GHQ/SCAP Records(RG 331)
Description of contents

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(1) Box no. 2243

(2) Folder title/number: (13)
Oyabun - Kobun System

(3) Date: Feb. 1946 - July 1948

(4) Subject:

Classification	Type of record
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(5) Item description and comment:
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(7) Film no. Sheet no.

FILE UNDER: Deputies —

INDEX SHEET

DATE: 19 Nov 47

FROM: — TO: DC/PS

SUBJECT: Memos for the Deputy Chief, PS —
List of political parties' financial supporters —

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memos to Chiefs

FILE UNDER: ~~Memo for C/O.S.~~ ⊙YABUN-KOBUN

INDEX SHEET

DATE: 4 Jan. 1949

FROM: Matsukata TO: C/O.S.

SUBJECT: Textile Scandal

DOCUMENT FILED UNDER: CLASSIFIED FILE:

~~2 weeks file~~ Memos to Chief, G.S.

FILE UNDER: **OYABUN *KOBUN**

I N D E X S H E E T

DATE:

FROM: TO:

SUBJECT: **Circulars to Liaison Section Judges of Osaka High Court and District Court frin Chiefs of Criminal Affair and liaison Sections Concerning the Osaka Arsenal Case.**

DOCUMENT FILED UNDER:

COURTS
(cabinet # 19
drawer #1)

CLASSIFIED FILE:

C R O S S R E F E R E N C E

FILE UNDER: OYUBUN-KOBUN

DATE: 4 November, 1948

FROM: ICHIMURA, Toranosuke (President of Showa Denko Co.)
TO:

SUBJECT: Salient Facts from Minutes of the Illegal Property Transactions Special Committee

DOCUMENT FILED UNDER: HOLDING COMPANY LIQUIDATING COMMITTEE
CABINET # 18, drawer # 1
SHELF #

CLASSIFICATION

The dealings with Kurata & Co.

The undermentioned materials, whic
been planned to exchang for the s
Company. However, sine the said
aforesaid materials were appropria
which were purchased from the Mit
the Okukoji Shearing Company.

Nov.15 1947	Square bar	105 x unequal measure	35,162 kg	10,196,980	Kurata & Co.	Nov. 4, 1947	Thick steel plate	85
"	"	110 x unequal measure	25,895 kg	7,509,550	"	"	"	6
"	"Kōgata" bar	150 x125x85 unequal measure	20,146 kg	5,043,800	"	"	"	5 Fr Sh ch
		Total	81,203 kg	23,750,330				

The undermentioned materials, which were sold to Kureta & Co., had first been planned to exchang for the sheets of the Nakayama Steel Manufacturing Company. However, sinc the said sheets could not be obtained, the aforesaid materials wer appropriated to the price of the thick steel plates which were purchased frm the Mitsui Bussan Company, and to the charge of Shearing of the Okukoji Shearing Company.

,960	Kureta & Co.	Nov. 4, 1947	Thick steel plate	85-0 10-0	9,928 kg	7,733,912	The Mitsui Bussan Co.
,550	"	"	"	6 " "	10,074 kg	8,139,792	"
,800	"	"	"	5-0 Freight and Shearing charge	37,500 kg	7,500,000	The Okukoji Shearing Co.
,330				TOTAL	57,502 kg	23,623,504	

The dealings with Takehara & Co.

July 18, 1947	Brass plate	4x365x1,200	744 kg	1,450,800	Takehara & Co.	Mar.14, 1947	Angle-bar
"	"	3x3x6	4,132 kg	8,057,400	"	July 21,1947	Flat bar
"	"	6x365x1,200	5,100 kg	9,945,000	"	"	"
						"	"
						"	"
						"	"
						"	"
						"	"
						"	"
						"	"
						"	"
		Total	9,976 kg	19,453,200			

The dealings with the Taika Sangyo Co.

Nov. 4, 1947	Round bar	80x5,500	33,674 kg	8,755,240	The Taika Sangyo Co.	Nov.14, 1947	Square bar
"	Square bar	220 x unequal measure	86,395 kg	22,514,700	"	"	"
"	"	180 x unequal measure	33,835 kg	8,796,580	"	Dec. 3, 1947	Round bar
"	"	13^{0} x 5,000	37,905 kg	9,855,330	"	"	"
Nov. 6, 1947	"	180 x unequal measure	19,761 kg	3,784,590	"	"	"
"	"	195 x unequal measure	49,739 kg	14,421,410	"	Dec.16, 1947	Steel plate
"	"	90 x 2,000	15,000 kg	3,900,000	"	Jan.26, 1948	Square bar
		Total	276,497 kg	71,997,820		"	"

,800	Takehara & Co.	Mar.14, 1947	Angle-bar	50x50x6x9,000	30,578 kg	12,231,200	Takehara & Co.
7,400	"	July 21,1947	Flat bar	6x75	5,314 kg	2,125,600	"
5,000	"	"	"	6x65	4,484 kg	1,793,600	"
		"	"	6x38	5,208 kg	2,083,200	"
		"	"	3x38	1,027 kg	513,500	"
		"	"	3x32	4,458 kg	2,229,000	"
		"	"	6x32	3,505 kg	1,577,250	"
		"	"	3x25	2,710 kg	1,355,040	"
		"	"	6x25	4,975 kg	2,238,750	"
		"	"	12x50	6,000 kg	2,400,000	"
		"	"	"	637 kg	254,800	"
3,200				TOTAL	68,896 kg	28,801,900	
,240	The Taika Sangyo Co.	Nov.14, 1947	Square bar	130x380	16,580 kg	13,264,000	The Japan Steel Industrial Co
,700	"	"	"	180	22,834 kg	18,267,200	"
,580	"	Dec. 3, 1947	Round bar	32	8,000 kg	4,888,000	"
,306	"	"	"	13	1,574 kg	6,296,512	"
		"	"	19	536 kg	3,953,400	"
,590	"	Dec.16, 1947	Steel plate	6x5-0x10-0	10,000 kg	7,610,000	"
,410	"	Jan.26, 1948	Square bar	180	58,055 kg	46,553,600	"
,000	"	"	"	130 x 380	128,055 kg	22,444,000	"
,320				TOTAL	145,771 kg	123,188,712	

June 25, 1947	Steel plate	51x380x450	520 kg	1,248,000	Konishi Kyotaro & Co.
"	Brass plate	6x3-0x6-0	2,070 kg	4,347,000	"
"	"	19x3-0x6-0	1,080 kg	2,268,000	"
Sept.19, 1947	Steel plate	15x365x1,800	560 kg	336,000	"
"	Copper plate	10x365x1,200	358 kg	930,800	"
"	"	10 x unequal measure	57 kg	148,200	"
"	Brass plate	9x3-0x6-0	276 kg	579,600	"
"	Copper plate	3x365x1,200	145 kg	377,000	"
"	Brass plate	6x3-0x6-0	232 kg	580,000	"
"	"	4x365x1,200	150 kg	375,000	"
"	"	" x " x "	98 kg	245,000	"
		Total	90,672 kg	38,669,468	

The dealings concerned with the Kansai Keren Co. - { The undermentioned dealing with transaction through the Kansai

July 18, 1947	Copper plate	5x365x1,200	864 kg	1,900,800	The Kansai Keren Co.
"	"	0.5x365x1,200	91 kg	200,200	"
"	Brass plate	4x365x1,200	557 kg	1,316,250	"
		Total	1,630 kg	2,417,250	

The dealings concerned with Takeuchi & Co. - {The undermentioned dealing with is the transaction through Take

Nov.15, 1946	Round bar	40x 4,500	5,732 kg	1,350,648	Takeuchi & Co.
"	"	80 x 5,500	21,732 kg	5,085,288	"
"	Angle bar	65x65x6x30	15,160 kg	3,538,080	"
		Total	42,624 kg	9,974,016	

Nov.11, 1947	Steel plate	Blanking Compl	"	"	"

48,000	Konishi Hyotaro & Co.						
2,000	"						
28,000	"						
0,000	"						
0,800	"						
8,200	"						
3,600	"						
2,000	"						
0,000	"						
5,000	"						
5,000	"						
9,458				TOTAL	70,218 kg	44,826,600	

The undermentioned dealing with Iwahashi & Co. is the transaction through the Kansai Keren Co.

0,800	The Kansai Keren Co.	June 30, 1947	Second-hand Copper & Package		3,200 kg	6,720,000	Iwahashi & Co.
0,200	"				3,200 kg	6,105,000	
0,250	"						
7,250				TOTAL	3,200 kg	6,825,000	

(The undermentioned dealing with the Mitsui Bussan Co. is the transaction through Takeuchi & Co.)

2,648	Takeuchi & Co.	Nov.11, 1947	Steel plate of Elaborate Completion	1x3-0x6-0	48,000 kg	16,816,000	The Mitsui Bussan Co.
1,288	"						
1,080	"	"	"	"	3,000 kg	1,686,000	
5,016				TOTAL	79,000 kg	30,525,000	

The dealings concerned with Konishi Hyotaro & Co.					The undermentioned dealings with The Kyushu Bussan Co. are the trans		
June 20, 1946	Round bar	36 x 5,000	kg 15,000	3,960,000	Konishi Hyotaro & Co.	Sept.8, 1946	Sheet
June 21, 1946	Round Bar	50 x 5,000	kg 9,925	2,598,700	The Kyoto Polished Steel Bar Co.	Dec. 1, 1946	"
July 24, 1946	"	40 x 5,000	kg 3,306	859,560	Konishi Hyotaro & Co.	"	"
July 21, 1946	"	40 x 1,500	kg 4,380	1,138,800	"	May 23, 1947	Angle-Bar
"	"	40 x 5,000	kg 671	174,460	"	"	"Romu" Sheet
"	"	40 x 5,000	kg 899	233,740	"		
Aug. 7, 1946	Round Bar	40xunequal measures	kg 18,744	4,873,448	"		
Aug.22, 1946	"	55 x 4,500	kg 5,046	1,211,040	"		
"	"	36 x 5,500	kg 5,016	1,203,840	"		
"	"	22 x 5,500	kg 5,002	1,200,480	"		
"	Angle-bar.	36x36x5x180	kg 5,000	1,200,000	"		
Oct. 16, 1946	Round Bar	40xunequal measure	kg 10,000	2,600,000	"		
June 24, 1947	Round Bar	68x36.5x 1,200	kg 150	360,000	"		
June 25, 1947	"	82x26.5x 1,200	kg 200	480,000	"		
June 25, 1947	Steel Plate	3x365x 1,200	kg 854	2,049,600	"		
"	"	8x " x "	kg 660	1,584,000	"		
"	"	17x500x700	kg 408	987,600	"		

...ntermediary dealings with. The Kyoto Polished Steel Bar Co., ...Kyoto Bussan Co. are the transactions through Kenichi & Co.)

Kenichi Kyotaro & Co.	Sept. 8, 1948	Sheet	1,000×500×3	40,000 kg	10,000,000	Kenichi Kyotaro & Co.
The Kyoto Polished Steel Bar Co.	Dec. 1, 1948	"	1,200×600×6	9,000 kg	8,000,000	The Kyoto Steel Co.
Kenichi Kyotaro & Co.	"	"	1,500×800×8	2,000 kg	11,700,000	
"	May 25, 1947	Angle-bar	150×90×12	10,210 kg	9,000,000	Kenichi Kyotaro & Co.
"	"	"Tomo" Sheet	2,220×200×30	11,000 kg	12,000,100	"
"			Freight		1,070,100	"
"						
"						
"						
"						
"						
"						
"						
"						
"						

P.1 Annexed to the Enclosure

THE DETAILED STATEMENT OF THE EXCHANGE THE UNNECESSARY MATERIALS FOR THE NECESSARY

The underlined are the special articles of the present Company — SOLD — The others are the holding materials of the Company								
Date	Name of article	Standard measure	Quantity	Pecuniary amount	To whom sold.	Date	Name of article	
	The dealings concerned with Nakamura & Company.			-	The undermentioned dealings with the Toyojiro & Co., Hara & Co. and The through Nakamura & Co.			
June 21, 1946	Round Bar	50 x 5,500	6,776 kg	1,761,760	The Shikoku Machinery Co.	July 6, 1946.	Sheet.	
						July 18,1946	"	
						July, 18,1946	"	
						Aug.12, 1946	"	
						Aug.14, 1946	"	
		Total	6,776 kg	1,761,760				
	The dealings, concerned with The Osaka Shearing Co.			-	The undermentioned dealing with the is the transaction through the Osaka			
July 11, 1946	Round Bar	50 x 5,500	5,082 kg	924,924	The Shikoku Agricultural Association	July 3, 1946	Sheet	
		Total	5,082 kg	924,924				

DETAILED STATEMENT OF THE EXCHANGE OF
CESSARY MATERIALS FOR THE NECESSARY MATERIALS

(The Kisha Rolling Stock Manufacturing Co.,Ltd.)

others are olding materials e Company		PURCHASED					
mmiary nt	To whom sold.	Date	Name of article	Standard	Quantity	Pecuniary amount	From whom purchased
The undermentioned dealings with the Shikoku Machinery Company, Takahata Tayojiro & Co., Hara & Co. and The Daido Shipbuilding Co. are the transactions through Nakamura & Co.							
,760	The Shikoku Machinery Co.	July 6, 1946.	Sheet.	08-16x3-0x6-0	19,601 kg	7,633.593	The Daido Ship-building Co.
		July 18,1946	"	12x4-0x8-0	5,400 "	2,808,000	Takahata & Co.
		July, 18,1946	"	12x3-0x6-0	6,000 "	3,120,000	Hara & Co.
		Aug.12, 1946	"	16 x " x "	4,500 "	207,000	Takahata & Co.
		Aug.14, 1946	"	12 x " x "	3,200 "	1,738,500	ditto
,760				TOTAL	38,771 kg	17,480,093	
The undermentioned dealing with the Shikoku Agricultural Association is the transaction through the Osaka Shearing Company.							
,924	The Shikoku Agricultural Association	July 3, 1946	Sheet	1.6 x 3-0x6-0	5,000 kg	2,100,000	The Osaka Shearing Co.
,924				TOTAL	5,000 kg	2,100,000	

P E T I T I O N

Law Office of T. Tanabe,
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Tel. Kyobashi(56)-3007

September 15, 1948.

TO : The Supreme Command of the Allied Powers.

FROM : Tsuneyuki Tanabe, Counsel.

SUBJECT : Petition regarding the former Osaka Military Arsenal Case.

Honorable Sir,

I, the undersigned Tsuneyuki Tanabe, Counsel and Legal Adviser of the Kisha Rolling Stock Manufacturing Company, Ltd. beg leave to submit, herewith enclosed, a copy of the "Summary Statement of the Osaka Arsenal Case in its relationship with the Kisha Rolling Stock Manufacturing Company, Ltd." My object in view is to appeal as defence counsel to the intelligence and sympathetic understanding of the Supreme Command through the enclosed statement which discloses the truth of the said Arsenal Case that has attracted so much public attention.

I, as the defense counsel on the part of the said Company, should be greatly obliged, if the authorities concerned of the Supreme Command would very kindly see their way in order to peruse the Enclosure and extend their favorable consideration to the cause of the Company.

Respectfully yours,

Tsuneyuki Tanabe

Tsuneyuki Tanabe,
Defense Counsel on the part
of the Kisha Rolling Stock
Manufacturing Company, Ltd

Enclosure:

A copy of the "Summary Statement of the Osaka Arsenal Case in its relationship with Kisha Rolling Stock Mfg. Co., Ltd."

SUMMARY STATEMENT OF THE OSAKA ARSENAL CASE
IN ITS RELATIONSHIP WITH
THE KISHA ROLLING STOCK MFG. CO., LTD.

1. The name and status of the accused.

The Osaka Manufactory of the Kisha Rolling Stock Manufacturing Company, Ltd.

Tatsuo Tokuono, Chief of the Osaka Manufactory.

Tokiteru Murakami, Chief of the Materials Section of the Manufactory.

Juro Ugai, Member of the Materials Section of the Manufactory.

2. The content of the fact on which the Public Procurator's Office brought an indictment to the Osaka District-Court.

During the continuance of the custody, which the Osaka Manufactory of the Kisha Rolling Stock Manufacturing Company, Ltd. undertook to effect in the execution of their business on behalf of the Osaka Railway Bureau, of the approximate total quantity of 2,000 tons of so-called special articles consisting of steel materials, non-ferrous metals,etc., of which the Osaka Railway Bureau had accepted the diversion of the custody from the former Osaka Military Arsenal, and which the said Osaka Manufactory took out, commissioned by the Osaka Railway Bureau, during the first decade of February, 1946, from the compounds of the said Arsenal and kept in their own compounds, the accused arbitrarily sold in their Manufactory, as a result of the unexpected financial pressure of the said Manuf-actory for the personnel expense and for the money to purchase the necessary materials, etc., and in conspiracy with each other, the steel material s, sheet-coppers and sheet-brasses, etc., approximately totalling 461 tons, out of the said special articles in thei r custody, to the Shikoku Machinery Industry Company, Ltd. and eight others, for the approximate total price of ¥ 1,679,000 and upwards, in thirties times during the period between about the 20th June,1946, and about the 4th November,1947, and thereby com-mitted embezzlement.

3. The gist of the contention of the accused.

Inasmuch as there was formed a contract with the Osaka Railway Bureau on the 1st February, 1946, prior to the removal of the aforesaid about 2,000 tons of steel and other materials, to the effect that the articles removed by the

said Manufactory should be sold to the Kisha Rolling Stock Manufacturing Co., Ltd., the disposal of the approximate quantity of 460 tons of materials, although the said disposal is the fact as insisted by the Public Procurator's Office, does not constitute a crime.

4. <u>The truth of the case.</u>

(a). The origin of the case.

