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OF THE  
UNITED STATES

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Headquarters, World War II)

SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section  
Central Files Branch

Miscellaneous File  
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Procurators to Cinc. 1947

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Description of contents

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Showa Denko K.K. Case, Shimoyama Incident etc.

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PROCURATORS  
(Miscellaneous)



Procurement  
11 April 1950

MEMORANDUM FOR: Chief, Government Section

SUBJECT: Kan (Suge) Sueharu

1. On 6 April, 7:40 p.m., Kan committed suicide in the vicinity of Tsuchioji. According to Engineer, Takahashi, Nagaichi, as he approached the Tsuchioji Station he saw a white coat thrown out on the tracks and a man jump from behind the lamp post on to the tracks. On seeing the white coat, he applied the emergency brakes but was not able to bring the train to a stop in time.

2. The police have been interrogating the engineer and the conductor and have reasonably concluded that this was a case of suicide. Kan left six wills: (1) to a younger brother, (2) to the general public, (3) to a teacher in Kyoiku Daigaku, (4) to a teacher in Kyoto University, (5) to a teacher in Shinshu University, and (5) to the publisher of "Sobisha".

3. The Tokyo National Rural Police investigation has been terminated.

MAKOTO MATSUKATA



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GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

17 March 1950

MEMORANDUM FOR: General Whitney

SUBJECT: Shimoyama Case

On 17 March the following report was submitted to the undersigned by the Assistant Chief Tokyo District Procurator Baba and Procurator Fuse.

On about 20 August 1949, Procurator Baba received a letter from Ri Chu Kan, alias Boku So Betsu, born 30 January 1919, confined in Kosuge Prison, pending trial in the provost court. The letter requested an interview with Procurator Baba regarding the Shimoyama Case. On 22 August, Procurator Fuse was ordered to check on Ri Chu Kan at Kosuge Prison but did not consider the information reliable or of interest to his office. On 10 February 1950, the warden of Kokura Prison communicated with Mr. Fuse regarding Ri Chu Kan's request for another interview with Procurator Fuse before repatriation to Korea. The Warden was notified that if Ri Chu Kan had any statements to make it would be advisable for him to write a letter directly to Procurator Fuse. A letter dated 20 February was received by Mr. Fuse and from the content it was deemed advisable to interview Ri Chu Kan in Kokura. The following is a translation of the signed (han) statement made by Ri Chu Kan to Procurator Fuse and his assistant.

STATEMENT

SUBJECT: Testimony by Ri Chu Kan, alias Boku So Betsu  
Age 31  
Born 30 January 1919

The above-named person testified on 6 March to the undersigned procurator.

I graduated the Moscow Cominform University in 1942. Upon graduation I was assigned to the Soviet Far Eastern General Headquarters for cryptographic training. On September 1945 I transferred to the USSR Mission in Tokyo as a code clerk. I was arrested by the CIC on 18 June 1949, being released on 30 June. I was arrested on 12 July 1949 by the Yamaguchi CIC. This was followed by a conviction in the provost court of Kokura which sentenced me on 23 August 1949 to 6 months at hard labor and on completion repatriation to Korea. The date of repatriation is presently set at 21 March.

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As a code clerk in the Soviet Mission I was in a position to see the official communications with the USSR on the Shimoyama Case.

It was known that in April of 1949, the National Railroads were to launch a retrenchment program in the later part of April. An order was received by Lt. Gen. Derevyanko of the Soviet Mission to make an all out attempt to gain the confidence of Mr. Shimoyama by supplying him with confidential information. Once the confidence was attained, Mr. Shimoyama was to be lured and disposed of in an appropriate manner. This operation was assigned to Rosenoff (Sanjikan). I think it was shortly after the above communication was received, a man by the name of ARIYOSHI arrived from Russia for the specific purpose of handling Mr. Shimoyama. In the later part of June the results of consultation between Rosenoff and Derevyanko were submitted to Moscow for approval. During this time a secret member of the Communist Party, a member of the National Railways Union had been submitting confidential reports to Mr. Shimoyama. Simultaneously a member of the Kudan CIC - an American Communist Party member, had approached Mr. Shimoyama and requested confidential information for submission to the CIC. A man by the name of OYAMA, who stated he was an American citizen, carried on the liaison with the CIC agent and Mr. Shimoyama. The two channels were coordinated in the following way:

The American agent commenting on the reliability of the reports from Mr. Shimoyama requested of Mr. Shimoyama a direct interview with the agent, submitting the information to him. The plan was to lure Mr. Shimoyama through the mutual confidence of these two agents.

The reply to the above communication was received in the later part of June, leaving the details to Lt. Gen. Derevyanko. The communications further stated that the body should not be submerged in the ocean but the railway should be used so as to leave confusion in determining whether it was murder or suicide, thus creating a problem for the Japanese government.

On or about 1 June, it was reported that Oyama, Ariyoshi, Kinoshita, Chin (Chinese) and the American agent met with Mr. Shimoyama in his office. Stating the written reports were insufficient, Mr. Oyama requested Mr. Shimoyama to arrange a meeting with Ariyoshi to discuss matters in greater detail at his convenience the following day. Mr. Shimoyama made arrangements by telephone to meet Mr. Ariyoshi at 9:30 a.m. at the north entrance of Mitsukoshi on the 5th of July. This was further communicated by Ariyoshi to Oyama.

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On the morning of the 5th, Mr. Shimoyama arrived in his car on the south entrance of Mitsukoshi and proceeded to the north entrance. At the north entrance Oyama, Ariyoshi, Kinoshita and Chin were waiting in two black sedans, I think they were No. 9 and No. 10 cars, belonging to the Soviet Mission -- a black Chevrolet and a black Buick. The plates had been made specially for this purpose -- 1A2637, and I do not recall the other.

Oyama and Ariyoshi guided Mr. Shimoyama into the first car, seating him between them. The cars proceeded through Ginza, Shimbashi, Akabane, Iigura 1-Chome on to the Soviet Embassy. Before approaching the Soviet Embassy, Oyama struck Mr. Shimoyama in the vital organs (using Karate) knocking him unconscious. Upon arriving at the Embassy, Mr. Shimoyama was murdered through an injection in the right arm. Following his death, a blood vessel on his right arm was cut to remove the blood. He was then put in a rubber bag and placed in a building to the rear of the main building. About 9 p.m. his body was placed in one of the original cars, stopping on the way at an unknown place and arriving at the scene of the incident at approximately 10:30 p.m. The car was stopped under the railroad tracks near Kosuge Prison of the Joban train. Here the body was removed and carried to the tracks and placed on a portable cart (teko) and taken to the place where his body was to be found later. In the meantime the car left the scene. The body was placed so that the arm which had had the injection was placed on the rail. As soon as this was done, three members left the scene. The other three remained in the vicinity until they had seen the train run over Mr. Shimoyama's body. Those that were at the scene were Oyama, Ariyoshi, Kinoshita, Chin, a White Russian and a Ukranian. Those that remained on the scene were Ariyoshi, the White Russian and another member. In order that the car would not be stopped in transit, all those other than the White Russian wore American uniforms and carried falsified CIC credentials. A car returned to pick up the last three at the agreed time. As far as I know Mr. Shimoyama was killed at 10:30 am. This differs from the autopsy report.

In order to confuse the investigating authorities an individual with the same features as Mr. Shimoyama was employed as a decoy to cover the area where the body was found on the day Mr. Shimoyama disappeared. This man's name was NAKAMURA, who is approximately the same height as Mr. Shimoyama. I do not know where this man lives. He travels in the Kansai area and when he comes to Tokyo, he meets with Tokuda and Nosaka at least once a week.

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I will now describe the men I have listed.

- ARIYOSHI - Approximately 30 years old.  
Chinese features.  
Height, 160 centimeters (approx.)  
Weight, 55 kilograms.  
Long face.  
Fairly heavy set.  
Secret Agent Card No. 500, USSR R.J.K.C.  
Distinguishing feature: thick lips
- OYAMA - Approximately 29 years old.  
Height, approx. 160 centimeters.  
Weight, slightly less than 60 kilograms.  
Hair parted.  
Round face.  
Distinguishing features: big eyes  
thick hair  
Comment: Known to boast he holds 2nd  
degree in Karate
- KINOSHITA - Approximately 32 years old.  
Height, 5 shaku, 3 zun.  
Rather fat.  
Distinguishing features: a scar on right  
forehead  
eye-glasses, approx.  
10 degrees (near-  
sighted)
- CHIN - Chinese  
Approximately 165 centimeters tall  
Thin  
Rather goodlooking.

Chin and Ariyoshi constantly ride cars No. 9 and No. 10 of the USSR Mission. As Oyama stated that he was an American citizen, he always wore an American uniform when he met Mr. Shimoyama. These secret police have a special badge, belt and identification card. On the identification card is a picture of General Derevyanko and the person's picture.

I have told you what I know. I have decided to tell the procurators the above for the following reason.

I have been working for the USSR up to this time, but I feel that no real fortune can come to us unless the orientals are independent. Not only do I feel that the Russians have been trying to use me, but I feel also that the Americans are

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trying to use us for the same end. I realize that the procurators have been trying hard to solve this case, so with the above sentiments I decided to tell the procurators. I would be greatly pleased if this is of some value.

Signed Andorushin (Ri Chu Kan)  
(Name used in Embassy)  
R.J.K.C. 125

The above statements were made to Procurator Fuse, Takeshi and procuratorial assistant Itagaki, Masami at the Kokura Jail.

The attached document has only been seen by the Chief Tokyo District Procurator and the Assistant Chief and those who were responsible for taking the statement. The content is known to the Vice Minister of Criminal Affairs, Attorney General's Office, Assistant Procurator General, Assistant Chief of the Tokyo High Procurators Office.

Due to circumstances still undetermined, the first copy of this statement was stolen on transit from Kyushu to Tokyo and it has been necessary for the procurator in charge to return and get this above statement the second time. The original copy of the statement is attached. Notes taken in the original conversation are still in the hands of responsible authorities along with a copy of the attached statement.

Procurator Fuse promised Ri Chu Kan that this statement would not be made public until such time as the individual should be brought to trial in the Japanese court.

MAKOTO MATSUKATA

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供進調書

小倉刑務所在受

村相烈事 李中煥

滿三十一(一九一九年一月三十日)

右の如明如千毎年三月十日小倉刑務所におる在受  
に對し、送進の通了供進一也。

一、私は一九四二年七月二一の共産大學を卒業  
業後、格東軍司令部に入り、その間暗  
号の教育を受け、一九四四年九月日本  
に帰る、爾來、東京のソ連大使館の暗  
号係として勤務し、その間、  
昨年二月十八日C.I.C.に逮捕され、

刑務所

R. Chu Kao

Payroll



檢 察 廳

一 平書山六月三日一旦解放の事あり其に  
 七月十日再逮捕され八月三日山口の  
 C-1Cに送られその後の川島急の軍事力  
 未だ心支給を多し重苦力働六月朔期  
 満了と同時に東鐵へ送還の勅令を  
 以て保され七月三日送還されりと  
 いたるにあつた

二  
 只今申上げられたるに如は連大使  
 館の暗号の係をモスエーエの報告  
 文を暗号の道下たりモスエーエから暗  
 号の事柄を指令を毎日通文に翻訳し  
 てしするにたりとありてあつたに  
 少件はつとたありとありとあり



のこころんつそ申し上げます。

三

國鉄の人多額の埋立問題の起るにあらざること  
は昨年四月迄の間に既に報告せられたり  
あり申すべしその問題の起るに同月未だ  
スローからテレワイアレの中將官の指令が  
未だのわあり申す その内容は後の総文  
に山成の申しあり申す 概ねを提出する  
よりに見えかけの同成に近付きその  
概を得た上適当な時分を以て同成を  
処するにせよと云ふのでありしが大體  
いはこの仕方の人を口サノフ事なるなり  
とすることありしがその後と云ふこと  
に山成の近付きたるに云ふことあり



3 秘書行勅隊の概造を以て参る

事

口サノフはテレウヤレノ中將と見ゆたの方  
策以て協議を遂げり上二三月末地天  
二二一に之を報告し最後の指系を  
御考ありん 其の考法と云ふのは次、又  
3 管内の事の概ありり申す

其の時既に早らから同鉄内都、秘密竟  
を以て山氏を懐柔を謀る事ありん 同氏の  
けり同氏に近付る事又及段のCICを  
部以てアメリカ共産党の未人の  
CICの名におよ山氏に同鉄関係の概  
概を以て一回氏に近付る事ありり



此の如くは連続線を以て大山と云ふ如  
密着を以てその連続線の二と云ふ事  
ト山氏の接近ト云ふ事あり  
此の如くこの二つを別用し同鉄内部の如  
密着を以て通しと有るがト山氏の接近す  
る事其の未だ側からト山氏の接近は  
極めて直交する性ありト其の側から  
其の如くであるがト山氏の接近を程  
度するものと有るトトを以てたつ方の  
申し入水と一有る事トト山氏の接近と  
その連続線の間を以て連続線を以てその  
連続線のト山氏の接近を以て被害する  
事ありとありト

検 察 廳















検査

子

有吉大山は山崎山崎をその内一合のなる上乗  
内一二人の山崎を喜中一にはきんを乗  
りそのころ銀座通しを過つて新橋に在  
る新橋を經由して大使館及び

た

大使館に入る前大山が得意の店を山崎  
の急所を突き急死を遂げし  
た 大使館に入るころとちうの腕は  
かきかいた列を以て断せられた方の腕に  
はかしの注射を以て完全に呼吸を止め  
の上の急死を以て腕の腕の腕を断  
し血を抜き去りし腕は入る腕の方の及  
合の一合に在りし腕を以てした

検査廳



午後九時迄現況又先程申上りた所を  
もつてその一宮の院を、度庵をいれ大徳院  
をもつて途中の所をいふ事う道とて午後  
後十時迄現況へ着き、山をある後和道  
す。道路と常盤線が交叉す。このト  
の所は山を降りて度庵を降るとして、古くは  
碓氷上へ道敷し、山は一息の場かゝると  
せよ、この折角のテコと利田と簡單  
に道敷車を好用して、度庵を轉到現況  
の道は、法射したる道を結んだ方の所が、轉  
断せしれ、子も、山を降りて度庵をいれ、  
あります、その時現況へ行く間は、有志、  
大山、木下、院の外、白糸の流、一名、ウラウラ











別送字

上面を数センチつけ特徴として厚い唇を持つ  
こと及びその秘密行軍隊をそのものである  
は、U.S.S.R. - R.J.K.C. 子。半。半。半。  
りあり

大山は三十九 女性身長一六〇センチ位体重  
六・キログラムの髪を分け髪月顔の色は白  
り黒く髪は特徴として毛深を大方髪を  
持つ所とす 髪は黒く髪は黒く髪は黒く  
持つ所とす 髪は黒く髪は黒く髪は黒く

本手は三二方 髪は黒く髪は黒く髪は黒く  
徴として髪は黒く髪は黒く髪は黒く  
髪は黒く髪は黒く髪は黒く髪は黒く  
髪は黒く髪は黒く髪は黒く髪は黒く

検 察 廳











幸しむるも思ふにやまき

共に出く アンブリユスーキキ 李中模

右鐵取の徳園けたるところ送りぬいことを申す  
氏名指印しあす

あす

於小倉利格所

東より徳園拾得なり

拾得

布 總 健

拾得

板 拾 心 已





SECRET

Procurators

Detention of Boko So Retsu

GS

Asst C/S, G-1

18 Mar 1950

1. 1. Attention is invited to the attached request from the Assistant Chief, Tokyo District Procurators Office, that one Boko So Retsu, alias Ri Chu Kan, presently detained in the Kokura Prison, Fukuoka, Kyushu, and scheduled for deportation to Korea on March 21st, be detained in Japan under the jurisdiction of the National Rural Police for interrogation in connection with a criminal investigation now being conducted by the Japanese Government.
2. Request that action be taken to facilitate the desires of the Japanese Procurators as this matter is deemed of great importance to the Government.

1 Incl.

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

SECRET



113012

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

14 January 1950

CONFIDENTIAL MEMORANDUM

From: General Whitney  
To: General Marquat

Attached copies of statements furnished defense counsel in connection with the indictment and trial of one Yasushi KONO, purportedly by members of your Section, have been brought to the attention of this Section by the Procurator's office. This is the first knowledge that has come to my personal attention concerning the prosecution of Mr. KONO, but I am informed that considerable pressure has been brought to bear upon the judicial authorities of the Japanese Government to suppress this action.

The prosecutors are concerned because the instant statements will be presented at the trial as direct intervention by the Supreme Commander. This is, of course, not the manner in which GHQ should intervene in such internal affairs, and I am informed that not even the Legal Section has been consulted in the premises which would be the normal procedure if the individuals intervening were doing so in the discharge of an official requirement rather than to serve a purely personal interest.

I am withholding any comment from this Section to the Japanese Procurators pending an opportunity for your investigation of the subject matter and advice to me as to what you consider should be the official position of the Supreme Commander.

C.W.

