continue this agreement in force for such term (within the term of this agreement) as the party giving such notice shall specify.



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## ARTICLE VIII

CANCELLATION OF PREVIOUS CONTRACTS

It is mutually agreed between the parties hereto that the contract between said parties dated September 30, 1926, shall be cancelled as of the date and time of the execution of the present contract.

## ARTICLE IX.

ASSIGNABILITY.

This contract shall inure to the benefit of and be binding upon the parties hereto and upon the assignees of and successors to substantially the entire good will and business of said parties respectively. It shall not be assignable by either party without the written consent of the other, except to the successors and assigns of that portion of the business of such party pertaining to the entire subject matter of this contract.

## ARTICLE X.

LAW GOVERNING CONTRACT

The parties hereto accept the law of the State of New York as governing this contract and agree to be bound by said law in the interpretation hereof.

IN WITNESS WHEREOF the parties hereto have caused these presents to be executed in Tokyo by their proper officers or attorney in fact, duly authorized thereto, as of the day and year first above written.

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By  
(Signed) ANNIS G. JILLARD

ATTEST:

A. F. CLEMENT (Signed)

AND F. SHIDA (Signed)

The Common Seal of Nippon Electric Company, Limited, was  
hereunto affixed in the presence of (Signed) K. Ishikawa



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SCHEDULE A

The territory of the Nippon Company is as follows:

The Japanese Empire and Manchoukuo.



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SCHEDULE B

Bell Telephone Manufacturing Company 4 Rue Boudewyns	Antwerp
China Electric Company, Limited 269 Lay Road, Yangtsepoo,	Shanghai
Compania Standard Electric Argentina Calle Cangallo 1286	Buenos Aires
Kolster-Brandes Limited Cray Works, Sidcup	Kent, Eng.
Le Materiel Telephonique 46, Quai de Boulogne, Boulogne-Billancourt	Paris
Standard Electric Aktieselskab Gyldenlovesgade 1,	Copenhagen
Standard Electrica Praca dos Restauradores 47-1,	Lisbon
Standard Electrica Romana, S.A. 37 Calea Victoriei	Bucharest
Standard Electrica, S.A. Calle Ramirez de Prado, 7	Madrid
Standard Electric Company w. Polsce Sp.z.O.O. Wspolna 53,	Warsaw
Standard Telephones and Cables, Limited Connaught House, 63 Aldwych	London, W.C.2
Standard Telephones and Cables (Australasia), Ltd. 71 York Street	Sydney
Standard Telefon-og Kabelfabrik A/S P.O. Box 749	Oslo
Standard Telephon und Radio A.G. Seestrasse, 395	Zurich
Standard Villamossagi Reszveny Tarsasag Ujpest 4	Budapest
Vereinigte Telephon-und Telegraphenfabriks- Aktien-Gesellschaft Czeija, Nissel & Co. Dresdner Strasse 75,	Vienna



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APPENDIX C

## Prices, Terms and Interest Rate.

- (1) Merchandise of the manufacture of Standard or its associated companies shall be billed in accordance with prices quoted from time to time by Standard and/or its associated companies to each other and in accordance with the provisions of Article IV and shall be payable and commence to bear interest on the 15th day of the month following the date of bills for such merchandise.
- (2) Merchandise not of the manufacture of Standard or its associated companies shall be billed at cost thereof to the party making the sale; cash discounts deducted plus the usual service charges current between the Standard and its associated companies shall be payable as and when billed and shall commence to bear interest from the 15th day of the month in which bills are rendered.
- (3) Interest shall be at the rate of 6% per annum until the end of the current calendar year in which such interest begins to run and thereafter at the rate of 7% per annum.



MEMORANDUM OF AGREEMENT made this 15th day of November, 1937 by and between INTERNATIONAL STANDARD ELECTRIC CORPORATION, a corporation organized and existing under the laws of the State of Delaware, and having its principal office at 67 Broad Street, New York, New York, U.S.A., (hereinafter called "Standard"), NIPPON ELECTRIC COMPANY, LIMITED, a corporation organized and existing under the laws of the Empire of Japan, and having its principal office at 2 Mita Shikokumachi, Shibaku, Tokyo, Japan, (hereinafter called "Nippon"), and THE SUMITOMO ELECTRIC WIRE AND CABLE WORKS, LIMITED, a corporation organized and existing under the laws of the Empire of Japan, and having its principal office at 60 Okijima Minaminocho, Konohanaku, Osaka, Japan, (hereinafter called "Sumitomo");

WHEREAS Sumitomo is engaged in the manufacture, among other things, of telephone and telegraph cables, and Standard is in a position to impart valuable secret engineering and manufacturing information to Sumitomo as well as to license Sumitomo to use in the Empire of Japan patents and patent rights relating to telephone and telegraph cables, and

WHEREAS Nippon is engaged in the manufacture of telephone and telegraph equipment useful in connection with telephone and telegraph cables, and

WHEREAS it is considered mutually desirable and advantageous that Standard extend to Sumitomo the benefits of the patents, patent rights and secret information, hereinabove described, to the extent hereinafter provided, and that Nippon and Sumitomo mutually assist each other in the respects hereinafter set forth, and

WHEREAS Standard and Sumitomo are each financially interested in Nippon, and Standard and Nippon are each financially interested in Sumitomo.



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WITNESSETH:

THAT for and in consideration of the premises and of the mutual covenants hereinafter contained the parties hereto agree as follows:

I. SCOPE.

This agreement covers all dry core paper or pulp insulated lead covered telephone and/or telegraph cables including those intended for use either with loading coils or with repeaters or with carrier current equipment or with any combination thereof up to frequencies of 20,000 cycles per second. This agreement does not include co-axial cables and other cables designed for frequencies in excess of 20,000 cycles per second, or any future developments thereof, submarine cables and continuously loaded cables.

With respect to co-axial cables and other cables designed for frequencies in excess of 20,000 cycles per second, and future developments thereof Standard agrees that it will reserve all of its rights for Sumitomo for the territory of this agreement until such time as either (a) Sumitomo may undertake the manufacture of such cables under other than Standard rights, or, (b) such cables have been adopted for extensive use either in Europe or the United States and Standard further agrees that while its co-axial cable rights, and its rights on cables designed for frequencies in excess of 20,000 cycles per second, are so reserved Sumitomo shall have the right to acquire rights thereunder at any time at a royalty rate at least as low as that paid Standard by any other licensee with the exception of controlled associated companies.

II. TERRITORY.

The territory of this agreement shall be deemed to consist of the Empire of Japan as now constituted.



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III. DEFINITIONS.

(a) The term "Standard Patents" as used herein means inventions, applications for patents, patents and patent rights including those derived from Western Electric Company, Inc. of New York and including those owned or controlled by Nippon, now owned or controlled by, or which may be owned or controlled by Standard during the period of this agreement or with respect to which Standard may have the right to grant licenses to Sumitomo of the character and scope herein stated.

(b) The term "Total Invoice Value" as used herein means the total amount charged to and/or collected from the customer.

IV. LICENSES.

(a) Standard agrees to grant and hereby grants to Sumitomo an exclusive non-assignable license under Standard patents to make, use and sell in the Empire of Japan cables covered by Article I of this agreement for the term specified herein.

(b) Sumitomo shall have the right to grant non-exclusive sub-licenses in the Empire of Japan subject to approval by Standard as to the terms and conditions thereof.

V. FILING, PROSECUTION AND MAINTENANCE  
OF PATENT APPLICATIONS AND PATENTS.

(a) Standard agrees to notify Sumitomo of all inventions with respect to which patent rights for the territory of this agreement are now, or shall be hereafter during the term of this agreement, owned or controlled by Standard.

(b) Standard agrees to furnish to Sumitomo, upon request and at the actual cost thereof, copies of all patent applications, specifications, drawings or other data relating to any of the inventions herein referred to.

(c) Subject to the reservations, conditions and limitations, herein stated, Standard hereby grants and agrees to grant to Sumitomo the right, at



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the expense of Sumitomo, to take hold and maintain in the name of Sumitomo, the patents above referred to in and for the territory of this agreement, and to bring and prosecute suits for infringement of said patents; and Sumitomo agrees to maintain such patents at its own expense.

(d) Upon request of Sumitomo and payment of the actual cost thereof, Standard and Nippon, respectively, agree to execute assignments to Sumitomo of any and all right, title and interest each may have in said patent rights necessary to secure to Sumitomo the enjoyment of the rights referred to in the preceding paragraph (c).

(e) If Sumitomo does not, within three months from the receipt of notice from Standard concerning an invention in respect to which Sumitomo is entitled to patent rights hereunder, give definite written advice as to what action it has taken with respect to such invention, Standard shall take such action with respect thereto as, in the exercise of its sole discretion it deems best.

If Sumitomo shall notify Standard that it does not desire to make an application for a patent or patents on an invention with respect to which it is entitled to rights hereunder or that it does not desire to maintain a patent or patents already issued, Standard shall thereafter have the right to apply for or maintain such patent or patents for its sole use and benefit. In either case, Sumitomo shall give Standard written notice of its intentions in ample time for Standard to protect its interest in such inventions or patents.

(f) Upon termination of this agreement, whether by lapse of time or otherwise, all the patents and applications for patents held or made by Sumitomo for inventions derived from or through Standard shall, at the expense of Sumitomo, be assigned to Standard or its nominee free and clear of all sub-licenses or other encumbrances.



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(g) Nothing in this agreement shall be construed as expressing or implying any warranty or agreement by Standard as to the validity, scope or legal effect of any patent or as to freedom from infringement of any patent.

#### VI. TECHNICAL INFORMATION.

(a) Standard agrees to furnish to Sumitomo from time to time upon request and without charge such general manufacturing information relating to cables as defined in Article I hereof as Standard possesses or which it may acquire or have the right to acquire during the term of this agreement.

(b) Copies of drawings, blue prints, specifications and manufacturing and engineering data of cables as defined in Article I hereof which may be available to Standard shall be promptly furnished by Standard to Sumitomo upon the latter's request at the actual cost of furnishing the same.