In consequence of the interview between Colonel Howard of the Eighth Army and the authorities concerned of the Investigation Bureau of the Home Ministry during the third decade of January, 1946, it was arranged that the so-called special articles, such as steel, non-ferrous metals and other materials, etc. which existed in the compounds of the Osaka Military Arsenal should be speedily disposed, and the Osaka Railway Bureau, being instructed by the Central authorities to the same effect, came to undertake the urgent removal of the materials which were related with the Arsenal, as a result of the conference which was held under the auspices of the Osaka Branch Office of the Investigation Bureau of the Home Ministry during the said third decade at the Osaka Prefectural Government. (By the account written by Takahiko Maruyama, Secretary of Transportation Ministry, assigned to the Section of Demand and Supply of the Material s Department of the Railway Bureau, which was addressed to the Osaka District Public Procurator's Office under date of the 6th February, 1948.)

The articles which the Osaka Railway Bureau then undertook to remove were estimated at about 150,000 tons, and the time limit for the removal was said to be within a week to come.

However, the Osaka Railway Bureau had not secured the transportation vehicles for the use of removal of such a huge quantity of materials in such a short time, nor had prepared to pay for the expense, even if the said Bureau wanted to hire them. (Though the hire is estimated at as low as Y500 per ton, the total charge amounts to Y 75,000,000.)

The Osaka Manufactory of the Kisha Rolling Stock Manufacturi-ng Co., Ltd. received in the morning of the 1st February, 1946, a letter and a telephone call from the Chief of the Osaka Branch Office of the Inspectors of Manufacture, the purport of which was to ask, together with giving the information, for the presence of the person in charge at the meeting at

one o'clock p.m. to make arrangements for taking over the distribution of the materials of the former Osaka Military Arsenal. (as a datum therefor, see the notification of the 31st January, 19 46, which was issued by the Chief of the Osaka Branch Office of the Inspectors of Manufacture for holding a meeting to make arrangements for taking over the distribution of the materials.)

Juro Ugai, member of the Materials Section of the Osaka Manufactory, reported himself, by the said notification, at the Osaka Railway Bureau on the same day at the appointed time, accompanied by Noriyoshi Nakamura, member of the Transportatio n Section of the Company.

In the conference room on the 2nd floor of the Osaka Station Building, which was assigned for the meeting place, there were, in addition to the ten to twenty makers of rolling stocks, and many submakers who had the connection with the Government Railway, total li ng nearly 70 to 80, assembled, and, representi ng the Government Railway, Chief of General Affairs Section Maruyama, Chief of Disposal Squad Watanabe, Inspectors Hashimoto and Noda and Secretary Yamaguchi were present.

In the first place, Chief of General Affairs Section Maruyama, fol lowing his greeting, made an explanation to the effect that the "Government Railway, being asked now to dispose of nearly 150,000 tons of materials whi ch are held in possession of the former Osaka Military Arsenal, is obliged to remove them outside the compounds of the Arsenal within a week, under the orders of the Supreme Command of the General of the Army Mac Arthur, and, since those materials which cannot be taken away within that time limit shall be prohibitted to remove by the Allied Forces, it is desired that as much quatity as possible, even one ton or a half ton more, of the material s which are required for the production be taken out by al l means in that period for serving the purpose of the use of the materials for reconstructed Japan, and further, those materials, if removed, are desired to be kept in custody by each maker.

In this connection, please suggest the number of the vehicle, with which you can co-operate in the matter of the said removal, as an enquiry will be made in turn to the same effect."

In the second place, to the enquiry about the number of the vehicle for the said co-operation, each maker of rolling stocks answ-ered two or three vehicles, and Juro Ugai, considering to co-operate to the extent that the power of transportation of his own Company would not be affected thereby, ans-wered on behalf of the Company that two trucks and one cart, totalling

three, would be offered to co-operate. Those enterprisers who assembled there in answer to the said notification, thinking that the materials in question would be distributed among them, were quite disappointed by the word that the materials removed should simply be taken in custody, and displayed their indifferent attitude.

Thus, the total number of the vehicles offered by the makers were nothing but only thirty to forty. With thirty to forty vehicles, it was absolutely impossible to remove such a huge quantity of materials as amounting to 150,000 tons in such a short time as above mentioned, and furthermore, in the fear of the break-down of the removal program, the Government Railway started to make effort for causing, one way or another, the enterprisers to be enthusiastic for the removal of the materials, and reading out the list of the articles which were stored at the time of the termination of the War, told that if there were any materials needed by the maker, he was desired to apply to the same effect, and that the materials taken over should be sold and the freight should also be paid by the Railway.

Thereby each enterpriser become suddenly eager for the removal and taking over, and the question of the price of sale was then made the topic. Chuichi Tonami of the Teikoku Rolling Stock Company, Ltd. questioned that how much the price of the sale was, to which the Railway authorities concerned replied that the price was the official price. But, Tonami said the official price then prevalent (i.e. ¥1,680 per ton) was too dear, and that there were lots of things in the market, which were cheaper than the official price. Then he proceeded to ask that the official price which prevailed at the time of the termination of the War be adopted at that juncture.

Secretary Yamaguchi contended on behalf of the Railway, however, that as it was not the time to discuss whether the price was dear or cheap, but the moment which was to decide the issue whether the materials in question came into the possession of Japan or of the Allied Forces, the Railway authorities would not let the enterprisers have the materials, if they argued so much upon the price.

Hereupon, the enterprisers assented, for that time, to the official price which prevailed at the time of the taking over of the materials, and then, they decided upon holding a preliminary examination of them and made arrangement to assemble in front of the Railway Bureau on the following day (the 2nd February) at 1 p.m., before starting for the said examination. The meeting of that day thereupon dispersed.

(b). The conditi-on of the taking over.

On the 2nd February, 1946, the said Osaka Manufactory submitted the application of the desired quantity of materials to Inspector Noda, and the quantity was approximately 1,800 tons. (When he brought the said application with him, Juro Ugai heard Railway Officer Noda was uttering that the materials taken over by a company should be given to the same company.)

The party proceeded to the very spot in two trucks for the preliminary examination. Although they could not find out at first the likely position of the articles as stated on the list, nor even the Railway employees knew the position distinctly, they could locate the likely place after a round of inspection on the spot and came back. They started to take over the materials on the 4th after all.

Commencing to take out materials, it was found that the work made little progress quantitatively and that the enterprisers who participated in the removal work entered necessarily into rivalry with each other for the desirable articles. Motived by the thought that, if the materials removed were too few quantitatively, the participants could not keep their honor to the Railway, and accordingly, they had to remove more quantity by one way or another, they, having repaired the damaged cranes, carried the materials through those cranes as far as the lighters, and, on the other hand, urged the porters from early morning to dig out the non-ferrous metals, etc. which had been buried in the bombed ground and to carry them away. That being the actual condition at that time, the pains of the participants were quite extraordi nary, and still more it was said that almost all the carts throughout Osaka were called together to the Military Arsenal.

The confusion which then prevailed was indeed beyond imagination. In the course of four or five days, the present Company became aware that other companies had been operating a pretty good number of their respective co-operation factories for the purpose of the removal work in question, and, disclosing the circumstances to its co-operation factories (five factories) since about the 8th February, the said Company requested that, as the Company, together with other companies, came to have the materials existent in the compounds of the former Osaka Military Arsenal sold by the Railway, the said five factories co-operate to remove the materials as much as possible in order to meet the desire of the Railway, provided that the materials taken over by a company should of

course be sold to the same company, and that the people who were concerned with the removal work should wear the arm-band which had the appointed special mark on it.

The said five co-operation factories began to co-operate, accepting the purport of the request as above stated. The removal work, although promised at first to last for a week, had continued until after the 20th, by the order of the Railway Bureau, stating that, pending further order to discontinue, the participants should take the materials out. The personal, material and invisible sacrifices made during that time were really tremendous, and the quantity of the materials taken out during the period were approximately 2,500 tons, including that of the sub-contractual factories.

(c). The disposal after the taking over.

Regarding the removed materials, the present Company drew up the table of detailed statements thereof, in March, at the request of the Railway. Properly specking, the detailed statements shall be drawn up on the removal cards, but, since it was an emergency removal, no measurement could be taken one by one, and accordingly, what was witnessed by the non-professional man was described on the card, and was cheked before the removal. In such circumstances, it was unavoidable that, on the occasion of the execution of the table of detailed statements, the investigations of the articles in stock were made in the Warehouse Section of the Arsenal, mobilizing all the workers and the staff, and then, the table of detailed statements of the removed articles was executed, which was respectively submitted to the Osaka Railway Bureau and the Inspectors, etc.

The said table was submitted also to the Department of Special Articles, which was newly established later in the Osaka Railway Bureau. Subsequent to the submission of the said table, the Railway authorities notified, in verbal message, that the authorization would be necessary in order for the present Company to use the articles taken over. Even though it was considered silly to be notified to such an effect at that time, the present Company made reports several times, either before or after the fact, as the Company was notified, because it was not the wise policy to hurt the feelings of the Railway authorities who were the greatest customer for the said Company. Of course there was no written authorization issued by the Railway authorities to the reports submitted, provided, however, that it had been the practise prevailing between the Railway authorities and the enterpriser in the similar case as the present that the latter proceeded with the work in the consideration that, even if he was not signified of the formal authorization, the matter remained the same as was siginified of the authorization, in so far as the Railway authorities had accepted the reports submitted by the enterpriser.

(d). The change of the policy on the part of the Railway after the taking over.

While the production of materials after the termination of the War was almost stagnant, and accordingly, the ration of the materials was very little, the present Company which had lost no time to change for the peace industry had to exert itself for the production of rolling stocks. During the War, the ration of the steel amounted to nearly 3,000 tons per quarter, but, after the War, only about 500 tons of steel, including the rerol led, was rationed for one and a half years, which was quite out of questi-on and which necessarily resulted in the consumption of the materials in stock. In the meantime, the manufacture of rolling stocks was made to speed up the progress of work, and 50 new locomotives and 150 new repairing cars (the quantity of the steel required for a new car was approximately 60 tons) were manufactured. Meanwhile, thanks to the sale of special articles, the present Company took over the materials assigned, which were to serve the purpose considerably.

However, immediately after the taking over, the present Company was verbally notified by the Railway authorities that the materials taken over from the Osaka Military Arsenal would be sold to the respective companies, but pending the uncertainty of this point, the said materi-als should be kept in custody, and that, if the company concerned desired to use them, the company should apply for the authorization therefor. The present Company, although they thought what a silly it was , considered that the matter did not deserve the utterance of an objection against the Railway, and that it was no wise policy to affect the future quota of the orders, etc. through the hurting of the feelings of the Railway authorities by the utterrance of an objection by a single company against the Railway, and therefore, deciding for that time to submit the application as notified by the Railway, filed the application for several ti mes.

The causes, on the part of the Railway, of having *depatted* from the original intention are understood to be as follows, namely that the Osaka Railway Bureau, having been aware of one or two vicious companies which sold the materials concurrently with the taking over thereof, though the Railway caused the companies to take over the materials by their word to sell them to the companies, wanted to check the repetition thereof, because, if the matter had been known to the Ministry of Transportation, it would have been a serious affair (Note; considering the matter later on, the policy of the said Ministry seemed to have the intention of causing to take in custody for once and of selling in the future) and the responsibility of the officials concerned would have been involved therein, and that, although the said Bureau gave the good bait to the companies in order

to force them to take out the materials, the superior officials began to think the aforesaid measure was going too far, and such a way of thinking resulted in the evade of responsibility. However,if such conditions had been clearly stated from the first, no company would have paid so many sacrifices, nor the materials would have been sent on purpose as far as the City of Shimomatsu, Yamaguchi Prefecture and the City of Mihara, Hiroshima Prefecture, both being situated in the distant locality from Osaka.

(e). The rejection (on the part of the enterprisers) of the redistribution program of the articles taken over.

About in the middle of August,1946, the Ministry of Transportation held a conference at Atami, inviting the Rolling Stock Association as well, and planned the redistribution of the special arti-cles in general, including those of the former Osaka Military Arsenal. Since about this time, the Rolling Stock Association has at last established a relation to the special articles, and at the said conference at Atami Mr. Toyoshima of the Osaka Branch of the said Association attended. Although Mr. Toyoshima,who returned to Osaka with the redistribution program of the Ministry of Transportation, called a meeting on the 23rd August,1946, at Osaka, those who were concerned with the rolling stock and who had taken over the materials from the former Osaka Military Arsenal, and submitted, with explanations, the redistribution program which had been arranged at Atami; those pres-ent at the meeting stated on behalf of their respective companies that, as those companies were diff-erent from the companies in other districts in the original circumstances of taking over the materials, they could not accept the said redistribution program, and made a request to the Rolling Stock Association to conduct a negotiation with the Railway authorities. Later at about the end of August, those companies concerned with the removal of the articles from the said Arsenal were requested by the Railway authorities to submit the detailed statements of the balance of the removed articles, and they produced the documents for that time. When the Rolling Stock Association held a meeting, about in the middle of September, to make arrangements in the matter of special articles, the said Association conducted the negotiation with the Railway authorities, which, however, came to no conclusion after all, and the Association gave up the negotiation in despair. From such a reason, the Rol-ling Stock Association desired to come to an agreement with the Railway authorities by direct talk, and it was arranged that a conference would take place at Harihan of the Koyo Garden.

(f). The Harihan Conference.

On the 30th September and the 1st October,1946, a formal conference of the Rolling Stock Association and the Railway authorities concerned was held at Harihan of the Koyo

Garden, and the attendants thereat were, on the part of the Railway, Deputy Chief Ohishi, Secretaries Nakasumi, Ochiai, Kato, Honda and Morita, and, on the part of the Association, Messrs. Kawamoto and Takebayashi(Head Office), Morioka and Toyoshima (Osaka Branch) and the enterprisers.

Among the attendants on the part of the Railway, there was not a single official who had any connection with the matter in question at the time of the removal of the articles, in particular, Chief of Disposal Squad Watanabe,etc., despite the special visit paid in advance by Mr. Toyoshima of the said Association in order to ask for their presence atthe conference, did not attend thereat for the sake of inconvenience alleged, in which they were obliged to be interpreted by the Rol ling Stock Companies to have made their escape to shuffle off their responsibility, and it was so in fact, Mr. Toyoshima asserts.

At the outset of the Conf erence, Deputy Chief Ohishi, stating that the Regulations called the Outlines of the Disposal of Special Articles were established (about June) inside the Railway, read the Outlines out to all the attendants once, but that was a news to all the companies and the non-government attendants were thereby dumbfounded.

The Railway authorities are so selfish that they intend to force to relate back the regulations which were made after the fact. Here is the tyranny of the bureaucratic system. Furthermore, why had the said Outlines of the Disposal, which were established in June, been left unpublished until October? Did they not inform the companies concerned of the regulations immediately after their establishement? While the non-government attendants could not understand the real intention of the said authorities, they could not but be truly indignant with them.

At that Conference, the redistribution program arranged at the Atami Conference, which had previously been referred to by the Rolling Stock Association, was again introduced, and the quantity of the contribution of the materials from each company was examined of each company. But, that proved a high-handed measure which caused the companies to harbor very bad feelings. Almost al l the companies replied that the materials had already been used, which incurred a great displeasure of the Railway authorities who came to examine the purpose of the use of every material of each company. To that measure, however, the Fuso Company, etc. objected, in indignation, that it was a sort of examination carried out by the public procurator. In support thereof, al l the companies unanimously explained about the circumstances of the meeting which took place at the time of taking over the articles and about other matters, and made efforts thereby make the said authorities understand the actual condition. As a result, the Railway authorities knew that the circumstances in Osaka were different

from other districts(in the Tokyo district, the materials were taken out and forwarded by freight cars to ask for taking them in custody by the Railway authorities), and stated that the matter would be referred to the Ministry of Transportation for consultation. Thus, the Harihan Conference broke up without conclusion.

(g). The question of the various expenses in transportation of the articles taken over.

About in the middle of October, 1946, the present Company received a mess age, from the Department of Special Articles of the Osaka Railway Bureau, that as the Department had a matter to talk with, the said Company should send a representative. In answer to the message, a representative of the said Company visited Secretary Ochiai, and was told that, as the expenses required for taking over the articles were decided to be paid by the Railway, the detailed statement of the above expenses should be submitted. However, inasmuch as the hiring of trucks and carts was extremely stringent at that time, and accordingly, some companies paid very unreasonable amount of transportation expenses for taking over the materials, and further, the gratuity, pourboire and fuel expenses and some other unknown expenses were paid, it would not have paid, if the particulars of the expens es had been submitted conscientiously.

In the circumstances, the present Company declined to present the detailed statement on the ground that the details desired by the Railway authorities could not be found. But,as the Secretary asked for the submission of the statement of details which would do even if artificially made, the s aid Company, considering that the Railway authorities desired to make adjustments of the formality, decided upon the submission of the statement of artificial details, and, borrowing the prescribed form from the said authorities and collecting also the details from the sub-contracting factories in a week, made s statement of the details. According to the total, however, it came to be Y 800 per ton, which cost too dear, and estimating the cost approximately at Y 500 per ton, submitted the table of the detailed statement of the totalled amount of nearly Y 1,200,000 as a result of an artificial compositi on. It was known later on that there were such companies that estimated the amount per ton at Y 800 or over Y 1,000. At any rate, the question of this freight has been still left unsettled.

(h). The submission of the application for sale.

At the end of February, 1947, those companies which

concerned with rolling stocks and with the taking over of the special articles were called to assemble at the conference room of the Rolling Stock Association, and, at the assembly, the authorities of the Special Articles Department of the Osaka Railway Bureau told the attendants to file their respective applications for sale addressed to the Minister of Transportation.

In accordance with the explanation of Secretary Honda as to the form of the application, the present Company submitted their application in respect of the steel materials, non-ferrous metals, pig-iron and others, in which the total quantity (Form A), the used quantity (Form B), the quantity desired to use (Form C) and the balance (Form D) were stated. The said application was accepted under date of the 3rd March, and the used quantity and the quantity desired to use were approved by Secretary Kato of the Supplies Section of the Osaka Railway Bureau (in the columns of the seal of approval of the used quantity and the quantity desired to use, the seal of approval of the said Secretary has respectively been affixed).