1 Attachment

24



OSAKA ARSENAL SCANDAL



SECRET

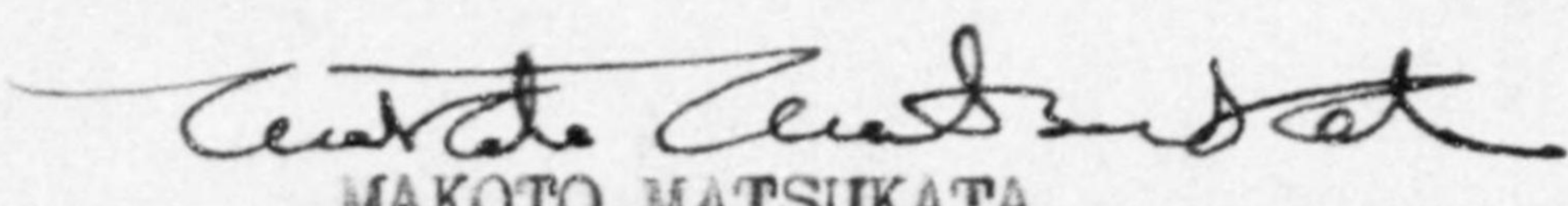
GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED FORCES  
Government Section

24 November 1947

MEMORANDUM TO CHIEF OF GOVERNMENT SECTION:

The following information was obtained through conversations with various members in Kyoto on 22 and 23 November 1947:

1. The present investigation involving Osaka occupational personnel is already on its way to being killed.
2. The last copy of the I.G. report on the murder of Captain BEDICK, which involves Lieutenant Colonel Thomas D. TWAY, is at present being copied for personal information by an Army officer in I Corps and is in the possession of Major MILLETTE, Osaka Military Government Team.
3. It was the opinion of an officer in the U. S. Army that as Lieutenant Colonel Thomas D. TWAY was involved in the murder of Captain BEDICK, Osaka Military Government Team, that this investigation should not be killed regardless of how high a rank is held by the people involved.
4. It was rumored that Major General Charles L. MULLINS was being blackmailed by Lieutenant Colonel TWAY for having received several thousand dollars in connection with the Osaka Arsenal.
5. An attempt was being made to frame foreign correspondent Gordon WALKER through the charge of bribery, for trying to bribe a U. S. Army officer to show him the only existing I.G. report on Osaka.
6. Major LaVerne L. RIVERS, in charge of the Osaka Post Exchange, is rumored to be involved with Lieutenant Colonel TWAY in this same case.

  
MAKOTO MATSUKATA  
National Government Division

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D R A F T

Efficient operation of the Special Military Government Team in Osaka, operating under the control of Kinki Region, is being seriously impaired or at least hampered by the sub rosa activities of one or more officers attached to the Osaka Area.

The first visit to Osaka which took place in February 1947 led to considerable suspicion as to the situation there. It was being freely bruited about then that a certain Captain Berley, Head of Osaka CIC was involved in a series of nefarious deals and had large sums of Japanese currency deposited in various Japanese banks.

At the same time a Colonel Vanderpool, G-4 25th Division, was also stated to have involved himself in various deals, the substance of which would be classed as inimical to Occupation objectives, and the smooth and efficient operation in the Osaka area. Vanderpool, who has a fine combat record, stated on one occasion that he did not see why he should not make some money out of the Japanese if he had an opportunity. His chief contact man was a certain Professor Mizutani who teaches economics at the Osaka Commercial School. Mizutani is an affable Americanized type of Japanese who because of his contacts, chiefly with Colonel Vanderpool was apparently receiving sizeable retainer fees from various industrialists in the Osaka area who themselves might have a slightly smaller entree with various American personnel and who had specific interests such as getting their plants off of the reparations list.

At the same time there was another officer whose name is Major Rivers who was acting as Provost Marshall, 25th Division, Osaka. It is apparently common knowledge among both Japanese and Americans in the Kinki Region that Rivers was known as a "big operator". Numerous Japanese have reported that he pocketed fairly large sums of yen which he ostensibly collected as fines for



various and sundry Provost Marshall court offenses. Whether his activities went beyond this type of relatively petty corruption is not definitely known. At any rate he was reported himself to have fairly large sums of yen deposited in various Japanese banks.

A fourth man possibly connected with these three was one SATO, Kenosuke acting as advisor to Mainichi Shimbun, Osaka. Sato's record is fairly well known. In 1931 he was appointed by the Army General Staff to be the official receptionist and guide for the Lytton Mission which visited Manchuria. Around 1937 he is reported to have held the assimilated rank of Major-General, assigned by the Japanese General Staff to do propaganda work in China. During the war he admits that he held the assimilated rank of Admiral, assigned by the Japanese Naval General Staff chiefly in a propaganda campaign to split Australia off from the Pacific War, or at least to create serious dissension among the Allies. It is rumored that he was slated to be Governor-General of Australia in the event of a Japanese victory. Sato's operations in Osaka are well known to everyone from the office girls in Military Government all the way to General Mullins. At one time he came into the office of Colonel Truxas, Military Governor, Osaka Team, and laid a string of pearls on his desk. Underneath the pearls was a petition to remove a certain large industrial establishment from reparations. In other ways, his operations have been somewhat more subtle. He is known to have close connections with a large number of American personnel in the Osaka Region. He is an extremely amoral type of person. He worked very closely with Captain Berley, Head of CIC, and there are extensive records of parties to which he invited Berley in Osaka and Kyoto. Berley was investigated by higher authorities and although no specific case was filed, his situation was deemed so bad that he was removed and sent home. Vanderpool, after remaining in the theater five months beyond his specified tour of duty, himself



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went home. Rivers who was the Provost Marshall was removed from his job and placed in some other job on the post command. This may have been largely due to the fact that during a Division party given for Russian correspondents in the New Osaka Hotel, he proposed a toast "Down with Russia".

Woven into this picture is a certain Lt. Colonel by the name of Tway. Tway was Executive Officer of the Osaka Military Government Team in the neighborhood of two years. Tway is well known throughout the Kinki Region. Military Government officers, stenographers in the Military Government Headquarters, local CIC, Kinki Region CIC, Kinki Region Military Government and a wide variety of other American and Japanese personnel have indicated knowledge of many of the nefarious activities of Colonel Tway. Tway has been involved in numerous small deals. At one time he procured a five-story building in the center of Osaka in order to obtain a piano which was known to be in the building. He removed the piano and released the building back to the Japanese the next day. On a larger scale he has been involved in a series of questionable activities. One of these was his possession of seven or eight warehouses in the town of Suminoto which is a few miles out of Osaka on the road to Kyoto. Commerce and industry authorities in the Military Government Team attempted to investigate these warehouses which were known to contain large stocks of food, silk and other critical materials. They were forcibly ejected from the premises. Apparently some sort of order was issued to release materials in the warehouse into legal consumer channels but this was delayed over a period of seven or eight months until in November 1946 the warehouses were finally turned over from the custody of Lt. Col. Tway to 25th Division. What became of all of the goods in the warehouses apparently no one knows. An investigation was carried out by a certain Colonel Davis who has returned to the States but the entire investigation was hushed up. One copy of the case report was carried by Colonel Truxas, former Military Government Chief, back to America when the



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Colonel's tour of duty was finished. The Colonel had stated that he intended to show the report to a friend of his who was a United States Senator, but nothing apparently has come of this. Another copy of the report has been sighted in the safe of a Major Millette who was attached to the Military Government Team and was former Adjutant of the Team.

The next case involving Tway involves his secretary, an attractive twenty-eight year old Japanese girl by the name of Martha Suzuki. Miss Suzuki worked for the Japanese Army during the war. Tway was quite interested in Miss Suzuki and maintained her and her girl friend in a suite in the New Osaka Hotel which at that time was a field officers' billet. This created considerable furor among the rest of the Military Government officials who themselves were living in an unheated, bombed-out church nearby. Tway was eventually forced to remove the girl but he continued bestowing various and sundry favors upon her. One of these was his successful effort in procuring for her American citizenship. The entire operation in obtaining citizenship was fraudulently carried out. A diary kept by Miss Suzuki was eventually discovered by Corps authorities and certain passages of it were sufficient evidence to prove that citizenship was very obviously something which could not be considered. Certain passages from Miss Suzuki's personal file, held by the Japanese, were found to be missing and it is reported by Americans in the Osaka Region that Colonel Tway threatened the local Central Liaison Chief whose name is Kodaki (now head of the Information Section of Central Liaison in Tokyo) with his life if he did not forge certain papers which he had to have to get Miss Suzuki her citizenship. The citizenship papers were finally issued by the American and Consular Office in Kobe/on or about 18 November Miss Suzuki, Tway and Tway's daughter left Osaka for Yokahoma where Miss Suzuki and Tway's daughter were scheduled to embark for the United States on the 19th of November. Informed by an outside observer of the impending departure for the United States, State Department authorities were able to intercept Miss Suzuki and remove her from

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the ship in Yokahoma shortly before sailing time. She is now being held in Yokahoma by American authorities. Whether or not Tway was keeping Miss Suzuki as his mistress is difficult to determine. Tway is a middle-aged man with a family, but at the very least Miss Suzuki is probably the best-informed on Tway's various activities.

The next big case in which Tway's name has been connected by various American personnel in the Osaka and Kinki Area is that of the murder of a Captain Bedick (?) several months ago in the basement of the Military Government Headquarters. The Bedick case was investigated by Osaka authorities and a verdict of suicide was forwarded to Corps. Subsequent investigation of the Bedick case however disclosed the obvious fallacy of the suicide verdict. When this informant suggested to Corps authorities that perhaps Bedick had been murdered, they re-examined photographs. They discovered from the photographs that Bedick had been shot about the vicinity of the lower left kidney and the bullet had traveled up towards the heart. The slug was that of a forty-five and it was obvious that suicide would have been physically impossible. Moreover investigation of Bedick's personal record, family record, etc. determined that his wife was to arrive shortly, that his home life was normal, that his mental condition was to all intents and purposes completely normal. A wide variety of American personnel including CIC were convinced that Tway did the job, and in Osaka Local Military Government officers are convinced that Tway had the job done by his Japanese chauffeur who is popularly known as the trigger man. Two officers in the area told this informant that they were afraid to do anything about Tway for fear of being murdered themselves. They stated that Tway was receiving protection from an echelon far above his own and that there was no chance of ever getting to him. Tway has stated, "They may investigate me any number of times but I'll always get the investigators." It is reported that



two CIC operators who worked on the murder case were returned to the States prematurely after the investigation.

Tway was closely connected with Vanderpool who is mentioned above. Local MG personnel state that when Tway was being investigated by Colonel Davis he and Vanderpool were closeted for about a week. It is reported by local Military Government personnel that Tway finally went to an officer high above his own rank and threatened blackmail in order to have the case hushed up. This type of protection is evident in the following situation. This informant attempted to have Corps authorities investigate the situation in Osaka, giving them what information was available and stating that the investigation could be done quietly and without publicity. Instead of so doing there is now an obvious attempt to whitewash and hush up the entire situation. At the same time this informant has been threatened in three specific ways:

1. It is alleged that he offered a \$5,000 bribe to obtain certain documents from CID, Osaka.
2. It is stated that this informant operated in Osaka posing as an official of SCAP, Government Section.
3. It is stated that this informant intended to publicize the entire situation in the American Press.

These are obviously false allegations. Their significance lies in the fact that they appear to be obvious attempts to intimidate the informant and even to the extent of possibly forcing his retirement from the theater. The \$5,000 bribe allegation has serious implications. In the first place neither this informant nor his employer would possibly consider, or for that matter, be in a position to make available the sum of money. The implication, therefore, might be that this informant is working for some foreign agency.



What other activities are being carried out by Colonel Tway and those others who surround him is open to serious speculation. The situation in Osaka is one of the most difficult in all Japan. The Osaka-Kobe Area is shot through and through with corruption, graft, murder, arson, and a black-market net work which has international implications. The focus of attention at the moment is the Osaka Arsenal which is now under intensive investigation by Japanese procurators. The Osaka Arsenal which was the largest in Japan was heavily bombed on 14 August 1945, the last day of the war. Despite bomb damage there was sufficient materiel left behind to make a considerable contribution to Japan's post-war reconstruction. An inventory of materiel which was carried out by Lt.-Gen. Kihachiro Soma in May, 1946 obviously disclosed only a portion of the materiel that was left in the Arsenal or in the possession of the Arsenal. This inventory disclosed, for instance, the following items:

Pig Iron	35,000 tons
Ferrous Iron	8,000 tons
Cobalt	36 tons
Silver	20 tons
Mercury	34 tons
Copper	11,900 tons
Zinc	3,000 tons
Bronze	800 tons
Brass	4,000 tons
Lead	8,000 tons
Tin	4,000 tons
Antimony	100 tons
Aluminum	1,000 tons
Leather	20 tons
Coke	14,000 tons
Timber	38,000 tons
Paint	320 tons
Wire	2,000,000 meters
Oil	17,000 drums
Hemp	780,000 yards
Cotton	629,000 yards
String	300 tons
Raw Silk	2,093,000 yards
Silk, suitable for shell-bags	477,000 yards
Linen	1,353,000 yards
Sailcloth	2,443,000 yards
Belt	7,750,000 yards
Linen String	104 tons

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Shells

2,000 tons - finished  
8,000 tons - in parts  
35,000 tons - partially finished.

The plant also had 19,000 pieces of major machine tools and 35,000 pieces of small machine tools. The story of the Osaka Arsenal is roughly this:

Even before the end of the war, they saw the handwriting on the wall that Japan would lose, and various and sundry deals were begun whereby materials in the arsenal would be permitted to leak out to various outside agencies. A typical example is that of the Amagasaki Seiko Steel Company which is a subsidy of Amagasaki Trading Company, which in turn is apparently controlled by the Mitsui Bussan. Amagasaki Seiko had a considerable quantity of materials belonging to the Arsenal on which they were working through sub-contract. General Soma's chief kobun, Major Kojima, is now one of the directors of Amagasaki Seiko. His "dowry" when he left the arsenal and joined Amagasaki Seiko was apparently all of the stock which Amagasaki Seiko held for it never appeared on the inventory which General Soma supervised. What stock remained in the Arsenal was placed under the custody of the Japanese Home Ministry. The Home Ministry in turn turned the materials over to two agencies, one a committee consisting of such Zaibatsu Industrialists as Kobe Steel, Nippon Steel, Nippon Steel Tube and Fusu Light Metals who were to handle distribution into consumer channels of all of the metals belonging to the arsenal. The other materials were placed under the custody of the Osaka State Railway Bureau who were to do likewise with them. The Zaibatsu industrialists claimed that after the operation of moving and operating on the metals involved, that the cost of operation was equal to their revenue and that, therefore, they could not pay any return to the government. It should be noted that at the time this operation was carried out a ton of iron was worth roughly two hundred yen. It is now worth about five thousand yen. State Railway, apparently likewise, permitted all of their materials to get into the black market. State Railway Office was



raided by the local Osake Procurator's office around the 15th of November and a truck-load of documents is now being investigated by the procurators. Where all of the materials are that belong to the Arsenal is not known. Local procurators believe that one-third has been disposed of and that two-thirds are hidden in various parts of Japan. They believe that the entire stock is the chief foundation pillar of Japan's black market

But, stocks disappeared from the Arsenal in other ways. As a typical example, a man by the name of Tanaka, President of the Tanaka Sharyo, manufacturing street car bodies was given a permit by Osaka Military Government to set up a small plant inside the barbed wire barricade around the Arsenal. He held this permit for about six months before Military Government investigated his activities. They found that he had not set up any such plant but that instead he had used the Arsenal's seven hundred trucks to spirit away various and sundry of the Arsenal's stocks. For instance, it is known that he removed iron and steel valued at ten million yen at wartime prices. This same iron and steel is now worth in the neighborhood of five hundred million yen. It develops that Tanaka had a deal with Soma, custodian of the Arsenal, whereby Soma was to be president of the company which Tanaka allegedly was setting up, the company, to be known as Bauri Sei Shakusho. In this way Tanaka made off with a good portion of the Arsenal's stocks. Another typical example was that of a company which approached Military Government, Kinki Region, Kyoto, to get a permit to enter the Arsenal and uncover some six hundred tons of scrap iron which had been buried in a bomb blast. The permit was granted and apparently no supervision was ever made of the operation.

Another instance is that of two local gummi construction units which purchased timber from the Arsenal for which they paid twenty thousand yen. With this timber they built roughly one hundred dwellings, each of which sold for between one hundred fifty and two hundred thousand yen.



Another angle is that of the Tomejima Gummi which was designated by the government-appointed authorities as the transportation agent for the metals to be removed from the Arsenal. Tomejima Gummi, incidentally, has an office in the Military Government Headquarters, Osaka. The Osaka Arsenal Case obviously has tremendous national implication. One of the big operators, according to the local procurators, was the Obayashi Gummi which financed the election campaigns of the Osaka mayor and of Nishio who is a Cabinet Secretary, Central Government.

On an international level local CIC authorities are investigating a deal wherein \$30,000,000 worth of uranium and platinum are being sold to a foreign government. Exactly where the local Military Government people stand in relation to the Osaka Arsenal Case is not known. Unquestionable, as in the case of Tanaka, mentioned above, a large portion of it was pure ignorance and lack of investigating personnel. There was never, as far as known, any guard on the Arsenal other than the barbed wire and Japanese Policemen, and it was apparently no problem to get a pass to enter the premises. However, it appears almost certain that the entire deal could not have been carried out without the assistance of certain key persons in the Occupation locally. Practically all of the materiel belonging to the Arsenal has found its way into the black market. It is estimated that that portion of the materiel which was inventoried is today worth roughly a hundred billion yen, or two-thirds of all the currency in circulation in Japan today.

The activities of Colonel Tway, Colonel Vanderpool, Major Rivers and Captain Berley in Osaka Area appear to be open to considerable suspicion on the part of both Japanese and other Americans in the Area. Certain Japanese have definitely stated that Tway was involved in the case. This is also the belief of CIC in Kinki Region Headquarters. Both Sato and Mizutani, mentioned above,



were legmen for Tway, Berley and Vanderpool. They had close connections not only with the Gummi, but with many of the big industrialists in Osaka. The local commerce and industry officer, Osaka, Major Harmon, states that the industrial picture in Osaka is beyond his ability to democratize or even reconstruct. He states that Zaibatsu Organizations are in complete control, that Zaibatsu control all allocations of materials and that Zaibatsu control all allocation of American procurement orders. That was confirmed by the local Eighth Army Procurement Officer who himself states that, at least in many instances, he has discovered that Mitsui Bussan, despite restrictions placed upon it by SCAP, still controls a large portion if not a majority of all industry in Osaka. Business and industry in Osaka, therefore, might be said to be under the control of two types of groups. One is the large Zaibatsu industrialists on the upper levels. The other is the so-called gummi construction groups, such as Obayashi Construction Gummi, Tomejima Gummi and Sakaume Gummi on the lower levels.