(c) All information furnished by Standard under this agreement shall be for the exclusive use of Sumitomo and such of its sub-licensees under Standard patents as shall reciprocally furnish to Standard similar information available to such sub-licensees, and all such information (except such as may be necessary to furnish to customers) shall be kept confidential by Sumitomo and such sub-licensees.

#### VII. GENERAL ASSISTANCE.

(a) Standard agrees, upon request from Sumitomo and at the expense of Sumitomo, to lend Sumitomo the services of a competent engineer if the services of such an engineer are available at the time such request is made.

(b) Standard agrees to use its best endeavors to purchase for the account of Sumitomo such material and equipment as may be desired by Sumitomo from time to time in the carrying out of this agreement, and Sumitomo undertakes to use such facilities as Standard may have available at such times for the purchase, manufacture and/or sale of such material and equipment.



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(c) Standard agrees, upon the request of Sumitomo from time to time, and insofar as and to the extent that it is feasible and possible so to do, to arrange for inspection trips by Sumitomo engineers to the factories of Standard and of any of its affiliated and associated companies for the purpose of permitting such engineers to see and study the manufacture of cables, as defined in Article I hereof, in such factories.

#### VIII. PAYMENTS.

(a) In consideration of the undertakings assumed by Standard hereunder including grant to Sumitomo of the licenses under all Standard patents relating to cables included in the scope of this agreement as defined in Article I hereof, Sumitomo agrees to bear a part of the research and laboratory expenses by payment of one per cent (1%) of the total invoice value of all cables mentioned and described in Article I (a) hereof, sold by Sumitomo regardless of whether or not Standard patents are involved.

(b) Sumitomo agrees that the minimum amount herein stated as payable by Sumitomo to Standard for each calendar year shall not be less than fifty thousand yen (50,000 yen) and Sumitomo guarantees to pay such minimum sum of fifty thousand yen to Standard each year that this agreement remains in force.

(c) Sumitomo agrees to furnish to Standard on or before the first day of March, June, September and December in each year true quarterly statements of all sales subject to payment hereunder which shall have been made during the three calendar months ending on the last day of the preceding December, March, June and September, respectively. Standard shall have the right to make an annual audit of all books and accounts containing records of sales which are subject to payment hereunder, so far and to the extent necessary to verify Sumitomo's said statements of sales.

(d) Sumitomo agrees to make all payments accruing in each quarter under the provisions of Article VIII at the times when the statements of



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sales for that quarter are due, notwithstanding any termination of this agreement occurring after the date of such sales. Cables will be considered as sold when invoiced, or when shipped or delivered to the customer if such shipment or delivery is made prior to the date of invoice.

(e) In the event that Standard should acquire rights relating to cables as defined in Article I which it is entitled to pass on to Sumitomo and which have originated with parties other than Standard, Western or Nippon or from the employees thereof and with respect to which a royalty fee or other payment is required, it is agreed that such rights will only be extended to Sumitomo upon its agreement to pay such fee or make such payment.

#### IX. SUB-LICENSES.

(a) Sumitomo warrants that each and every one of its sub-licensees under this agreement will be bound and abide by all of the obligations herein contained, and Sumitomo agrees that it will be and remain primarily responsible to Standard for the complete and full fulfillment of such obligations by such sub-licensees.

(b) Sumitomo specifically guarantees that none of the rights nor information obtained from Standard under this agreement will be made available in any manner to Fujikura or to Furukawa unless and until the said Fujikura and Furukawa shall become sub-licensees hereunder and Sumitomo further guarantees that if Fujikura shall manufacture and/or sell any cable employing patent rights still in force or confidential information obtained by it under the Sumitomo-Fujikura-Nippon Agreement dated December 1, 1930, that Fujikura shall pay to Standard royalties on the same basis and at the same rate as provided in the said Sumitomo-Fujikura-Nippon Agreement of December 1, 1930.

#### X. FURTHER OBLIGATIONS OF SUMITOMO.

(a) Sumitomo agrees to make available to Standard all information which it may have or acquire relating to cables as defined in Article I and



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Standard undertakes that this information will only be given to companies who have agreed to make information of a similar kind available to Sumitomo.

(b) Sumitomo agrees to grant Standard for the term of this agreement non-exclusive licenses under any inventions or patent rights outside of Japan relating to cables as defined in Article I hereof which Sumitomo now owns or controls or may hereafter acquire at a rate of compensation to be agreed upon, and Sumitomo further agrees not to grant sub-licenses under any of said inventions or patent rights outside of Japan to any third party which it does not control.

(c) Sumitomo guarantees to obtain from its sub-licensees and pass on to Standard for the term of this agreement non-exclusive licenses, under any inventions or patent rights outside of Japan relating to cables of any type on which the sub-licensees may receive rights under Standard patents or information hereunder at a payment to be agreed upon.

(d) Sumitomo agrees that it will not use Standard patents in manufacturing telephone or telegraph cables in any countries foreign to the Empire of Japan other than the United States of America and will not without the consent of Standard export any such cables in which Standard patents are involved from the Empire of Japan except to the United States of America.

In respect of any wire or cable which Sumitomo may at any time during the term of this agreement manufacture in the United States of America, Standard or such other company or companies as it may designate shall at its or their option, be and become the exclusive distributor or distributors thereof in countries other than the Empire of Japan.

In respect of any wire or cable which Sumitomo may at any time during the term of this agreement export to the United States of America, Standard or such other company or companies as it may designate shall at its or their option, be and become the exclusive distributor or distributors thereof.



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(e) In the event that this agreement is not extended or a new agreement embracing cables as defined in Article I hereof is not made between Sumitomo and Standard upon the expiration of this agreement, Sumitomo agrees that it and its sub-licensees will cease to utilize the technical information obtained hereunder which may still be considered secret and the inventions covered by the then existing Standard patents.

(f) Sumitomo guarantees that all necessary machinery and accessories incidental to the manufacture, testing and installation of all cables as defined in Article I hereof required by Sumitomo will be purchased from Standard or such party as Standard shall designate, when such machinery and accessories are to be purchased in the United States of America, and Standard agrees that such machinery and accessories shall be of good quality and at reasonable prices.

#### XI. COOPERATION.

(a) Sumitomo and Nippon mutually agree not to engage in lines of manufacture or sale competitive to each other.

(b) Nippon agrees that it will not during the term hereof, either directly or indirectly, manufacture in the Empire of Japan any cables coming within the scope hereof as defined in Article I of this agreement, and agrees not to engage, directly or indirectly, in the manufacture of special or other cables manufactured by Sumitomo except insofar as the right to so engage therein is reserved by or permitted under this agreement, it being mutually understood and agreed that any provisions of this agreement to the contrary notwithstanding, Nippon retains the full right to manufacture and sell telephone and telegraph cords, magnet wire, switchboard cables and enamel wire and any or all wires closely associated with or which usually form a part of telephone and telegraph apparatus including radio apparatus and such additional wires as may be agreed upon and specified between the parties hereto as desirable for Nippon to manufacture in the future.



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(c) It is agreed that at least two members of the Board of Directors of Sumitomo shall at all times during the term of this agreement be designated by Standard and Nippon and it is further agreed that Standard and Nippon shall have the right during the term of this agreement to designate one-quarter of the members of said board, and Sumitomo agrees to make every reasonable and proper effort to secure the election of persons designated by Standard and Nippon.

(d) It is mutually agreed that Standard will not be required to do any detail engineering work in connection with any cable for which Sumitomo or any of its sub-licensees may be preparing bids or in connection with any cable which Sumitomo or any of its sub-licensees hereunder manufactures or sells or in connection with the installation of any such cable, and it is furthermore mutually agreed that Standard assumes no guarantee of the performance of any such cable manufactured, sold or installed by Sumitomo or any of its sub-licensees hereunder.

#### XII. SUITS.

(a) In the event that Sumitomo or its customers should be sued for infringement on account of any product manufactured in the carrying out of the present agreement, it is agreed that Standard and/or Nippon shall only be obligated to render such assistance as it reasonably can, but at the expense of Sumitomo.

(b) The parties agree to keep each other promptly informed from time to time as to their knowledge of infringement by others of the patent rights included in this agreement. Sumitomo agrees to suppress any and all infringement of such patent rights and Standard and Nippon shall render all possible assistance, and Sumitomo agrees to reimburse Standard and Nippon, respectively, for any out-of-pocket expenses which may be thus incurred.

#### XIII. CONSTRUCTION, ARBITRATION, DURATION AND TERMINATION.

(a) This agreement is made and is to be construed under and in



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accordance with the laws of the Empire of Japan.

(b) This agreement shall inure to the benefit of and be binding upon the parties hereof and the assignees of and successors to substantially the entire goodwill and business of the parties respectively. This agreement shall be considered as coming into force and effect on February 1, 1936, and, unless sooner terminated as herein provided, it shall continue in force and effect up to and including December 31, 1949, and from year to year thereafter until terminated upon one (1) year's written notice given by Nippon and Standard to Sumitomo or by Sumitomo to Nippon and Standard of their intention to terminate the same provided, however, that no such notice shall be given for such termination prior to December 31, 1949.

(c) In the event of a controversy arising between Sumitomo as a party and Standard and/or Nippon as the other party which cannot be otherwise settled or adjusted between such parties, the same shall be referred to a board of three arbitrators of whom Sumitomo shall appoint one member and Standard and/or Nippon shall appoint one member, and the two thus chosen shall select the third member. The decision of a majority of the board of arbitrators so chosen upon any such controversy or dispute between the parties shall be final and binding upon them. The cost of such arbitration shall be shared equally by the parties thereto; and in the event that both Standard and Nippon together constitute one party to an arbitration, each shall share equally in the cost to be borne by them.

(d) If any party or its successors shall at any time during the continuance of this agreement become bankrupt or insolvent, this agreement shall forthwith terminate unless another party thereto shall thereafter give written notice to the party so becoming bankrupt or insolvent, electing to continue this agreement in force for such term (within the term specified in Article XIII (b)) as the party so giving such notice shall in such notice specify.