(i). The details of the conference for the arrangement of the price of sale.

At the beginning of June, 1947, the rolling stock companies concerned with the special articles held a meeting in the Tokyo Head Office of the Rolling Stock Association, at which the companies in Osaka were represented by those companies the Fuso, the Hatsudoki and the Kisha which were acting as secretary of the Association, and, representing the Ministry of Transportation, Senior Secretary Ohishi of the General Affairs Section of the Materials Bureau and other officials concerned were present, including Secretary Ochiai who came to represent the Osaka Railway Bureau.

At the outset of the meeting, it was insisted that, the circumstances of the taking over of the materials being different according to the district, as the materials in question were taken over in Osaka on the word that they should be sold, the companies concerned in Osaka would be embarassed, unless the whole quantity of the materials taken over were sold, in reply to which it was arranged first that only the used quantity should be sold, but, in view of the divergence in the Tokyo district, secondly that the sale should after all be extended also to the quantity desired to use.

On the question of the price there was a great departure from the arrangement made at the time of the taking over of the materials. In the opinion of the companies in Osaka, it was urged that, as it was arranged at the time of removal to set the materials at

the official price which prevailed at the time of taking over, the official price prevalent at the time of taking over was desirable. However, Secretary Ohishi turned a deaf ear to that, and persisted that the price of sale should be the official price prevailing at the time of delivery and further disclosed that the said price had been decided by the Cabinet council. Viewed from the standpoint of the companies in Osaka, it was unpardonable that the Railway authorities, leaving the matter unattended for one and a half years from the time of taking over, still persisted in such an obstinacy, at which the said companies burned with indignation.

But, they were miserably submit-ted here again to the dignity of the Government Office. It was unavoidable, although it would have been unconvincing, if the matter had been an ordinary commercial transaction. Then, in reply to the propos al that the sale price was desired to be reduced, the Railway authorities stated that, if the proposal was reasonable, they would listen to it. Hereupon, the companies introduced the plan which they had prepared in advance, and explained about it. But, the plan could not be agreed to, and the meeting was closed with the arrangement that the matter would be deliberated again on the 20th June upon reintroduction of the data.

The representative of the present Company at the said meeting returned to Osaka and decided upon the policy again with pther companies which had acted as secretary of the Association. Then, becoming the representative of the secretary companies, he drew up the plan, and on the 20th June, he came up to Tokyo again and proceeded with the negotiation in like manner as the last time. At the meeting ,a plan was formed with the Tokyo, Tokai, Osaka and Kyushu districts combined and was explained, and in consequence, it was decided to the effect that the Railway authorities, while they well understood the circumstances, would reply through the Rolling Stock Association upon consideration of the matter, as they could not make a prompt decision, that the proceedings of the sale should immediately be started, that the contract should be entered into with the said Association as the sole other party and that the sale should be commenced with the black articles (steel materials and pig-iron) and be followed by the brown articles (non-ferrous metals), etc., and the meeting rose forthwith.

At the end of July,1947, the Railway authorities notified, through the Rolling Stock Association, the standard of the rate of reduction of the sale price, according to which the rate of reduction was decided upon approximately 42% of the total amount.

If the Railway authorities had settled the m atter quickly at that stage, it would have been far more preferable. But they have been idle up to now without solving the problem at all.

6. <u>The circumstances.</u>

(a). Tatsuo Tokuono does not know the truth of the case at all. He was prosecuted because of the responsible position he holds. Tokiteru Murakami and Juro Ugai dealt with the matter in question as a business of the Company, and there is no fact that they pursued their private benefit in their dealing with the matter.

(b). The Osake Manufactory of the Kisha Rolling Stock Mfg. Co., Ltd. is princi pally engaged in the manufacture of engines, freifgt cars, bridges and engineering machineries, the repair of engines and the manufacture of boilers, hot water heater, etc. for the Allied Forces.

Viewi-ng now the condition of materials of the Manufactory, the said Manufactory supplied 50 new engines to the Ministry of Transportation between the time of the termination of the War and the end of the year 1947, for which 3,000 tons(60 tons per car) of steel materials were required. Of this tonnage, 650 tons were sold by the Ministry of Transportation in connection with the order of the Ministry, and 482 tons were the steel quota, totaI-ling 1,132 tons. On the other hand, the boilers and the hot water heaters which were supplied to the Allied Forces from December,1945, to the end of 1947 were 1,854 pieces, requiring 1,345 tons of steel, of which the rationed quantity was 717 tons (See the attached table).

That is to say, the consumed quantity of the holding materials amounts to 2,496 tons. If the matter is now viewed socially, apart from the law, the said Manufactory is still credited with 1,408 tons of steel, even though the Manufactory has consumed 460 tons of the materials of the Government Railway.

(c). The Osaka Manufactory (said) is of course ready to pay for the price of the materials consumed, and has negotiated several times for that purpose as already stated.

(d). One million and scores of ten thousand Yen, the expense required by the said Manufactory for taking over the materials, has not as yet been paid by the Government Railway.

(The end)

August, 1948.

Tsuneyuki Tanabe,
Defense Counsel on the part of
The Kisha Rolling Stock Mfg. Co., Ltd.

5. <u>The several points of notice for clarifying the truth.</u>

(a). There exists no official record on the Conference which took place at the 2nd floor of the Osaka Railway Bureau on the 1st February, 1946, and which plays the most important role on the question of judgement whether the articles taken over were what was taken in custody or was sold.

(b). What has remained as an official document in connection with the preceding item is only the attached datum "notification to take over the distribution."

(c). The enormous amount of expense (the estimated amount being ¥75,000,000 and upwards) which the enterprisers spent for taking over of the articles have not as yet been paid by the Railway authorities.

(d). While the materials which the enterprisers took over have, for their greater part, been used as the materials of the respective companies of the enterprisers, the Public Procurator's Office has not brought an indictment on those materials which have been used for the companies of the enterprisers (including the barter and the payment in substitute for the freight, etc.)

(e). Although the Kisha Rolling Stock Manufacturing Company, Ltd. exchanged approximately 460 tons of the materials, among the materials taken over, which were improper for their own use, for the materials which were necessary to the Company, the said Company merely adopted the form of a sale in the book matter and it was a barter substantially. Therefore, it is believed that the above case shall be treated in the same way as the item (d). (Against the charge, in the fact of the indictment, that the proceeds of the sale were appropriated to the personnel expense, a counter-evidence was submitted in the trial.)

(f). "The outlines of the disposal of the special articles" which the Government drew up did not exist at the time of the taking over of the articles. The date of the framing of the said outlines was probably about June, 1946, and it was at the end of September of the same year that the outlines were shown to the enterprisers.

At present, the Railway authorities are endeavouring in order that their action taken at the time of the taking over may not conflict with the outlines of the disposal of the special articles. However, it is as already stated that the Railway authorities sought the co-operation of the enterprisers at the time of the taking over of the articles, saying that the articles taken over should be sold.

P.S.

Please compare the annexed paper "The detailed statement of the exchange of the unnecessary meterials for the necessary materials" produced by the Kisha Rolling Stock Manufacturing Company, Ltd.

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HEADQUARTERS
TOYAMA MILITARY GOVERNMENT TEAM
APO 301

21 June 1948

SUBJECT: Investigation of Hoarded Supplies

TO : Commanding Officer
Tokai-Hokuriku Military Government Region
APO 710

1. Reference letter, Headquarters, Eighth Army, Office of the Commanding General, Subject: Hoarded Supplies, AG 430 (MG-Sp), dated 18 March 1948, early investigation by the Toyama Military Government Team of illegal activities was reported in Indorsements 3 and 5 to the basic communication. Following is a summary of the completed investigation.

2. a. The Toyama Ship-Chandlers Company, Fushiki Town, at the end of the war received quantities of ship-fitting supplies from military stores for storage and disposition. This company made large profits by selling these supplies at illegal prices, in violation of the Price Control Ordinance.

b. The Fushiki Sea-Land Transportation Company, Fushiki Town, violated the Price Control Ordinance by selling rope and other goods at illegal prices.

c. The Ogimuno Warehouse Company, Fushiki Town, made false reports of the amount of oil, steel pipes, and steel rope in their possession, violating the regulations for the Inventory of Critical Materials.

d. The Toyama Prefecture District Lumber Control Company, Toyama City, misappropriated lumber entrusted to them by the Navy Ministry by illegally selling it.

e. The Nippon Lumber Company, Takaoka City, made false reports of the oil in their possession in the Inventory of Critical Materials.

BASIC: Ltr, Hq Toyama Mil Govt Team, APO 301 Subj: "Investigation of Hoarded Supplies", dated 21 June 1948

f. Oginuno Ichiro, Takaoka Building Contractor, Takaoka City, made a false report in the Inventory of Critical Materials.

g. The Nada Fishing Association, Himi Town, made a false report in the Inventory of Critical Materials and obtained various supplies illegally.

h. The Morimoto Sakubei Fishery, Himi Town, made a false report in the Inventory of Critical Materials and obtained various supplies illegally.

i. The Urano Fishery, Himi Town, made a false report in the Inventory of Critical Materials.

j. Aoki Ryosei, Kureha Village, sold Urano cotton yarn illegally.

k. Fushiki Jinzo, Himi Town, made a false report in the Inventory of Critical Materials.

3. While a number of small-scale illegal actions have been discovered, the investigation failed to uncover an appreciable amount of the wartime supplies described by the informant. It is believed that if any large-scale misappropriations did take place at the end of the war, they have since been effectively concealed. The above mentioned cases have been submitted by the procurators office to the judges for review prior to setting the dates for trial.

FOR THE COMMANDING OFFICER:

Kenneth R. Spears

KENNETH R. SPEAS
Captain, FA
Asst. Adjutant

(H)

SUPPLEMENTARY REPORT ON THE PROGRESS OF THE SPECIAL COMMITTEE FOR INVESTIGATION OF CONCEALED AND HOARDED GOODS IN THE HOUSE OF REPRESENTATIVES.

Part I - Introduction:

Our economy has met with great difficulty since the surrender. Two problems have been critical--the shortage of food and a shortage of raw materials which rocks the foundation of our industries.

It is, therefore, up to the Government and upon the National Diet to adopt policies and sponsor programs which will speed up the stabilization of Japan's economy. It will be necessary for some time to depend partly on food imports to maintain a reasonable and healthful diet in Japan. Importations thus far have exceeded Japanese exports by several hundred million dollars. Since such imports on credit cannot continue indefinitely it becomes obvious that Japanese industrial production must be greatly increased to provide foreign exchange sufficient for the purchase of foodstuffs abroad.

It is the purpose of this report to suggest an immediate method by which Japanese industrial production can be increased, by which the progress of inflation can be retarded, and by which export revenues can be released for meeting the deficit in the nation's food account.

The method proposed is the immediate mobilization of all goods and materials which were held in stock at the time of the surrender, especially those publicly owned goods which were illegally diverted into private hands. At a conservative estimate the value of such goods--some of which have been diverted into the black-market and some of which are still in concealment --exceeds Yen 50,000,000,000; former Finance Minister Tanzan Ishibashi testified in August this year before your Committee that in November 1946 he received from GHQ a list of goods amounting to more than Yen 100,000,000,000 in value which had been handed over to Japanese authorities by GHQ for general distribution. No satisfactory report on the disposal of that vast hoard has ever been made.

Under Occupation directives it is the duty of the Japanese Government to discover the kind, quantities and price of such goods and materials; and it is the concomitant duty of the Government to channel into production all such goods which could contribute to the stabilization of the economy.

It is significant, however, that no clear legal means is now in existence for dealing with the cases that have arisen out of such extremely lawless acts as were committed under the cover of post-war confusion. The Committee earnestly believes it will serve the interests of the Japanese people to review ineffectual legal measures taken since the surrender for the recovery of these public properties and to suggest measures which would enable the Government to deal effectively with the problem.

In any investigation of hoarded goods it should be recognized that tremendous opposition will be encountered and has in fact been encountered repeatedly by the Diet's Special Committee on Hoarded and Concealed Goods. Among the general public there are those who fear a thorough-going exposure of concealed and hoarded goods because they themselves are often dependent on the blackmarket and they fear their own sources of supply may be cut off. There are others who collaborated with the extreme militarists during the war; in the chaos following the surrender those who had close relations with munitions factories were able to seize war goods in their possession and by the sale of these goods have since become extremely wealthy. In some cases these nouveau riche have run for seats in the Diet or have financed the election of their personal spokesman, thus gaining power in the political field. They wear a mask of democracy but in reality they swagger on the blackmarkets and are prolonged confusion of the national economy. There are other officials in the central and local government who have been corrupted by the illegal possessors of war goods and who fear to collaborate in exposing these frauds lest they themselves be implicated. The opposition to a fearless and honest exposure of postwar frauds extends to all levels of society and government. It is, therefore, obvious that the rights and interests of the Japanese public as a whole can be protected only by the active intervention and assistance of Allied Occupation authorities.

Part II - Background:

Following Japan's message accepting the Potsdam Declaration, the Allied Forces transmitted a message containing instructions that the Emperor should issue cease fire orders to all units under the command of the Japanese Army and Navy and should direct all such units to surrender their arms and follow all orders issued by Allied commanders.

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On August 14, 1945, the Japanese Cabinet, headed by Admiral Suzuki, met hurriedly and agreed upon the hasty disposal of all war goods possessed by the Army and Navy. In an effort to bridge the gap which developed at the time of the surrender between the people on one hand and the military forces on the other, it was decided to curry favor by distributing war goods and materials to government organs, public organizations, private factories and to private persons. In accordance with this decision, Army and Navy authorities instructed individual units to distribute as quickly as possible whatever war goods were then in their custody. In doing this the Suzuki Cabinet wilfully misinterpreted the purport of the Allied instructions; the Cabinet deliberately chose to understand that only arms and ammunitions should be handed over to the Allies and that all other war goods could be disposed of freely.

On August 15, 1945, the Japanese Army issued to each army unit Secret Instruction No. 363 in which the Cabinet decision of the previous day was implemented. In Paragraph 1 this Instruction said:

> "As a principle, war goods, materials and facilities for producing war goods should not be disposed of free of charge, but in the case of deliveries to local governments, etc., those goods can be delivered free of charge. In other cases where goods are sold it is not necessary that payment be made at once." (See Abstract in Appendix B).

The Secret Instruction dated August 15 was delivered to subordinate commanders August 16 together with instructions that on the 17th and 18th all papers and documents of a military nature were to be burned or otherwise destroyed, but that papers and documents of a financial nature relating to such matters as war contracts and property rights were to be preserved. It is doubtful whether this order was carried out strictly along the lines laid down; subsequent investigation had disclosed that many documents which could establish the legal title to war goods are no longer in existence.

On August 20, 1945, at Manila the Japanese Mission which arrived to negotiate for the formal surrender in Tokyo Bay, were handed General Instruction No. 1. This order formally instructed the Higashikuni Government to keep in good condition all war goods and materials then in Japanese possession, including arms, munitions, explosives, equipment and other stocks of war goods. This order also made it clear that the Allied forces would not permit the dissipation of Japanese property and constituted a specific

cancellation of the August 14 Cabinet order.

Nevertheless it was not until August 28, 1945, that the Higashikuni Cabinet formally rescinded its previous order. During this thirteen day period from August 15 to 28, substantial quantities of public property were removed from government store houses, numerous illegal transactions transferring title to such property were consummated, and numerous records were altered or destroyed. Even after the order of August 14 was rescinded, the Nigashikuni Cabinet did not make any real efforts whatever to reclaim the goods thus illegally disposed of. Unknown numbers of private individuals were left in possession of vast quantities of goods obtained originally with public revenues without having made any compensating payment to the public treasury. The goods thus diverted from their proper channels and the individuals thus enriched have remained throughout the Occupation as a cancer threatening the economy of this country.

On January 11, 1946, SCAP sent the Japanese Government a memorandum inviting its attention to the illegal disposal of war equipment and supplies which took place between August 14 and September 2, 1945. The memorandum pointed out explicitly that the disposal of war goods after the surrender was not in accordance with the spirit of the Potsdam Declaration and ordered the Government to present a complete list of the goods released, a copy of the orders authorizing this diversion of property and a list of those responsible for issuance of the orders. The Government, from the records of the former War Ministry and Admiralty, presented the information requested in the GHQ memorandum.

The first concrete effort by the Japanese Government to recover property looted and illegally disposed of during the chaotic period following surrender was taken by the Shidehara Cabinet on February 17, 1946. At that time the Cabinet issued the "Emergency Decree for Disposal of Hoarded Goods No. 88," an order which had the effect of law. Under this Act, all those possessing certain stipulated goods were required to submit before March 10, 1946, three copies of a report listing such goods. These reports were to be submitted through prefectural offices to the Minister of Commerce and Industry. Possessors of such goods were ordered not to dispose of or move the property prior to April 20, 1946. To give effect to this order, it was

provided in Article VII:

> "The Minister concerned, or the Governor, can demand all necessary information concerning 'goods under investigation' and 'designated goods' from those concerned. Further, he can send officials to factories, workshops, stores, warehouses and other places for inspection with instructions to examine the condition of the business, the goods in question or the company's books and records. In this case the officials concerned must bear their identification cards."

Following the April 1946 elections and during the negotiations which led to the formation of the Yoshida Cabinet on May 22, 1946, a contract was concluded on May 16, 1946, between the Chief of the Investigation Bureau of the Home Ministry and a group of private businessmen calling themselves "The Arms Disposition Commission." No legal foundation for this contract existed.

The so-called Commission was formed by Mr. Takashi Komatsu as chairman of a group representing five Zaibatsu companies. The Commission was so formulated as to mislead the general public into believing it was an official government organization. Although the date of the contract is May 16, 1946, it appears from Paper No. 1 attached to it that negotiations for its conclusion had started in November 1945. At that time it was estimated that the Government would be able to recover 1,288,720 tons of public property valued at Yen 1,289,600,000. During the time this Commission functioned, it actually recovered 835,102 tons of material on which it realized Yen 957,700,000. It is worth noting that GHQ in November 1946 estimated the total value of recoverable goods at Yen 100,000,000,000, but the total value of recoverable property at the time the Arms Disposition Commission was organized was estimated at only a little more than Yen 1,000,000,000. These facts lead to a presumption that there exists serious cases of irregularity and dishonesty in this entire transaction.