Tied in with the Osaka picture is that of Kobe where all business and industrial activities are apparently under the control of a Chinese by the name of Ku (sometimes known as Ho) and Sir Victor <sup>Sassoon</sup> ~~Saxon~~, well known international financier and "finagler", of doubtful repute. <sup>Sassoon</sup> ~~Saxon~~, incidentally, working closely with the Chinese is reported to be buying up vast amounts of property in the Kobe-Osaka Area.

Exactly where such men as Colonel Tway, Colonel Vanderpool, Major Rivers, Captain Berley and possibly one or two others fit into this picture may be difficult to determine but there appears to be sufficient circumstantial evidence to indicate at least that their activities run contrary to Occupation policy, the objectives of the Allied Powers, and American prestige in what is possibly the most important political and business center of Japan. Fairly general knowledge of their activities among other American personnel in the



Gordon Walker  
Tokyo  
20 November 47

Any overall view of the occupation in Japan must focus attention primarily on the caliber of officers, men and civilians who constitute the occupation force.

For the type of job which is being done here in Japan and the success of General MacArthur's great experiment in political and social tutelage will depend, in the final analysis, upon the energy, integrity and diligence of those individuals who are actually performing the work on the local levels.

Any observer who has spent time in Japan would be one-sided ~~indeed~~ if he did not experience a feeling of exuberance over the continued high degree of integrity, resourcefulness and vigor of occupation personnel.

Many of them, because of circumstances beyond their control, are inexperienced. Many of them are young. But invariably one finds that even after two years of constant effort, they have maintained an amazing degree of vitality on the job, and are a credit to the U.S. Government for whom they are primarily working.

Many are so interested in their jobs that they will work seven days a week, often for fifteen to eighteen hours a day. They like their work; they are fighting hard to achieve a successful occupation.

And particularly, against a backdrop of lowered international moral standards, they constitute a bright picture which should make any American citizen proud.

[more]



This is the story of the occupation today; this is the most significant observation which any observer could truthfully make. And this will go down in the record as the biggest factor which will have made possible a great American experiment in democracy.

But like any other enterprise where human nature is a big consonant, there is a seamy side. There is the case of the man who is a self-seeker, whose sense of moral equivalents is warped, who, in short, is the Carpet-bagger of the occupation.

There are not many. If one were to count them, they would constitute a negligible force in the overall picture. But they are there, and the occupation force is often hard-put to rout them out and dispose of them before their activities do harm.

This is the story of just such a case, together with an attempt to place the story in its proper perspective.

The setting for the story is the city of Osaka, Japan's business and industrial capital and the city from which many of the affairs of the nation are settled in formal and informal "deals."

The story of Osaka today may well be the story of the massive Imperial Army ~~arsenal~~ arsenal which ~~wraps~~ wraps itself around the hand-built stone walls which enclose ancient Osaka castle.

<sup>(only)</sup> Osaka Arsenal which was the largest in Japan, was heavily bombed on the last day of the war, August 14, 1945. Despite extensive damage, throughout the 212 acre establishment, however, considerable war material was left untouched.

And today, most of these materials, instead of being used through normal channels for the reconstruction of Japan's battered structure, have found their way into the various tentacles of Japan's blackmarket octopus.

Saito-san may have a new house or a new shop or a new tram car on his line. But he has had to pay an exorbitant price, most of which has gone to line the pockets of a legion of intermediary operators.



Outlining the situation briefly, the materials in the arsenal were placed, by occupation order, in the custody of the Home Ministry in Tokyo.

An inventory of the materials was taken and distribution ~~of them~~ into normal civilian consumer channels was authorized.

~~The inventory showed that the arsenal held~~ The inventory showed that the arsenal held hundreds of thousands of tons of raw materials from iron steel and copper to gold, silk, platinum, timber, silver, mercury and possibly even uranium.

At current prices, the materials in the inventory would be worth somewhere in the neighborhood of 100,000,000,000 yen, or nearly two thirds of all the currency in circulation in Japan today. And it has been well-established that considerably more of the arsenal's big stocks were never recorded in the inventory but are resting in the hands of industries on the outside which during the war held <sup>Army</sup> sub-contracts.

The Home Ministry's method of disposal was simple. All of the metals belonging to the arsenal were placed under the control of a committee consisting of Kobe Steel, Nippon Steel, Nippon Steel Tube, Fusu Light metals, and other such Zaibatsu control agencies.

All other materials were placed under the custody of the Japan State Railways Bureau's local office. Proceeds from the sale of the commodities ~~were~~ <sup>were</sup> to be turned over to the government.

Today, nearly two and a half years after Japan's surrender, it has been discovered that the government and the people have been victims of what may be the biggest fraud in Japanese history. The materials have all disappeared, and what money the government has received is negligible.

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Local Japanese procurators who have taken up the case of the Osaka Arsenal, have expressed the opinion that the case may well be the biggest factor in spread of postwar blackmarket transactions. For employes of the arsenal, with whom this correspondent has talked, ~~opinion~~ claim that the Osaka arsenal stocks were subject of illegal transactions which involve officials all the way from local industrialists all the way up into the ranks of the cabinet.

The big question, however, is: How could such a gigantic swindle be carried out under the very nose of the occupation forces?

So far there is no answer forthcoming. Possibly the <sup>(biggest)</sup> factor was the lack of knowledge and the dearth of personnel which characterized the local occupation ~~authorities~~ <sup>group</sup>, a factor which, for instance, resulted in one Japanese agent receiving an occupation permit to enter the arsenal ostensibly to set up a small industry linked to needed reconstruction of city tram lines.

After eight months, occupation authorities investigated the activities of the permit holder and found that he had not undertaken any such program but instead, had used arsenal trucks to haul away considerable ~~arsenal~~ arsenal property.

A local occupation investigation of the arsenal case resulted in apprehension of a small dry-goods retailer <sup>(found with a modicum of arsenal property)</sup> and dropping of the entire case.

Whether or not there is a story of intrigue involving occupation personnel, however, there is at least considerable doubt surrounding the activities of certain occupation officers who have been or still are connected with the Osaka local command.

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One of these is a youthful colonel who has returned to the U.S., but who several months back, informed this correspondent that he saw no reason why he should not make some side money at the expense of the Japanese against whom he had fought during the war.

Another is an officer who, as head of the local CIC team, was sent home after it was discovered that he was involved in a wide variety of illegal transactions amounting to several million yen.

Apparently linked with these two "operators" is a certain officer who for obvious reasons shall be known as "Officer X."

Officer X first came to the attention of investigating authorities when it was found that he held seven or eight large warehouses -- each filled with food and other critical items -- under his <sup>personal</sup> custody. Local military government authorities under him once attempted to investigate the warehouses and were forcibly ejected from the area.

What happened to the stocks in the warehouses is not known. But the prevailing analysis is that they merely "leaked out" over a period of many months.

An investigation on the local level was carried out, but the investigators, including two CIC authorities, were sent home prematurely under suspicious circumstances.

A colonel who was in charge of the local Military Government team at the time secured one copy of the investigation documents, however, and when he returned to the U.S. after completing his tour of duty, he carried it with him. He stated that he intended to show the documents to a member of the U.S. Senate, but nothing has since been heard of the venture.

Officer X, ~~whom~~, has openly boasted that they may investigate him, but in the end, he always "gets the investigators."

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Meanwhile, the operations of Officer X continued undisturbed. One of his better-known accomplishments came about when he wrangled American citizenship for his attractive Japanese secretary.

The Secretary, who worked for the Japanese army during the war, was at one time kept by Officer X in the local Field Officers billet in a private suite.

When this situation created sufficient furor among other members of the (local) occupation force, she was removed. But the effort to obtain her citizenship continued.

Citizenship was finally achieved a short while back, and the colonel and his girl friend recently departed for Yokohama where the girl friend was scheduled to embark upon a ship which would carry her ~~back~~ to the states.

State Department authorities, belatedly informed of the situation, grabbed the girl just before sailing time.

It is still uncertain just how Officer X managed the citizenship papers. Investigation shows that the girl helpfully kept a diary during the war which in itself was sufficient to prove her complete lack of eligibility for American citizenship.

Further investigation shows that certain documents from her personal history file have been removed from Japanese records. And a local Japanese government official is reported to have stated that he was ordered by Officer X under threat of bodily harm, to forge papers which led to citizenship acceptance through the American consuls office in nearby Kobe.

Evidence of other activities of Officer X is largely circumstantial. But it points to a wide range of operations, all of which could be said to be highly detrimental to occupation objectives, and particularly to the efficient operation of officers and men under his pale of influence.

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This correspondent, in the course of news gathering in Osaka and nearby cities, constantly ran into the name of Officer X and his various activities. At least a dozen officers in the area have volunteered information. They have complained that Officer X is impeding their normal and efficient work. But when asked why they did not make a report, they stated that Officer X was too powerful, had built up too strong a machine, and could not be touched.

Japanese authorities who likewise volunteered information, stated that they were frankly terrified. But they wondered why no action was taken by higher American authorities.

Several American officials hinted pointedly at the connection between Officer X and the murder several months back of an officer attached to the supply section of the Osaka Military Government team.

When the Supply Officers body was found in the basement of the local Military government headquarters an investigation was made, and a verdict of Suicide reached, and the case was promptly hushed up.

A re-examination of evidence by local G-2 authorities at the suggestion of this correspondent, however, resulted in considerable doubt being cast on the original verdict.

Photographs made it almost certain that suicide would have been impossible. And a close check of the officers personal history and family affairs further wiped out the suicide theory.

Whether or not Officer X himself was involved, the fact remains that ~~many~~ some of his subordinates believe such was the case. And they cast apprehensive looks at Officer X's Japanese chauffeur who is popularly known <sup>(to them)</sup> as "the trigger man."

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As stated before, a large portion of the evidence on the activities of Officer X is circumstantial. But where there is such a billowing mass of smoke, there is certain to be at least some fire.

And as far as local American and Japanese authorities are concerned, the fire is fairly extensive.

Perhaps even more significant than the activities of Officer X is the knowledge of those around him that he is getting away with it.

It is like a dry rot setting in, gradually eating away at moral fiber of the local unit.

And from the standpoint of Japanese who sit on the periphery and watch, it is no shining example for them to follow. As one Japanese remarked, "what's so strange about that; we do the same thing ourselves, don't we?"

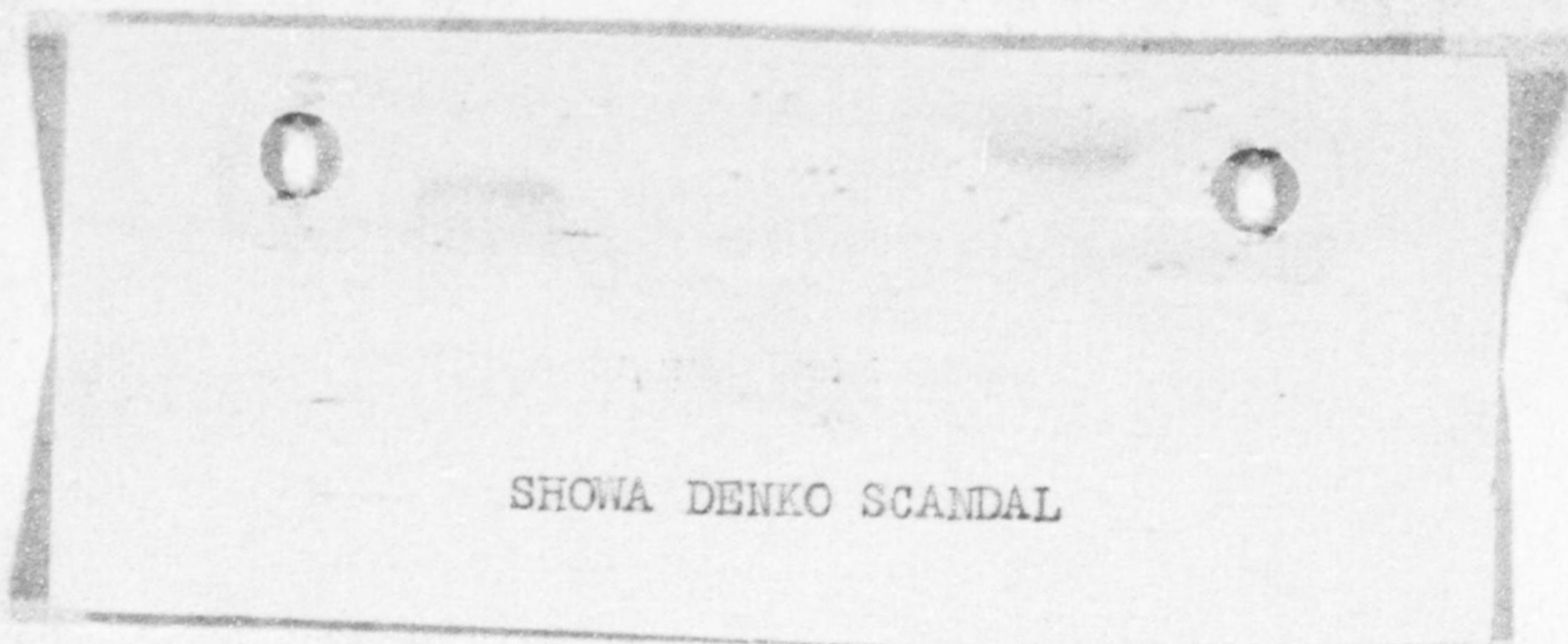
The case of Officer X therefore deserves particular attention. But it does not deserve attention from the standpoint of any glaring example of widespread corruption among occupation forces. For that would be to place it out of ~~main~~ perspective.

It would be a grave injustice, for instance, for any observer to conclude that there are Officer X type individuals throughout the occupation. Such is not the case.

The case of Officer X is merely one of the smaller instances wherein a successful occupation might possibly be made an even greater achievement.



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SHOWA DENKO SCANDAL

16



For Pakenham, see "Newsweek" file.



27 November 1948

The Procurators' meeting to decide on the arrest of Ashida was called by Procurator General Fukui. Baba, Assistant Chief Procurator, Tokyo District, heard about this meeting on return from his trip on the morning of the 26th. Previously, on the 10th, a meeting had been held to decide whether Ashida should be arrested at the same time Shimokobe, Ashida's Secretary, was to be indicted. At that time it was decided to wait until the Diet was dissolved on the 17th. The interrogation of Sugahara Tsusai has been continuing since his arrest by CID on the 14th. Parallel with this, the interrogation of Contractor has been continuing. The investigation has showed that Kitaura, Keitaro, H. R. New Liberal Party, and Kawahashi, Toyojiro, H. R. New Liberal Party, received 800,000 from Oka and introduced Oka to ex-Prime Minister Ashida - in order to have him bring up the matter of early payments by the Government to contractors.

Baba reported this morning that due to the paper work involved the request would not reach the Diet until the 29th. They had not taken any action as the Procurators had thought that we had not given our approval or disapproval. The request for arrest will include Ashida, Kitaura, and Kawahashi.

Baba was further questioned as to what the opinions regarding this question were prior to the undersigned entering the conference yesterday.

1. Fukui:

The chances of the Diet being dissolved were very slim and if this Session of the Diet runs into the regular session, the opposition holding the majority vote would ask for a recess until next year.

2. Kiuchi was of the same opinion.

3. Baba and Hori and Kawai would rather wait if they were sure the Diet would be dissolved.

REASONS FOR THE ARREST OF ASHIDA:

1. Ashida received 1,000,000 Yen from Oka for speeding up the payments to contractors by the Government.
2. Ashida received 1,500,000 from Myoko Kigyo Company president Nakano, Yurei, through Sugawara Tensai ~~after~~ stating to the Diet IQ Committee that he had not received any money. *though*
3. Kurusu has stated that at the time of the election for Premier Ashida, money was paid to several Diet Members in the other parties. The procurators would like to investigate this further, as it is very probable that they are the same persons involved in the coal scandal. They are afraid that if Kurusu is released on bail that Ashida and Kurusu will be able to talk over this matter in detail. When Baba was asked if this had not been done through the lawyers, he stated he thought it had been to a certain extent, but not to the extent that it could be done if the two met.

M. MATSUKATA /



20 November  
1600

MEMORANDUM FOR GENERAL WHITNEY

SUBJECT: Muto Committee Investigation of HCLC

1. At 1315 hours today, Chairman Muto and Directors Komatsu (D), Tsjji (DL) and Adachi (SD) visited GS at my request to discuss the reaction of his Committee to Mr. Welsh's statement regarding the investigation of HCLC which appeared in this morning's Nippon Times, it being my intention to suggest that he be guided by that paragraph of Mr. Welsh's statement which says:

"I want to add emphatically, however, that any instances of bribery or dishonesty should be prosecuted no matter where they occur or who is involved."

These gentlemen were less interested in this quotation than in other aspects of the case.

2. On 18 November, Mr. Muto said, Mr. Welsh held a press conference and in effect made the following assertions: a. The Muto Committee investigation is tantamount to criticism of Occupation policy; b. Sasayama and Noda, HCLC officials, are highly respected both in Japan and in Washington (meaning, as inferred by the press reports and believed by Muto, that GHQ objects to these men being investigated). Muto claims that Nippon Keizei, Jiji, Yomiuri, Mainichi and Asahi carried Mr. Welsh's remarks, but I have been unable to find any reference to the conference in the ATIS translations. Through a Japanese reporter, Mr. Muto inquired of Mr. Welsh if the press reports were his own opinions or those of ESS. Muto states that he received assurance from Mr. Welsh that his opinions were not only those of ESS but of GHQ as well. Accordingly, the Committee has completely suspended its investigation of HCLC pending clarification of GHQ policy, Muto feeling that ESS instructions to a Diet committee are no less binding than those of any other staff section.