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IN WITNESS WHEREOF, the parties have caused these presents to be executed by their officers thereunto duly authorized and their corporate seals to be hereto affixed the day and year first above written.

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By (Sgd) P. K. CONDUCT  
President.

Attest:

(SGD) S. G. ORDWAY

NIPPON ELECTRIC COMPANY, LIMITED

By (Sgd) F. SHIDA

Attest:

(Sgd) K. ISHIKAWA

THE SUMITOMO ELECTRIC WIRE AND CABLE WORKS, LIMITED

By (Sgd) Y. TANAKA  
Chief Managing Director.

Attest:

(Sgd) S. BEKKU



THIS AGREEMENT made this tenth day of January, 1938, between SUMITOMO HONSHA, LIMITED, a corporation organized and existing under the laws of the Empire of Japan (hereinafter referred to as "Sumitomo Honsha"), SUMITOMO ELECTRIC WIRE AND CABLE WORKS, LIMITED, a corporation organized and existing under the laws of the Empire of Japan (hereinafter referred to as "Sumitomo Cable"), and INTERNATIONAL STANDARD ELECTRIC CORPORATION, a corporation organized and existing under the laws of the State of Delaware, and having its principal office at 67 Broad Street, New York, N. Y., United States of America (hereinafter referred to as "Standard").

WHEREAS, Standard for many years has been a majority stockholder of Nippon Electric Company, Limited, a corporation organized and existing under the laws of the Empire of Japan (hereinafter referred to as "Nippon") and now owns 49.998 percent of the outstanding capital stock of Nippon, with an option to purchase five additional shares which would bring such holdings up to fifty percent; and

WHEREAS, it is deemed advisable, in the best interests of Nippon, that Japanese interests should control a larger proportion of the capital stock of Nippon:

NOW THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, it is mutually agreed between the parties as follows:

1. Standard shall cancel and surrender immediately its present option, dated April 26, 1933, to repurchase from Sumitomo Honsha five shares of the capital stock of Nippon.

2. The parties shall vote their shares of stock of Nippon at a general stockholders' meeting called to be held on January 10, 1938 or at any adjournment thereof so as to accomplish the following results:

- (a) Nippon shall increase its capital stock from 250,000



shares to 600,000 shares by the issue at par of 350,000 shares, each of a par value of Yen 50, such shares to be one-half paid initially on the date fixed by the Board of Directors which shall be set as not later than February 1, 1938. Payment of the remaining one-half amounting to Yen 25 per share shall be called and made at such time or times as shall be determined by the Board of Directors of Nippon.

3. Standard shall subscribe to 96,500 of the aforesaid new shares of Nippon, paying not later than February 1, 1938 one-half of their par value, amounting to the total sum of Yen 2,412,500.

4. Sumitomo Honsha shall subscribe to not less than 96,559 new shares of Nippon paying not later than February 1, 1938 one-half of their par value, amounting to the total sum of Yen 2,413,975.

5. Sumitomo Honsha shall advance to Standard on January 25, 1938 the sum of Yen 4,414,000 to bear interest at the most favorable rate which Sumitomo Honsha can obtain but not to exceed 5 percent per annum, said advance and interest to be repayable solely from future dividends and royalty payments accruing subsequent to December 31, 1937 owing from Nippon to Standard, and shall make a further advance to Standard of Yen 2,412,500 at a rate of interest as described above if and when the balance due on the 96,500 new Nippon shares subscribed to by Standard is called by Nippon. This further advance and interest shall also be repayable solely from future dividends and royalty payments owing to Standard from Nippon. Standard, however, shall have the right, at its option, to repay at any time and in any amount the sums advanced by Sumitomo Honsha.

6. The parties shall vote their shares of stock of Nippon so as to accomplish the following results:

(a) Nippon shall pay dividends for each year of the years



1938 and 1939 equivalent to the rate of not less than twenty percent per annum on the nominal value of the shares outstanding, unless and until modified by the parties hereto on account of developments now unforeseen.

(b) Standard shall pay Nippon on January 25, 1938 the sum of Yen 500,000 and thereupon Nippon shall surrender and return to Standard that certain agreement of June 8, 1925 between Nippon and International Western Electric Company, Inc., the predecessor in interest of Standard (hereinafter referred to as "Western"), pursuant to which Western purchased from Nippon 2,500 shares of the capital stock of the China Electric Company, Limited, a corporation organized under the laws of the State of Delaware, United States of America, with the right on the part of Nippon to repurchase said shares upon certain conditions, and Nippon shall at the same time cancel and surrender to Standard a demand promissory note, dated June 8, 1925, of the face value of Yen 500,000 executed by Western in favor of Nippon in purchasing the aforesaid shares of the China Electric Company, Limited, and the aforesaid note shall be deemed to be paid in full and satisfied and the aforesaid option of Nippon to repurchase the aforesaid shares shall be deemed to be cancelled and terminated.

(c) In the event Nippon proposes to sell or transfer any of the balance of its holdings of Sumitomo Cable shares, amounting to 36,500 shares, at a price lower than the then current market value, it shall first offer Standard an opportunity to purchase a pro rata amount of such shares, according to the proportion of shares of Nippon then held by Standard, at the price at which they are proposed to be transferred.

7. In the event that Sumitomo Honsha or Sumitomo Cable shall transfer all or a substantial part of their shares of Nippon during the



life of this agreement, they shall obtain as undertaking from the transferee that it will be bound by the terms of Article 6 and that it will likewise bind any subsequent transferee to the same effect.

8. Nippon shall transfer to Standard in New York its share of the dividends declared by Nippon during or for the year 1937, amounting to Yen 1,249,950, representing a dividend rate of twenty percent for the year 1937.

9. Nippon shall execute with Standard, simultaneously with the execution of this contract, a General Relations Agreement in the form attached hereto marked Schedule A, effective as of January 1, 1938.

10. Sumitomo Cable shall execute with Standard and Nippon, simultaneously with or before the execution of this contract, a separate "Cable Agreement" in the form attached hereto marked Schedule B, effective as of February 1, 1936.

11. Sumitomo Honsha shall sell and deliver to Standard on January 25, 1938, and Standard shall purchase from Sumitomo Honsha 66,000 fully paid shares in Sumitomo Electric Wire and Cable Works, Limited, at a total price of Yen 1,501,500.

12. Sumitomo Honsha and Sumitomo Cable, as one party, and Standard as the second party agree that during the existence of the General Relations Agreement referred to in Article 9, neither party will transfer any shares in Nippon without first giving the other party an opportunity to purchase the shares proposed to be transferred at the price at which they are proposed to be transferred: and Sumitomo Honsha and Standard agree that during the existence of the Cable Agreement referred to in Article 10, neither party will transfer any shares in Sumitomo Cable



without first giving the other an opportunity to purchase the shares proposed to be transferred at the price at which they are proposed to be transferred.

13. As long as the parties hereto continue to hold shares of stock in Nippon or in Sumitomo Cable, they hereby mutually agree to so vote their shares of stock in those companies that Standard shall have the selection of a number of directors of Nippon and Sumitomo Cable corresponding to Standard's proportionate ownership in the voting shares of those Companies, with a minimum representation of two directors on the Board of each Company. In the event that Sumitomo Honsha or Sumitomo Cable shall transfer all or any part of their aforesaid shares during the life of this agreement, they shall obtain an undertaking to the above effect from the transferee or transferees of such shares.

14. Sumitomo Honsha shall bear and pay all income and other Japanese taxes which may be incurred in connection with the purchase by and transfer to Standard of 66,000 shares in Sumitomo Cable referred to in Article 11.

15. This agreement shall continue in full force and effect so long as Standard continues to hold shares of stock of Nippon and/or Sumitomo Cable.

16. Any disputes with respect to the proper interpretation of this agreement or the proper action to be taken by any of the parties hereunder shall be determined by arbitration by a Board of three arbitrators, one to be chosen by Sumitomo Honsha and/or Sumitomo Cable as one party, the second by Standard as the other party, and the third to be selected by the two arbitrators so chosen. If the two arbitrators cannot agree as to the selection of the third arbitrator, he will be appointed by



the President of the International Chamber of Commerce, Paris, France. Should either of the parties fail to select an arbitrator for a period of fifteen days after notice has been given to such party to select an arbitrator, the arbitrator selected by the other party shall proceed with the arbitration and shall be sole arbitrator in connection therewith. The decision of a majority of said arbitrators, or of the sole arbitrator where there is only one chosen, shall be binding and conclusive upon the parties hereto. The arbitration shall proceed in such form and upon such terms as may be fixed by the arbitrator or arbitrators, and the expenses of arbitration shall be paid by the party against whom the arbitration award is made. Any and all proceedings before the arbitrator or arbitration board shall take place at Tokyo. This agreement shall be construed according to the laws of New York.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals as of the day and year first above written.

SUMITOMO HONSHA, LIMITED

Attest:

K. ISHIKAWA

By M. OGURA

SUMITOMO ELECTRIC WIRE AND CABLE WORKS,  
LIMITED

Attest:

K. SANO

By Y. TANAKA

INTERNATIONAL STANDARD ELECTRIC  
CORPORATION

Attest:

A. F. CLEMENT

By ANNIS G. JILLARD

The conformity of Nippon Electric Company, Limited, with the foregoing provisions which affect it is hereby expressed.

By F. SHIDA  
Managing Director



COPY

January 10th, 1938

Sumitomo Honsha, Limited  
O S A K A

Dear Sirs

With reference to Article 12 of the Agreement made this day between Sumitomo Honsha, Limited, Sumitomo Electric Wire and Cable Works, Limited, and International Standard Electric Corporation, I have to state, on behalf of Standard, that the words "any shares" as used in this Article are mutually understood to mean a substantial number of shares, such as, for instance, one thousand shares or more. In all cases where it is proposed to transfer such a number of shares, the other party shall be given the first opportunity to purchase the shares at the price at which they are proposed to be transferred. I have also to state that Standard agrees to Sumitomo Honsha being at liberty to transfer any number of shares in Nippon or Sumitomo Cable to other companies within the Sumitomo Group, wherever such transference is considered necessary for policy reasons.