On November 15, 1946, according to his own subsequent testimony, Mr. Tanzan Ishibashi as Minister of Finance received from Allied authorities a list of so-called "special goods," which consisted of miscellaneous supplies and materials seized by Occupation forces immediately after the surrender and subsequently turned over to the Japanese Government for the use of the general public and for use in industrial production. Mr. Ishibashi testified before your Committee in August 1946 that he had no record whatever

of the manner in which these goods were disposed of although it was estimated they were valued at approximately Yen 100,000,000,000. He further testified that he had no knowledge of the revenue derived from the sale of these goods. This would seem to constitute prima facie evidence of the negligent and irresponsible manner in which the Government handled billions of Yen worth of public property. There is a natural presumption that widespread fraud existed in the distribution of these commodities.

In a belated effort to regularize disposal of war goods and to stimulate Japan's flagging economy, a joint Ministerial Ordinance was issued January 25, 1947, by the Ministries of Commerce and Industry, and Agriculture and Forestry. This ordinance was entitled "Regulations for Filing Inventories on Stocked Materials for Designated Production." It was less an effort to uncover illegal transfers of war goods than an attempt by the Government to channel hoarded goods into production. It provided that owners of designated commodities in excess of stipulated amounts would file within thirty days a report on the quantities of such commodities in their possession and could dispose of such excess stocks only to authorized private manufacturers or government agencies.

As a result of the proclamation in February 1946 of the Decree concerning the disposal of hoarded goods, it was assumed that theoretically no such stocks were still in existence. This assumption, however, was challenged in February 1946 by Mr. Koichi Seko, Undersecretary for the Home Ministry. As a result of investigations which he made during his term of office, he was convinced that large quantities of hoarded goods were still flowing into the blackmarket and impeding economic recovery. Following the reorganization of the Yoshida Cabinet, Mr. Seko resigned from the Home Ministry. He then approached Finance Minister Ishibashi who was concurrently Chairman of the Economic Stabilization Board and urged that further steps be taken to expose hoards of concealed goods. As a result of his suggestions, the Yoshida Cabinet agreed on February 14, 1947, on the appointment of an investigating committee within the ESB. The Cabinet announced the creation of a Committee composed of a chairman, a vice-chairman, members and some specialists. Mr. Ishibashi as Chairman of the Committee on February 24, 1947, appointed Mr. Seko a temporary member and vice-chairman.

It should be pointed out that this Committee was brought into being on the basis of an informal Cabinet agreement and without the legal foundation it might possess upon creation by Cabinet decree or ordinance. The dubious legal status of the Committee was described later by Mr. Koichiro Kunichio, head of the Inspection Department of the Economic Stabilization Board, during testimony before the Committee for Public Order and Local Administration of the House of Representatives. Mr. Koichiro Kunishio told the Committee in substance:

> The Committee for the Disposal of Hoarded Goods was organized February 14, 1947, in accordance with a Cabinet decision. The Committee was never legally authorized, however, at that time, or later. Furthermore, it had no legal authority to expose goods or seize concealed goods. In effect the Committee was only an investigating organ. The responsibility for the actual exposure of concealed goods was in the hands of ESB officials in cooperation with the Ministries concerned.
>
> The Committee's first meeting was held on February 24, 1947, at the Premier's house, but neither at that time nor subsequently was any formal resolution adopted to make the work of the Committee effective.

Mr. Seko held office as Vice-chairman of the Committee from February 24 until April 11, 1947. During that period numerous reports of hoarded goods were received and numerous attempts were made to investigate these reports. Since Mr. Seko had never received a written grant of authority, he took it upon himself to issue arbitrarily "Seko Instructions for Exposure." Altogether 144 of these orders were issued. Mr. Seko in a report of his activities made the following statement:

> "Before I adopted the system of issuing instructions on hoarded goods in my name, I took the following steps. I picked up information which I thought creditable from many informants. Then I asked the informant to go to the Police Bureau and explain to the Anti-crime Section the nature of the case. This Police Section, when it thought necessary, gave the informant a sealed letter asking the cooperation of the police in the area where the hoarded goods were concealed.
>
> "Every time I issued an instruction I made an investigation beforehand. As I was afraid these orders might be abused, they were issued only in the name of the bearer and the term of validity was fixed. I made certain that no exposure could take place without the cooperation and certification of local police. Further, I tried to get the cooperation of lawyers in order to prevent the abuse of any civil rights.
>
> "However, I was not successful in obtaining the cooperation of local police and other local officials. Instead, I encountered active resistance and non-cooperation. As a result I gave up these efforts and called upon the public prosecutors for assistance.

"Among the abuses which occurred, despite my efforts, were cases of forged orders which were actually used by brokers to swindle the owners of concealed goods.

"My efforts were wholly unsuccessful and at the beginning of April most of the informants lost confidence in Japanese authorities and began to ask for the cooperation of Allied Occupation authorities."

In the weeks that followed, there were persistent whispers which accused Mr. Seko, among others, of shady dealings in connection with the disposition of hoarded supplies. Rumors circulated that vast sums of money were passing from hand to hand in deals which involved powerful brokers and their stooges in the bureaucracy and that huge stockpiles were disappearing mysteriously a few days before authorities were dispatched to investigate tip-offs on hidden goods. These rumors culminated on July 10, 1947, when in a public statement made by Mr. Seko before the Liberal Diet Club, he charged openly that there were billions of yen in hoarded goods concealed throughout Japan and urged that the Diet itself form an investigating committee to examine the whole problem. He even intimated that members of the Cabinet were involved. Following various denials and counter charges, on July 15 Mr. Koichiro Kunishio, then serving as Director of the Supervision Bureau of the ESB, and Hideo Nakayama, Director of the Police Bureau of the Home Ministry, declared in testimony before the House Committee for Public Order that the Seko Committee met only once while Mr. Seko was Vice-chairman and asserted that only 95 cases were investigated and that hidden goods were found in only 5 instances. These two witnesses testified that since the dissolution of the Seko Committee on April 11, 1947, the Economic Statilization Board, operating independently, had investigated 282 cases and discovered concealed materials at 145 places.

In view of the widespread publicity given Mr. Seko's charges and in view of the fact that unnamed Cabinet members were said to be involved in the scandal, the Cabinet felt obliged to take note of the case and the Diet itself considered the affair so serious that it was decided to create a committee for the investigation of the realities of this problem.

Part III - Special Committee Concerning Concealed and Hoarded Goods:

The House Special Committee for the Investigation of Concealed and Hoarded Goods was created July 25, 1947, and held its first meeting the

following day. Creation of the Committee was without precedent in Japanese legislative history. The Special Committee to investigate Hoarded and Concealed Goods is the first committee of investigation ever appointed by the Japanese Diet. From the outset, therefore, this Committee had to pave its way onward in the face of numerous difficulties.

The public is certainly entitled to believe that the Committee is morally responsible for investigating postwar frauds and the illegal concealment of goods. Actually, however, the Committee lacks authority to carry out this responsibility. The Committee is very strongly of the opinion that it cannot be expected to assume responsibility unless it has first been granted adequate authority. If the new Constitution is to be an effective instrument, the legislative branch must necessarily define its authority clearly and operate within the limitations thus set forth.

At the very beginning of the investigation it became clear that there existed conflicting opinions on the Committee's proper function. At the Committee's second session, a lively debate took place when Kyuichi Tokuda suggested the investigation of Prince Higashikuni for his part in ordering the armed forces to surrender military supplies in their possession to civilians without compensation. This gave rise to a hot dispute. A member of the Democratic Party, Tetsuzo Kojima, vigorously opposed this suggestion and declared that the primary mission of the Committee is to channel hoarded goods into regular routes and not call the Government to account. On the other hand, there were those who believed the Committee could not possibly fulfill its proper function unless it investigated the part played by Government bureaucrats in the concealment of hoarded goods. In this connection, the Nippon Times on July 27 reported:

> "The case is a battle between party politicians and bureaucrats for profits accruing from hoarded stockpiles. Observers are of the opinion that the case came to a head when party politicians attempted to get a lion's share of the huge profits which bureaucrats were garnering out of the sale of hoarded supplies. The two groups came into frontal collision and the bureaucrats did all in their power to prevent the execution of Mr. Seko's drive for unearthing hoarded caches."

Between July 25 and October 15, 1947, the Special Committee held 21 meetings during which it was in session 51 hours. Two sub-committee meetings were also held. In addition 17 Committee members made 6 field trips on which they travelled 1,450 kilometers. All trips were taken at their own expense since no public funds have ever been appropriated for use of the Committee. On these trips they investigated:

1. The Naval Arsenal, Samukawa Machi, Kanegawa Prefecture
2. Tochigi Prefecture
3. Iwate Prefecture
4. Toyojoze, Shizuoka Prefecture
5. Tokyo Metropolitan area
   (a) Shimura Itabashi-ku, Ishida Alloy Works
   (b) Suburb of Tashikawa--former Hitachi Aviation Factory
   (c) Chuo Ward--Warehouses of Textile Control Association

During the course of the investigation this Committee has been convinced beyond any doubt that,

Firstly, vast quantities of goods formerly owned by the Japanese Army and Navy were disposed of to local authorities, businessmen and brokers and that the blackmarkets have been flooded with these goods to the detriment of honest industrialists.

Secondly, the Committee is convinced that all attempts to channel these goods into legitimate production channels have been frustrated by a combination of fraud and legal barriers. Mr. Seko during his investigation could not obtain the collaboration of local authorities. It seems fairly clear that in many cases understandings exist between the holders of goods and local authorities; frequently local authorities appear to have connived in legalizing the transfer of such property to private individuals.

Thirdly, the Committee is convinced that present decrees and ordinances are too limited in scope; many articles on which the Government has a legitimate claim are not included on the list of hoarded goods and thus are free from investigation.

Fourthly, the Committee has received evidence showing that existing authority is scattered and ineffectual; at present authority to investigate

hoarded goods is divided among the Ministry of Commerce and Industry, Ministry of Agriculture and Forestry and the Economic Stabilization Board. Internal bureaucratic friction prevents united action.

Fifthly, the Committee has been handicapped by the failure of the Diet to approve a Cabinet proposal which would give greater authority to the economic inspectors.

Sixthly, the Committee is distressed at the failure of responsible officials to have kept adequate records on the disposal of war goods under Allied direction. On August 13, 1947, former Finance Minister Tanzan Ishibashi testified before the Kato Committee:

> "I am sure that it was in the accounts of November 15, 1946, that GHQ transferred Yen 100,000,000,000, more or less, worth of goods to the Japanese Government. Of course, these were goods which GHQ had taken over from the old Japanese Army and Navy and then returned to the Japanese Government; but included among the goods were building materials and machinery amounting to several ten billion yen. The Government has received papers pertaining to this matter. I want to know their whereabouts. If a hundred billion yen worth of goods have been turned over to the Japanese Government, just where have they been turned over?
>
> "I brought this matter up in a Cabinet meeting and investigated it. I had the Home Minister and other personnel report to me and had them investigate the case. But no such papers were found among the Government office data.
>
> "Only about twenty or thirty million yen worth of material seemed to have passed through the hands of the Home Ministry and nobody knows where a hundred billion yen worth of stuff has gone to.
>
> "I demanded that the whereabouts of these goods be uncovered, and after obtaining copies of the documents from GHQ, I instructed the President of the War Reconstruction Board to make copies of them. You can get the data if you ask Mr. Mikishi Abe, President of the War Reconstruction Board."

The Diet has been disappointed in its inability to obtain documents and other relevant information from the executive branch of the Government in the course of this investigation. Various ministerial officials have appeared before the Committee to apologize for their failure to produce information which is essential to the inquiry. The Committee has submitted formal requests to the executive agencies for 19 reports covering various phases of the inquiry. Thus far only a trickle of this material has been made available to the Committee.

In response to repeated, though unofficial, recommendations that the Government take drastic measures for the exposure of postwar frauds, the Cabinet on September 14 appointed a committee of 20 members, half of whom were public officials and the other half private citizens. This Committee exists merely in an advisory capacity to the Government and has been of no assistance to the investigation conducted by the legislative branch.

Part IV--Conclusions and Recommendations:

During the first three months of its investigation, the Kato Committee has reached the following conclusions:

1. The Suzuki Cabinet on August 14, 1945, acted in bad faith and did irreparable harm by ordering the secret disposal of Government property. The legality of that order is still in question and should be resolved by the courts or by the Diet itself. Other postwar Cabinets have not taken effective measures to recover the assets thus dissipated.
2. The disposal of war materials after the surrender was tainted with favoritism and shady deals. Private individuals have profited fabulously and have nourished the blackmarket.
3. Local government and police officials have both actively and passively interfered with investigations of hoarded and concealed goods and in some cases have conspired with holders of concealed goods to legalize fraudulent transactions. Even the so-called "special goods" returned to the Japanese Government by Allied authorities have been improperly distributed and no accounting has ever been rendered.
4. Some hoarders believe the Allied Occupation is nearly over so they withhold information on their concealed goods in the hope of escaping detection entirely. It is even possible that the secret disposal of military goods may have included arms and munitions which may still be in concealment.
5. Present legislation for uncovering concealed goods is very inadequate.

6. There should be no assumption or imposition of responsibility on either the legislative or the executive branch unless it is accompanied by a grant of adequate authority to fulfill the obligation thus incurred.

7. A clear definition should be made between the responsibilities of the executive and legislative branches. The National Diet in any investigation which it may undertake should confine itself to a purely investigatory function. The responsibility for enforcing the laws should be placed squarely on the executive ministries. The legislative branches should not hesitate to investigate the conduct of any executive agency or individual and by placing responsibility for all derelictions in duty should contrive recommendations for amending existing law in such a way as to make it more workable and less subject to perversion or corruption.

O Ya Burn
Kalun
Reply to Ordinance

O O K

R

P.A.D. FILE

Emergency Ordinance concerning Hidden and Hoarded Goods.

18 Feb 1946

ESS

The attached C.L.O. No. 703(2.3) Subject: Emergency Ordinance concerning Hidden and Hoarded Goods, dtd 16 Feb 1946 is forwarded as a matter of primary interest. This section believes the proposed ordinance should be issued as soon as possible.

1 Incl: As indicated above.

C. W.

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TO : GENERAL HEADQUARTERS OF THE SUPREME COMMANDER FOR THE ALLIED POWERS.

FROM : Central Liaison Office, Tokyo.

SUBJECT: Emergency Ordinance concerning Hidden and Hoarded Goods.

C.L.O. No. 703(2.3) 16 February 1946

1. Reference: C.L.O. Note No. 551(2.3) dated 6 February 1946, subject as above.

2. The Japanese Government has now decided to promulgate the emergency ordinance on this subject, the translated text of which is submitted herewith.

FOR THE PRESIDENT:

(S. Iguchi)
Director of General Affairs,
Central Liaison Office.

Enclosure: Text of an Emergency Ordinance.

RECEIVED
9 A.M.
FEB 19 1946
CHO-VSAC

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67. Letter of Introduction to Capt. Decker re Juhei Takeuchi and Tadatsuga Hori, investigating hoarded goods in Yokosuka area; 11 Feb. 1948

68. Special Progress Report (M-7); 12 Feb. 1948

69. Memo for Deputy Chief, GS, re Kato Diet Investigating Committee; 16 Feb. 48

70. Memo for Deputy Chief, GS, re Special Committee for Investigating Improper Property Dealings; 19 Feb. 1948

71. Memo for Deputy Chief, GS, re Interview with Mr. Miyaji, ex-Chief of Police, Matsuyama Prefecture, Shikoku; 19 Feb. 1948

72. Special Progress Report (M-8); 19 Feb. 1948
72-1/2 " " " (M-9); 25 Feb. 1948
73. Memo for the Record: Conference with Mr. Takeuchi, 20 Feb. 1948

74. Memo for Chief, GS, re Railway Passes for use of Procurators' office; 1 March 1948

75. Special Progress Report (A-4); 8 March 1948

76. " " " (M-11); 8 March 1948

~~77. Clipping from Nippon Times re Hirano Trial; 29 March 1948~~

78. Special Progress Report (M-12); 8 April 1948

79. Memo to Chief, GS, re Conference with Chairman of Diet Illegal Property Transactions Investigation Committee; 13 April 1948

~~80. Article from Nippon Times: "History of Kaoyaku World Dates Beyond Feudal Ages;" 16 April 1948~~ Removed & placed in "press comment" file.