3. Muto volunteered that the members of his Committee have become uneasy over rumors that they may be arrested by CID for investigating an agency created by SCAP order. Refusing to identify the source of this threat, Muto did say that it came from Japanese pressmen who lingered at the conclusion of Mr. Welsh's press conference on 18 November.

4. The effect of Mr. Welsh's press conference, said Mr. Muto, is to protect Sasayama and Noda who are suspected of having conspired with Kurusu, Ninomiya, Hinohara and Suehiro to oust President Mori and take over Showa Denko for their own selfish purposes. At this stage of the investigation, the Committee entertains the suspicion that these characters persuaded Mr. Henderson and Major Zyburu, former ESS officials, to order the discharge of Mori by HCLC and the appointment of Hinohara. If this proves true, the Committee will recommend that Sasayama and Noda be prosecuted along with the others for contributing to the big steal. In order to prove or disprove



their guilt, the Committee wants GHO cooperation in determining whether they are hiding behind Henderson's and Zybura's "orders", or took orders from Henderson and Zybura, as they have stated for the record.

JW



Economic and Scientific Section  
Antitrust and Cartels Division

ECW/lc  
22 November 1948

MEMO FOR FILE:

1. The question has arisen as to the actions of this Headquarters in the matter of the change in management of Showa Denko K. K. and the appointment of Mr. Hinohara as that company's president. Although the files of ESS/AC do not contain precise records of each step taken by that Division in requiring and supervising the change in management of Showa Denko K. K., careful check has been made by the current staff of ESS/AC and the following chronologically outlined information is presented as being substantially accurate in all respects:

*Read by  
Zyberg*

a. On 22 January 1947 an inspection of the Kawasaki factory and Tokyo head office of the Showa Denko K. K. was conducted by personnel of ESS/AC. This inspection disclosed that the Kawasaki plant had not posted in its books the record of expenditures since 31 October 1946. Expenditures during that period included disbursements from an RFB loan in the amount of ¥799,200,000. approved in SCAPIN 2157-A, 7 September 1946. It was also found that records in the head office had not been posted past 31 December 1946.

b. After considering the conditions as found in the inspection and the fact that Mr. Mori was subject to the purge of 4 January 1947, it was concluded by ESS/AC that a change in management of the Showa Denko K. K. was appropriate.

c. About 5 March 1947 the RFB and the IFB were requested by ESS/AC to submit nominees for the presidency of the Showa Denko K. K. Recommendations of those banks were sought because they were the largest creditors of the Showa Denko K. K. The instruction to submit candidates was accompanied by a statement that such candidates should possess the following qualifications:

- (1) Must not be individuals connected with the former management or with any Zaibatsu.
- (2) Must have knowledge and experience in the chemical fertilizer industry.
- (3) Must have administrative experience and ability.

d. Between 1 and 10 March the Holding Company Liquidation Commission was notified by ESS/AC of its decision to effect a change in management of the Showa Denko K. K. and such decision was communicated by the HCLC to Mr. Mori before 10 March. Upon receipt of such notification, Mr. Mori immediately submitted a letter of resignation to Mr. Ichimura, managing director of the Showa Denko K. K.

4



Memo for File, 22 Nov 48

e. On either 15 or 17 March the names of the following three candidates were submitted to ESS/AC by the RFB and the IFB:

- (1) Mr. Isomura, President, Hodogoya Kagaku Kogyo
- (2) Mr. Hinohara, President, Nippon Suiso Kogyo
- (3) Mr. Imai, Vice-President, Shinetsu Kagaku Kogyo

At the time of receipt of the nominees it was indicated to the RFB and the IFB officials making the submission that the list should also be presented to the HCLC which was done the same day.

f. On 22 March representatives of ESS/AC visited the office of the HCLC and indicated that it was advisable to make a final selection from the list of candidates at an early date in view of the fact that a Showa Denko K. K. shareholders' meeting would be held on 28 March and the name of the candidate agreed upon should be presented to that meeting. On the same date (22 March) the RFB was informed by the HCLC of ESS/AC's desire for early action in the matter.

g. On 23 March Mr. Hinohara was notified by Mr. Ninomiya, director of RFB, that he was being recommended by the RFB and the IFB as candidate to replace Mr. Mori. Such decision had been communicated by ESS/AC to the HCLC, i. e., ESS/AC's non-objection to this choice. *accompanied by Ninomiya*

h. On 23 March Mr. Hinohara called at the home of Mr. Sasayama to verify word he had received from Mr. Ninomiya but found Mr. Sasayama out. Mr. Hinohara therefore called at the HCLC office the following day for the same purpose.

i. The HCLC had been informed by ESS/AC that the agreement on the part of RFB and IFB that Mr. Hinohara was the most desirable candidate was acceptable to General Headquarters.

j. Mr. Hinohara was elected a director of the Showa Denko K. K. at the shareholders' meeting of 28 March 1947, along with an additional director and two auditors. Immediately after the shareholders' meeting the Board of Directors met and elected Mr. Hinohara president of the company.

k. On 31 March 1947 Mr. Hinohara and three other directors of the Showa Denko K. K. called at the ESS/AC office to report results of the shareholders' meeting and to receive instructions, if any. Mr. Henderson was absent on that day so Mr. Hinohara and the other directors of the Showa Denko K. K. made another call on 3 April 1947 for the same purpose.

l. At the meeting on 3 April Mr. Hinohara was informed that he was responsible for efficient management of the company, for increasing production and should take such steps as were necessary to eliminate personnel who would not cooperate fully in attaining such objectives, *with specific reference to elimination of Mori influence.*



Memo for File, 22 Nov 48

2. The HCLC's role in this matter stems from its responsibility in regard to holding companies designated under Ordinance No. 233.

E. G. W.  
E. G. W.

"Ess had no objection to either of the three men specified in "e" above, and ordered HCLC to put into office the candidates recommended by RFB and the Ind. Bank, the two largest creditors of Showa Denko."

statement by Mr. Willis



13 Nov

1. The Illegal Property Transactions Investigation Committee has turned its attention to the HCLC. Ostensibly, this investigation is based upon effort to ascertain the role of HCLC in the Showa Denko. However, from the reports which I have received from the HCLC it would seem that the Investigation Committee is making an effort to discredit the HCLC generally and indirectly to discredit GHQ. Rather than direct its attention to matters which might be directly related to the Showa Denko case, the questioning has attacked procedures followed by the HCLC and actions taken by the HCLC in matters other than the Showa Denko case. The Committee must know that all of these procedures have been established by GHQ and the individual actions taken in accordance with those procedures have received prior approval of GHQ.
2. As support of this opinion that the Committee is attempting to discredit the HCLC generally, it is interesting to note that the Committee has brought in as a witness for the clear purpose of discrediting the Commission the former leader of the HCLC Labor Union who was discharged with the approval of GHQ. This action was supported after a hearing by the Labor Relations Board. Among the questions asked by the Investigation Committee there was one asking whether the establishment of the HCLC was necessary. As you undoubtedly know, the HCLC was established by SCAP Order specifically to carry out Occupation policy. Incidentally, the hearings have already brought out reference by name to former members of ESS/AC.
3. Since ESS/AC has the responsibility for supervising the HCLC, it is necessary that we see to it that there is no unwarranted attack upon the agency since such attack would lessen the effectiveness of the agency's operations. All of its operations are based directly upon Occupation policy. Consequently, I would like to have a copy of the Minutes of the hearing which referred to or applied to the operations of the HCLC.
4. From the information which I have received so far, it is quite apparent that the Committee is antagonistic toward the HCLC and that this antagonism is based on contrary interests on the part of the communists, on the one hand, and the Zaibatsu on the other. It should be clear, of course, that ESS/AC is eager to have investigation and appropriate action taken in any instance in which there is mis-feasance of office or other improper behavior on the part of the HCLC Commissioners. However, it should be emphatically clear that we do not want the general discrediting of the Commission under the guise of an investigation of the Showa Denko case or any other case.

From Mr. Wald



Showa Denko Investigation

Brig Gen W.A. Beiderlinden  
Asst Chief of Staff, G-1

PM, MTA, GHQ, APO 500

7 Oct 48

1. Investigation is presently being conducted by the Investigations Division, OPM MTA for the purpose of determining whether Occupation personnel are or have been involved in the Showa Denko scandal.
2. To date no tangible evidence or reliable information has been received which implicates any person connected with the Government Section, SCAP, in the above-mentioned scandal.
3. Investigation is continuing.

----- P.J.A. -----

To General Whitney -

For your information.

----- W.B. -----

FROM : General Whitney

TO : General Beiderlinden 8 Oct 48

1. I am glad to learn from the above that investigation into the involvement of occupation personnel is continuing, as I had been informed that it had either been completed or discontinued.
2. I have not the slightest concern over the involvement of any person in this section in the scandal, but false and malicious rumors to the contrary have been widely circulated throughout the city and in government circles with a view to discrediting the section and undermining its effectivity as a SCAP agency. This of course stems from the responsibility of the section in the implementation of policies distasteful in some circles. I am particularly anxious to put a stop to such rumors, and know of no better remedy than the criminal prosecution of those responsible for spreading them.
3. To this end, I would appreciate every effort being made in the course of the investigation to develop evidence which would furnish the basis for such a criminal action.

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

J



SECRET

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

5 October 1948

MEMORANDUM FOR THE CHIEF, GOVERNMENT SECTION

SUBJECT : Alleged Receipt of Showa Denko Money by Ashida

This date Mr. Fukushima Shintaro, Deputy Chief, Cabinet Secretariat, made substantially the following statement to Major Napier:

An important matter concerning Prime Minister Ashida has come up which Chief Cabinet Secretary Tomabechi has instructed me to tell to General Whitney. The matter concerns money which Dr. Ashida received in connection with Mr. Kurusu. The amount of money was ¥300,000 and Dr. Ashida received it in August 1947 when he was the Foreign Minister. The money came from Kurusu but was money from Mr. Ninomiya of the Industrial Bank which Mr. Ninomiya received from Hinohara interests. The money was paid by Mr. Mitsumoto, a Kurusu secretary, either to Dr. Ashida or to his secretary, Mitsufumi Shimokobe, who is his son-in-law.

Dr. Ashida probably should take this matter up personally with General MacArthur or General Whitney. However, Mr. Tomabechi directed me to come in. The big problem is that this information will embarrass the government to the degree that the National Public Service Law and the pay level legislation may not be completed before the government collapses if the information is made known. Mr. Kurusu has probably given this information to the Procurators but possibly it may be a trick of Mr. Tanaka who is Kurusu's lawyer. Mr. Tomabechi believes that this story concerning Dr. Ashida is true. He believes it is apparent that the government could not survive this accusation even though Dr. Ashida were innocent in intent. Dr. Ashida does not favor dissolution so much because the Democratic Party has a shortage of money. The Liberal Party, on the contrary, can get plenty of money from people who would benefit from its policies, such as restaurant owners and big operators in many fields.

SECRET



SECRET

The Cabinet is meeting now but after the session I think it probable that Mr. Tomabechi will request to see General Whitney in this matter. We have not had the nerve to discuss this matter with Dr. Ashida and he does not know the action Mr. Tomabechi has directed me to take.

Mr. Fukushima did not appear at ease in discussing this matter and was not pressed by Major Napier to go into any details.

J.P.N.

SECRET



GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

15 September 1948

MEMORANDUM FOR: The Board of Audit

SUBJECT: Audit of the Reconstruction Finance Bank

1. Under Article 90 of the Constitution of Japan the Board of Audit is charged with responsibility for auditing the final accounts of expenditures and revenues of the State and to submit such audit to the Diet through the Cabinet.
2. Information received from the Procurator General of Japan indicates that debts incurred by the Showa Denko Company, which is currently under investigation by the Procurator General's Office and the National Diet, have been guaranteed by the Reconstruction Finance Bank, an instrumentality of the Japanese Government, the obligations of which are in turn obligations of the State. In addition, substantial loans have been made by the Reconstruction Finance Bank to the Showa Denko Company, the circumstances surrounding which are also currently under investigation by the Procurator General's Office and the National Diet.
3. In the light of the provisions of the Constitution and the fact that revenues and expenditures of the State are involved in the operations of the Showa Denko Company, it is requested that the Board of Audit make a special audit of the relationship of the Reconstruction Finance Bank and the Showa Denko Company with a view to determining the facts on the basis of which the Procurator General's Office and the National Diet can proceed with their respective investigations.

COURTNEY WHITNEY  
Brigadier General, U. S. Army  
Chief, Government Section

Gen. Whitney's file

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TRANSLATION OF A SWORN STATEMENT  
BY FUJII KO, CHIEF OF ADMINISTRATION FOR THE SHOWA ELECTRIC COMPANY, PRESENTLY DETAINED BY THE TOKYO DISTRICT PROCURATORS.

10 August, 1948

I do not exactly recall whether it was the end of October or the first part of December. The President (Hinehara) asked me to attend a dinner with him to which he had invited an American correspondent and a Japanese newspaper reporter, to be held at the Kobayashi House in Suginami Ward. Here, if I may add, the Kobayashi House belongs to President Hinehara's concubine and is frequently used to entertain guests of the Company. I seem to recollect that at this party the President handed the American correspondent a package which seemed to contain money. At the time I had talked with the President about this party, which he had asked me to attend, he had stated the name of the correspondent was Pakenham and the Japanese newspaper man was Matsumoto. He had further stated that for liaison purposes (with the correspondent) he would use ¥2,000,000. For this reason, I assumed the package contained money. I cannot swear to the fact that the name (American correspondent) was absolutely correct.



ATIS Translation

JIJI SHIMPO - 19 August 1948

THE SHOWA DENKO CASE

A half a year has passed since procurators began probing into the Showa Denko case. The general supervision of investigations is in the hands of procurator IO from the Tokyo District Procurators' Office. He is assisted by his deputy BABA and five procurators, KAWAI, YOKOMIZO, WATANABE (Tome), KANAZAWA and TAMAKI, and Police Chiefs, DOI, IIZUKA, MURAKAMI, and WATANABE of the Second Detective Section of the Metropolitan Police Board and more than twenty police detectives. These men are daily engaged in summoning and questioning persons connected with the case. Investigating officials claim that this is the first time that such a large-scale investigation team has been mobilized for a single case.

The Showa Denko Company on its part organized a group of twelve or thirteen counsellors, composed mainly of former procurators at about the time Company president, HINOHARA Setsuzo was arrested. These counsellors are said to be MATSUZAKA Hiromasa, former Justice Minister; KUROKAWA Wataru, former Justice Vice-Minister; KIYOHARA Hoichi, former director of the Criminal Administration Bureau of the Justice Ministry; OTA Taizo, former procurator and chief of the Thought Control section of the same ministry; TAMAZAWA Mitsuziro, former procurator, MOMOZAWA Zenshi, former procurator; SHIBATA Jiro, former judge; ASANUMA Sumiji, former judge and attorney for the Showa Denko Company; and AKIYAMA Hiroshi, former director of the Criminal Affairs Section of the Metropolitan Police Board. Apart from them, a certain Mr. "I", former director of the police bureau, and a Mr. "O" are said to be collaborating with this group.

Investigating officials estimate the commissions paid to this group by the Showa Denko Company to be several million yen. Most of these counsellors who recently took to their present profession because of the purge and other reasons, are said to be in possession of the latest information on investigations. In the meantime, rumors are afloat to the effect that procurator in charge IO is aligned with counsel OTA Taizo, and that Chief HATANO was once a protege of a Mr. "I". Be that as it may, investigating authorities, drawing a line between rumors and facts, are exhibiting firmness.

About twenty persons, including HINOHARA, president, and FUJII, director of the General Affairs Department, have been arraigned in the case. Nearly two months have passed since the



arrest of HINOHARA on 23 June and three months since the Tokyo District Procurators' Office seized account books of the main office on 25 May. Nobody knows how far the case will unfold. Procurators are firmly determined to track down all individuals implicated in this affair, be he a leading figure in political, financial or official circles. Moreover, it cannot be said that investigations have progressed satisfactorily according to reports. However, getting results have been difficult as revealed by an instance in which certain executive indicted in this affair, who is in poor health, left the room in the midst of questioning by stating that he was not feeling well. The procurator followed him to the door, asking that he just answer one more question.

Procurator KAWAI, nicknamed the devil procurator, and whose forte is graft cases, said:

"Even at this time of scientific investigation, there are some cases in which only the confession of the defendants will provide the necessary clues. The case of graft is one of those. It is highly annoying to note that someone has exhorted the defendants to shut up."

Furthermore, a certain defendant persistently evaded questions by maintaining that the new Constitution guarantees the right to refuse to give information which may be self-incriminating.

The first step in the investigation by procuratorial authorities will be to ascertain in what manner the huge sum of money of more than 2,000,000,000 yen accommodated by the Reconstruction Finance Bank to the Showa Denko Company, was used. This will be followed by the second step which will determine whether the accommodation was illegal or not in view of Company President HINOHARA's contacts in political, financial and official circles. According to indications, it seems probable that procuratorial authorities have almost completed the first step in their investigation. It is reported that illicit disposal of the loaned money totalled approximately 60,000,000 yen. Moreover, it was learned that indicted staff members of the Showa Denko Company confessed they entertained key officials at ATAMI and HAKONE allegedly for liaison purposes.

The second phase of investigation to determine whether reconstruction Finance Bank loans were legal or not is one in which utmost efforts of the procurators will be concentrated, since the answer will decide whether this is simply an economic case or whether it is a criminal one involving bribes to political, financial and official leaders as well as political donations. Procurators, however, have met difficulty in this phase of investigation since the defendants maintain that article 38 of the new Constitution protects them from compulsion to give information that may be self-incriminating.