Yours very truly,

ANNIS G. JILLARD  
INTERNATIONAL STANDARD ELECTRIC CORPORATION

AFC/FAG



COPY

International Standard Electric Corporation

January 10, 1938

67 Broad Street

NEW YORK

Dear Sirs,

With reference to the Agreement signed this day between the International Standard Electric Corporation, Sumitomo Honsha and Sumitomo Electric Wire and Cable Works, concerning the recapitalization of the Nippon Electric Company, we understand that it was your desire to include the following paragraphs:-

"Sumitomo Honsha and Standard agree that in the event Sumitomo Cable makes any new issue or issues of stock while Standard continues to hold shares of Sumitomo Cable, they will so vote their shares of Sumitomo Cable as to assure each of them the right to subscribe to its pro rate proportion of any such future issue or issues of stock, according to the proportion of shares of Sumitomo Cable then held by them".

"In the event Nippon makes any new issue or issues of stock while Standard continues to hold shares of Nippon, the parties hereto will so vote their shares of Nippon as to assure each of them the right to subscribe to its pro rate proportion of any such future issue or issues of stock, according to the proportion of shares of Nippon then held by them".

In connection with the paragraphs given above, we wish to state that as it is customary for joint-stock companies in Japan, when making a new issue of stock, to reserve a certain portion of the new



- 2 -

shares for sale at a premium and distribute the remainder pro rate among the shareholders at the par value, we cannot guarantee to do exactly as indicated by these paragraphs, but we have taken note of your desire and will endeavour to satisfy you in this respect as much as possible, so as to maintain and promote the close relationship with your Corporation.

We all know that our mutual confidence in each other is such that the omission of these two paragraphs will not be the cause of any misunderstanding in the future.

Yours very truly,

By T. OBATA

Sumitomo Honsha

By Y. TANAKA

Sumitomo Electric Wire  
& Cable Works



COPY

January 20th, 1938

Mr. T. Akiyama, Chairman of the Board  
Nippon Electric Company, Limited  
2 Mita Shikoku-machi  
Shiba-ku  
T O K Y O, Japan

Dear Sir:

Reference is made to the resolution adopted at the Special Meeting of Stockholders of Nippon Electric Company, Limited, held January 10th, 1938, authorizing the issuance of 350,000 additional shares of capital stock, each of a par value of 50 Yen, of which 25,000 shares shall be disposed of at the discretion of the Board of Directors, and the balance of 325,000 shares shall be offered at par to shareholders of record on December 16th, 1937, in the ratio of 13 new shares for each 10 shares now held. According to said resolution and a resolution adopted by your Board of Directors on January 10th, 1938, one-half of the nominal value of the shares subscribed shall be paid not later than February 1st, 1938.

As the holder of record on December 16th, 1937, of 124,995 of the shares of Nippon Electric Company, Limited, issued and outstanding on that date, we are entitled to subscribe to 162,493.5 of the new shares. We hereby elect to subscribe to 96,500 new shares on the terms outlined in the above-mentioned resolutions and surrender in favor of Sumitomo Honsha, Limited, our right to subscribe to the balance of our proportion, amounting to 65,993.5 shares. However, in case Sumitomo Honsha, Limited, should fail to subscribe to the shares so surrendered by us, we would undertake to subscribe to them.

Very truly,

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By: A. G. J.

ANNIS G. JILLARD



COPY

Sumitomo Honsha, Limited  
O S A K A, Japan

Dear Sirs:

Pursuant to the understanding reached with you, we send you, herewith, a duplicate original of our letter of today's date to Nippon Electric Company, Limited, advising them that we elect to subscribe to 96,500 of the new shares of capital stock to be issued by Nippon Electric Company, Limited, and surrender in your favor our right to subscribe to the balance of our proportion, amounting to 65,993.5 shares.

Very truly yours,

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By: A. G. J.

AFC/FAG



COPY

January 24th, 1938

Sumitomo Honsha, Limited  
O S A K A, Japan

Dear Sirs:

Reference is made to Article 5 of the agreement executed on January 10, 1938 by Sumitomo Honsha, Limited, Sumitomo Electric Wire and Cable Works, Limited, and International Standard Electric Corporation (hereinafter referred to as Standard), wherein you agree to advance Standard the sum of ¥4,414,000, to be repayable solely from future dividends and royalty payments accruing subsequent to December 31, 1937, (but not including dividends and royalties pertaining to the year 1937), owing from Nippon Electric Company, Limited (hereinafter referred to as Nippon) to Standard, with the option on Standard's part to anticipate the repayment of this advance at any time and in any amounts.

May we ask you, please, to make payment of the aforesaid advance in the following manner:-

(a) On or before February 1st, 1938, pay over to Nippon for Standard's account the sum of ¥500,000 in payment of a demand promissory note of the face amount of ¥500,000 given to Nippon by Standard dated June 8th, 1925, more fully described in Article 6 paragraph (b) of the above-mentioned agreement.

(b) On or before February 1st, 1938, pay over to yourselves the sum of ¥1,501,500, representing the total purchase price on 66,000 fully paid shares of Sumitomo Electric Wire and Cable Works, Limited, purchased from you by Standard.







COPY

January 27th, 1938

Nippon Electric Company, Limited  
2 Mita Shikoku-machi  
Shiba-ku  
T O K Y O

Gentlemen:

You are hereby authorized to pay over to Sumitomo Honsha, Limited, for our account all dividends and royalty payments accruing subsequent to December 31, 1937 (but not including dividends and royalties pertaining to the year 1937) and owing from yourselves to this Corporation, until the total amount of such payments made to Sumitomo Honsha, Limited, shall equal the sum of ¥4,414,000, plus the amount of any accrued interest owing from this Corporation to Sumitomo Honsha, Limited, on account of advances made by the latter to this Corporation.

The above-mentioned royalty payments should be made to Sumitomo Honsha at the end of each quarter, commencing with the quarter ending March 31st, 1938, and the dividend payments (which shall represent the net amount of dividends after deduction of Japanese income tax) should be made to Sumitomo Honsha at the dates when dividends are declared by your Company.

Yours very truly,

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By: \_\_\_\_\_

AFC/FAG



COPY

January 1938

B O N D O F D E B T

For value borrowed and received, in accordance with the Contract dated January 10, 1938, we promise to pay to Sumitomo Honsha, Limited, Osaka, the sum of ¥4,414,000 (four million four hundred and fourteen thousand yen), together with interest thereon and on the diminishing amount thereof, at a rate of interest from the date hereof to be determined in accordance with Article 5 of the aforesaid Contract; the repayment of the principal amount and interest to be made from dividends and royalty payments accruing subsequent to December 31st, 1937, and owing from Nippon Electric Company, Limited, to International Standard Electric Corporation, in accordance with the Letter of Instructions from International Standard Electric Corporation to Nippon Electric Company, Limited, dated January 27th, 1938, said interest to be payable at the dates when dividends are declared by Nippon.

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By: \_\_\_\_\_

To Sumitomo Honsha, Limited,

O S A K A, Japan.



COPY

Meetings of Shareholders

1/10/38

An Extraordinary General Meeting of Shareholders of the Nippon Electric Company, Limited, was held at the offices of the Company at No. 2 Mita Shikokumachi, Shibaku, Tokyo, from 10:30 A.M. on the tenth day of the first month of the thirteenth year of Showa (January 10th, 1938), pursuant to the Call of the Board of Directors of December 16th, 1937, notice of which Call was mailed to each shareholder of record on December 17th, 1937.

Of the One Hundred and Fifty-six (156) Shareholders of record, there were present, in person or by proxy, One Hundred and Twenty-One (121), representing Two Hundred and Forty-four Thousand Three Hundred and Ninety-six (244,396) of the Two Hundred and Fifty Thousand (250,000) outstanding shares, thereby constituting a quorum as required by the Commercial Code and the Articles of Association.

In the absence of Mr. T. Akiyama, Chairman of the Board, Mr. F. Shida, Managing Director, took the chair and called the meeting to order.

The following recommendations of the Board of Directors were read:-

1) Capital Increase

I. The capital stock of the Company shall be increased by ¥17,500,000, making the total ¥30,000,000, and 350,000 new shares shall be issued.

II. Regarding 325,000 of the above new shares, each shareholder of record, as registered on the books of the Company on December 16th, 1937, shall be permitted to subscribe for thirteen (13) new shares for each ten (10) old shares registered in the name of said shareholder on that date, provided that the disposal of the following new shares be left to the discretion of the Board:-

a) Shares which would be divided into fractional parts when the above rate is applied and therefore cannot be assigned in their entirety to any of the above shareholders;

b) Shares which are not subscribed or shares for which the subscription is withdrawn.

III. The disposal of the balance of 25,000 of the new shares, shall be left to the discretion of the Board of Directors.

IV. The first installment on the above new shares shall be ¥25.00 per share, making a total of ¥8,750,000.

V. All proceedings for the flotation of the new shares, such as the date of subscription and other details, shall be left to the discretion of the Board.

On motion duly seconded, the recommendations made by the Directors regarding Capital Increase, were unanimously approved.

The recommendations of the Board of Directors regarding a revision in the Articles of Association were then read:-



-2-

## Meetings of Shareholders

1/10/38

2) Revision to the Articles of Association

Articles 4, 7, 19, 24, 27 and 29 of the Articles of Association shall be changed to read as follows:-

"Art. 4. The capital of the Kaisha is Thirty Million Yen (¥30,000,000)."

"Art. 7. The capital of the Kaisha is divided into Six Hundred Thousand (600,000) shares of Fifty Yen (¥50.-) each."

"Art. 19. The Chairman of the Board of Directors shall preside at all General Meetings of Shareholders, but if he is prevented from doing so, the Managing Director shall take the chair. If the Managing Director is also prevented, the Assistant Managing Director shall take the chair. If all of these Directors are prevented, one of the Directors present shall take the chair."