~~81. Article from Nippon Times: "Own Code of Ethics Rules 'Oyabun-Kobun' Relations;" 17 April 1948~~ " " " " "

~~82. Article from Nippon Times: "Drive must be Relentless to Wipe out Gangsterism;" 18 April 1948~~ " " " " "

83. Special Progress Report (M-13); 3 May 1948

84. " " " (M-14); 4 May 1948

85. Checksheet to LS re Prosecution for Violation of Gen. Order No. 1; 22 May

86. Note from Oppler, with Memo for Record attached re Progress of Seko Case; 9 June 1948

87. Checksheet to ESS re availability of books and records of Shows Denko Kabushiki Kaisha (Shows Electric Industrial Co., Dtd.) 10 June 1948

88. Memo for Record: Gumma Coffee Case; 14 June 1948

89. Memo for Deputy Chief, GS, re Procurators' Hoarded Goods Investigation; 7 July 1948

44. Memo for Chief, GS, re Proposed Disposal of Hoarded Goods, 25 Nov. 1947

45. Chronological Chart: Oyabun-Kobun System; 25 Nov. 1947

46. Memo to Deputy Chief of GS, re proposed budget for the Procurator, Hoarded Goods Committee; 26 Nov. 1947

47. Memo: Report by Mr. Tanaka, Chief District Procurator of Tokyo, 28 Nov. 47.

48. Memo for Chief, GS: "Economic Inspectors of the Economic Stabilization Board: Interpretation of Article 35 of the Constitution Regarding Entries, Searches, and Seizures

49. Memorandum re Hoarded Goods cases; 1 Dec. 1947

50. Copy of Memo from Chief, CLO to Central Public Procurator Committee re Case Pertaining to Gold Currency Buried at Yokkaichi Navy Fuel Arsenal; 11 Dec. 47

50-1/2 Memo re KAMEI, Kanichiro and extortion charged; 11 Dec. 47

51. Special Progress Report (M-1); 15 Dec. 1947

52. Memo for Chief, GS, re Osaka Arsenal Case (Matsukata); 15 Dec. 1947

53. Memo for Chief, GS, re Osaka Arsenal Case (Hays); 15 Dec. 1947

54. Special Progress Report (M-2); 23 Dec. 1947

55. Special Progress Report (M-3); 31 December 1947

~~55-1/2 Purge of MORITO, Tetsuo (Gordon Walker's dispatch); 4 Jan. 1948~~ Put in Purge file

56. Special Progress Report (A-1); 7 January 1948

57. Special Progress Report (A-2); 9 January 1948

58. Special Progress Report (M-4); 15 Jan. 1948

59. " " " (M-5); 15 Jan. 1948

60. " " " (M-6); 16 Jan. 1948

61. Supplementary Report of the Progress of the Special Committee for Investigation of Concealed and Hoarded Goods in the H of R; 15 Jan. 1948

62. Legal Assistance available to staff of Non-Partisan Committee on Illegal Property Transactions (Kato Committee); 17 January 1948

63. Special Progress Report (A-3); 19 January 1948

64. Memo for Deputy Chief, GS, from Chief, Courts and Law Division, re Haga Case. 28 Jan. 1948

65. Memo for Kades: Final Chapter on Hara Case; 30 Jan. 1948

66. Memo for Kades: Resignation of Hara from H of R; 30 Jan. 1948

22. Memorandum to Members of the Hoarded Goods Committee; 10 Oct. 1947

23. Synopsis of Temporary Measures for the Disposition of Hoarded Goods Cases; 13 October 1947

24. Memorandum re Hoarded Goods Cases

25. Memo: Elimination of Feudal Policies; 16 Oct. 1947

26. Memo: Operation Oyabun, 16 Oct. 1947

27. Memo: Hoarded Goods Committee (1st Meeting) 17 Oct. 1947

28. Daily Order No. 530 from Fukui Seita, Public Procurator General, to Superintending Public Procurators and Chief Public Procurators, 20 Oct. 1947

29. Memo: "On Direction of the Fukui MG regarding Prohibition of Suspects' Meeting

30. Statement to Japanese Economic Procurators; 24 Oct. 1947

31. Interim Report from Chief Procurator of Tokyo District Office re: Seko Affair; Hatoyaya, Ichiro, Ex-Minister of Education and Ex-President of Liberal Party; 28 Oct. 1947

32. Memorandum on the Fukui Silk Case, 24 Oct. 1947

33. Memorandum for Record: Oyabun-Kobun System; Hoarded Goods Investigation; (A) Bill for Partial Amendment of Diet Law, Art. 106; (B) Bill for Partial Amendment of the Local Autonomy Law, Art. 100. 27 Oct. 1947

34. ~~Memo to Kades re Action Taken thru HCLC re Property of Designated Zaibatsu families; 29 Oct. 1947~~ Removed + Filed in Decmantration file

35. Minutes of Conference in GS on 30 Oct. 1947 re Hoarded Goods Cases

36. Memo: Seko Affair - Calico Case; 30 Oct. 1947

37. ~~Memo to General Marquat, Chief, ESS, re HCLC Instruction No. 95, issued 29 Sept. 1947 re Properties of 10 Major Zaibatsu Families; 31 Oct. 1947~~ see 34 above

38. Memo for Record: Fukui Case; 3 Nov. 1947

39. Memo: Progress Report - Hoarded Goods; 7 Nov. 1947

40. Memo: Operation "O", Interview with Mr. Sakomizu, Misatsune re Cabinet Meeting of 14 Aug. 1945; 12 Nov. 1947

41. Memo: Operation "O", Interim Report; 14 Nov. 1947

42. Memo: Mr. Osabe's Report; 18 Nov. 1947

43. Memo: Mr. Minoyama's report; 20 Nov. 1947

1. Memo from Japanese Govt. re Emergency Measures for War Supplies, etc. with Termination of the War.

2. Memo from Japanese Govt. re Decision of Cabinet meeting of Aug. 14, 1945. concerning Emergency Disposition of Goods and Materials for Military Use held by the Military, 29 Sept. 1947, signed by Yoshio Suzuki, Minister of Justice.

3. A list of Chiefs (Kao Yaku) of Tokyo Area (Gamblers and Semi-Gamblers)

4. Memo to Imperial Japanese Govt re: Disposition of Equipment and Supplies of the Japanese Armed Forces between 14 Aug. 1945 and 2 Sept. 1945 (AG 386.3) 11 Jan. 1946

5. ~~Check Sheet from GS to C/S re: Statement of U. S. Policy with Respect to Executive Concentrations of Economic Power in Japan; 28 Aug. 1946~~

6. Definition and Description of Oyabun and Kobun

7. The Oyabun (Boss) System.

8. Translation of article from September, 1947 issue of Shinso: "What is Karoku TSUJI, A Kuromaku of the Liberal Party?"

9. Memo for Deputy Chief, GS, re Interim Report on Oyabun System, 11 Sept. 47

10. Minutes of Conference in GS on 12 Sept. 47; Oyabun-Kobun Sub-Committee of Controls-Coordinating Committee

11. Memo to Chief, PSD, CIS, G-2 re Investigation of Oyabun (Boss) System, 15 Sept. 1947

12. Minutes of Conference in GS on 17 Sept. 47 re Hoarded Goods case.

13. Press Conference: The Constitution or the Dark Crutain; 19 Sept. 1947

14. Memo for Record: Disposition of Certain Assets of Iron and Steel Sales Company; 20 Sept. 1947

15. Editorial from Nihon Keizai, 25 Sept. 47: "Blast the Underground's Power."

16. Matters to be Investigated by the Supreme Court.

17. Memo for CCC, ESS: Report of Oyabun-Kobun Sub-Committee, 25 Sept. 1947

18. Form letter to Designated Persons from HCLD, 29 Sept. 1947

19. Summary of Information re Oyabun-Kobun System, 1 Oct. 1947

20. Memo for Record: History of Control Organizations in the Construction Industry, 2 Oct. 1947

21. Memo for Record: Oyabun-Kobun System: Seko Case, 2 Oct. 1947

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

7 July 1948

MEMORANDUM FOR DEPUTY CHIEF, GOVERNMENT SECTION

SUBJECT: Procurators' hoarded goods investigation.

1. The Supreme Procurator's Office reported the impounding of hoarded goods valued at approximately 2,500,000,000 yen, official government ceiling price, as of 30 June 1948. The total black-market value is estimated to be over 7,500,000,000 yen. The major items include 111,817 tons of iron and steel, 65,714 tons of copper, 2,000,000 yards of cloth and 713 tons of crude rubber.

2. The eight higher procurators' offices throughout Japan each have a special Hoarded Goods Investigation Committee under the direct supervision of the Supreme Procurator's Hoarded Goods Investigation Team in Tokyo headed by Assistant Procurator General Watanabe. The higher procurators' offices are responsible for submitting to the Economic Stabilization Board district offices, of which there are also eight, a complete inventory of all goods impounded. The allocation is made by the Economic Stabilization Board to the various ministries and coupons are issued by the Economic Stabilization Board branch office. These coupons are distributed to the industrial concerns. Upon issuing coupons, the Economic Stabilization Board branch office orders the Sangyo Fukko Kodan (Industrial Recovery Association) to take custody of the goods listed by the procurators. The company or individual possessing a coupon may collect the goods at the designated Sangyo Fukko Kodan.

3. The procurators are concerned with the possibility of the hoarded goods finding their way back to the black-market and have reserved the right to call for a detailed report from the Economic Stabilization Board and Sangyo Fukko Kodan on the distribution of such goods.

MAKOTO MATSUKATA
Executive Group

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

14 June 1948

MEMORANDUM FOR RECORD:

Subject: Gunma Coffee Case

1. On 17 February 1946, the Shibukawa police uncovered 93 tons, 540 kilograms of coffee beans, formerly belonging to the ex-Japanese Army. This was turned over to the Gunma prefectural government. During the months of July and August 1947, 65 tons of this coffee were sold for 2,784,128 Yen, at ceiling price. In return for the sale of this coffee at ceiling price, the Gunma prefectural government received 14,858,000 Yen as gifts from the various recipients of the coffee. Besides this, they received 57 tons of salt and two houses (92 tsubo), in Tokyo.

2. A conference was held in the Supreme Procurator's office on 16 July, at which time it was concluded that the following officials should be indicted on the charge of violating Price Control Law 118, 3 March 1946 (Article 33 and 35):

Kitano, Shigeo, governor of Gunma prefecture
Tajieda, Sensuke, vice-governor
Isozaki, Hiroyuki, Economic Section Head
Ishikawa, Kaoru, Administrative Head
Takizawa, Kakuzo, Chief, Foods Branch
Moro, Motoyuki, Clerk, Foods Branch

At the conference it was concluded that the governor would be notified that the above named persons would be indicted and in the case that the governor resigned and the money was turned over to the national government, the procurators would not indict any of the above named persons. The reasons given for this conclusion were as follows:

(a) Although the money was not turned over to the national government, the prefectural government had intended to use it for welfare purposes, such as flood relief and damage incurred by the recent hail storm.

(b) None of the money had been used for personal gain.

Col. KADES file

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(e) The prefectural assembly and public opinion in Gunma prefecture is opposed to the indictment of the governor.

3. The Supreme Procurator's office requested Government Section's opinion on the conclusion drawn at the procurators' conference. Colonel Hays stated that in his opinion the procurators had no alternative but to indict and prosecute the guilty members of the prefectural government. Further, that in the case they did not indict and prosecute the governor, they were failing to carry out their duty.

MAKOTO MATSUKATA
Executive Group

It is important that the trial of this case be expedited in view of attacks made against governors by ESS, NRS, & other staff sections which is imperilling entire decentralization program.

C.L.K.

Col. KADES file

GN/CLK/WEH/MH:ev

10 June 1948

From: Gov. Sect. To: ESS/IN

2 1. Government Section has inquired of the Procurator General the feasibility of making available the records required for the maintenance of the Showa Denko Company's operations, without jeopardizing the prosecution of economic control violations requested by Price and Distribution Division of ESS. Attached "Tab A" is a reply to the above request to Government Section from the Procurator General, Fukui.

2. It is recommended that access to the necessary books and records be under the close supervision of the Tokyo District Procurator's Office, as recommended by the Procurator General.

Encl: 1
Tab A

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

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COPY

Date: June 7, 1948

From: Public Procurator General.

To : Col. Hays, Government Section.

Subject: About the books, etc., seized from Showa Denko Kabushiki Kaisha (The Showa Electric Industrial Co., Ltd.)

The books above mentioned are the documents relating to accounting seized from the main office of the said Company on the 26th and 27th of last month, in connection with the suspected case as offences against the provisions of the Temporary Demand and Supply Adjustment Law and of the Price Control Ordinance committed by the Showa Electric Industrial Co. They are now under close examination; so if we should release them at this time it will make the investigation of offences impossible, and consequently, we cannot comply with their wishes to return the books to them.

But out of the documents the examination of which has been finished, those not needed for the investigation of offences are to be returned and if any person wishes to inspect them, he shall apply to the Tokyo District Public Procurator's Office therefor, when he shall be allowed to do so under the attendance of a public procurator.

/s/ Morita Fukui

9 June

Chuck,

for your information, I am sending the enclosed Memo. Under these circumstances, we cannot possibly insist on the deadline of 20 June, because that would mean that the District Court could not examine the remaining 26 witnesses. To tell them that it is not necessary to hear them would be a direct interference by §40 in a pending procedure and expose us to the charge of cutting arbitrarily the rights of the defense. If the Court actually follows the schedule, which we shall watch, no action on the part of §40 appear advisable.

The Ozu case will be decided on 19 June. Here the deadline is complied with.

As always yours

Allo

Fritz

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LEGAL SECTION

9 June 1948

MEMORANDUM FOR THE RECORD:

SUBJECT: Progress of Seko Case

REFERENCE: Memo for the Record dated 5 June 48, Subject: "Slow Administration of Justice in the Ozu, Hirano and Seko Cases" - By Dr. Oppler

1. On 7 June 1948 at the request of Dr. Oppler, the undersigned had a conference with the president of the Tokyo District Court, Mr. Yoshitsura Nishikubo. Also present were Mr. Higuchi, Chief of the Liaison Office of the Supreme Court, a representative from the Liaison Section of the Tokyo District Court, and Mr. Koike of the Supreme Court, who served as an interpreter.

2. Judge Nishikubo explained that in his previous conference with Dr. Oppler on June 2nd, he had estimated that the Seko case would be completed as far as the evidence was concerned by 10 June. However, this information was based upon incomplete information since the Judge in charge of the case, Judge Kano, was out of Tokyo interrogating witnesses. Judge Nishikubo stated that Judge Kano had now returned to Tokyo and that he had discussed the case with him and was prepared to make a complete report. I asked him to proceed.

3. Judge Nishikubo thereupon reported that there were 26 witnesses still to be examined. According to the trial schedule previously established by Judge Kano, two witnesses will be examined in Tokyo on 8 June, two more on 10 June and three more on 17 June. On 19 June Judge Kano would go to the Gifu District Court to examine six witnesses, and on 23 and 24 June would examine 7 men in the Oita District Court. On 29 June he would examine one witness in Tokyo, and on 3 July would go to the Iwate District Court to examine five witnesses. This was expected to complete the taking of evidence and by about the 10th of July the procurator would demand the sentence in the case. After that, the defense would probably request two weeks to prepare their final arguments. Since there are 15 defense counsels for the five defendants, it would take four full days to hear the final arguments. With two hearings a week, the final argument would thus take two weeks. After that, there would be one or two days more required for the accused to make

their final arguments. The case would thus be finished by about the 10th of August and the decision would probably be rendered by the end of August.

4. Mr. Higuchi of the Supreme Court Liaison Office said that examination of the record of this case thus far indicates that the trial has been an unusually fast one, 33 witnesses having been examined between the 27th of January and the 2nd of June. In most cases hearings are only held once a week or once in two weeks, but in this case they have been held twice every week. There have been no prolonged delays. The only long recess was a two week recess in March, which was required in order to notify witnesses of the days when they would be examined. This period is the customary one and could not be made any shorter in view of the present communication difficulties in Japan.

5. When questioned about the possibility of speeding up the remainder of the trial, Judge Nishikubo explained that there was some possibility of cutting out some of the remaining witnesses and of cutting one week from the time for preparation for the final arguments and one week from the time for making the final arguments by holding continuous hearings during the week in which the final arguments were made. However, it will be difficult for the Judge to eliminate many of the remaining witnesses already agreed upon by the parties without the defense claiming prejudice on his part, which would result in a further delay. At the present time, transportation is so poor in Japan that it is impossible to get all the witnesses to Tokyo and the issues in this case are too complicated and the mail service too slow to use requisitioned judges to examine out of town witnesses. Consequently, it is necessary for Judge Kano to make trips to examine such witnesses. It is impossible to hold hearings more than three times a week because the three judges in this case are also responsible for other cases, some of which involve detentions and other important issues. Judge Kano, for example, is also in charge of the case of Kono, Ichiro, who is charged with perjury and violation of the purge ordinance. At present, the Tokyo District Court has 11 divisions of three judges each, working on criminal cases, all of whom are over-worked. There are only about 40 judges in the whole court, which is 20 short of the authorized number, but with the present shortage of judges throughout Japan, it is impossible to have any other judges assigned to the court at present.

7. The undersigned assured Judge Nishikubo that he would transmit the above report to Dr. Oppler.

RICHARD B. APPLETON
Legal Review & Coordinating Branch

CW/C.L.K/FEH/MM/rh

Prosecution for Violation of Gen. Order No. 1

Government Section Legal Section 22 May 1948

1. Enclosed (Tab "A") is copy of a transcript of testimony taken at the hearing of 7 April 1948 of the Irregular Property Transaction Investigation Committee of the Japanese Diet. The witness, Hikotoro Yoshida, testified as to the disbursement of funds belonging to the Kodama Kikan, notorious para-military Japanese intelligence agency, and the use of certain real property of this organization to raise funds for political purposes, all in contravention of General Order No. 1 and of SCAP Memorandum of 24 September 1945, AG 402.5 GE. Subject: "Materials, Supplies and Equipment Received and to be Received from the Japanese Armed Forces." The apparent retention of the real property would also seem to imply dereliction of duty on the part of the Japanese Government officials for failure to sequester the holdings of a Japanese war-time agency or even to account therefor.

2. Recommend that such additional investigation be initiated as is necessary and that all persons found to be involved be prosecuted in Occupation courts. The Government Section will be available for such advice and assistance as may be desired.

Incl. 1.
Tab "A" - Transcript of Testimony

C. W.

Memorandum for Record:

The Procurator General states that this case cannot be broken by the Japanese Government and has requested that it be handled by Occupation forces. (Per conversation between Mr. Fukuii and Mr. Kades on 21 May 1948).