Meanwhile, procurators have definite leads that the Company offered bribes to key figures in the various circles mentioned above. For example, a few days ago it was learned in detail that the Company at the end of last year delivered rice and soy sauce to the residences of certain bureau and section chiefs of the Finance Ministry by taxi. The said bureau chief defends himself by saying that one barrel of soy sauce and fifteen sho (0.75 bushels) of rice were sent to his residence in his absence but that he sent them back immediately after his return by automobile. He backs this assertion with a receipt from the Company to this effect. The section chief also confessed that he received like amounts of rice and soy sauce and that he returned them after telephoning the Company for a car. The bureau chief further said:

"Although I received many presents from various companies at the end of last year, I sent them all back, including those from the Showa Company. I thought it strange for a company to send rice and soy sauce, but supposing that the same goods were sent to higher authorities, I did not tell anyone of my rejection of the gifts to avoid giving the impression that I was the only person with virtue. I am amazed at the thoroughness of the investigation made by the Procurators' Office."

On the other hand, the Procurators' Office said, "The largest presents sent by the Showa Denko Company to the various circles concerned seem to have been 30 sho (1.5 bushels) of rice at a time." Judging from this statement, commodities, mainly foodstuffs and fuel were paid as bribes to a great many people. A certain financier said, "HINOHARA is typical of the new faces in the financial circles who resorted to bribery, believing that money is almighty." A certain bureau chief of the Finance Ministry added "To that extent he was very active". These are reasons why HINOHARA and the others are said to belong to the "materialistic school of finance" (Zaikai Nikutai Ha).

For the reasons mentioned above a certain percentage of the Reconstruction Finance Bank loans to the Showa Denko Company totalling some 2,500,000,000 to 2,600,000,000 yen is alleged to have been extended illegally. In this connection, the Reconstruction Finance Bank's accommodation procedure from the time an application is accepted until its approval is expected to come under heavy fire. An application for a loan is first submitted to the Reconstruction Finance Bank's Loan Department following which it is examined by its Investigation Department. (TOSU Masayuki, managing director of the Showa Denko Company and a former employee of the Industrial Bank, who was recently turned over to the procurators for court action, was the chief of the Reconstruction Finance Bank Investigation Department in November of 1946.)

Following its approval by the Investigation Department, the application is sent for consideration to the officers' board and



subsequently to the managers' board composed of officials of the Finance, Commerce and Industry, and Agriculture and Forestry Ministries and the Economic Stabilization Board and experts. Moreover, if an application in excess of 50,000,000 yen is submitted, it must be approved by the Reconstruction Finance Bank committee under the chairmanship of the Finance Minister. An influential member of the managers' board said: "Deliberations are nothing more than a formality and the truth is that if the person explaining the application says he approves, board approval of the application is a foregone conclusion. With a few sheets of explanatory notes, one cannot begin to understand the full import of the application. In short, the fault lies in the Reconstruction Finance Bank's structure and its investigation procedures."

Because of difficulties involved in the investigation, the Showa Denko Case, which is certainly not a problem of this Company alone, created the question as to what extent cases of this kind can be probed in the future. At the same time, this case is expected to serve as a warning against inequities in other government loans.



Translation by ATIS Periodical Translation Section

SHOWA DENKO COMPANY SCANDAL

The investigation of the Showa Denko Company case, which started with the detention of President HINOHARA, Setsuzo by the Metropolitan Police on 23 June, finally entered the crucial stage. Moreover, political significance was suddenly attached to the issue when the Lower House Illegal Property Transactions Investigation Committee made it an object of its investigations. Possibilities are now likely that the case will develop into a great scandal, involving political and financial leaders. This scandal may develop if the police investigations now underway of the impounded books and records, and President HINOHARA and his secretaries, SUNAHARA and SATO, presently detained, can prove the alleged connections with the political and financial worlds, and the existence of such crimes as breach of trust and embezzlement.

The case, to be understood clearly, must be divided into two parts, (1) the so-called "usurpation case", hinting possible illegalities at the time HINOHARA succeeded MORI, Satoru as president, and (2) the suspected illegal disposal of funds loaned by the Reconstruction Finance Bank after HINOHARA became president. Speaking of the latter, the 2,407,400,000 yen loan to the Showa Denko Company, constitutes a greater part of the total amount of loans (3,983,000,000 yen), extended by the Reconstruction Finance Bank to all firms for the production of fertilizer as of the end of April. (The bank's loans to all industries have already exceeded 70,000,000,000 yen.)

The most important object of the police investigation is the expenditure of this huge amount of loans for unauthorized or unknown purposes. Since the Reconstruction Finance Bank loans originally came from taxes collected from the masses, the Showa Denko Company case is considered to involve not only political, economic, and criminal issues, but also a question of ethics.

The Showa Denko Company, which started operations with aluminum products and chemical fertilizer as its chief items, and industrial chemicals, carbon-electrodes and ferro-alloy as other principal outputs, began concentrating its main productive powers to the manufacturing of ammonium sulphate and nitro-lime, since the war's end. In line with its policy shift, the company planned the restoration of the Kawasaki ammonium sulphate plant and the Kase nitro-lime plant, and reconversion of four plants - the Toyama aluminum plant and the Asahikawa, Shiojiri, and Chichibu electric furnace plants, into nitro-lime plants. With the completion of these plans, the Company would have become the largest fertilizer



manufacturer in Japan with an annual production capacity of 250,000 tons of ammonium sulphate and 190,000 tons of nitro-lime. To carry out this program, the Company was financed by the Reconstruction Finance Bank. According to Reconstruction Finance Bank information, up to 24 June a total of 2,407,400,000 yen was borrowed by the Company of which 2,204,900,000 yen was borrowed directly from the Reconstruction Finance Bank, and the remaining 202,500,000 yen underwritten by the Reconstruction Finance Bank from city banks. These loans were broken down to 1,908,400,000 yen for factory equipment and the remaining 499,000,000 yen to cover outstanding deficits. Up to the present time, the Company's loan request to the Reconstruction Finance Bank has totalled 4,444,500,000 yen. Out of this sum, about 635,000,000 yen was requested during the tenure of previous president MORI and about 3,809,000,000 yen since present president HINOHARA took office.

In October and November of 1946, when the Company was headed by MORI, the Reconstruction Finance Bank supplied loans amounting to 635,200,000 yen as funds for the restoration of the Kawasaki mill and the reconversion of four mills into nitro-lime plants. After HINOHARA was elected to the presidency, he applied, in August 1947, for an additional loan of 535,200,000 yen as a supplement to the previous loan because of price hikes. In December 1947, he again requested a loan of 1,284,200,000 yen to cover increased expenses arising from the modifications in the original plan and the rising commodity prices. Against these requests, the Reconstruction Finance Bank supplied 250,000,000 yen in December 1947, 205,000,000 yen in March 1948, and 300,000,000 yen in April. Further information relative to loans plan reveals that about 500,000,000 yen was borrowed during the period from June 1947 up to the present as operating funds to cover deficits resulting from: (1) delayed collection of bills from the Nippon Fertilizer Company (Nippon Hiryo); (2) rise in raw material costs while official prices of fertilizer remained unchanged; (3) dwindling output due to power shortage. These operating funds were expended for wage and material expenses and other "miscellaneous expenses".

In an inspection of the Company's headquarters and the Kawasaki mill in May this year, Reconstruction Finance Bank authorities found that the Company's "miscellaneous expenditures", including entertainment expenses, were incomparably greater than those of any other company of similar scale. From a monthly average of about 2,500,000 yen in March last year, these expenses rose sharply after May and eventually reached 13,000,000 yen a month by December. In an investigation report submitted to the Lower House Illegal Property Transactions Investigation Committee, on 12 May, Reconstruction Finance Bank authorities pointed out that even though a



marked price increase and other economic factors are taken into account, increase in the Company's "miscellaneous expenditure" since May last year, especially in December, is disproportionately large.

Concerning equipment funds, the Reconstruction Finance Bank is now inspecting local mills as well as the headquarters and the Kawasaki mill. Up to the present, it has been disclosed that part of the loans earmarked for restoration of the Kawasaki mill was misappropriated for building and purchasing of the Company's offices and housing for its employees. There are sixty-eight houses for employees now under construction at TABATA, while the Company has purchased two residences in AZABU, one in SETAGAYA, two in TACHIKAWA, and one in NISHIKUBO-TOMOE Cho, SHIBA at a cost of nearly 2,500,000 yen. Beside these buildings registered in the Company's book, President HINOHARA is said to have bought a house for his mistress, KOBAYASHI, Mineko, at IZUMI Cho, SUGINAMI Ku and villas in HAKONE and ATAMI. Sources for these purchases are now under investigation by police authorities.

The appropriation for the construction of sixty-eight houses in TABATA and for the purchase of homes in other parts of TOKYO is regarded as illegal, according to the Reconstruction Finance Bank report, since it is a misappropriation of funds earmarked for the Kawasaki mills' second expansion program. Recently, the Reconstruction Finance Bank dispatched a written warning to the Company pointing out misappropriation of funds and excessive expenditures. KURISAKA, Assistant Chief of the Reconstruction Finance Bank Inspection Department, commenting on the misappropriation of funds, stated that it could not be helped because of the chaotic condition of post-war economy. On the other hand, the Assistant Chief of the Finance Department said, "The Reconstruction Finance Bank should also be held responsible for misappropriation of loans because it supplied funds to an untrustworthy company. If city banks had made such vast reckless loans, they would forfeit public confidence."

Police authorities, now at the stage of gathering evidence, seem to be focusing their investigation on the allegations that staff members of the Showa Denko Company had squandered money and articles beyond reason after HINOHARA assumed the presidency at the end of March last year. News obtained from an un-named official, who is familiar with the internal affairs of the Company's accounts, and examined by a JIJI reporter are:

(1) The Company owns more than twenty cars for individual use. (When TANAKA, Kenkichi, member of the Illegal Property Transaction Investigation Committee visited the main office of the Showa Denko Company to make inquiries at the end of April, FUJIMOTO Shinobu, managing director of the Company declared that the Company



had only three cars.) HINOHARA purchased an expensive car from a member of the Imperial family, but when the case of the Showa Denko Company broke into the nation's headlines, he concealed his vehicle and replaced it with another. A Buick was recently bought for the exclusive use of TORISU Masayuki, Chief of the Financial Department of the Company. This too has disappeared.

(2) HINOHARA donated a car to Mr. M---, Chief of the Business Department of a certain bank in the city, who used the car every morning and evening. All expenses including the operator's wages, gasoline and repair expenses were paid by the Company. About the time of this donation, the Company borrowed 30,000,000 yen from that bank.

(3) When feasts were given in villas at HAKONE or ATAMI, four cars were used, two cars carrying guests and the other two loaded with food and drinks.

(4) Expenses spent for purchasing blackmarket gasoline exceeds 3,000,000 yen at the present.

(5) A house was built for a certain Machiai keeper, formerly running a business in AKASAKA. It may be some time before the total of expenses spent for these purposes is ascertained. It was also revealed that the main office of the Company sent daily necessities, such as rice and soy sauce or coke and coal in winter to the residences of KURUSU, Chief of the Economic Stabilization Board; NINOMIYA, Vice-governor of the Industrial Bank of Japan; and NODA, member of the Holding Company Liquidation Commission.

FUJII Takashi, managing director of the Company, an intimate acquaintance of HINOHARA for twenty years and HINOHARA's confidant, replied to press questions as follows:

"It is true that about one To (0.5 bushels) of rice and one barrel of soy sauce were sent to those people. However, these were mere gestures of courtesy and were never meant to be and never were gifts to help sustain their household economy."

Authorities attach importance to this implied confession of the donation, especially since coke is the most important element in the manufacture of hydrogen.

FUJII, Chief of the General Affairs Department of the Showa Denko Company explained:

"(1) The use of the Kawasaki factory equipment funds to build and purchase Company buildings and annexes for the use of the employees of the main office is termed improper. No one, I



believe, could object to housing main office employees in those buildings because the majority of them handled business of the Kawasaki factory.

"(2) If our expenses are extravagant, we should like to know how other companies were raising funds to cover their various expenses; perhaps our Company's accounting methods were not up to par. I grant you our miscellaneous expenses in December last year amounted to about 10,000,000 yen, but considering the fact that our authorized monthly spending during war-time was 300,000 yen and that official estimates of the present inflation puts the yen at sixty-five times, I see nothing extraordinary even if spending reached 20,000,000 yen.

"(3) I know little of the house purchased in HAKONE, for I did not go there, but I hear that it was leased not purchased. I recall that some 30,000 yen or 50,000 yen was advanced to OKADA, a Machiai keeper in AKASAKA, as a fund to build a house but cannot remember the exact amount as no repayment was expected. Building materials were also provided.

"(4) I hear that a second company was in question. I have never heard of a company named the Kyoya Firework Company (Kyoya Enka). We have old affiliated companies of our own, and naturally, products were arranged to be sent to those companies although arrangements did not always proceed smoothly. It is to our discredit that the Business Department personnel used to divert products into their favorite companies, disobeying our directives to supply them to specified companies. Such being the case, subsidiary companies could not be managed efficiently. Products going to the Shoei Industrial Company (Shoei Kogyo) are estimated at no more than 2,000,000 yen or 3,000,000 yen per month. In short, in a big company like ours, there is no room for doctoring accounts as was popularly charged against us. Has the public confused the Showa Denko Company with small time blackmarket companies with capitals of 3,000,000 yen or 4,000,000 yen?"

KURUSU, Chief of the Economic Stabilization Board, stated:

"The donation of rice or soy sauce is news to me. Above all, I have neither met FUJII of the Showa Denko Company nor heard of his name."

NINOMIYA, vice-president of the Industrial Bank of Japan and NODA, member of the Holding Company Liquidation Commission, denied on 24 June, the donation of daily necessities admitted by FUJII.

At an emergency meeting of the Board of Directors on 24 June, the Showa Denko Company appointed ONAKA Saitaro, senior managing director, to act as president in the absence of HINOHARA, who is



under summons.

MORI and KURISAKA of the Auditing Bureau of the Reconstruction Finance Bank stated:

"Auditing the Showa Denko Company has not proceeded to the extent that a definite statement can be made. The Company was formally warned not to use equipment funds for other miscellaneous expenses. Viewing the case from many angles, we believe there were various unavoidable circumstances. If the Company continues irresponsible accounting despite the warning, we have the legal recourse of suspending further financing or collecting a part of the loan misused for illegal purposes. For instance, we can force the Company to sell the house bought with that fund. However, this is only theoretical and in practice is not always successful."

The Showa Denko Company formerly operated seventeen subsidiary companies but with HINOHARA's presidency, several concerns of a quasi-subsubsidiary nature linked to the Company directors in their personal capacity came into existence. The plants of these companies are suspected of being blackmarket outlets for chemicals, and the authorities are pushing investigations along this line.

It is suspected that potassium chlorate produced by the Hirota plant in FUKUSHIMA Ken are being diverted to the blackmarket through the Kyoya Fireworks Company which has personal connection with director HAMANO. It is also suspected that loans were extended to this subsidiary in the name of directors, and it is believed that the authorities are now investigating five such subsidiaries.

#### Hinohara being Examined

The Metropolitan Police Board, which went into action on the Showa Denko Company, began investigation from early morning of 24 June in the presence of DOI and WATANABE, police inspectors of the Second Detective Section as to whether money or goods were sent to officials of the Commerce and Industry Ministry. During noon recess, HINOHARA pecked at the lunch sent in for him. Investigation was reopened at 1300 hours under the direction of UEDA, Chief of the Detective Section (KAKARICHO).

#### Hinohara Employed Tricks to Become President

The former president MORI and four other directors were designated to be purged in January 1947 (MORI was taken off the list recently). After the retirement of MORI, the Company was to be



operated under the joint management of ICHIMURA Toranosuke and NAKAMURA, Kenjiro, standing directors, and a move was made to seek the approval of shareholders at a general stockholders meeting scheduled for 28 March. Holding Company Liquidation Commission Chairman SASAYAMA informally assented to the move. However, on 26 March, just before the general meeting, standing director ICHIMURA was summoned by the then vice-governor of the Industrial Bank of Japan SUEHIRO and director of the Reconstruction Finance Bank NINOMIYA, and told that HINOHARA Setsuzo, president of the Japan Hydrogen Company should succeed MORI. ICHIMURA turned down the proposal. It was then that SUEHIRO and NINOMIYA escorted him to the chairman of the Commission SASAYAMA. SASAYAMA explained to him that HINOHARA's presidency was based on the order issued by the Holding Company Liquidation Commission.

The general meeting of shareholders on 28 March was attended by NAGAI, Chief of the Supervision Department of the Holding Company Liquidation Commission (the present Chief of the Second Enterprise Department of the Commission), and another person as observers from the Commission. As a result, HINOHARA was appointed the president and FUJIMOTO Shinobu, President of Japan Hydrogen Company, who accompanied him, was given the post of managing director.

President HINOHARA and all other directors held a meeting with interested circles through the good office of NODA Iwataro, member of the Holding Company Liquidation Commission on 31 March and 3 April. In the course of the meeting all directors except HINOHARA and NODA were ordered to leave the room. At that time the selection of persons for the posts of the First and the Second Engineering Affairs Department was done without prior consultation with other directors. Simultaneously, HINOHARA announced that he had been ordered by the Holding Company Liquidation Commission to purge all cronies and followers of MORI and SUZUKI, holding positions of sectional and departmental chiefs as well as those in charge. (Annotation: Heretofore, the Company had been run chiefly by MORI Nebuteru and SUZUKI Chuji.)