"Art. 24. The Kaisha shall have Directors not exceeding twelve in number. The Directors shall be elected at General Meetings from among such of the Shareholders as are owners of not less than one hundred shares each."

"Art. 27. Directors shall elect from among their own number a Managing Director and an Assistant Managing Director. The Managing Director shall superintend and act as executive officer in all the business of the Kaisha. The Assistant Managing Director shall assist the Managing Director in superintending and acting as executive officer in all the business of the Kaisha; and shall act for the Managing Director, if the Managing Director is prevented from attending to his duties."

Art. 29. The Directors shall elect from among their own number the Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the Board, but if he is prevented from doing so, the Managing Director shall take the chair. If the Managing Director is also prevented, the Assistant Managing Director shall take the chair. If all of these Directors are prevented, the Directors present shall elect a Chairman from among their own number."

On motion duly seconded, the recommendations made by the Directors regarding revision of the Articles of Association, were unanimously approved.

3) Election of the Board

The Chairman then announced that the Meeting should proceed to elect two Directors who will take the posts vacated by Mr. P. K. Condict and Mr. N. Yamamoto, and also two Directors who will take seats as a result of the above revision of the Articles of Association being made effective. On motion duly seconded, the following were unanimously elected Directors:-

Mr. M. Ogura	Mr. K. Ishikawa
Mr. T. Obata	Mr. Sosthenes Behn

There being no further business, the Meeting was adjourned at 11:50 A.M.

F. SHIDA  
Managing Director



Copy

MEMORANDUM OF AGREEMENT made and entered into this 30th day of October, 1939, by and between INTERNATIONAL STANDARD ELECTRIC CORPORATION, a corporation of the State of Delaware, U.S.A., and its nominees herein-after referred to as "International" and SUMITOMO HONSHA LIMITED, a Japanese company, its nominee or nominees, hereinafter referred to as "Honsha".

WHEREAS, International has the right and privilege by virtue of existing holding of stocks in the Sumitomo Electric Wire and Cable Works, Ltd., amounting to One Hundred and Twenty Thousand and Ninety-six (120,096) fully paid shares out of a total paid up capital issue of Six Hundred Thousand (600,000) fully paid shares of the par value of ¥50 each, to take up Eighty Thousand and Sixty-four (80,064) shares to be three-quarters paid up at this time at Yen Thirty-seven and Sen Fifty (¥37.50) each of a total new issue of 400,000 shares, and

WHEREAS, International now owns one Hundred and Twenty Four Thousand Nine Hundred and Ninety-five (124,995) fully paid shares and Ninety-six Thousand Five Hundred and Five (96,505) half paid shares in the Nippon Electric Co., Ltd., out of a total capitalization of 600,000 shares of the par value of ¥50 each of which 250,000 are fully paid up and 350,000 are half paid up, and it may become necessary shortly to call the balance due on the Nippon Electric Co., Ltd., half paid shares, and

WHEREAS, International and Honsha desire to make certain arrangements concerning their stocks and their rights and privileges connected therewith,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That for and in consideration of the covenants herein contained it is agreed by and between International and Honsha as follows:

(1) International being owners of part of the original stock of Sumitomo Electric Wire & Cable Works, Ltd. and having the right to subscribe pro rata to the proposed new issue of 400,000 shares, does hereby waive and transfer its rights to subscribe to any portion of said issue to which it is entitled in favor of and to Honsha Ltd. its nominee or nominees.

(2) Should it become necessary later to call the balance due on the Nippon Electric Company, Ltd. half paid shares, upon request by International, Honsha hereby agrees to purchase from International at the present market price, namely: Yen Seventy (¥70.00) per share, or at a price to be mutually agreed upon in the event that such call for payment should be delayed beyond January 1, 1940, but in no event at less than ¥70.00 per share, Twenty-five Thousand Four Hundred (25,400) shares of International's half paid Nippon Electric Co., Ltd. holdings or an aggregate sales price of not less than Yen One Million Seven Hundred and Seventy-eight Thousand (¥1,778,000.00), it being understood that the Japanese Government will not interfere with this sale and that it will not object to International using such part of the proceeds of said sale as may be necessary, namely: yen One Million Seven Hundred and Seventy-seven Thousand Six Hundred and Twenty-five (¥1,777,625.00) to pay the call on the remaining Seventy-one Thousand One Hundred and Five (71,105) half-paid shares in Nippon Electric Co., Ltd. which International will hold after consummation of the foregoing sale to Honsha.



(3) Honsha agrees that International may, at its option, but without obligation so to do, at any time within ten years after the date hereof re-purchase the shares of the aforesaid Nippon Electric Co., Ltd. and Sumitomo Electric Wire & Cable Works, Ltd, and all rights thereto appertaining from Honsha, and upon receipt of notice in writing by Honsha from International of the exercise of International's option to re-purchase the same Honsha will re-sell the said shares and rights to International, at the cost of said shares and rights to Honsha, plus interest not exceeding five per cent (5%) less net dividends (i.e. dividends less taxes) received by Honsha on the respective shares. International shall have the option, but without obligation, to repurchase said shares from time to time, at any time during said ten-year period, in part or in whole out of earnings from royalties and dividends received in Japan, or otherwise. Likewise, any further shares taken up with respect to rights available accrued or accruing to shares purchased and/or subscribed by Honsha hereunder shall also be held subject to re-purchase by International according to the terms of this agreement.

(4) In the event International exercises its option to re-purchase said shares Honsha shall hold and save International free from any loss of value of rights or privileges in respect of the aforesaid share and in respect of future shares. Honsha shall likewise hold and save International free from any loss of value of its rights and privileges in respect of present or future shares in the event that International should be prevented from exercising its option to re-purchase said shares, rights or privileges by government interference or intervention. The value of such rights and privileges shall be determined at the time International exercises its option and said value shall be the difference between the option price and the then market price.

IN WITNESS WHEREOF the undersigned have caused these presence to be executed the day and date first above written.

INTERNATIONAL STANDARD ELECTRIC CORP.

By (Sgd) JAS. E. FULLAM  
Vice President

SUMITOMO HONSHA LIMITED

By (Sgd) T. OBATA  
Manager of Administrative Department

Witnessed:

(Sgd) S. HIRATA

(Sgd) N. F. Allman



Copy

232 Kiangee Road  
Shanghai, China  
February 15, 1940Mr. Tadayoshi Obata, Manager,  
Administrative Department,  
Sumitomo Honaha, Ltd.,  
5 Chome, Kitahama,  
Osaka, Japan.

Dear Mr. Obata:

I am in receipt of a letter from Mr. K. E. Stockton, Vice President of International Standard Electric in New York and a memorandum prepared by Mr. Howard L. Kern of our New York Legal Department which propose certain clarifications in the Agreement signed by us in Shanghai, dated October 30, 1939, on behalf of I.S.E. and Sumitomo Honsha, Limited with respect to certain transactions involving shares of Sumitomo Electric Wire & Cableworks, now Sumitomo Electric Industries, Limited, and Nippon Electric Company, Limited, as follows:

1. That the following words be added at the end of paragraph (1) of the above mentioned Agreement "and Honsha agrees that it, or its nominee or nominees, will subscribe to and pay for the shares of Sumitomo Electric Wire & Cableworks, Limited, with respect to which rights are so waived and transferred by International."
2. That paragraph (3) of the above mentioned Agreement shall be understood to mean that the repurchase options of International with respect to shares of Sumitomo Electric Wire & Cableworks, Limited and Nippon Electric Company, Limited, are separate and distinct and that International in its discretion may elect to repurchase in part or in whole either the shares of Sumitomo Electric Wire and Cableworks, Limited, or Nippon Electric Company, Limited, which are or may become subject to such repurchase and it is further understood that the option of International to repurchase such shares of Sumitomo Electric Wire & Cableworks, Limited, in no wise is related to or contingent upon purchase by Honsha of any shares of Nippon Electric Company, Limited, under paragraph (2) of said agreement.

In the second "Whereas" clause of the above mentioned agreement it is stated that I.S.E. owns 96,505 half paid shares of Nippon Electric. This clause should have read 96,500 shares and the paragraph designated "2" should provide that I.S.E. will retain 71,100 such shares by payment of Yen 1,777,500.

The clarifications above proposed are wholly in accord with my understanding of the spirit of the above mentioned agreement of October 30, 1939. If they also accord with your understanding of this agreement, I should appreciate it if you would so signify by signing one copy of this letter in the space indicated below and returning same to me.

Yours sincerely,

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By \_\_\_\_\_ (Sgd.) JAS. E. FULLAM  
Vice PresidentThe clarifications set forth  
above are hereby confirmed:SUMITOMO HONSHA, LIMITED,  
By (Sgd.) T. OBATA  
Manager, Administrative Department



COPY

MEMORANDUM OF AGREEMENT made and entered into this sixth day of January, 1940 by and between INTERNATIONAL STANDARD ELECTRIC CORPORATION, a corporation of the State of Delaware, U.S.A., hereinafter referred to as "International", SUMITOMO HONSHA, LIMITED, a Japanese Company, hereinafter referred to as "Honsha" and SUMITOMO ELECTRIC INDUSTRIES, LIMITED, a Japanese company, hereinafter referred to as "Industries".