C. L. K.

Mr. Kades' file

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THE TESTIMONY OF HIKOTARO YOSHIDA AT THE COMMITTEE MEETING OF THE DIET IRREGULAR PROPERTY TRANSACTION INVESTIGATION COMMITTEE ON APRIL 7, 1948

Chairman Muto: - ..... Kaoku Tsuji testified at the Public Procurator's Office as follows:

' There are about seventy to eighty politicians whom I know and to whom I presented money as campaign funds. I am, however, reluctant to disclose to whom and how much I presented, because I don't like to trouble these persons. I beg you to appresiate how I feel. However, besides Nakasone, there are friends of mine who willingly present money to me for my own disposal..... I received about 3,000,000 yen from Hikotaro Yoshida, President of the Midori Sangyo Kabushiki Kaisha in Tokyo in the period from last year (1946) up to the present (Oct. 10, 1947)'

Does this statement of Tsuji correspond to the fact?

Witness Yoshida: It is true that I handed 1,000,000 yen in August or in September, 1947. During the War and after the War, I continuously handed money, sometimes 100,000 yen, sometimes 200,000 yen. This kind of money will total to about 2,000,000 yen.

The Chairman: After the War, sometimes ¥ 100,000 yen, sometimes 200,000 yen?

The Witness: From the war time to the post-war time.

The Chairman: This kind of money totaled to about 2,000,000 yen and you presented 1,000,000 yen in August 1947. Both totalled to 3,000,000 yen. Do you mean so?

The Witness: That's right.

The Chairman: What connection do you have to Tsuji?

The Witness: As I was 21 years old, I came up to Tokyo and joined the Taikakai at Ushigome. Some of my seniors from the same place were also members of the Taikakai. Mr. Tsuji was, so to say, a boss to Fumio Iwata, President of the Taikakai.

Under these circumstances, I called on Mr. Tsuji, accompanying Mr. Iwata. Mr. Tsuji held me dear in the

Tab A

course of time and on my part, I became intimated with him as if he were my father.

The Chairman: For what purpose did you contribute to Tsuji such amount of money as 3,000,000 yen?

The Witness: Now and then, Mr. Tsuji telephoned to me saying 'You are in funds, I hear. Bring me some pocket-money, if it is possible for you.', or he came sometimes personally to me. On such occasions, I used to present him with money.

The Chairman: But the amount is a little too large, isn't it?

The Witness: As I had plenty of money at that time, I felt no special pain in doing so.

The Chairman: Was the money of such an amount a trifling matter for you?

The Witness: That was the case at that time. After August last, however, I began to be out of funds. Mr. Tsuji asked me for a good round of money. I thought I could raise the money by borrowing from my friends, if it was the last request of Mr. Tsuji. Thus I raised and handed 1,000,000 yen to him.

The Chairman: What kind of business are you making now?

The Witness: I am supplying the air-fields of the Occupation Forces with ballast.

The Chairman: What were you doing during the War?

The Witness: During the War, I was an assistant commander of the 'Kodama Kikan'.

The Chairman: How much income did you get?

The Witness: I went to Shanghai with my kindred-spirits and the group of these people began the work which was entrusted by Kodama. There was a great shortage in molybdenum and tungsten which had been earlier imported from Shanghai and the southern regions. We were asked to develop domestic mines. We bought various goods with the profit which we gained in Shanghai, brought them to Japan and sold them to the Navy. We appropriated the money thus earned for developing mines. This undertaking was operated at a constant loss and was going into bankruptcy before the war termination. Owing to the unexpectedly early termination of the War, there was money still left. We brought this money to the Navy but we were told that this money was ours and not of the Navy. Moreover, we were presented with 100,000 yen as remuneration. I think that we possessed about 40,000,000 yen at that time.

The Chairman: In your hands?

The Witness: Well, may be said in my hand -- anyway the money what was left at that time. As Kodama became a war suspect and the whole matter was investigated by the Occupation Forces. I think you know it.

The Chairman: Was it not the money you freely disposed of?

The Witness: When we had disposed of some of it, Kodama became a war suspect, and we no longer could dispose of the rest of the money because of the special property connected with war suspects.

The Chairman: How much did you dispose of?

The Witness: Most of the money was left in the form of buildings and mining equipments, and many of such real properties still remain now. But in the form of money almost none is left.

The Chairman: What have you been doing since the War ended?

The Witness: After the War, we wholly gave up mining. There were about a hundred of our former participants, who remained doing nothing for about a year after the War. We tried to do something to support ourselves, but whatever we tried it did not go well, so we formally broke up early in January.

The Chairman: What kind of company is the Midori-Sangyo-Kabushiki Kaisha?

The Witness: During the war, it was called the Nichinan Kogyo Kabushiki Kaisha and it was engaged in mining tungsten and molybdenum. When the demands for these mineral disappeared as the result of the termination of the war, we decided to start some peace industry such as lumbering, as a side work. When we applied for the official permission, we changed its name to the Midori Sangyo Kabushiki Kaisha.

The Chairman: Is it a profitable company?

The Witness: No, utterly not.

The Chairman: A certain Kuraishi is connected with this company? Isn't he? ------- Tadao Kuraishi....

The Witness: Yes.

The Chairman: What position does he keep?

The Witness: He left the company last year. He was the president of the company then.

The Chairman: Has he no relation now?

The Witness: None.

The Chairman: The million yen you mentioned above --- How did you raise it? From what sources did you get it?

The Witness: A friend of mine is the president of the Kyoritsu Kinzoku Co. (The Kyoritsu Metal Company) which is in our building, and I asked him to raise the money. We also rent our ground floor to the Asano Higashi Nihon Slate Co., so I borrowed money from the company under the name of the security and promised to return it before the term.

The Chairman: What did Tsuji say to use the money for?

The Witness: To use for paying debts. He said he was overhead and ears in debts.

The Chairman: For paying what?

The Witness: I suppose he made debts here and there.

The Chairman: And so he asked you to raise a round sum of money?

The Witness: Yes.

The Chairman: Are you not aware of the fact that Tsuji is distributing such money among political parties or politicians?

The Witness: Not clearly; still I thought he had an unpleasant hobby.

The Chairman: What do you mean an unpleasant hobby?

The Witness: People may have various hobbies; but to make me raise money with great difficulties and distribute it to various people and be happy is --- this is certainly a very curious hobby. Such is my meaning.

The Chairman: Then it means not to pay debts but to distribute the money among politicians?

The Witness: I don't know such thing very well. But I called on him and found about a hundred thousand yen piled up on the Tokonoma in the room. I sometimes borrowed a half of it, saying only, 'Give me a half'. But we were in such a confidential relation as not to inquire anything about the purpose. So, though I know he had a hobby, I don't know anything clearly.

The Chairman: Has any member of the Committee some question? (It was voiced - 'No'). Now, that's all. Thank you, Mr. Yoshida.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

4 May 1948

SPECIAL PROGRESS REPORT (M-14)

1. Teijo Isozaki, House of Representatives Liberal-Democratic party, ex-member of the Minseito, was summoned by the Tokyo District Procurator's Office on 4 May. On questioning, Isozaki admitted receiving 20,000 yen from Karoku Tsuji. Prior to this, he had testified under oath to the Diet investigating committee that he had not received any money from Tsuji. He will be indicted in the near future on the charge of perjury. The Diet will not be asked to consent to his arrest as the procurators feel that through his own admission it is not necessary to place him under arrest.

2. Toranosuke Miura, House of Representatives Liberal-Democratic party, will also be indicted on the charge of perjury. In testifying before the Diet committee, he testified that he had not received any money from Karoku Tsuji, but upon investigation by the procurators, he admitted receiving 30,000 yen. He will also be indicted in the near future on the charge of perjury but will not be arrested.

3. Chiko Watanabe, unsuccessful candidate Liberal party in the 1947 election, ex-member of the Seiyukai party, will be indicted on the charge of perjury for having received 20,000 yen from Tsuji and refusing to admit the receipt of such money to the Diet investigating committee.

4. Procurator Ide, of the Tokyo District Procurator's Office, reported that Ryosaku Kaji, Liberal-Democratic party, called on the Procurator General today to request the release of Ichiro Kono. The Procurator General informed him he would be released as soon as the investigation was completed. Kono was arrested 2 May on the charge of perjury and is also being investigated for taking part in political activities as a purgee.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

4 May 1948

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1K

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Col Kades

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

3 May 1948

SPECIAL PROGRESS REPORT (M-13)

On 2 May 1948 Ichiro Kono, purged June 1946, ex-member of the Seiyukai party, was arrested by the Tokyo District Procurator's Office on the charge of perjury. Upon questioning, Kono told the Diet Investigating Committee that he had not received any money from Karoku Tsuji. Tsuji testified to the Committee that he had given Kono eighty thousand yen.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

3 May 1948

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SPECIAL PROGRESS REPORT (M-13)

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Col KADES

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

13 April 1948

MEMORANDUM TO: Chief, Government Section.

SUBJECT : Conference with chairman of Diet Illegal Property Transactions Investigation Committee.

On 10 April 1948 a conference was held at the request of Mr. MUTO, chairman of the House of Representatives Special Committee for Investigating Illegal Property Transactions. Those present were: Colonel HAYS and Mr. MATSUKATA, representing Government Section; Mr. MUTO and Mr. YAMANISHI, liaison officer.

This was the first conference with Mr. MUTO since he was elected chairman of the Special Investigating Committee on 3 April 1948. Colonel HAYS presented an analysis of the functions and objectives and gave specific examples of the attainments of Congressional investigating committees in the United States. Mr. MUTO expressed deep concern over the recalcitrance of Liberal-Democratic representatives on the committee. As the investigation of TSUJI's donations concerns principally members of the Liberal-Democratic party, a limit was imposed by them on the chairman concerning questions asked of witnesses. Colonel HAYS assured them that Government Section would not tolerate any obstruction by members of the committee due to party affiliations. An agreement was reached that Government Section will closely cooperate with the chairman in an effort to obtain a larger budget for the committee and to hold weekly conferences with the chairman with a view of solving the committee's problems as they arise.

Col KADES

Conclusions:

From this conference it is concluded that although the resolution passed in December called for a non-partisan committee, many members of the committee are interested only in protecting those of their party who have been tainted by illegal transactions.

Recommendations:

It is recommended that:

a. Government Section continue to cooperate closely with the chairman with a view of limiting as much as possible the effect of the

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obstructionist tactics employed by Liberal-Democratic members of the committee who are attempting to protect their own members, and

b. The committee chairman be encouraged by Government Section to continue the investigation along the same lines and in the same manner he is now following for the purpose of providing the Procurator General with additional evidence and false testimony in support of the latter's program.

MAKOTO MATSUKATA
Executive Group

Encl: 1
Tab 'A' Conference Transcript

Conference held in Government Section on 10 April 1948.

Those present were;

Colonel HAYS, Government Section
Mr. MATSUKATA, Government Section
Mr. MITO, chairman of Diet Investigating Committee
Mr. YAMANISHI, liaison officer.

Col. Hays: Up until this week satisfactory progress cannot be claimed on the committee's behalf. A critical and perhaps pessimistic analysis of the committee's activities in this field so far has suggested to some observers the existence of two serious difficulties which must be eliminated by the committee before complete and satisfactory investigation can be accomplished.

The first of these difficulties, at least up until this week, deals with the committee's concept of its task and the investigatory procedures that have been adopted. A competent legislative investigating committee normally to to learn all it can of the matter under investigation wit view of adopting remedial legislation and, if moral turpitude is involved, such as there is here, then also discovering evidence by means of its extraordinary powers which will result in the punishment of all wrongdoers. Although the Diet committee under discussion possesses adequate powers and adequate means to do this job, including its own staff of trained investigators, up until this week it appeared to us here in Headquarters that the committee had shown an aversion to conducting a search for original evidence but had based its theory of the case and its examination of witnesses almost entirely upon the facts and evidence obtained from the Attorney General's office.

That is one method - the method they are using of pursuing an investigation, namely that of taking the facts and evidence obtained by the Attorney General's office on cases that the procurators have already established, cases they have undergoing preparation for indictment or trial by the procurators. I am not intimating that the Diet committee should cease to pursue that method, but normally, in the United States at least, it is the legislative investigation that obtains through independent means facts and evidence upon which the Attorney General bases his case.

In America there is a law that Army officers cannot make contracts with the government. Just a few months ago it was alleged in the press that General Meyers, a United States Army Air Force officer and the procurement chief for the United States Army Air Forces, had during the war owned a dummy factory - a factory actually owned by him but which on the records appeared to be owned by someone else - and that this corporation had contracted with the government to manufacture airplane parts. As a result of these allegations in the press that General Meyers had broken the law, a special Congressional investigating committee found that the allegations were true. They placed General Meyers and his factory manager on the witness stand. The factory manager perjured himself by testifying that he was the owner and Meyers was not the owner. His statements were found to be perjured statements, he violated his oath. That testimony was turned over to the Attorney General's office and he was indicted. Congressional special committee investigators, employed by the investigating committee, went out and actually seized General Meyer's bank statements, his income tax returns, the books in his factory, his own personal diary, the personal diary of his sweetheart, and placed these before the special committee. The committee examined all those documents and called General Meyers, his employees and his friends before the committee and examined them on those documents, and, based upon the evidence that they received from the documents and from their sworn testimony before the committee, they turned over all this evidence and these statements to the Attorney General's office and the Attorney General indicted General Meyers and tried him in a court and found him guilty. He has been sentenced to a long penitentiary term. In addition to that, he was stripped of his medals and his pension. He still will be tried on a separate charge of perjury and he will also be court-martialled by the Army, so he will have two more trials to stand in addition to the one in which he was sentenced to the penitentiary. All that is the result of the evidence uncovered by the special committee.

That is a recent example, now I want to tell you about an old case that happened in the 1920's when the Secretary of the Interior, Mr. Albert Fall, got himself in trouble. Mr. Fall was Secretary of the Interior (same thing as the Home Ministry), and among his other duties, he was in charge of all government land belonging to the United States. Out in the oil fields of Wyoming in a place called "Tea Pot Dome",

the United States Government owned large oil reserves worth millions of dollars. Mr. Fall was bribed by the president of a large oil corporation, a Mr. Harry Sinclair of the Sinclair Oil Company, to lease the "Tea Pot Dome" naval oil reserves to the Sinclair Oil Company for a sum of money which amounted to only a fraction of what the lease was worth. A special Congressional investigating committee was appointed to determine the facts in this case and it called Mr. Sinclair before it and Mr. Sinclair gave testimony which was not in accordance with the facts that had been determined by the committee's own investigators, who had gone out to the oil fields. As a result of his false testimony, he was indicted and prosecuted and convicted of perjury. He was one of the strongest financial magnates of America in those days, a very powerful man, a multimillionaire. He had contributed and financed the political campaign of one of the strongest political parties in America.

The Secretary of the Interior, Mr. Fall, as a result of Congressional investigating committee evidence, was indicted by the Attorney General and sent to jail and shortly died. He was the personal appointee of the President of the United States and a very close friend of the latter. The President of the United States was the leader of the political party which had received these large campaign contributions from Mr. Sinclair. The Congressional investigating committee did a great service to the people of America in disclosing the graft of the personal appointee of the President.

Close examination of the Diet Resolution created by Mr. Muto's committee, will show that it has the same broad powers that those two Congressional committees had in the United States. It even has more power. For example: Article 2 of the Resolution creating the committee, in our opinion, clearly charges them with the responsibility of investigating the activities of the Kodama intelligence organization and its manner of disposing of public funds.

We have dealt with one serious difficulty here that we feel the committee is confronted with, now I would like to mention briefly what we consider a second serious handicap - that is up until this week when Mr. Muto went to work as chairman of the committee. I wish to speak now of the committee's apparent reluctance to investigate and seek punishment of all individuals possibly involved regardless of their station in life, even if it includes their own members or

Cabinet Ministers. Mr. Kato's interim report, which we received in November, as well as numerous press accounts, indicate that individuals who held or who have held high public office in both the executive and legislative departments of government, have either dealt in these goods or benefited through funds received from such goods. Some progress, of course, has been made against this class of wrongdoers but principally through the procurators and so far not through results of efforts of the members of the Diet.

The people of all democracies are naturally concerned with the functions and machinery of their government but, of course, there are certain activities of government that the man-on-the-street does not completely understand, nor is he necessarily expected to. But one thing the man-on-the-street fully comprehends is his need for food and clothing. Any activities of responsible government affecting the flow, or the interruption of the flow of food and clothing into the hands of the man-on-the-street is a function of the government in which he has the greatest individual interest and to which he pays a great deal of personal attention. Realizing that members of a Congressional investigating committee in the United States would seize upon an opportunity such as this one of aggressively pursuing such an investigation, not only from patriotic motives but also as a vehicle through which they might enhance the popularity of their own political party or parties as well as the prestige and popularity of the members of the committee and the committee chairman with the electorate.

We have the feeling that party politicians and Diet members have overlooked this point. We feel that a golden opportunity has been presented to the Diet to improve the position of political parties and representative government in the eyes of the people by attaining through their own courage and initiative - that is the Diet committee - some measure of practical results in Japan's first important legislative investigation. In the 1920's and 1930's people lost confidence in political parties in Japan because of their corruption and it was very easy for the militarists to step in and discredit them in the eyes of the people and remove political parties from an important position in the coalition governments of those days. Here is an opportunity for political parties and Diet to gain the prestige they should have. We feel that this legislative committee investigation is an event, which in its dramatic possibilities to the Diet, is second only to the adoption of the new Constitution.

I read an editorial in a Japanese newspaper yesterday from which I now make the following observation:

Perhaps in the final analysis, it will be an alert public opinion expressed at the ballot box which will either repudiate or confirm the ability and the willingness of the Diet to cleanse the halls of government.

Perhaps this would be a good point for us to ask Mr. Muto if he has any questions on what we have said so far.

Mr. Muto: First, I wish to say I am grateful to you for giving these various concrete examples which will be beneficial to us in operating our committee. I would like to express my views on several matters and would like to have clarified some points on which I have doubts. In connection with the two examples that you mentioned, they are pertinent to some matters on the Tsuji case which we are investigating now. The difficulty we are facing at present in investigating the Tsuji case lies in the fact that the committee is composed of various party members and the number of committee members proportionate to the strength of the political party in the Diet at the present time - the Democratic-Liberal party - is the strongest opposition party in the Diet and, of course, any matters not pertaining to political parties, the committee cannot act upon. However, in the case of Tsuji, most of the persons affected are from the Liberal party, therefore we confront some difficulties in investigating the Tsuji case.