On 6 April, more than ten members of the staff quit the Company after submitting resignations in accordance with the demand by HINOHARA, who told them his authority was based on an order from authorities concerned. Shortly thereafter, Chief of the General Affairs Department, FUJII Takashi (former director of the Japan Hydrogen Company), and Chief of the Financial Affairs Department, TOSU Masayuki (Chief of the Financial Department of the Japan Hydrogen Company; Chief of the Examination Department of the Industrial Bank of Japan up to November 1946), assumed the new posts. Thus, members of the MORI and SUZUKI camp were expunged.



Those swept out of the Company look upon HINOHARA's actions with grave suspicions, and suspect that the "orders" that he always referred to in settling any and all issues that arose were never issued. They believe that HINOHARA gained the presidency of the Company through chicanery and plotting which began about the end of 1945.

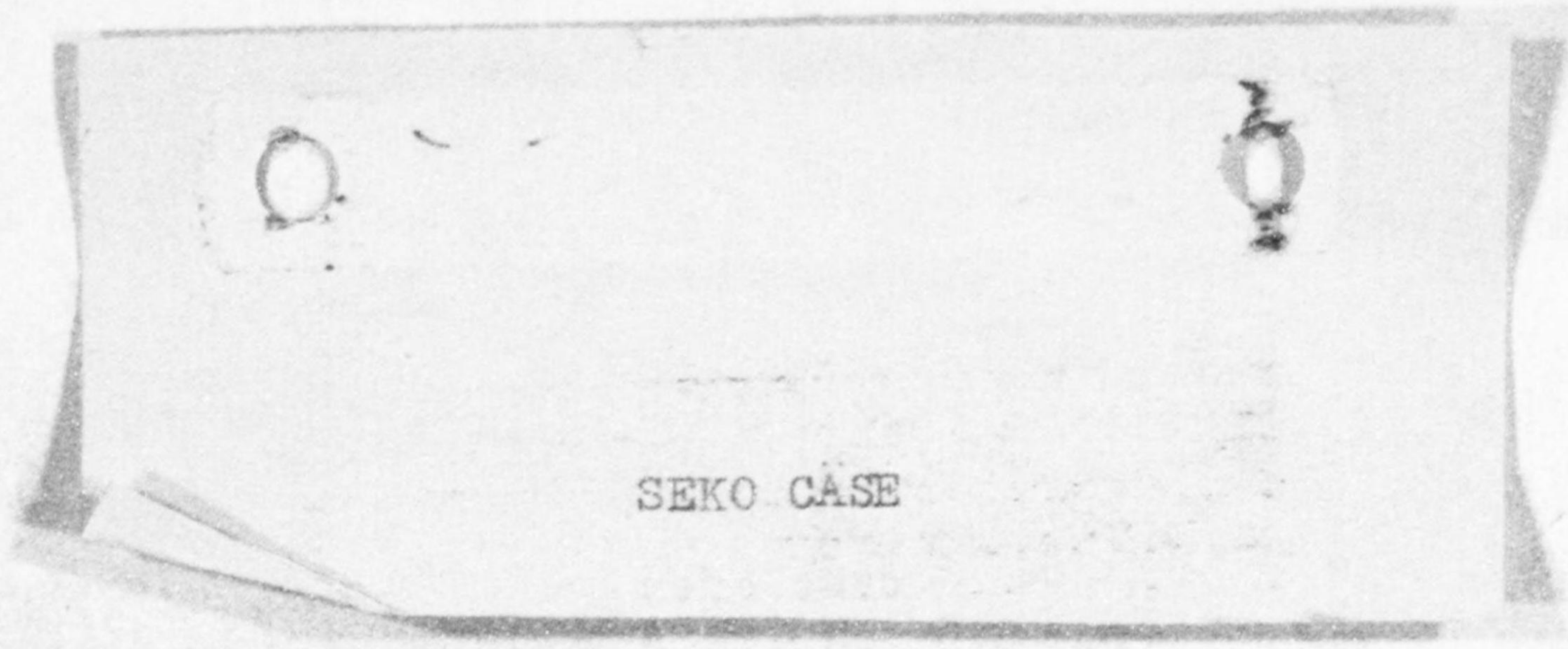
With respect to the fact that the appointment of chiefs of departments such as the chiefs of the First and the Second Engineering Affairs Departments, as well as the firing of ICHIMURA, KAMATA and all others of the SUZUKI and MORI camp, was carried out as an order without any apparent indication of HINOHARA's will. SASAYAMA, chairman of the Holding Company Liquidation Commission stated:

"For the sake of expediency, the appointment of the Engineering Departments' chiefs might have taken the form of an order, but as for the dismissal of ICHIMURA and others, I know nothing. I had always been under the impression that the incumbent staff would be kept even after HINOHARA assumed the presidency."

In commenting on the details of the retirement of the former president MORI and of the assumption of the new presidency by HINOHARA, chairman of the Commission, SASAYAMA; vice-governor of the Industrial Bank of Japan, NINOMIYA; and standing director of the Company, ICHIMURA generally agree on their story. However, SASAYAMA and NINOMIYA say that HINOHARA assumed the presidency under unavoidable circumstances. Against this, ICHIMURA says that it was carried out by a small number of plotters who created the circumstances under which HINOHARA's appointment was made to appear inevitable.

The Special Illegal Property Transactions Investigation Committee is saying that it will shortly question representatives of both parties. It is expected that their testimonies will create considerable confusion. The problem is of a very delicate nature; much time is held necessary before a fundamental solution can be found.





SEKO CASE



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GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

28 October 1947

INTERIM REPORT

SUBJECT: Seko Affair. Re: HATOYAMA, Ichiro, Ex-Minister  
of Education and Ex-President of the Liberal Party.

REPORTED BY: Chief Procurator of the Tokyo District Office.

1. HATOYAMA was summoned by the procurator's office to determine whether he had knowledge of the 300,000 yen supposedly donated by SHIOTSUKI and FUJIKAWA. According to the confession made by SHIOTSUKI and FUJIKAWA, they had given this money to HATOYAMA's contractor NAITO, Michinosuke. NAITO stated that HATOYAMA had no knowledge of this money as SHIOTSUKI and FUJIKAWA had asked him to build the house for HATOYAMA without the consent of HATOYAMA. HAYOYAMA stated that in his meeting with TSUJI, Karoku, TSUJI had asked him if he would not like a house in Tokyo since it was very inconvenient for him not to be able to live in Tokyo. HATOYAMA, thinking that this money for the house was to come out of TSUJI's own finances replied positively.

2. HATOYAMA further stated that in May 1947, he was present at a ceremony for his house (a Japanese custom to hold a ceremony as soon as the framework of the house is constructed). At this time HATOYAMA still believed that TSUJI was financing the house. HATOYAMA was summoned to the procurator's office on Saturday, 25 October. HATOYAMA states that on Friday, NATIO, his contractor, had visited him and told him for the first time who had donated the money for his house, and that SUZUKI, Senpachi, a member of the House of Representatives had handled all the administrative details necessary to construct this house. \*

\*NOTE: The undersigned questioned the procurator as to the strange circumstance under which the contractor visited HATOYAMA the day before he was summoned to the procurator's office. It seems that the contractor went to HATOYAMA's house in order to negotiate for the further financing of the house. At the outset, the friends of HATOYAMA were going to contribute glass, clay, and all the necessary accessories for the house. It was under this agreement that the contract had undertaken the job at finishing the house for 300,000 yen. When the construction started, these donations never materialized, and to date, the contractor himself is in debt to the bank 150,000 yen. The contractor asked HATOYAMA for 800,000 yen in order to finish his house. At the time, he was told that TSUJI had promised him this house and he fully expected TSUJI to carry out his promise and therefore he would talk the situation over with TSUJI.



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3. The Chief Procurator further summoned the following people:
  - a. ISHIBASHI, Tanzan - Former Finance Minister and Chairman of the Hoarded Goods Committee in the <sup>Economic</sup> Electronic's Stabilization Board.
  - b. ISHII, Mitsujiro - Former Minister of Commerce and Industry.
  - c. UEHARA, Etsujiro - Ex-Home Minister.
  - d. KIMURA, Kozoemon - Ex-Agricultural Minister and present Home Minister.

4. The reason for summoning these people was to determine and verify the contents of the so called Seko Order No. 1. This order was addressed to YAMATATA Agricultural Association for the release of 500,000 ex-army uniforms and 30,000 blankets if they produced 100% of their rice quota. In this order, it states that Seko was issuing this order on concurrence with the above mentioned four individuals. It was necessary for the procurator's office to determine whether Seko had issued this order on his own or whether there had been actual concurrence regarding this subject.

- a. ISHII stated that he recalls such a conversation with Seko.
  - b. KIMURA stated that he has no knowledge of such a concurrence with Seko.
  - c. UEHARA stated that he had no knowledge of such a meeting taking place, but that as ISHII had full responsibility for such matters, it was officially approved by him.
  - d. ISHIBASHI stated that he has no knowledge of such concurrence.
5. (The procurator noted here that all four of the above mentioned people do not state definitely that they do or do not have knowledge of this incidence and will not make a definite statement regarding this matter, and so it is necessary to summon Seko himself once more to the procurator's office. It so happens that at this time, Seko is supposedly traveling down South and is sick. ISHIBASHI confirms the fact that Seko is sick. It should be noted that the Agricultural Association never received the uniforms or the blankets, as the supposedly available uniforms and blankets were never found.)

CONFIDENTIAL M. MATSUKATA  
National Government Section



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GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

16 October 1947

MEMORANDUM:

SUBJECT : Elimination of Feudal Politics.

1. Seko Case:

Chief Procurator Manichi Tanaka, of the Tokyo-to District Procurator's Office, has caused the arrest of four leading politicians, all unsuccessful Liberal candidates of the party at the last Diet election, (Bunroku Fujikawa, Manabu Shiotsuki, Ikutaro Nakasone, and S. Hazama) who have been charged with fraud amounting to 4,150,000 yen extorted from 345 agricultural and mining associations throughout Japan. This case is the so-called Seko Affair which involves so-called brokers throughout Japan and the collection by "brokers" of advance payment for Japanese Army uniforms which were not produced. At the time of the fraud Kochi Seko, presently a Liberal Party member of the Diet, was Vice Chairman of the Hoarded Goods Disposal Committee in the Economic Stabilization Board (the Chairman being Tanzan Ishibashi) and concurrently Vice Minister of Home Affairs. In this capacity he was alleged to have issued authority for the release of the uniforms.

The procurators have determined, however, that the document used in this case was a forgery of many similar certificates issued by Seko in the so-called uncovering of hoarded goods. At the present time the procurators have taken to the Supreme Court the question of whether Seko was within his limits of jurisdiction in issuing such certificates. Further investigation by the procurators has revealed the granting of 2,500,000 yen to Karoku Tsuji, one of the most influential friends of the Black Dragon leader, Toyama. Tsuji is well known as a great political power in Japan. Moreover, the procurators have determined that Hatoyama's contractor, Naito, received about 600,000 yen from two of the four arrested persons to build a house for Hatoyama who for many years has been a close associate of the sinister Tsuji.

The so-called Dark Curtain is composed of the secret, ultra-nationalistic core of the leading political party previous to the war (Seiyukai). International Military Tribunal files show the attendance of Prince Higashi-kuni at a Black Dragon Society meeting in the 1920's. It is not only coincidental that Hatoyama's sister is the wife of Keisaburo Suzuki, President of the ultra-nationalistic society, Kokuhonsha, and for many years leader of the Seiyukai.

Kokuhonsha was established in 1924 as an auxiliary society to the Black Dragon Society and the Dark Ocean Society. Further, Manosuke Yamaoka, a purgee who is known to have succeeded Keisaburo Suzuki, is another important

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Memo, subj: "Elimination of Feudal Politics", dtd 16 Oct 47.

member of the Hatoyama-Tsuji group. Hatoyama's influence is carried to all three major parties in Japan. Further, Ichiro Kono, a strong underling of Hatoyama, and a purged Diet member, is known to tie the connections between the Dark Curtain and the underworld, namely, the controlled street stall vendors (Tekiya), gamblers (Bakuto), and gangsters (Gurentai). These groups have managed to control black market on a very large scale.

2. The Hoarded Goods Problem:

The hoarded goods problem originated with the Cabinet decision made on 18 August 1945 at which Prime Minister Higashi-kuni presided. It was on this Cabinet decision that plans were laid to dispose by burial and similar clandestine hiding of all goods in possession of the Army, Navy and other governmental and control agencies. Although this decision was repealed on 28 August 1945, in actuality the plan had been carried out successfully before the Supreme Commander landed at Atsugi.

Since the surrender, there have been only three sources of substantial income readily available: (1) hoarded goods; (2) contracting; and (3) black-market disposal of goods derived from various sources. The hoarded goods and the contracting have been so closely related that it is safe to consider them as one problem. With the beginning of the Occupation it became impossible for secret, ultra-nationalistic groups to finance their activities without these hoarded goods because their previous source of revenue (Cabinet funds) was no longer available to them. Consequently, these groups planned and have since been attempting to effect the disposal of these hoarded goods in the black market. Funds derived from these sources have been used to finance corrupt elements in the newly organized political parties and societies.

3. Conclusions:

The hoarded goods cases are revealing the great political power exercised even today in Japan by a fairly small group of behind-the-scenes political manipulators, who in the past were ring-leaders in sabotaging the nascent parliamentary democracy in Japan and turning the country over to the ultra-nationalists and militarists.

The current rebirth of democratic tendencies in Japan can and will be sabotaged by this same group and their numerous allies and servants if this political power is not taken from them once and for all, and thereby they can make a mockery of the Occupation and its democratic reforms within a short while after the Peace Treaty.

Since, in the exercise of this power the sinews of war of these hitherto invisible governors consist of a large cache of capital in the form of hoarded goods and a huge income derived from large black market activities, and the various forms of tribute exacted from Japanese businessmen, any effort to eliminate from Japanese political and economic life this truly evil influence must have as its first point of attack the immobilization

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and removal of these economic sources of power. Therefore, the current attack on this group by the Procurator General's vigorous investigation and prosecution of hoarded goods cases and all persons, however powerful, involved in them, is clearly entitled to the full support of the Supreme Commander as a campaign which will not only rid Japanese political life of the influence of corrupt bossism but also encourage the emergence and the growth of a democratic movement really representative of the people.

In this way, and this way only, can the blueprint of democracy be transformed into a structure of representative government. The enforcement of the laws of the land against this predatory and privileged clique of entrenched political power is the third step indispensable to the elimination of feudal politics. The first two steps, (a) the purge, and (b) the making of local executives (in office since before the Occupation) ineligible to succeed themselves, have made it possible to mount this mopping up operation through the regularly constituted Japanese authorities.

4. Progress to Date:

a. Finance Minister Kurusu has been instructed to prepare for submission to the Diet an amendment to the Finance Laws which will repeal the provision under which private agencies such as commercial associations are authorized to collect taxes on behalf of the national government.

b. There is under preparation an amendment to the Local Autonomy Law which will prevent prefectural and local governments from delegating tax collection functions to private associations within their areas of jurisdiction.

c. The Procurator General, having been informed of the serious concern with which GHQ views the present situation, has presented a comprehensive acceptable plan for the complete investigation and vigorous prosecution of hoarded goods cases in the quickest possible time.

d. To facilitate investigations and to enable the prosecution of perjury in connection with official investigations, legislation is being prepared for introduction in the Diet which will make it a crime to falsify documents or statements submitted to governmental agencies in the course of official investigations.

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GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

28 October 1947

MEMORANDUM

SUBJECT: October Report on Hoarded Goods.

1. Mr. TAKUCHI, procurator from the Supreme Procurator Office, reported the following:
  - a. The Procurator General wished to express his thanks for Colonel Kades excellent speech to the procurators. The speech was given to all procurators in English, but it was being translated into Japanese for them.
  - b. Further investigation regarding Captain Vaughan and Lt. Colonel Highland of Fukui Military Government in abstracting the procurator's offices investigation of the Fukui silk case will be reported after a complete investigation is carried out.
  - c. On Saturday, 1 November 1947, a meeting is to be held in the Justice Ministry regarding the budget for the hoarding goods program.
  - d. On Monday, 27 October 1947, all the information available in the House of Representatives Committee for hoarded goods was turned over to the procurator's office. The procurator started an investigation on hoarded shirt material in Tachaikawa from a lead obtained by this information. This investigation resulted in the uncovering of white shirt material.
  - e. The procurator in charge of investigating the SEKO case was asked to report to the undersigned at 1300 hours, Tuesday, 28 October 1947, in order to present summary of this investigation today.

M. MATSUKATA  
National Government Division

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GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
Government Section

24 October 1947

MEMORANDUM ON THE FUKUI SILK CASE

Through the Shirokiya Department Store and Hokuso Company incidents, an investigation was started by the Tokyo Procurators Office. Upon investigation, it was determined that the silk originated in Fukui, and, with close coordination with the Fukui District Procurator's Office, it became apparent that this matter was of concern to the Procurator's Office in that district too.

By July there had already been a misplacement of 27,000 tan of silk. Further, it became apparent that 400,000 tan of silk had been lost. As there is a silk world which consists of 949 silk companies, there was a question as to whether this incident should be fully investigated. The District Procurator brought this to the Supreme Procurator's Office for consultation, and on 13 November 1947 it was decided in Tokyo to conduct a thorough investigation.

The procurators assigned to this case were as follows: two from Tokyo, two from Fukui and one from Toyama. Approximately 22 police officials were also assigned to the case. They ordered a complete investigation of all warehouses and books by the end of September. They simultaneously checked the books of the Japan Silk Products Stock Company and other related companies and also their branch companies in Fukui. The following facts were disclosed:

1. The silk industry is centered in 26 prefectures.
2. 5,184,108 tan of silk thread was supposedly allotted to the weavers, but since the termination of the war to the date of the investigation a total of only 1,084,386 tan had been placed in regular channels.
3. It was further determined that of the approximate 4,000,000 tan of silk missing, 2,135,327 tan valued at 220,000,000 yen (ceiling price) had definitely been put on the black market.
4. In the areas of Tochigi, Yamanashi, Shizuoka, Kyoto and Okayama, 100,000 tan of silk valued at 80,000,000 yen was diverted to the black market; in Fukushima, Chichibu, Tokyo, Niigata, Oichi and Osaka, 40,000 tan valued at 30,000,000 yen went to the black market.