WHEREAS, on the thirtieth day of October, 1939, International entered into an agreement with Honsha that International will sell to Honsha Twenty-five Thousand Four Hundred (25,400) shares out of 96,500 shares, which International holds, of the par value of Yen 50 each of which is half paid up in Nippon Electric Co., Ltd., and

WHEREAS, Honsha now elects and desires to cause Industries to purchase in place of Honsha itself the aforesaid Twenty-five Thousand Four Hundred (25,400) half-paid shares of Nippon Electric Co., Ltd. from International which agrees to sell to Industries,

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That for and in consideration of the covenants herein contained it is agreed by and between International, Honsha and Industries as follows:



(1) Industries hereby agrees to purchase Twenty-five Thousand Four Hundred (25,400) half-paid shares of Nippon Electric Co., Ltd. from International at Yen Seventy (¥70.00) per share, or an aggregate price of Yen One Million Seven Hundred and Seventy-eighth Thousand (¥1,778,000.00), it being understood that the Japanese Government will not interfere with this sale and that it will not object to International using such part of the proceeds of said sale as may be necessary, namely: Yen One Million Seven Hundred and Seventy-seven Thousand Five Hundred (¥1,777,500.00) to pay the call on the remaining Seventy-one Thousand One Hundred (71,100) half-paid shares in Nippon Electric Co., Ltd. which International will hold after consummation of the foregoing sale to Industries.

Industries agrees to pay to International the aforesaid aggregate amount of Yen One Million Seven Hundred and Seventy-eight Thousand (¥1,778,000.00) out of which International will pay the call on the remaining Seventy-one Thousand One Hundred (71,100) half-paid shares in Nippon Electric Co., Ltd. which International will hold after consummation of the foregoing sale to Industries.

(2) Industries agrees that International may, at its option, but without obligation so to do, at any time within ten years after the date hereof re-purchase the aforesaid Nippon Electric Co., Ltd. shares and all rights thereto appertaining from Industries, and upon receipt of notice in writing by Industries from International of the exercise of International's option to re-purchase the same Industries will re-sell the said shares and rights to International, at the cost of said shares and



rights to Industries, plus interest not exceeding five per cent (5%) less new dividends (i.e. dividends less taxes) received by Industries on the shares. International shall have the option, but without obligation, to repurchase said shares from time to time, at any time during said ten-year period, in part or in whole out of earnings from royalties and dividends received in Japan, or otherwise. Likewise, any further shares taken up with respect to rights available accrued or accruing to shares purchased by Industries hereunder shall also be held subject to repurchase by International according to the terms of this agreement.

(3) In the event International exercises its option to repurchase said shares Industries shall hold and save International free from any loss of value of rights or privileges in respect of the aforesaid shares and in respect of future shares. Industries shall likewise hold and save International free from any loss of value of its rights and privileges in respect of present or future shares in the event that International should be prevented from exercising its option to repurchase said shares, rights or privileges by government interference or intervention. The value of such rights and privileges shall be determined at the time International exercises its option and said value shall be difference between the option price and the then market price.

(4) Honsha agrees to guarantee the performance on the part of Industries of the preceding covenants and obligations set forth in this agreement to be fulfilled by Industries.



IN WITNESS WHEREOF the undersigned have caused these presents to be executed the day and date first above written.

INTERNATIONAL STANDARD ELECTRIC CORP.

By A. G. JILLARD

WITNESS:

K. ISHIKAWA

SUMITOMO ELECTRIC INDUSTRIES, LTD.

By Y. TANAKA  
Chief Managing Director

WITNESS:

M. NISHIDA

SUMITOMO HONSHA, LIMITED

By M. OGURA

WITNESS:

T. OBATA



Copy

October 30, 1939

Sumitomo-Honsha, Limited,  
Osaka, Japan.

Dear Sirs:

In the event that the Sumitomo Electric Wire & Cable Works, Limited, and the Nippon Electric Company, Limited, should require new financing, in addition to calling the balance due on the Nippon Electric half paid shares, presently outstanding, and the four hundred thousand new shares of Sumitomo Electric Wire & Cable Works, now offered for subscription, and bank credits in the ordinary course of business, it is agreed by Sumitomo-Honsha and International Standard Electric Corporation that so far as practicable they will jointly exercise the votes, which they control in the management of the Nippon Electric Company and the Sumitomo Electric Wire & Cable Works, Limited, to accomplish such further financing in the following manner:

1. That the next required financing of Sumitomo Electric Wire & Cable Works, Limited, be accomplished by sale of notes or debentures without any rights for conversion into capital stock or to purchase capital stock.
2. Should further capital stock financing be required by either Nippon Electric Company or Sumitomo Electric Wire & Cable Works, Limited, such financing will, if possible, be so timed as to enable International Standard Electric Corporation to take up shares to which it thereby becomes entitled, by application of Yen balances previously accumulated in Japan out of its dividend and royalty income, and it is further agreed that, if possible, such new capital issues shall be made on a fully paid basis, it being the intention of the parties hereto to avoid creation of further large contingent liabilities by International Standard Electric Corporation on account of unpaid capital.

Will you please signify your consent to this plan by signing the enclosed copy of this letter and returning same to me.

Yours very truly,

INTERNATIONAL STANDARD ELECTRIC CORPORATION

By (Sgd) Jas. E. FULLAM  
Vice President

Confirmed AND APPROVED:

SUMITOMO-HONSHA, LIMITED

By (Sgd) T. OBATA  
Manager of Administrative Dept.



Copy:GG

EXHIBIT 7

May 4, 1936

Nippon Electric Company, Ltd.,  
2 Mita Shikokumachi Shibaku,  
Tokyo, Japan.

Gentlemen:

Referring to our recent correspondence relating to Manchoukuo and particularly to the registration of patents in that country, you appreciate, of course, that under the provisions of the agreement dated September 30, 1926 between International Standard Electric Corporation and Nippon Electric Company, Limited, the patent and other rights granted to your company are limited to "The Japanese Empire, including the Japanese leased territory in Manchuria" and that on account of our contract with the China Electric Company, which normally will continue in effect at least until October, 1937, our corporation can grant your company no rights in Manchoukuo which would in any manner abridge or conflict with the rights of the China Electric Company under the contract mentioned. You also appreciate that, by reason of our agreement of September 30, 1926 with your company, our corporation is entitled to the patent rights of your company for all countries outside the territory of your company. Under these circumstances, we had deemed it advisable that not only our patents but also those of your company to be registered in Manchoukuo, should be registered in the name of our corporation.

We understand from our recent exchange of cables that the patent law for Manchoukuo becomes effective from June 1, 1936 and that Japanese holders of Japanese patents will probably receive preferential treatment in registering patents in Manchoukuo, in view of which your company recommends registering Japanese patents of our corporation and of your company in Manchoukuo in the name of your company in order to conserve the rights and obtain the maximum protection possible.

After due consideration of your recommendations, and of the circumstances above mentioned, we agree that you proceed to register in Manchoukuo, in the name of the Nippon Electric Company, Limited, patents of our corporation and of your company, it being agreed, however, that such registration should be effected at our expense on the following basis:

1. The patents so registered in Manchoukuo will be held by your company for the sole benefit, and subject to the instructions, of our corporation.
2. If in our opinion it becomes necessary that patents so registered in Manchoukuo should be assigned to our corporation or its nominee, your company will upon our request make such assignment.



Nippon Electric Company, Ltd.

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May 4, 1936

3. The registration of the patents in Manchoukuo in the name of your company is not to be construed as extending the rights granted to your company by the agreement of September 30, 1926 nor as changing or modifying that agreement in any manner whatever.

For the present and until further notice your company shall have the right to file in Manchoukuo in the name of Nippon Electric Company, Limited new patents of our corporation and of your company on the same basis as set forth in paragraphs one to three above.

In order that your company may be in a position to register in your own name in Manchoukuo our Japanese patents recommended for registration, we are sending the necessary assignment and powers transferring our Japanese patents to ~~the~~ Nippon Electric Company, Limited.

In order that this matter may be regularized we should appreciate your signing the attached duplicate copy of this letter and returning the signed copy to us.

Yours very truly,

INTERNATIONAL STANDARD ELECTRIC CORP.

By (SGD.) JAS. E. FULLAM  
Vice President.

We agree with the above.

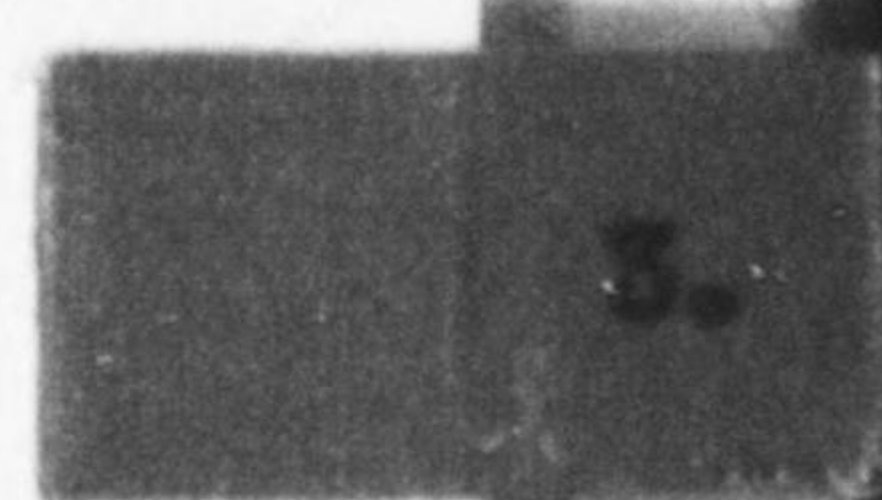
NIPPON ELECTRIC COMPANY, LIMITED

By (Sgd.) F. SHIDA  
Managing Director



DECLASSIFIED

E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050





ALL AMERICA CABLES AND RADIO, INC.ORGANIZATION

All America Cables and Radio, Inc. was organized January 31, 1881 under the laws of the State of New York as Central and South American Telegraph Company; its name was changed February 16, 1920 to All America Cables, Incorporated and on August 22, 1938 to the present name.