Col. Hays: I realize that and also that you have shown great courage this week in going ahead and attempting to disclose Tsuji's involvement by the fact that you are probably opposed in your own committee, and I feel that if, through your own courage and initiative as chairman of the committee, you go ahead and press investigation of Tsuji in spite of the opposition of the committee, you will emerge personally as one of the strongest men in Japan.

Mr. Matsukata: What are the details that you have trouble with?

Mr. Muto: With regards to calling in Hatoyama, the committee members attempted to call Hatoyama in to testify, and it was decided at the meeting of the directors that he would be called in

to testify, but if it depended on a vote of the committee whether or not he should be called in, I am sure that we will not be able to call in Hatoyama. In view of the records of the investigation, it is clear that Hatoyama should be called in for investigation, but since the majority of the members are from the Democratic-Liberal party, if we should decide to vote on this in the committee, Hatoyama would not be called in for investigation.

Col. Hays: Tell the committee members that the Headquarters will consider it a very peculiar situation if Hatoyama is not subpoenaed.

Mr. Matsukata: In questioning of these witnesses that have come up so far, have you been limited in the type of questions that you can ask because of this situation?

Mr. Muto: Yes. I am limited.

Mr. Matsukata: How was that limit established?

Mr. Muto: It is clear that all these witnesses, such as Kono and Miura, are making false testimony and everybody knows they are making false testimony. If this should be permitted to continue we will confront difficulty in running the committee. The witnesses are freely making false testimony, in fact, they are arrogantly making false testimony. They are, more or less, prepared beforehand, before they come to the committee, with certain statements. The committee has the right to administer oath and also can indict the person making false testimony. However, when we want to indict the person making false testimony we are confronted with strong opposition from committee members and therefore unless some suggestion is received from GHQ as to how a person making false testimony will be dealt with, it is very difficult for us.

Col. Hays: Will this solve the problem? If the Democratic-Liberal members of the committee insist upon limiting the extent and effectiveness of the committee's investigation you can tell them that we shall not hesitate to publicly

disclose this fact to the people by means of press conferences, and we shall actually go so far as to name the recalcitrant members of the committee and publish their names in the newspapers, so that the people may have the opportunity of repudiating them at the polls. In other words, they are facing political suicide if we take such action.

One way to accomplish the desired results is through cross-examination of witnesses, confronting them with statements which through cross-examination will show that they are lying, then if there is any interference by the dishonest element in the committee, by planned accident, their motives can be shown and we then can draw attention to their motives by going to the people. You may tell the recalcitrant members that they may as well give up now because this Headquarters does not intend to let any political party reduce the effectiveness of this investigation, and if those people do not believe us, I would like to have them come here and I will tell them exactly what we intend to do. We shall not permit corrupt politicians to sabotage the democratic process even if it requires interference on our part.

Mr. Matsukata: Hatoyama will think he is only being questioned in regard to Tsuji's donations. If someone from the Government party asks him "What is the last time you donated to the Liberal party and how much?", he will have to answer on what day and how much he donated. Then, you should take the official contribution list that was submitted to GHQ in January, and if his answer is not the same as in this report, you have him for perjury.

Mr. Muto: It is natural that the person concerned denies the truth and they are under the impression that those people who acknowledge the truth and make a true testimony and found guilty would be disqualified from the House, therefore, they feel the best way for them is to deny the truth and make false testimony. The committee wants to indict the people who are making false testimony but when it comes to the decision as to whether the person making false testimony should be indicted or not, they will have difficulty in making the decision in the committee. Therefore, if GHQ can make a statement at the press conference to the

effect that all persons who are making false testimony will be duly dealt with, it will help us a great deal, and also if GHQ could make a suggestion of some kind to the Attorney General's office or to the Procurator's office that those persons who are making false testimony should be indicted.

Mr. Matsukata: We don't even have to tell the Procurator's office that people are making false testimony, because the Procurator's office has a representative in the meeting. They have already taken up the case of Miura and Kono and we won't have to make press releases because they will find that two or three witnesses that they will call up will be charged with perjury and the Procurator's office took that out of the newspapers themselves and are acting on it.

Col. Hays: The procurators will pick up these false statements just as fast as Mr. Muto is able to trap these witnesses into making them. Then the procurators will prosecute them just as the Attorney General in the United States did in the Meyers case. If you put these people under oath and then examine and cross-examine them; the Attorney General's office will follow up and prosecute them for false testimony.

Mr. Muto: There are regulations that they may be indicted also by the committee.

Mr. Matsukata: They can't help but indict them. The committee chairman can give the greatest aid by asking such questions which will be obvious as perjury so that it helps the procurators gather the evidence right there. He will have to ask these leading questions. That is why the investigators should not necessarily depend upon the procurators' records but should find something that the man will obviously have to lie about and that is the question he ought to pop at them. For example: He can ask Hatoyama a simple question like "When did you meet with Yoshida last?" All the investigators have to do is to go to Atami and find out when he was there last. He cannot say that he saw him because that would be political activity, but if they know that he went there, that is enough to try him under SCAPIN 548 and for perjury.

Mr. Muto: In the cases you mentioned before of Meyers and Sinclair, did the investigation committee transfer the complete

records to the Attorney General's office? Was it based only on the documentary evidence? According to the regulation I have the committee will submit the report with their information attached. To what extent did the committee have in making the decision?

Col. Hays: The procurators take a transcript of the testimony before the Diet committee and prosecute the perjurer for his answer to the question under oath before the Diet committee. He doesn't have to have any Diet report or recommendations in order to prosecute.

Mr. Muto: When the committee makes its report, should the report consist only of facts saying that Tsuji did such and such, or should the facts be submitted along with the opinion, conclusion and recommendation of the committee?

Col. Hays: It is customary in our Congress to use two methods. One is to publish a transcript of the hearings in a printed volume once a week or so which they call "Printed Hearings". They are published by the government printing office. Then at the end of the investigation they come out with a committee report to the Congress in which they recommend that certain steps be taken. That is the most expensive method. The next best method commonly used is not to print the daily transcript of the record but only have typewritten copies made and turned over to appropriate agencies, and at the end of the entire investigation to submit a printed report which would incorporate the most important portions of the testimony leading to conclusions and committee recommendations all in the same report.

This is the first important investigation made by a Diet committee, and therefore, it is particularly important that it establish a good precedent, so that whatever printed report they issue will go into the Diet library and be a valuable precedent for years to come. I have a book which I wrote on congressional special committee investigation of corrupt elections. It shows how hearings are reported and printed and released to the public and also how committee reports are written. I have an extra copy which I had intended to present to the Diet library. However, if you wish, I shall autograph it and turn it over to you and you may turn it over to the library. It has dozens of committee

reports and portions of committee hearings, and explains in detail how committees go about making investigations.

Mr. Muto: I would like to meet with you once a week.

Col. Hays: Thursday or Friday mornings would be best.

Mr. Muto: We are also worried about the budget which is inadequate.

Col. Hays: We will insist upon an adequate budget.

Col. Hays: Mr. Muto, I feel much more encouraged today than for months about Japan's future and this encouragement is due to the sudden trend that this investigation has taken in the last week since April 3rd. We are certainly happy with your wonderful start as chairman of this committee and with you Mr. Muto, a young, aggressive, fearless lawyer at the helm, I predict it will go a long way.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

8 April 1948

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SPECIAL PROGRESS REPORT (M-12)

Col. KADES

1. House of Representatives Special Committee for Investigating Illegal Property Transactions organization.

   a. On 3 April 1948 the committee unanimously elected Unjuro MUTO as chairman. Age 46; lawyer; left-wing SD; graduate Waseda University; member Jiyu Judicial Corporation; chief Nippon Rented Houses Association; secretary Tokyo Liberal Lawyers' Association; director Japan Tenants' Union; elected to Diet 10 April 1946 election (Gunma); re-elected to House of Representatives (Gunma 3rd Dist) 25 April 1947 election; member Public Welfare Comm and Disciplinary Comm; M.P. 1947.

   b. Fukichi UNO, since his appointment as Chief Counsel to the committee in February, has not taken an active part in the activities of the committee.

   c. Tsutomu HASEGAWA, Chief Secretariat, has energetically organized the secretariat. The list of investigators appointed by the committee is attached (Tab A).

   d. The following sub-committees have been appointed,

      1. Arms Disposal Committee

         HASHIMOTO, Kinichi
         MYOREI, Terusaburo - chairman
         NAKANO, Siro
         NOMOTO, Sinakichi
         TOKUDA, Kuichi
         YAMANAKA, Hiroshi

      2. Reconstruction Finance Bank Investigation

         ISIDA, Ichimatsu
         KOMATSU, Yuji
         NAKANO, Siro
         TANAKA, Kakuei
         TANAKA, Kenkichi
         TOKUDA, Kuichi

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2. On 3 April 1948 Speaker of the House of Representatives, MATSUOKA, reported to the committee his conference with Colonel HAYS.

3. On 5 April 1948 the Committee commenced hearings on donations made by Karoku TSUJI to candidates for the Diet in the April 1947 election. In November 1947 Karoku TSUJI submitted to the Tokyo District Procurator, TANAKA, a list of people to whom he had distributed 2,500,000 yen received from NAKASONE, presently charged with fraud on trial in the Tokyo District Court. Testifying before the committee, Toranosuke MIURA, member of the House of Representatives Liberal party, stated he had not received any money from TSUJI. He claimed that during the investigation by the procurators, he confirmed the receipt of 30,000 yen from TSUJI only to protect Ichiro KONO, ex-member of the House of Representatives Liberal party, purged 6 August 1946. KONO had received the money from TSUJI.

   a. KONO testified that he had not received any money from TSUJI.

   b. Saegi OZAWA, House of Representatives Democratic party, testified that he had received 20,000 yen from TSUJI through KONO.

   c. Shotaro YOSHIDA, President of Midori Sangyo Company, confirmed his donation of 2,000,000 yen to TSUJI. This money came from the ex-Kodama Intelligence organization in China, which had at the time of surrender an estimated 40,000,000 yen. As this company was a successor organ to the Kodama organization and as the money was designated for use in politics, he had given the 40,000,000 yen to TSUJI. Ichiro HATOYAMA and Karoku TSUJI are scheduled to testify before the committee on 13 April 1948.

4. Based on the committee hearings, the Procurator General has initiated an investigation of Ichiro KONO for perjury and violation of SCAPIN 548. Toranosuke MIURA is also being investigated. As there is no law through which MIURA can be charged for giving false information to the procurators, an investigation was initiated to determine whether MIURA had committed perjury in testifying to the committee.

PERSONAL HISTORIES OF INVESTIGATORS FOR ILLEGAL PROPERTY TRANSACTION INVESTIGATION COMMITTEE

MINOSUKE TAKAHASHI

Born December 2, 1893.
1920 - Completed a special course of Law at the Chuo University.
Passed an examination for the bar, registered as attorney.
Since then practising law.

HARUNOSUKE IWATA

Born March 11, 1899
1923 - Completed a law course of the Tokyo Imperial University.
Appointed as a probationary judge.
1925 - Relieved of the said post at his own request, registered as an attorney, entered the Tokyo Bar Association.
Since then practising law.

SATORU MATSUMOTO

Born - 1890
1921 - Completed a special course of law of the Chuo University
1923 - Passed an examination for the Bar.
1915 - Was in the service of the Agriculture - and-Commerce Section
1917 of the Ehime Prefectural Government.
1917 - Was in the service of the Industrial Section of the Commerce
1919 and Industry Bureau of the Agriculture and Commerce Ministry.
1919 - Clerk of the Federation of Japan Export Cotton Fabrics
1927 Trading Association.
1927 - Practised law at Osaka.
1931
1941 - Practised law at Tokyo. Owing to war disaster had to live
1945 temporarily at his native place Matsuyama.

Since June 1947 resumed law practice at Tokyo.

SHIGO KOISO

Born June 24, 1906.
1930 - Completed a law course of the Imperial University, passed an examination for the higher administrative civil service.
1931 - Passed an examination for the higher judicial civil service.
1932 - Registered as attorney at the Public Procurator's Office attached to Tokyo Criminal District Court.
1936 - Cancelled the registration of attorney, was appointed as public procurator of the government - General of Korea.

SHOJO KOISO (Cont'd)

1945 - Relieved of the said post at his own request, appointed as Chief of the General Affairs Section of the Keije Chemical Industry Co. Ltd. In the same year, released from the said post on account of taking over of the Company by the Occupation Forces.

Since 1946 Chairman of the Farmland Committee of Kawai village, Minamisaitama-gun, Saitama Prefecture.

YOSHIYUKI TAKAGI

Born July 22, 1906.
1926 - Gave up a law course of the special department of the Meiji University.
1927 - Appointed to the Chief Secretary of the Tokushima Prefectural Federation of Japan Farmers Union, Secretary of the Federation of Trade Union of Tokushima Prefecture. Chief Secretary of the Prefectural Federation of the Labor and Farmers Party (Rodo-Nomin To) in Tokushima Prefecture.
1928 - Retired from the circles of proletarian organizations in Tokushima Prefecture in order to rebuild legally of the Farmers Union, etc. of Kagawa Prefecture which had been totally dissolved after the so-called 3.15 case. Selected to the Secretary of the Union for Rebuilding of Kagawa Prefecture.
1930 - The said Union was forced to be dissolved, then founded the Shikoku Jijishimposha.
1931 - The Jiji Shimposha was prohibited to appear. Entered the Nagoya Goban Co. Ltd.
1939 - Left the company and entered the Veneer Trading Co. Ltd at Kyoto.
1943 - Left the said Company, and entered the Mimaseka Ringyosho
1945 - Left the said Ringyosho.

TAKEO IMUTO

Born July 27, 1904.
1923 - Completed a course of the Economics Department of the Keio University.
1929 - Entered the Nippon Dempo Tsushinsha.
1936 - Owing to the amalgamation of the Nippon Dempo Tsushinsha with the Domei Tsushinsha, entered the latter News Agency, appointed as vice-director of the social department of it.
1939 - Retired from the Domei Tsushinsha, appointed as assistant chief of the Research Section of the Kachu Railway Co. Ltd in Shanghai.

TAKEMO KUTO (Cont'd)

1941 - Promoted to the Chief of the Research Section.
1945 - Owing to the war termination, the said railway company was taken over by the Chinese Government. After that, was in service of the Hado Railway Control Committee of the Chinese National Government until the repatriation in December of the same year.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

8 March 1948

SPECIAL PROGRESS REPORT (M-11)

Based on the report submitted by MR. FUTAKI, editor of Seikai Jeep, the Supreme Procurator's Office was informed of a large quantity of hoarded goods being held at Miyoshi Chemical Industry Company, Edogawa Ward, Tokyo. On 3 March 1948, the Tokyo district procurators made the raid and impounded the hoarded goods, which Kyodo press reported on 5 March as follows:

"Hoarded goods worth more than ¥10,000,000 were exposed by procurators today at a chemical industry company in Edogawa Ward, Tokyo.

"In a two-day search from March 3, a 30-man investigation team composed of procurators and other judicial officers found the suspected goods, which consisted of 10 tons of naphthalene, 26 tons of caustic soda, 45 tons of lubrication oil, 150 tons of edible oil, 16 tons of industrial salt, 50 tons of steel tube, 50 tons of steel bar, 30 tons of iron sheet, 45 electric motors and other miscellaneous iron, textile, and rubber goods.

"These goods were found stored in 13 warehouses of the Miyoshi Chemical Industry Company (President, Yoshio Hirai), Higashi-Sasamaki-cho, Edogawa Ward.

"Further investigations are now carried out by the procurator's office."

MR. APPLETON and MR. MATSUKATA accompanied the procurators to observe the manner in which this raid and similar raids were carried out by the procurators. MR. FUTAKI had stated that the Police Chief in the Edogawa Ward had been bribed with 200,000 yen and on the morning of 4 March, the Economic Stabilization Board, Economic Inspectors had planned to expose these hoarded goods but had been negotiating with the executives of the company for over a week. This raid was carried out without notifying the local police and caught the company completely by surprise. It was obvious that the procurators are in great need of transportation facilities such as trucks and cars, and technicians.

On 4 March, MR. APPLETON and MR. MATSUKATA accompanied MR. BRANDES of CPC to the Nakajima Aircraft Company in Gunma prefecture. Looted property was found among the goods impounded by the procurators. The procurators who

Col Kades

were working on this case expressed great concern over turning all these goods over to the Sangyo Fukko Kodan. The local procurators and representatives from the Supreme Procurator's Office stated that they were working on a plan to require a report from the Sangyo Fukko Kodan on the disposition of all goods turned over to them, yet with the shortage of procurators and assistants, this will cause a considerable burden on the procurators, and it is questionable whether this comes within the functions of the procurators. In the case of the Nakajima Aircraft Company, the warehouses are so scattered that the supervision of distribution from the scattered places would necessitate an army of inspectors. The procurators felt that although the cost of transportation would be tremendous, these goods should be stockpiled in a certain area and allocated through the supervision of Military Government for essential industries, f.o.b. stockpile. Without such a system, it is very probable that all these goods will be returned to the blackmarket through the Sangyo Fukko Kodan.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

8 March 1948

Col. Kades

SPECIAL PROGRESS REPORT (A-4)

1. On 3 March 1948, representatives of Government Section accompanied a thirty-man investigation team composed of procurators and other judicial officers from the Tokyo District Procurator's Office, in a search of the Miyoshi Chemical Industry Company in Edogawa Ward, Tokyo. The team discovered large quantities of hoarded goods consisting of naphtalene, caustic soda, oil, steel tubing, iron sheeting, electric motors and other miscellaneous iron, textile and rubber goods. Newspaper reports on 5 March indicated that the hoarded goods exposed in the two day search starting 3 March, were worth more than ten million yen.