Because of the evidence available as shown above, the procurators, in their meeting of 23 October, decided to carry out this investigation to the fullest extent in compliance with the plan approved by Government Section.

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The procurators point out that of all government-controlled industries, it should be especially noted that the silk industry has thrown upwards of 80 per cent of its products to the black market. The silk thread has all been sold at ceiling price. The actual ceiling price of silk yard goods is from 14 to 15 yen per yard, the black market price ranging around 100 yen per yard.

The basic responsibility should rest with the head of the Silk Department in the Ministry of Commerce and Industry, who certainly had knowledge of these facts. Further, there is ample evidence that the people responsible for the distribution of silk material in the districts have issued permits with full knowledge of the above situation and the procurators are planning full prosecution of all government officials concerned.

Captain \_\_\_\_\_, in charge of Public Safety, Military Government Headquarters in Fukui, has apparently obstructed this investigation.

One of the incidents in Fukui involved a Mr. KATOSHO. This incident was concerned with 526,000 tan of silk. The procurators had him under arrest in Tokyo but released him on bail. According to the law, he is not allowed to leave the Tokyo area but at the present time he is in Fukui on the order of Captain \_\_\_\_\_, who vouches for his character and claims that he is not involved in this incident. It has become imperative that the procurators re-arrest him and bring him to Tokyo, but find it difficult to do so at this time.

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"SEKO CASE"

by Kawano, Mainichi Staff Writer

FOREWARD

The so-called Seko Tempest is today causing havoc all over the country. The Diet has created a special committee to cope with the situation in order to find a political solution thereto. Meanwhile, investigation by the prosecution authorities is making a steady progress. Hiroichi Seko, member of the House of Representatives, and a number of other principal figures have already been summoned to the court for preliminary examinations.

Since the Surrender, there have been many cases that attracted nationwide attention, e.g., the case of Kodaira who raped and murdered a succession of women, the case of Higuchi, a young man who kidnapped a number of young girls including a daughter of the Sumitomo House, and the case of Jike-son, a woman who claimed to be direct descendant of a Goddess. Each and all of these cases give one a kind of abnormal creepy feeling, as though poisonous elements in the social organization had found its way to the surface. And, as far as the originality of such cases goes, it appears that the present Seko case, too, has something in common with these series of criminal cases. Involved in the Seko case are prominent men in Japan's political circles, influential Government officials, brokers, black market operators, etc., and they have fought one against the other to get hold of the heritage of the now defunct military faction. Also involved in this case are alleged bribes of a political nature, and the degenerated tieup between big time black market operators and their bosses with corrupt officials. The case, in appearance, is pregnant with enigmatic possibilities of an unclean nature.

Information emanating from Mr. Seko and his group asserts that there are about 50-billion yen worth of commodities hoarded somewhere. Be that as it may, could it be possible that such goods as calico, sugar, etc. which the nation never has a chance to see nowadays are changing hands in the black market? In what democratic manner is the Seko case going to be settled? The attention of the world is focussed on the development of this case. (July 30, 1947)



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## Start of the Seko Case

The Bank of Japan's Diamond Case:

At the Petroleum Distribution Association Bill Committee meeting of the 92nd session of the old Imperial Diet held on March 27, 1946, which was approaching its closing date, Junzo Inamura of the Social Democratic Party, who was a member of House of Representatives, disclosed that diamonds with a value of some ¥20-billion were being hoarded in the strong room of the Bank of Japan, resulting in keen attention on the part of the general public toward hoarded military supplies which were being transacted among various blackmarketeers who were taking advantage of the chaotic situation in the country just after the Surrender.

This was exactly the beginning of the so-called Seko Case, which is said to embody all the poisonous elements of the social disorder in this country after the Surrender. This case rose from the revelation of the so-called "SEKO INTELLIGENCE REPORTS" or "REPORTS OF THE SEKO ORGANIZATION".

Mr. Inamura said:

"These diamonds which the Government had forcibly purchased from the public during the war in an attempt to encourage the increase of military production and which were kept by the erstwhile Koeki Eidan, were handed over the Bank of Japan which kept them unregistered after the war. However the diamonds later were sealed by order of Hiroichi Seko, chairman of the Hoarded Goods Disposal Committee of the Economic Stabilization Board on March 19. These diamonds amounting to around 5 sho (one sho is equivalent to 0.48 gallon) are estimated to have a value of about ¥20-billion at present".

Mr. Inamura then requested an explanation on this case from Tanzan Ishibashi, who was Finance Minister at the time.

Replying to this question, Finance Minister Ishibashi said:

"I have heard of it. The diamonds were held in the safety deposit box at the Bank of Japan. At present, however, "Koeki Eidan" (Commercial Association) is closed and therefore the Government cannot directly touch them. I think that the supervision of the diamonds has probably been transferred to the Closed Organization Custody Committee. Although the diamonds are not registered, I think there will exist of course some document in this connection. Moreover, I should say that the Bank of Japan does not need to take responsibility for them because they are just only keeping the diamonds in custody at the request of the Koeki Eidan".

These were the facts which were expressed by the Finance Minister.

Two days later, on March 29, Einosuke Mayeda, member of the House of Representative, again requested an explanation of the case from the Government at the meeting of the Account Settlement Committee of the Diet. To this question, Mr. Seko gave the following answer, clarifying the true facts of the Diamond Case:

"As a result of the secret investigation, it becomes evident that the said Diamond Case is not entirely false. Therefore, I, through a certain former political vice-minister, took steps to ask the Governor of the Bank of Japan to seal the safe in which the said diamonds are kept. Just after the war, the diamonds were kept at the residence of a certain Mr. Ikeyama, who was a director of the Koeki Eidan, it is said. I have not yet obtained the report on these diamonds. Several months ago, I heard from a certain person that some 5 sho of diamonds were being kept at a certain place and that somebody wanted to sell a part of them. As soon as I heard this, I asked the Shibuya Police Station to investigate the case, but in vain.



"However, judging from the weird nature of the story concerning the transactions of the diamonds, I figured that there might be hoarded some large amounts of diamonds which might run up to values of more than ¥10-billion at some place".

In such a way, Hiroichi Seko was bound in with the story of a treasure of diamonds. Then, the following announcement was made by the Civil Property Custodian of GHQ on April 1:

"The charge that the Bank of Japan has in its possession un-registered diamonds valued at ¥20-billion has been denied by the Officials of the Bank of Japan.

"The Custodian of the 8th Army holds in the SCAP vaults in the Bank of Japan, diamonds valued at approximately \$25-million. The safety deposit boxes in the Bank of Japan, held by the Koeki Eidan, have been examined by the Civil Property Custodian and were found to contain no diamonds. No evidence was found that the officials of the Bank of Japan have evaded the SCAP directive."---GHQ

Here, it is necessary to explain why Mr. Seko started his activities to expose the hoarded goods.

#### "Seko" begins operations:

The so-called "March Crisis" had been discussed among teacher circles during the period between the end of last year and the present. Seko, then political Home Vice-Minister, launched operations to investigate the situation. Meanwhile, a report concerning the investigation of special goods kept in various storage places in this country was brought to the government. However, this was a very careless report, e.g. although special goods were estimated at about ¥30-billion by an expert, a certain storage place was not investigated and was handed over to the Home Ministry, according to this report. It was said the unregistered goods totalled at least ¥8-billion by official quotation.

During the war, Japanese militarists collected materials amounting to as much as ¥100-billion at official prices in order to execute the final defense of the homeland, it is said. Even if half of this amount was consumed by those taking advantage of the havoc just after the Surrender, there should still be ¥50-billion worth of materials hoarded at various parts in this country. This is the logic of Seko's formula. A step was taken in order to distribute these hoarded goods through the regular official route by the police throughout the country through the issuance of an order from the Police Bureau of the Home Ministry. But, unfortunately the results were not effective. Thus, Seko strongly advocated the establishment of a Hoarded Goods Exposure and Disposition Committee in the organization of the Economic Stabilization Board, and he assumed the vice-chairman of the committee when it was organized.

This committee was the aforementioned "Seko Organization". However, this committee did not include any government officials as a rule, but took in civilians utilizing secret information obtained from every quarter. When the hoarded goods were exposed, the committee requested the attendance of the police and prosecutors.

The objectives for exposure included government control companies, various kinds of Eidan (Associations), ordinary companies, and individuals. The goods exposed are brought under the custody of the Economic Stabilization Board and then directly sent to the consumers.

Unfortunately, however, the enlistment of civilians in the organization finally resulted in the increase of activities of blackmarketeers. Around Seko assembled a number of blackmarketeers and so-called "Joho-Ya"



(Intelligence men), who have an avid desire to make a fortune at a stroke. These Joho-Ya not only forged Seko's seal, but also dispatched many orders to unearth hoarded materials, thus resulting in suspicions toward Seko.

The number of Seko orders totalled 2,600 and including counterfeit orders, the total of which probably goes beyond 5,000, thus causing great confusion throughout the country.

2

"Seko" the man in question

"Seko" the university professor:

What kind of career has Representative Seko had, he who had created a bomb-shell among various circles in a country which is struggling along the highway toward democracy? Seko had boldly dared to say at a meeting of Liberal Party Representatives that even some Cabinet members have been involved in transactions of hoarded materials, resulting in confusion among the Cabinet members. He also declared at the same meeting that corrupted government officials have had direct connections with blackmarketeers, thus causing fire among the young rising officials of the government. In this regard, he may be regarded as a sort of warrior or "boss" in modern language. However, his figure is rather inconspicuous and his actions are also crude. If he is attacked at his weak point while giving his opinion during a conversation, he usually becomes red arising from shyness causing him to stammer often. His personality is rather gentle than bold in the manner of most politicians.

There is some reason for it. After graduating from the Law Department of Nippon University in March, 1923, he went to Germany and Britain for study in September of the same year just at the time when the great earthquake occurred in Tokyo. He returned to Japan in February, 1927, and became a professor at the Nippon University. Heretofore, he has been known as a scholar or university professor rather than politician.

Studious Seko likely had a secret passion for politics over a long period. In February, 1930, shortly after his return from abroad, he ran as a candidate for the general election from his native town in Wakayama Prefecture. But, he failed in the election because of his clumsy campaign. In that year, he was 38 years old. Compared with the average age of other candidates, he was very young. A story spread about him when he ran for the election. He was on the ticket for the Seiyu Kai Party. A group of speakers backing Seko arrived at the Wakayama Station from Tokyo. However, he did not return to Wakayama for a long time and they proceeded to a certain hotel. Still Seko did not show up in Wakayama. They were obliged to wait for him with nothing to do but train for speeches on Seko's behalf in front of the maids of the hotel.

In 1932, two years after he failed in the election, he ran again in the general election and this time he succeeded. In 1937, he was again elected a member of the House of Representatives. His political life was thus started. In those days, his influence as a young member of the Parliament was steadily increasing. Meanwhile, the suppression of the militarists was gradually augmented, and the number of representatives who became disappointed in political life under such a situation rose. However, Seko boldly asserted that healthy politics should be revived. His bold attitude and his confidence as politician was thus greatly valued.

All of these may be based on his study and knowledge about politics obtained during his sojourn abroad. Be that as it may, his strong point as a politician arose from the fact that he was always willing more or less

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to help his juniors. All through the year as a lecturer and a professor of the Nippon University, he was respected and loved by the students. He used to say simply "All right.", when he was asked by someone to do a favor. Then, he used to do his best in order to achieve his promise. Thus, he was nick-named the "Present day Ooka Echizen no Kami"--a great politician and judge of the Tokugawa Era. He was really a man of the world.

During the war, everything went contrary to his expectations and he refused to become a member of the Taisei Yokusan Kai (Association to assist the Imperial Rules) which was contrary to his will. He devoted himself to the education of his juniors as a university professor, and he became President of the Osaka College of the Nippon University in 1944. He also became dean of the Osaka Technical College which was established in Osaka as a department of the so-called Greater Nippon University, which was established by President Mannosuke Yamaoka of the Nippon University. Later he became the acting President of Nippon University. His professorial life as the No. 1 trusty follower of Mr. Yamaoka, could be likened to sailing in the wind.

Mention must be made of President Yamaoka, who succeeded in reactionalizing the Nippon University taking advantage of the constant suppression of the leftists, which was started in and after 1932, by the Japanese government.

President Yamaoka, one step ahead of Seko, went to Germany to study politics and from this point of view Yamaoka is both nominally and virtually Seko's teacher. However, since he became the President of Nippon University, he has held a reactionary tendency. The China Incident occurred which in turn became the war in the Pacific. Meanwhile, President Yamaoka followed the policy of the militarists and took up the ultra-militaristic ideal by means of adopting militaristic training at the university, thus changing the university into a barracks.

Seko, Yamaoka's student, however, did not show any interest in the militaristic ideal and took up the policy of training his students from a purely instructors' stand, instead of militaristic training. Therefore, he was not subject to the purge category of education circles, and he has maintained the title of university professor.

#### "Seko" the bashful person:

Even after the war, Seko did not forget the temptation of becoming a politician. Running for election as a candidate of the Liberal Party in 1946, he was elected. Then, he became the political vice-minister of the Home Ministry, succeeding Banroku Ohno, who became Secretary-General of the Liberal Party. During the occupation of the same post, he sponsored the organization of the Hoarded Goods Exposure and Disposal Committee. Unfortunately however, his policy in executing his objective of disposing hoarded materials with the assistance of a secret civilian information system, became the core of great havoc in this country, thus making him the black-shadow behind black-marketeering even after his resignation from the post.

It is a pity that he had to explain his position at a committee meeting of the Diet, at the conference of House of Representatives, and at the Prosecutors' Board. However, he boldly did it with confidence. He was as a fact a tragic adventurist of defeated "Japan", who could explain very realistically and logically his position to surrounding newspapermen in the gallery of the Diet Building.

He is now 56 in age, because he was born in Wakayama in March, 1893. His activities as a politician is much anticipated in the future rather than at present or in the past.



He became a regular member of the Liberal Party in 1945 and assumed the post of Chief of the Liberal Party's Wakayama branch and concurrently representative of Liberalist Youngmen's League of the same prefecture. He is the father of three sons.

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Mysterious persons operating on the  
"Seko" Intelligence Report

Why has Seko such wonderful political power in his slender figure which is said to have a pedagogue like feature? Why have so many treasure seekers plotted to utilize Seko? Be that as it may, there were and still are a great number of people around him. Kan-ichiyo Kamei, ex-representative and the leader of Kamei Intelligence Corps who is also connected with Seko once said that black-marketeers are much cleverer than government officials. This shows evidently how great a man Seko is because of the fact that even while tackling these arch-rats, he did not show any weakness. Moreover, it becomes clear through a peep into his list of informants who furnish his intelligence reports how many acquaintances he has in this country. He used to keep his name list in a bag.

We can venture to say that he is known by almost all brokers in this country. In his name list are the name of chairman of the Tokyo Lawyers' Association, names of ex-representatives, name of political rough-necks, names of presidents of companies, and names of brokers, and finally black-marketeers.

The names of those appearing on the surface of the so-called "Seko Case" include Messrs. Shiotsuki, Fujikawa, Nakazone, Mizuno, and Tsuji. Many names also appear in the Calico Case in Kyoto and the case concerning Education Bureau of the Tokyo Metropolitan Government, and then from other cases concerning the Seko instructions. In any case, it looks as if a certain Shibayama is the focal center of these cases. However, it is very hard to grasp what is what, because operators hide behind a thick veil. They and their activities much too complex to understand at a mere glance.

After all, the Seko Case, which is proving un-understandable to the Japanese people, has now become a political issue in this country, and many people have connection with this case. Thus, it is difficult even to grasp its outline.

Black shadow "General Wang", who played one of the important roles of Seko Case

Last June 17, policemen of the Gojo Police Station in Kyoto were tensed to make an unusually big raid on that day. Since last summer, when the Seko intelligence report was not known to the people, a person who called himself General Wang Chi-kuo of the Chinese Army, was very active in operating underground in the Kansai area and he was thought to have had an active role in large scale blackmarketeering of hoarded goods. The police authorities started secret operations to detect this personality and his back-ground. As a result, it was found that he is not a Chinese but a Japanese and the authorities started a move to run him down together with his clique.

A group of policemen on that day raided his beautiful residence at Shimogamo and arrested him. The counterfeit Chinese General, however, still persisted in his claim of being a real Chinese general even after he was detained and also in front of judicial policeman, stating to the following effect:

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"Don't you know a Chinese General when you see one? You will be responsible if I make the case an international issue!"

However, when he was told by the police that every investigation had been made about his personality, that he should surrender more gracefully if he was really a Chinese General and that his real name "Kyuzo Otsuka" was known to the police authorities, he readily surrendered. According to his statement, his career was as follows:

His name was Kyuzo Otsuka (58). He was born in Kyoto. When he was young, he went to Manchuria, where he became a service boy on a train and gained opportunities to make the acquaintance with many well-known figures. Thus, he became a hundred percent "Manshu Ronin"--a person who pays his way with his knowledge about Manchuria but one who has no special knowledge about politics or economy and one who has also no definite job. In 1933,--the year after the conclusion of the Manchurian Affair--he returned to Osaka and he was arrested and later released in connection with the famous so-called "Shimatoku Case". He played an important role in this case. Last summer, when the exposure and disposal of hoarded goods became a problem in Japan, he attempted to make a fortune on this occasion. Utilizing a passport, which he obtained when he was in Manchuria, he actively was operating behind counterfeit hoarded goods exposure groups as a Chinese general. Moreover, the shadow who was operating this poor international Don Quixote was a man named Rikiichiro Ezure, who was once in Saghalien and had been a pirate, later going to Manchuria. Shibayama and Katsuma were also under Ezure and they distributed so-called Seko Intelligence reports. They illegally obtained a large sum, amounting to over ¥10-million by means of a false order to release hoarded goods to the public. The so-called Chinese General's daily life in Kyoto was a gorgeous one and he used to drive around in a private motor-car. His suite called him "Kakka"--Your Excellency. Such being the case, the police authorities around his house did not doubt his rank, it is said. The General Wang case brought a greater confusion to the persons and facts concerning the Seko Case.