Corporate Data

Issued capital \$13,255,050.00

## Board of Directors-

John L. Merrill, Chairman	J. M. Phelan
Wolcott H. Pitkin, Vice-Chairman	Warren Lee Pierson
John Henry Hammond	John K. Roosevelt
Forest L. Henderson	Charles H. Russell
C. R. McPherson	Mark A. Sunstrom

## Officers-

Chairman of Board of Directors	John L. Merrill
Vice-Chairman of Board of Directors	Wolcott H. Pitkin
President	Warren Lee Pierson
Executive Vice-President	Forest L. Henderson
Vice-President and General Attorney	James A. Kennedy
Vice-President and Chief Engineer	Haraden Pratt
Vice-President and Secretary	C. R. McPherson
Vice-President	George E. Allen
Vice-President	Eugene LeBaron
Vice-President	J. M. Phelan
Vice-President	John K. Roosevelt
Vice-President	Charles H. Russell
Comptroller	J. W. Lair
Treasurer	O. C. Buchanan

Location of Offices

The head office of the Company is located at 67 Broad Street, New York 4, N. Y. It also maintains offices in twenty-two countries of Central and South America and the West Indies.

Nature of Business

The Company operates a system of submarine telegraph cables (with associated landlines) connecting the United States directly with practically all of the countries and possessions in Central and South America and the West Indies. Operations are



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conducted under general landing licenses or concessions granted by the United States Government and the various foreign governments.

In addition to the cable communications system operated by the Company since its organization in 1881, in recent years it entered the radiotelegraph field and established radiotelegraph stations at Lima, Peru and Bogota, Colombia. A radiotelegraph circuit was inaugurated in 1940 between the Lima station and the Tokyo station of the Department of Communications of Japan.

Agreement with Japan

An Agreement was entered into under date of May 29, 1940, effective July 1, 1940, between All America Cables and Radio, Inc. and the Department of Communications of Japan for the joint operation of duplex radiotelegraph service between Japan and Peru providing for radiotelegraph transmission of traffic exchanged between Japan and certain of the countries in Central America, South America and the West Indies.

A schedule entitled "Decomposition of rates per word for traffic exchanged between Japan and Central America, South America and West Indies via Tokyo-Lima Radio," attached to the Agreement, prescribed in gold francs the portions of the total rates per word applicable to Japan terminal, Peru terminal or transit, beyond Lima, and the wireless rate. The wireless rate was divided on the basis of two-thirds to the party ensuring transmission and one-third to the party ensuring reception.

The Agreement further provided that the radiotelegraph traffic handled thereunder be accounted for and settled in accordance with the provisions of the International Telecommunication Convention of Madrid, 1932 and the Regulations thereto or any Convention or Regulations in substitution thereof and in accordance with the laws and decrees of the respective countries of the parties to the Agreement.

Upon the outbreak of war between the United States and Japan December 7, 1941 application was made by All America Cables and Radio, Inc. to the Peruvian



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Government, the Lima station being operated under a concession granted by the Peruvian Government under date of May 29, 1929, for permission to discontinue service on the Lima-Tokyo circuit. Permission was granted April 17, 1942 and the circuit thereupon abandoned.

#### Accounts

Assets in Japan or those resulting from operations under the above Agreement with the Department of Communications of Japan, at the date of the outbreak of the war, according to the Company's records were as follows:

Office furniture and fixtures - Tokyo	\$ 281.44
Cash in banks and on hand	6,053.54
Accounts receivable-	
Department of Communications of Japan-	
Regular traffic account	27,603.64
Transferred accounts	21,962.72
Customers in Japan	<u>2,252.30</u>
Total	<u>\$58,153.64</u>

#### Data submitted with this Memorandum

Attached are copies of the following:

- I Agreement between the Department of Communications of Japan and All America Cables and Radio, Inc. dated Tokyo, May 29, 1940 concerning joint operation of radiotelegraph service between Japan and Peru.
- II Schedule entitled "Decomposition of rates per word for traffic exchanged between Japan and Central America, South America and West Indies via Tokyo-Lima Radio."
- III Letter dated Tokyo May 29, 1940 from K. Tamura, Director General of Telecommunications, setting forth certain additional conditions for operation of the radiotelegraph service, confirmed by C. C. Chapman, Representative of All America Cables and Radio, Inc.
- IV Letter dated Tokyo, May 29, 1940 from K. Tamura, Director General of Telecommunications with respect to conferring in the matter of reductions in rates, confirmed by C. C. Chapman, Representative of All America Cables and Radio, Inc.

August 28, 1945



C O P Y

Agreement between the Department of Communications of Japan (hereinafter called "Teisinsyo") of the one part and All America Cables and Radio, Inc., a corporation organized and existing under the laws of the State of New York, the United States of America and having its principal office for the transaction of business at No. 67 Broad Street in the City of New York, State of New York, U.S.A. (hereinafter called the "Company") of the other part.

WHEREAS Teisinsyo controls and operates stations in Japan for the transmission and reception of telegrams by radiotelegraphy and by means thereof conducts a public telegraph service; and

WHEREAS the Company possesses, controls and operates in Peru similar stations for the similar purposes and conducts similar service; and

WHEREAS the parties hereto desire jointly to operate and conduct a duplex radiotelegraph service between Japan and Peru;

NOW IT IS HEREBY MUTUALLY AGREED AS FOLLOWS:-

Article I. Each of the contracting parties shall supply and provide a suitable radio station or stations for the purpose of conducting the service as aforesaid between the two countries of the parties hereto.

Article II. Each of the contracting parties shall take necessary measures to maintain at all times the respective station or stations as aforesaid in the best working order and condition.

Article III. Each of the contracting parties shall transmit, unless specially ordered otherwise by senders, to the other party, all radiotelegraphic traffic, within its control, exchanged terminally between Japan (including in this Agreement Chosen, Taiwan, Karafuto and the South Sea Islands under the Japanese Mandate) and Peru, provided that the total rate for telegrams passing through the stations of both parties is not higher than the rate levied, for the time being, on similar traffic via any other route.

It is understood that the foregoing provision shall in no way prevent the said stations from handling, on the aforesaid radiotelegraph service, telegrams from or to such places beyond Japan or Peru as may mutually be agreed upon.

Article IV. The Total rate per word for telegrams shall be arranged separately by mutual agreement.

Article V. The total rate per word shall be composed of, according to circumstances,

- a) the terminal rate or transit rate of each of the contracting parties,
- b) the radiotelegraphic rate, and
- c) the further transmission rate.

Article VI. The radiotelegraphic rate shall be apportioned two thirds to the transmitting station and one third to the receiving station.

Article VII. Japanese and Peruvian Government telegrams exchanged terminally between Japan and Peru shall be transmitted at half of the rate for ordinary or code telegrams as the case may be.



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Article VIII. The service hereof shall be conducted during such period of the day and night as may be arranged between the contracting parties.

Article IX. Neither party hereto can without first obtaining the consent of the other party in writing, substitute for itself another party which would take its place and stead in carrying out the conditions of this Agreement.

Article X. Unless otherwise agreed upon, the service hereof shall be conducted and accounted for and settled in accordance with the provisions of the International Telecommunication Convention of Madrid, 1932 and the Regulations attached thereto or any Convention or Regulations in substitution thereof and in accordance with the laws and decrees of the respective countries of the parties hereto.

Article XI. If and whenever an emergency shall arise in which it is expedient for either the Government of Japan or the Government of Peru to take possession of, use or control the aforesaid station or stations entirely for purposes other than the service herein provided for, then during the period of such possession, use or control, all the provisions of this Agreement shall be suspended, but as from the date when such suspension of the service by the Japanese Government or the Peruvian Government ceases and the station or stations shall have been restored to a proper working order, all the provisions of this Agreement shall be reinstated and shall thenceforward continue in full force and effect. The term of this Agreement shall be extended by a period equal to the period of such suspension.

Article XII. This Agreement shall take effect from the first day of July, one thousand nine hundred and forty and shall remain in force for a period of five years, and thereafter shall continue in force unless and until terminated by either party giving to the other six months' prior notice in writing.

Done in duplicate in English and signed at Tokyo on the twenty-ninth day of May, one thousand nine hundred and forty.

SEAL

On behalf of THE DEPARTMENT OF COMMUNICATIONS  
OF JAPAN,

Witness:

T. MATSUNAGA

K. TAMURA (signed)  
Director General of  
Telecommunications

On behalf of ALL AMERICA CABLES AND RADIO,  
INCORPORATED,

Witness:

I. B. BROWN

C. C. CHAPMAN



DECOMPOSITION OF RATES PER WORD  
FOR TRAFFIC EXCHANGED BETWEEN JAPAN AND  
CENTRAL AMERICA, SOUTH AMERICA AND WEST INDIES

Via Tokyo-Lima Radio

Name of Countries	Class	Total Rate	Japan Terminal	Peru Terminal or Transit	Beyond Lima	Wireless Rate	Party Reception	Ensuring Transmission
1	2	3	4	5	6	7	8	9
		Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.
<u>CENTRAL AMERICA</u>								
<u>COSTA RICA:</u>								
Port Limon, Punta Arenas, San Jose	Ord.	4.50	0.35	-	0.55	3.60	1.20	2.40
	Press	1.10	0.08	-	0.138	0.882	0.294	0.588
Other Offices	Ord.	4.50	0.35	-	0.81	3.34	1.113	2.227
	Press	1.10	0.08	-	0.203	0.817	0.272	0.545
<u>GUATEMALA:</u>								
San Jose	Ord.	4.50	0.35	-	0.55	3.60	1.20	2.40
	Press	1.10	0.08	-	0.138	0.882	0.294	0.588
Other Offices	Ord.	4.50	0.35	-	0.81	3.34	1.113	2.227
	Press	1.10	0.08	-	0.203	0.817	0.272	0.545
<u>HONDURAS</u>								
<u>REPUBLIC:</u>								
	Ord.	4.50	0.35	-	1.07	3.08	1.027	2.053
	Press	1.10	0.08	-	0.268	0.752	0.251	0.501
<u>NICARAGUA:</u>								
San Juan del Sur	Ord.	4.50	0.35	-	0.55	3.60	1.20	2.40
	Press	1.10	0.08	-	0.138	0.882	0.294	0.588
Other offices	Ord.	4.50	0.35	-	0.81	3.34	1.113	2.227
	Press	1.10	0.08	-	0.203	0.817	0.272	0.545
<u>PANAMA:</u>								
Ancon, Balboa, Colon, Cristobal, Panama City	Ord.	4.50	0.35	-	0.55	3.60	1.20	2.40
	Press	1.10	0.08	-	0.138	0.882	0.294	0.588
Almirante, Bocas del Toro	Ord.	5.28	0.35	-	1.33	3.60	1.20	2.40
	Press	1.32	0.08	-	0.333	0.907	0.302	0.605
Other Offices	Ord.	4.50	0.35	-	0.71	3.44	1.147	2.293
	Press	1.10	0.08	-	0.178	0.842	0.281	0.561
<u>SALVADOR:</u>								
	Ord.	4.50	0.35	-	0.91	3.24	1.08	2.16
	Press	1.10	0.08	-	0.228	0.792	0.264	0.528