2. On 4 March 1948, representatives of Government Section accompanied personnel of the Supreme Procurator's Office and the local district procurator's office in an inspection of two of the 150 warehouses of the Fuji Industrial Company (formerly known as the Nakajima Aircraft Company), near Takasaki, Gunma prefecture, which have been sealed by the procurators since they contain stockpiles of hoarded goods valued, according to newspaper reports, at over five billion yen in current black market prices. The two warehouses visited by Government Section representatives contained large stockpiles of asbestos, wire of various types, metal sheeting and ingots of lead, tin and zinc, in addition to miscellaneous aluminum, scrapped airplane engines, and other goods used in the manufacture of aircraft.

3. On 5 March 1948, a representative of Government Section who had accompanied the procurator on the two aforementioned trips, visited Mr. Emerson Ross of Economic and Scientific Section and reported to him the fact that the procurators had in their custody not only the hoarded goods referred to above, but also tremendous quantities of other hoarded goods throughout Japan as a result of a concerted investigation drive by procurators during the past three months. The goods so far uncovered are valued at approximately 1.3 billion yen at official prices and the investigations are continuing.

4. Mr. Ross referred the representative of Government Section to Mr. Theodore Cohen of ESS, whom he said was in charge of the program connected with hoarded goods. The representative of Government Section repeated this information for the benefit of Mr. Cohen and also advised him that although many of these goods had been discovered and held in the custody of the

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procurators for several months now, they were still lying in the sealed warehouses and were not being utilized in industry. Furthermore, the procurators had also indicated that according to their understanding these goods were to be eventually turned over to various Kodans for distribution, but that the personnel of these Kodans included persons who had previously been engaged in black market activities. Consequently, the procurators feared that much of the goods would disappear again into black market channels once they had been turned over to the Kodans. The representative of Government Section indicated that the distribution of the goods was a matter outside the jurisdiction of Government Section, but that Government Section was willing to assist ESS in any way possible in planning for their proper distribution so as to avoid a repetition of black market activities in connection with these goods. The Government Section representative also suggested that various alternatives should be explored for distribution of these goods without utilizing the Kodans.

5. Mr. Cohen replied that ESS was completely familiar with the situation and knew that the personnel of the Kodans did include dishonest persons, but that the Kodans were their only possible means of distributing these goods. He stated that although the top layer of the directors and the key officers of the Kodans screened first for political activities by the Government Section Purge Division, and this top layer was later screened by ESS for technical qualifications and general competency, ESS did not have the personnel necessary to make a thorough check on the honesty of all the employees of the Kodans. He stated that ESS was engaged in working out further details of a hoarded goods program, including the proper implementation of SCAPIN 1863 through the use of Military Government Teams to check inventories and also the use of the CIC to search for hoarded goods, and the establishment of a system of rewards for informants who reported the location of hoarded goods. He stated that ESS had considered the possibility of using troops in collecting the hoarded goods and guarding them in warehouses, but that the transportation problems and the shortage of troop personnel made this impossible. He stated that G-3 had made an application to Washington for additional troops in this theater, justifying it, in part, by stating that they were needed in connection with the hoarded goods program, but that no further troops had been authorized. Mr. Cohen further stated that although he was in charge of the general planning of the program for hoarded goods, the Price Control and Rationing Division of ESS would be in charge of their allocation and distribution, so that the Government Section representative should contact Mr. Goodman of Price Control and Rationing Division.

6. The representative of Government Section reiterated that he felt that this was a problem outside the Government Section's jurisdiction, although he would be glad to cooperate in any way with ESS in this matter, and he would call Mr. Goodman and inform him about the conversation with Mr. Cohen. On 7 March 1948, the Government Section representative did discuss this matter with Mr. Goodman who stated that ESS realized that there were

dishonest personnel in the Kodans but that the Kodans were the only feasible method of distribution of the goods. The Government Section representative reported the result of his conversation with Mr. Cohen, on 5 March 1948, to Mr. Emerson Ross of ESS, and Mr. Ross thanked the Government Section representative and said he would see that the matter was followed up.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

1 March 1948

MEMORANDUM FOR: Chief, Government Section

SUBJECT : Railway Passes for Use of Procurators' Office

1. In December 1947 arrangements were perfected with Civil Transportation Section and representatives of the Japanese Ministry of Transportation to furnish one hundred passes to members of the procuratorial staff traveling on Japanese Government railways in the interest of the Government of Japan relative to uncovering hoarded goods, placing them in the proper channels of distribution, and prosecuting illegal holders thereof. At the time these arrangements were made it was agreed that the procurators' office should pay the Transportation Ministry a reasonable amount for these passes; i.e. taking money from one government pocket and putting it in another.

2. To date the Procurator General has been unable to secure the one hundred necessary passes for the reason that his office, with its present budget, is wholly unable to bear the unreasonable amount demanded by the Transportation Ministry--¥50,000 per pass for a six-month period. Civil Transportation Section of GHQ has exhausted all efforts short of a SCAPIN toward receiving favorable action on the part of the Transportation Ministry with reference to securing these passes at a reasonable sum.

3. It is considered by all that is fitting and proper that the Transportation Ministry should furnish these passes free. The project is one that will benefit the government and the people of Japan. It appears that the Transportation Ministry is taking advantage of this sad state of affairs for the purpose of unfairly attempting to augment its own budget at the expense of another government ministry. It is considered that this attitude on the part of the Transportation Ministry and the Japanese National Railways is a manifestation of bad faith on their parts, falling slightly short of fraud. It is recommended that before Government Section approves the appointment of a Transportation Minister to the Ashida Cabinet that his views in this matter be ascertained and if they prove unfavorable that that fact be taken into consideration before his name is approved for appointment by this Headquarters.

F&A
FRANK E. HAYS
Special Adviser

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

1 March 1948

MEMORANDUM FOR: Chief, Government Section

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FRANK E. HAYS
Special Adviser

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Ruth Hays

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

20 February 1948

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MEMORANDUM FOR THE RECORD

SUBJECT: Conference with Mr. Takeuchi, 20 February, 1948.

Col. Kades

1. A conference was held on 20 February, 1948 with Colonel KADES, Colonel HAYS, Mr. MATSUKATA, and Mr. TAKEUCHI, procurator from Supreme Procurator's Office. Mr. FUKUI, Procurator General, had been expected at this conference, but due to the delicate situation and concern expressed by Mr. FUKUI, Mr. TAKEUCHI attended the conference alone.

2. Colonel KADES requested detailed information regarding the visit of four Liberal Party members to the Procurator General, Mr. FUKUI. Mr. TAKEUCHI reported the following:

On 19 February, 1948, without the consent of Mr. FUKUI or Mr. WATANABE, Assistant Procurator General, he reported the meeting of Liberal Party members with Mr. FUKUI. Upon request of the undersigned to furnish the names of the Liberal Party members, Mr. TAKEUCHI found himself in a very awkward position. As he had not received permission from his superiors, he found it necessary to bring the subject up in a casual conversation with Mr. WATANABE. Not being able to obtain the names without openly asking Mr. WATANABE, he called Mr. FUKUI, who was at a conference, and told him he would like to see him immediately on urgent business. Mr. FUKUI having to keep another appointment, told him he would see him early the next morning. At this, Mr. TAKEUCHI told Mr. FUKUI that the urgent business concerned GHQ. Mr. FUKUI replied that he would report to Colonel KADES the following morning.

On the morning of 20 February, 1948, Mr. TAKEUCHI explained the circumstances to Mr. FUKUI, who understood completely, but he came to the decision that it would be inadvisable for him to report this incident himself to GHQ. Mr. TAKEUCHI learned from Mr. WATANABE that there were only two members of the Liberal Party who had seen Mr. FUKUI. They were KITAURA, Keitaro, member of the House of Representatives Liberal Party, Nara prefecture, former Vice Minister of Justice, member of the Judicial Affairs Committee, and KONDA, Eisaku, member of

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House of Representatives Liberal Party, Nagasaki, former Foreign Affairs Vice Minister, member of the Electricity Committee, and Disciplinary Committee. They had in essence told Mr. FUKUI and Mr. WATANABE that the investigation of contributions to political parties had so upset their party, and as a result there were hardly any contributions to the party, making it impossible to even consider a general election; further, even consideration of taking over the government by the Liberal Party was out of the question. They hinted that although they would like to see the corrupt practices brought to light to a certain extent, they would like Mr. FUKUI, through his contact with GHQ, to request that the investigation be stopped at a certain point before the present Liberal Party completely collapsed.

The members of the Liberal Party were told, either by Mr. FUKUI or Mr. WATANABE, that since this is an official investigation, it would have to be carried out to its final conclusion, and on the evidence obtained by the procurator in charge, he would have to recommend on his own judgment the necessary penalty to be asked of the court. Further, it was necessary for any party attempting to undertake the responsibility of government, to clean house prior to taking over the government.

3. Colonel KADES told Mr. TAKEUCHI that this information had been reported to General WHITNEY and from General WHITNEY to General MacARTHUR. General MacARTHUR considered Mr. FUKUI's stand in this situation highly commendable and considered Mr. FUKUI one of the ablest statesmen in Japan today. Colonel KADES asked Mr. TAKEUCHI if he remembered the statement made by General WHITNEY in which he told Mr. FUKUI that he considered Mr. FUKUI's work more important than the Prime Minister's, and that on his shoulders rested the future of Japan. Mr. TAKEUCHI replied that he remembered this conversation, and Mr. FUKUI himself has often stated to his subordinates that his job is more important than the Prime Minister's and that he is carrying Japan on his shoulders.

MAKOTO MATSUKATA
Executive Group

SECRET

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

25 February 1948

SPECIAL PROGRESS REPORT (K-10)

1. To date, Mr. YAMANISHI, liaison man for the Diet investigation committee, has reported that Mr. UNO, komon (adviser) to the committee, has not participated actively since his last courtesy call on Colonel KADES and Colonel HAYS, accompanied by Mr. KATO and Mrs. KATO. Mr. HASEGAWA has been appointed Chief Secretariat. He has not employed the personnel for the Secretariat as yet.

The Diet committee had intended to have TSUJI appear before the committee, but due to his health Mr. KATO decided to send a letter to Mr. TSUJI requesting information on his contributions. It has been reported that the first time Mr. KATO visited Mr. TSUJI, he presented him with ceremonial rice. The implications of this, in accordance with Japanese customs, is that Mr. KATO fully respects the position of Mr. TSUJI and although he is supposed to be investigating Mr. TSUJI, he is doing it reluctantly. Relative to this, it is interesting to note Koichi SZKO is leading an opposition group within the Liberal Party demanding the resignation of the present officers of the party. This is an indication that with Mr. TSUJI's dislike for Shigeru YOSHIDA, some agreement has been reached between Mr. KATO and TSUJI recognizing the necessity to reorganize the present Liberal Party, as the interest of GHQ in this investigation has been fairly strong and will necessitate some results in the investigation. It is very probable that Mr. TSUJI has decided that as under the present Japanese laws it is impossible to indict him criminally, he will take this opportunity to implicate a few leading members of the Liberal Party who have not altogether been in accord with his objectives. The fact that Koichi SEKO is leading this group, should be watched with great care as he has always been a kobun of TSUJI and Mannosuke YAMAOKA.

It was reported that Kanju KATO and Mosaburu SUZUKI went to Nagoya presumably to make preperations for a possible election, but it is more probable that these two Social Democrats went for a conference with Gishin TOKUGAWA. This may be an indication that although KATO is considered a left-wing Socialist, his relation to Giichi TANAKA, the first Army officer to join the Seiyukai party and become its president, still puts KATO in a position where he cannot openly defy TSUJI. It is further reported that KATO has had contributions along with SUZUKI from the dissolved Dobo Engokai (Repatriates Association).

Col Kades

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In talking with the Procurator General on 3 March 1948, he stated that he was conducting a secret investigation on KATO and all the various figures in the political world such as ONO, HOSHIJIMA, TSUJI, etc., but that he could not report anything at the present time as nothing definite had been found. He promised that if any concrete evidence was found in any of these cases he would report it to Government Section himself. He expressed little hope in the Diet investigation committee, as he was not too sure whether Mr. KATO was in the clear.

Regarding Mr. UNO, he stated that he was a very close friend of Kanju KATO, and that he was sure no investigation would be made of anything Mr. KATO did not desire.

On 29 February 1948, Mr. KATO called on the Procurator General to confer with him on the Arms Disposal Committee. The Diet committee has set up a sub-committee to investigate the Arms Disposal Committee, but due to lack of personnel, find it impossible to go very much further in this investigation. Upon hearing that the Procurator General was planning a thorough investigation of the Arms Disposal Committee, Mr. KATO stated that he would leave it completely up to the procurators.

2. It has been reported that prior to the payment by the Japanese Government to the construction contractors in December, Finance Minister KURUSU had visited Mr. YAMAGIWA of the Finance Ministry, who is responsible for all government payments. On every occasion Mr. KURUSU had requested payment by the government to the contractors in order that he could count on their support of the Democratic Party. On four occasions Mr. YAMAGIWA refused, but on the fifth occasion Mr. YAMAGIWA told Mr. KURUSU that if he would sign the necessary papers first, then Mr. YAMAGIWA would sign. Mr. KURUSU did sign first, followed by Mr. YAMAGIWA, making it possible to pay the contractors. This is a very unusual procedure in the Japanese government bureaus.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

19 February 1948

Col. Kades

SPECIAL PROGRESS REPORT (M-8)

1. Mr. TAKEUCHI of the Supreme Procurator's Office reported on 18 February, 1948 that members of the Liberal party approached the Procurator General to ask whether anything could be done to stop the investigation of party contributions. Mr. TAKEUCHI was asked to furnish the names of the members of the Liberal party, but upon returning to his office, he found that the Procurator General had left for a conference. He contacted the Procurator General by telephone, but the Procurator General stated that it was not advisable to repeat the names over the telephone and that he would report this matter himself to Colonel KADES and Colonel HAYS on the morning of 20 February 1948.

2. The members of the Liberal party told the Procurator General that ONO, Bamboku, Secretary General of the Liberal party, will resign due to this present investigation. The Procurator General told the representatives of the Liberal party that his job was to enforce the law of the land and there could be no deviation from this. The representatives informed the Procurator General that the formation of a Cabinet, or the holding of a general election was out of the question as this investigation had such grave implications, some of which are already apparent to the investigating bodies, that no person dared to contribute to the Liberal party, thus making it impossible to raise funds.

3. Mr. KATO, chairman of the Special Committee for Investigating Improper Property Dealings, requested a conference with Colonel HAYS and Mr. MATSUKATA, on 18 February 1948. At this conference, the reason for having such a committee and the objectives of such a committee were discussed in detail. Mr. KATO had drawn the assumption that a Diet investigating committee only had the responsibility of bringing to light the unethical activities in politics. The necessity for having a Chief Counsel and a competent investigating staff was reiterated, and Mr. KATO expressed the opinion that through this conference he now fully realized the duties and objectives of such a committee.

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4. MR. YAMANISHI, the liaison man between Government Section and the Special Committee, reported on 19 February, 1948 that a meeting of the directors of the Diet Investigation Committee was to be held to discuss the procedure and questions to be asked TSUJI, Karoku, ex-secretary to SUZUKI, Kizaburo, boss of the ex-Seiyukai party, who in the course of the Seko Army Uniform Case, received two and one-half million yen of the extorted money, and upon questioning by the prosecutors submitted a list of thirty names, including Liberal and Democratic Diet members to whom he contributed this money for political purposes. The Special Investigating Committee had reached a decision to consider the case of TSUJI, Karoku as one of their first major cases. MR. YAMANISHI was advised to tell Mr. KATO that in view of the conference held with Mr. KATO on 18 February, 1948, all available evidence should be compiled by the Chief Counsel prior to TSUJI's appearance before the committee. This was conveyed to Mr. KATO by Mr. YAMANISHI, but Mr. KATO flatly stated that they were proceeding as previously planned regardless of Government Section's advice.

5. In view of the information furnished by Mr. TAKEUCHI, it is recommended that Mr. KATO be allowed to continue the investigation of TSUJI in the manner he proposes.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

19 February 1948

MEMORANDUM FOR: Deputy Chief, Government Section

SUBJECT: Interview with Mr. MIYAJI, ex-Chief of Police, Matsuyama Prefecture, Shikoku.

1. Mr. MIYAJI, Chief of Police of Matsuyama Prefecture, Shikoku, when the Home Ministry was abolished, was transferred to the Domestic Affairs Bureau. Mr. NISHIMURA, Chief of Home Ministry, Investigation Bureau, had Mr. MIYAJI transferred to the Domestic Affairs Bureau with the intention of transferring him to the Special Investigation Bureau, Attorney General's Office. The transferring of Mr. MIYAJI to the Special Investigation Bureau being contrary to the policy of Government Section, he has been temporarily appointed Chief of Administration, National Fire Prevention Board. Being a professional policeman, and a very capable one, he regrets this transfer to the Fire Department. At my request, he came to Government Section on 18 February, 1948.

2. The question of the Special Investigation Bureau regarding the investigation of purgees active in politics was discussed, both parties having a knowledge of the present activities of the Occupation investigating agencies in the field. He felt very strongly that a thorough investigation of Communist party activities was necessary for the future of Japan, yet assuming that some type of supervision would continue in Japan after the main Occupation force had been withdrawn, he expressed the idea that with such an advisory group, violent Communistic activity could easily be suppressed if Japan had a strong enough democratic element. During the past six months he has been investigating the activities of a purgee who is openly and defiantly active in the field of local politics.

3. During the course of this investigation, he came to the full realization that the Rightist element in Japan has an immense backing from the demobilized Army and Navy personnel and elements which find it hard to comprehend the spirit of democracy. He stated that on numerous occasions, emphasizing numerous, his life had been threatened. Today, if any Japanese is to take on the responsibility of investigating the activities of purgees and subversive ultra-nationalistic organizations, the investigators will have to be of the highest calibre, and further, their families will have to be guaranteed a livelihood for life. He stated that without this guarantee, he himself would hesitate to ask any investigator to put his heart and soul in investigations of this type.