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1	2	3	4	5	6	7	8	9
		Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.
<u>SOUTH AMERICA</u>								
<u>ARGENTINA:</u>								
Buenos Aires, Mendoza, Rosario, Junin	Ord. Press	4.00 1.00	0.35 0.08	- -	0.55 0.138	3.10 0.782	1.033 0.261	2.067 0.521
Other Offices	Ord. Press	4.00 1.00	0.35 0.08	- -	0.95 0.238	2.70 0.682	0.90 0.227	1.80 0.455
<u>BOLIVIA:</u>								
Ballivian Cachuela-Esperanza, Cobija, Dorbigny, Esteros, Riberalta, Santa Ana (Yacuma) Todos Santos, Trinidad, Villa Bella	Ord. Press	6.05 1.512	0.35 0.08	- -	2.20 0.55	3.50 0.882	1.167 0.294	2.333 0.588
La Paz	Ord. Press	5.50 1.375	0.35 0.08	- -	0.95 0.238	4.20 1.057	1.40 0.352	2.80 0.705
Other Offices	Ord. Press	5.90 1.475	0.35 0.08	- -	1.35 0.338	4.20 1.057	1.40 0.352	2.80 0.705
<u>BRAZIL:</u>								
Rio de Janeiro, Santos, Sao Paulo	Ord. Press	4.40 1.10	0.35 0.08	- -	0.65 0.163	3.40 0.857	1.133 0.286	2.267 0.571
Other Offices	Ord. Press	4.40 1.10	0.35 0.08	- -	1.80 0.45	2.25 0.57	0.75 0.19	1.50 0.38
<u>CHILE:</u>								
Andres, Quillota, Santiago, Valparaiso	Ord. Press	4.40 1.10	0.35 0.08	- -	0.55 0.138	3.50 0.882	1.167 0.294	2.333 0.588
Other Offices	Ord. Press	5.00 1.25	0.35 0.08	- -	0.90 0.225	3.75 0.945	1.25 0.315	2.50 0.63
<u>COLOMBIA:</u>								
	Ord. Press	4.70 1.175	0.35 0.08	- -	0.76 0.19	3.59 0.905	1.197 0.302	2.393 0.603
<u>ECUADOR:</u>								
	Ord. Press	4.70 1.175	0.35 0.08	- -	0.81 0.203	3.54 0.892	1.18 0.297	2.36 0.595



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1	2	3	4	5	6	7	8	9	
		Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	
<u>PARAGUAY:</u>		Ord.	4.40	0.35	-	0.95	3.10	1.033	2.067
	Press	1.10	0.08	-	0.238	0.782	0.261	0.521	
<u>PERU:</u>									
	Lima, Callao	Ord.	4.40	0.35	0.50	-	3.55	1.183	2.367
		Govt.	2.20	0.175	0.25	-	1.775	0.592	1.183
		Press	1.10	0.08	0.125	-	0.895	0.298	0.597
	Other Offices	Ord.	4.40	0.35	0.50	0.70	2.85	0.95	1.90
		Govt.	2.20	0.175	0.25	0.35	1.425	0.475	0.95
		Press	1.10	0.08	0.125	0.175	0.72	0.24	0.48
<u>URUGUAY:</u>									
	Montevideo	Ord.	5.10	0.35	-	1.15	3.60	1.20	2.40
		Press	1.275	0.08	-	0.288	0.907	0.302	0.605
	Other Offices	Ord.	5.10	0.35	-	1.40	3.35	1.117	2.233
		Press	1.275	0.08	-	0.35	0.845	0.282	0.563
<u>VENEZUELA:</u>									
	Caracas, La Guaira, Coro Maracaibo	Ord.	5.88	0.35	-	0.55	4.98	1.66	3.32
		Press	1.47	0.08	-	0.138	1.252	0.417	0.835
	Other Offices	Ord.	5.88	0.35	-	0.81	4.72	1.573	3.147
		Press	1.147	0.08	-	0.203	1.187	0.396	0.791
<u>WEST INDIES</u>									
<u>CUBA:</u>									
	Havana, Santiago	Ord.	4.09	0.35	-	0.55	3.19	1.063	2.127
		Press	1.023	0.08	-	0.138	0.805	0.268	0.537
	Other Offices	Ord.	4.35	0.35	-	0.81	3.19	1.063	2.127
		Press	1.088	0.08	-	0.203	0.805	0.268	0.537
<u>DOMINICAN REPUBLIC:</u>									
	Ciudad Trujillo, Puerta Plata, San Pedro de Macoris, La Vega, Santiago R.D.	Ord.	5.78	0.35	-	0.55	4.88	1.627	3.253
		Press	1.445	0.08	-	0.138	1.227	0.409	0.818
	La Romana	Ord.	6.19	0.35	-	0.96	4.88	1.627	3.253
		Press	1.547	0.08	-	0.24	1.227	0.409	0.818
	Other Offices	Ord.	5.93	0.35	-	0.70	4.88	1.627	3.253
		Press	1.482	0.08	-	0.175	1.227	0.409	0.818



- 4 -

1	2	3	4	5	6	7	8	9
		Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.
<u>DUTCH WEST INDIES:</u>								
Aruba, Bonaire								
Curacao,								
St. Eustatius,								
St. Maarten,								
Saba	Ord.	5.26	0.35	-	0.55	4.36	1.453	2.907
	Press	1.315	0.08	-	0.138	1.097	0.366	0.731
<u>HAITI:</u>								
Port au Prince,								
Cap Haiten	Ord.	5.78	0.35	-	0.55	4.88	1.627	3.253
	Press	1.445	0.08	-	0.138	1.227	0.409	0.818
Other Offices	Ord.	6.03	0.35	-	0.80	4.88	1.627	3.253
	Press	1.507	0.08	-	0.20	1.227	0.409	0.818
<u>PORTO RICO:</u>								
San Juan,								
Mayaguez,								
Ponce	Ord.	5.26	0.35	-	0.55	4.36	1.453	2.907
	Press	1.315	0.08	-	0.138	1.097	0.366	0.731
Other Offices	Ord.	5.26	0.35	-	0.70	4.21	1.403	2.807
	Press	1.315	0.08	-	0.175	1.06	0.353	0.707
<u>VIRGIN ISLANDS:</u>								
St. Thomas,								
St. Croix	Ord.	5.78	0.35	-	0.55	4.88	1.627	3.253
	Press	1.445	0.08	-	0.138	1.227	0.409	0.818



C O P Y

May 29, 1940

Mr. C. C. Chapman,  
Representative of All America Cables and Radio, Inc.,  
Tokyo.

Dear Sir:

With reference to the agreement signed to-day between Teisinsyo and All America Cables and Radio, Inc., Teisinsyo understands that your Company is agreeable that the radiotelegraph service maintained under the said Agreement shall be conducted on following conditions, in addition to what is agreed upon separately between our two parties:-

- (1) Each of the parties to the Agreement referred to above shall transmit to the other party via Tokyo-Lima circuit, unless specially ordered otherwise by senders, all traffic, within its control, exchanged between Japan (including Chosen, Taiwan, Karafuto and the South Sea Islands under Japanese Mandate) on the one side and the countries in Central America (except Costa Rica and Salvador), South America (except Argentine, Brazil and Chile) and the West Indies (except Netherlands West Indies), named in the rate schedule prepared in accordance with Article IV of the said Agreement, on the other.
- (2) In case Teisinsyo establishes direct circuits with any of the countries in Central or South America or the West Indies other than Argentine, Brazil, Chile or Peru, the provision of paragraph (1) hereof shall not be applicable to unrouted traffic exchanged terminally between Japan and the countries concerned.
- (3) In order that 24 hour commercial operation may be preformed between Tokyo and Lima, the Company shall install a transmitter of at least 20 KW aerial power and a directive antenna of high gain within eight months from the date on which the Agreement is signed.
- (4) Unrouted telegrams reaching the respective terminal stations after close of service hours of the Tokyo-Lima circuit may be diverted via other routes, irrespective of the provisions set forth in paragraph (1) hereof when it is believed they may otherwise be delayed.

We shall be obliged, if you will confirm that the foregoing understanding is correct.

Yours faithfully,

K. TAMURA (signed)

Director General of  
Telecommunications

I, on behalf of All America Cables and Radio, Inc., hereby confirm that the understanding set forth above is correct.

C. C. CHAPMAN (signed)  
Representative of All America  
Cables and Radio, Inc.

Tokyo, May 29, 1940



May 29, 1940.

Mr. C. C. Chapman,  
Representative of All America Cables and Radio, Inc.,  
Tokyo.

Dear Sir:

With reference to the radiotelegraph agreement between Teisinsyo and All America Cables and Radio, Incorporated, signed this day, Teisinsyo understands that, it being the desire of both parties to the said Agreement that the rates should be as low as commercially practicable, your Company agrees to confer from time to time with Teisinsyo for the purpose of considering any reduction in rates that may be practicable.

Faithfully yours,

K. TAMURA (signed)  
Director General of  
Telecommunications

I, on behalf of All America Cables and Radio, Incorporated,  
hereby confirm that the understanding set forth above is correct.

C. C. CHAPMAN (signed)  
Representative of All America  
Cables and Radio, Inc.

Tokyo, May 29, 1940.



DECLASSIFIED

E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