#### So-called "Seko Orders" Scattered

The sum of ¥200-million has so far been lost throughout Japan as a result of counterfeit orders, releasing hoarded goods. Brokers or black-marketeers advanced on a mere counterfeit document, concerning the disposal of some 10,000 military uniforms or an order for 182,000 tons of calico, like ants on sugar. In one case, an innocent peasant paid a certain amount of money for the purchase of hoarded goods. All these cases occurred in connection with the so-called "Seko Orders".

Giichi Konuma, who has been guilty on eight offenses, was arrested last summer in connection with a fraud concerning cotton cloth in Kyoto, but he skillfully escaped from jail during the investigation in Osaka. He then became a director of a guild called "Shinsei Kyoryoku Kai" (New Life Cooperation) in Kyoto. He used to investigate various godowns of a control company, various association, or other bodies by mobilizing his followers and issued orders saying that they contained hoarded materials and therefore they should be disposed of through his hand.

Komura obtained some ¥1-million from the Shipping Control Co. in Tokyo as a deposit in disposing of cotton cloth and he committed 25 other cases of fraud with a total value of ¥6-million. For this, he was arrested by Detective Section of the Kyoto Police Station. However, fortunately for him, he became ill. During his stay in hospital, he became acquainted with a certain Tsuchiya, who was said to be a member of Seko's Intelligence Corps and who issued so-called "Seko Orders". Taking advantage of a counterfeit order, Messrs. Konuma and Tsuchiya sealed various godowns in order to prevent the removal of goods kept in them. They made receipts for the custody of these goods in the name of the Hoarded Goods Disposal Committee. They



showed the receipts to various agricultural associations or Fishing Associations and received some amounts as deposits or funds to release these goods hoarded to the farmers or fishermen. According to investigations made by the police authorities, the hoarded goods which these swindlers used for their fraud are goods to be disposed of by authorities concerned and which were already registered in the authorities list.

In this connection, mention is to be made of the Seko Orders. A sample is as follows:

Temporary Hoarded Goods  
Exposure and Disposal Order

March 22, 1947

The Economic Stabilization  
Board  
Hoarded Goods Disposal  
Committee

Acting Vice-Chairman

Hiroichi Seko

\_\_\_\_\_  
(Signed)

1. The following hoarded goods shall be disposed of in accordance with the application in this connection;

Note:

1. Place where hoarded goods are stocked;

Plant and three godowns in the possession of  
Tomejiro IInuma, Aoki-cho, Kawaguchi-Shi,  
Saitama Prefecture.

1. Kinds and amount of hoarded goods;

Canvas, cloth for military uniforms,  
Cotton cloth

Full three rows of godowns.

In case certain goods are confirmed as hoarded goods to be disposed, a proper custodian is decided and this custodian is to issue a document stating that he is holding the materials. Thus, a report in detail in this connection, together with the presentation of the said document, is to be made to the committee concerned.

To: Mr. Masuo Arimura  
No. 69-5 Asagaya, Suginami-ku Tokyo

Note: This order is valid only for the person  
appointed.

This order is good for within 7 days since  
issued.



Was the Seko Order a counterfeit or official document?

The above mentioned constitutes a problematical Seko Order. It is noticeable that the form of the document is printed by the polygraphic system upon a Cabinet letterhead in order to increase the effectiveness of the document.

Thus, the number of these who committed fraud of this kind by means of using these documents increased suddenly in this country. The Economic Stabilization Board, therefore, issued the following announcement on July 2, this year.

"The Economic Stabilization Board exposed 257 swindling cases up to June 15 since it engaged in exposing hoarded goods based on the Cabinet decision on February 6. Of the total, 132 cases or 50 per cent have been disposed of, while at the remaining reported places there were not found any amount of hoarded materials. Of the 132 cases, 80 cases or ¥30-million worth of materials have been so far distributed to the public through the regular distribution system by the Industrial Rehabilitation Association, and therefore, the Economic Stabilization Board does not touch the distribution of the hoarded goods directly. Moreover, the Seko Order involved no legal authority for the distribution of exposed hoarded materials. Therefore, the Economic Stabilization Board calls the public attention to this fact and urged it not to be deceived by brokers of ill fame."

This announcement made by the Economic Stabilization Board denied thoroughly the legal authority of the Seko Order in regard to the disposal of hoarded materials. Thus, from the legal point of view, the Seko Order becomes a fabricated official order. In this connection, Seko declared that judging from his experience in disposal of hoarded goods in the past, the conspiracy of bad government officials with the blackmarketeers will be strengthened and contrary to the initial objective the hoarded goods will be conveyed to the blackmarket, more than in the past.

Taking an example, Seko indignantly stated as follows:

"For instance, some members of operation group for the disposal of hoarded goods visited the chief of the Police Department of a Prefectural Government in order to ask the latter's assent and then proceeds to the Economic Crime Section to request cooperation for the disposal of hoarded goods. The Section used to make our men wait for two or three hours on the pretext that they are busy. Then, they go to the godown or house where the hoarded goods are kept. However, by that time, the godowns were usually empty and hoarded goods had been taken away to some other place.

"In some cases, the Economic Crime Section said it was too busy to cooperate with our staff at that moment and to come two or three days later. After two or three days they visited the same section for the same purpose and then went to the godown or other place where the hoarded goods had been kept. However, the hoarded materials had already been removed to other places.

"Our staff therefore took following steps; When they intended to dispose of hoarded materials, they went straight to the godown prior to visiting the police department of prefecture. Or, if they were told to come next day, they went in the evening of the same day. Or, as they visited the police department, other men went to the godown. With such steps, they made efforts to dispose of the hoarded goods effectively."

Outside of whether his statement were right or not, it should be thought that Seko's statement involved some real facts beyond a mere attack against bad government officials.



On the other hand, the government officials clarified their attitude, saying that as the Seko Intelligence reports were usually arbitrary, they might perhaps have taken the attitude as stated by Seko in order to prevent activities by brokers of ill fame.

Of the total cases of illegal mistransactions, the cases arising from Seko orders amounted to about 70 percent or 45 cases, which involved more than ¥80-million worth of goods. According to these facts, Seko is naturally to be suspected even if he has no connection with these cases.

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### Tracing of Treasure

According to the Seko Intelligence Report, the hoarded goods are roughly estimated as follows:

Diamonds -----	¥18-billion
Precious metals -----	¥10-billion
Iron and light metals -	¥16-billion
Textile goods -----	¥15-billion

The total is ¥53-billion.

The Seko Intelligence report formerly stated that some ¥50-billion worth of hoarded goods exist in this country. Seko himself believes in the existence of these goods.

If the hoarded goods could be divided into categories or into smaller amounts, the present-day tracing of the treasure would become more truthful. At any rate, Seko said that there are some 10-million tans of cotton and woolen goods in Saitama and Kyoto Prefectures, 53,000 bales of sugar in the Kyushu district, about 30,000 cans or 150,000 gallons of gasoline in and around Tokyo and some ¥440-million worth of gold bars throughout the country. He added that the whereabouts of these goods were not known but they existed just after the war. Seko had considered a plan for a 20 per cent price system in exposing these hoarded goods to the brokers operating. Therefore, many brokers have assembled around him aiming at these prices.

Story No. 1 (Military uniforms at Kurihama)

(Kan-ichi Kamei)

Most of those demobilized used to take off their uniforms and throw them away when they landed on Kurihama coast from abroad. It is natural that quick and cunning brokers centered their

attention in these. Among the brokers was Kan-Ichi Kamei, who is an ex-representative and now the Managing Director of the Scientific Civilian Life Investigation Association, No. 5, Nishi Ginza, Chuo-ku, Tokyo. Thus, he started his business. Hearing that the military uniforms were sent to the Sonan Public Welfare Association, he attempted to purchase a certain cleaning plant at Ogawa-cho, Yokosuka, and the Fuji Cleaning Plant at Hodogaya in order to wash these military uniforms. His idea was that instead of paying for washing these uniforms, he would receive a certain number of uniforms and sell them in rural districts. For this plan, he borrowed the sum of ¥600,000 from Noboru Ichihashi of the Public Opinion Investigation Institute and from a certain Ogawa, No. 2 Ginza, respectively. In return for this sum, he promised to give a priority in dividing 10,000 uniforms to Ichihashi and 5,000 uniforms to Mr. Ogawa.



Upon hearing this story, many brokers started the same business, thus causing large scale swindlers throughout the country, arising from the so-called Kamei Intelligence reports, which is estimated to involve scores of millions of yen.

With the unexpected appearance of many brokers, Kamei lost time in starting activities in this connection. After all he was not able to obtain a single uniform and got a bad name.

Story No. 2 (Education Bureau of Tokyo Metropolitan government cheated.)

One day last summer, Yoshitoyo Shibayama of Shibuya-ku, Tokyo, visited Muneji Hirota, Secretary of the Athletic Section of Education Bureau of Tokyo City, and said that he would supply clothes if needed. Upon hearing this story, Chief Usami of the Education Bureau applied to the then Commerce Minister Hoshijima in this connection. However, the Commerce Ministry replied that if Shibayama could find any hoarded clothes, the privilege to release these clothes would be given to him. Based on this reply, Shibayama went down to the Kansai district to find hoarded clothes. In the meantime, he became acquainted with Toshio Katsuma of Fuji Co., No. 1-4, Sakae-machi, Naka-ku, Nagoya City. Then, he heard of 240,000 tans of calico which Rikiichiro Ezure held. Katsuma who received three cheques amounting to ¥2,611,000 issued by the Tokyo Metropolitan Government in three installments from Shibayama and handed them to Ezure, then proceeded to the Ibuki Co. in order to receive the calico. However, he was told that the calico had been registered and could be disposed of only by the hand of the Textile Control Co. Thus, Katsuma, after consultation with Seko, received 3,700 tans of calico which was to be handed over to the Fuji Co. and sent them to the Shiodome Station, Tokyo. However, the calico was held up by the Metropolitan Police Board of Tokyo. The calico was sent in the name of Shibayama and the receiver was Yasumoto.

With the investigation initiated by the police authorities it was found that Shibayama had brought about the story of hoarded goods to various circles and obtained the sum, namely; ¥800,000 from the Nippon Cloth Industry Co., and ¥6,870,000 from various cloth processing industries in Tokyo and Kyoto, but not even a single tan of calico arrived in Tokyo.

Story No. 3 (Fortune-teller finds the place where hoarded goods are kept.)

The Economic Crime Section of the Kyoto Prefectural Government arrested 12 including the following three persons who called themselves regular members of the Hoarded Goods Disposal Committee of a certain political party:

Chojiro Nishida (45): Alias Fortune-teller Kenryu, Kitakoji Kudaru, Chieikoin, Kamikyo-ku, Kyoto

Matsushita (30): c/o Saburo Masuda, Kitadaiji Sembon agaru, Kamikyo-ku, Kyoto

Kumao Inada (31): Member of the regular member of Hoarded Goods Exposure Corp.

The details of the story are as follows:

The anti-Crime Section of the Kyoto Prefectural Government which received an order for arrest from the Kyoto District Court on June 12, at 9 a.m. mobilized some 40 policemen to arrest enbloc the group of blackmarketeer and brokers. However, the leaders of the group, namely, Kisaku Makino (46)-- so-called Liberal Party member--and 19 others had already run away.

The group, taking advantage of the name of hoarded goods exposure committee members, threatened, swindled, and usurped the properties or money of various people by mobilizing a gang. For example:

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The group, attacked a broker who held hoarded materials. After negotiation they sent their foreman to the godown where the hoarded goods had been kept and proceeded to the place where he showed the caretaker of the godown the name card by which the holder of that card was certified as a member of the Hoarded Goods Disposal Department. Then, they swindled some amount of the precious materials taking advantage of the title.

There are a great number of sufferers, including Chonosuke Sagawa of Iguma Higashiiru, Kamitachii, Kamikyo-ku, Kyoto, who paid money without receiving anything for it. The sum of about ¥200,000 was paid for rayon. These sufferers numbered over two scores.

However, it should be noticed that the sufferers of swindling cases has their faults. So, these cases eloquently tell the present home condition of this country.

#### Story No. 4 (New millionaire peasant swindled)

Kosaburo Ando (44), ex-chief of the finance department of the Kasugai Agricultural Society, Kasugai City, Aichi Prefecture, went to Tokyo last January carrying ¥1,650,000 with him and disappeared. The Agricultural Society could not learn anything about him even by April. Astonished by Ando's disappearance, the members of the society assembled at the office to confer to cope with the situation, but in vain. Then, they petitioned to the police authorities. The Aichi Police Department reported the case to the Metropolitan Police Board. The latter then arrested Ando by the mobilization of its police net work.

According to the investigation of Ando, it was learned that Ando handed the money amounting to ¥1,650,000 over to a certain person as deposit for the purchase of calico, which was to be disposed of by Commerce Ministry to the All Japan Federation of Repatriates' Associations established in Honganji Temple, Tsukiji, Tokyo, and the Federation would sell the calico to the aforementioned Agricultural Society. The story sounded plausible, but the police authorities considered it a kind of swindle.

The money was spent to buy off those who were supposed to have authority in regard to the distribution of the calico. Of the total, some several hundred thousand yen were said to have been sent to a certain representative of the Liberal Party. This is, after all, nothing but a fraud related to the Seko Intelligence report.

In this connection, Sadao Furuya, Chief Secretary of the said Federation, said:

"I received in April the sum of ¥200,000 as a donation for charity purposes from a broker, who was reported afterwards as related to this case, but I don't know anything in detail. The money was received through Rikizo Yamamoto, adviser of the said Federation, who is living at Kobiki-cho, Chuo-ku, Tokyo."

#### Story No. 5 (Was Seko cheated?)

A group of robbers every night attacked a godown of a certain brewery house and some godown at Mizuguchi, Shiga Prefecture, where there were large amounts of cotton cloth, military uniforms, and staple textiles hoarded.

It was reported of this hoarded materials that they were under the possession of the Kyoto Godown Co., owner of which was Keiichi Oku, and they were removed from Kyoto in order to prevent damage by war.



However, the Kyoto Godown Co. stated that they had no connection with their company. The Police Department of Kyoto Prefecture, however, suspected the statement of the Kyoto Godown Co. The Police Department in close relation with the Otsu Police Station, kept watch on these hoarded materials and then captured trucks belonging to the Kyoto Godown Co., which were going to convey the hoarded goods from the said godowns to Otsu. The situation thus became unfavorable for Oku and he immediately handed these goods over to the Foreign Trade Board.

The story, then was told to Shibayama, who was working behind Seko. The latter visited to Kyoto on December 14, last year. Seko investigated the nature of the goods and reported to the Home Ministry.

However, the Kyoto Godown Co. still insisted that the goods belonged to the Koeki Eidan and they were not hoarded materials.

#### Present-Day "Momotaro" organize a clique:

Beside these stories, there are many trackers of treasure throughout Japan. They are all organized civilian hoarded goods exposure groups. Almost all of these groups have plausible names in pretense of government organs, such as organ, and committee and some of them have very militaristic names used during the war. Some of them also have even a democratic title, which is now the fashion. Most of them have more than 10 operators actively working to find out places where there are hoarded goods. Of these, the following groups are already under investigation by the police authorities on suspicion of connection with swindling cases.

#### (Ichihashi Organ)

This group has operated mostly in the Chugoku district with Hiroshima as the center even though the head office is in Tokyo. The chief of this group is Noboru Ichihashi (51), Chief of the Enterprise Department of the Public Opinion Investigation Institute situating in Chuo-ku, Tokyo. This organ used actively Seko's name-cards. Ichihashi was summoned and examined by the Metropolitan Police Board on June 26.

It is said that Gosaburo Omiya, representative from the Democratic Party, and Ichiro Hatoyama, former Chief of the Liberal Party had relations with his activities in connection with military uniforms. The proceedings of his examination is the object of keen attention.

#### (Akiyama Organ)

This is an intelligence report group operated by Yoshijiro Akiyama (55) member of the Civilian Life Maintenance Assisting Association at Itsukushima-machi, Saeki-gun, Hiroshima. The members of the group are under examination by the Onomichi Police Station, suspected of swindling ¥20-million worth of calico in April. It is said that they obtained a large amount of money as deposit for the distribution of calico to various agricultural association or fishery association throughout the country. The police authorities are also investigating them in order to clarify whether they had any connection with Seko.

#### (Yasue Organ)

This is a group of brokers with Chunosuke Yasue (45), president of the Yasue Co., Takagi-cho, Shimogamo, Kami Sakyo-ku, Kyoto. It is said that Yasue had been in Shanghai and had a certain connection with the army special intelligence corp. This group has extended its sphere of operations into the Kansai districts with Hiroshima as the center since June this year. All of a sudden, Yoneda, chief of the Postoffice at Oya, Oya-Mura Aki-gun, Hiroshima, who is said to have close connection with the group, was arrested by the police on charge of being related to the swindling of ¥330,000 worth of



glass and also the swindling of ¥570,000 worth of calico for Hagi Fishery Association, Yamaguchi Prefecture.

Thus, the activity of the said organ has come under the keen watch of the police authorities. The Police Department of the Hiroshima Prefecture announced the investigation of the activity of the said organ.

(Harada Organ)

A man of about 30 years of age, who declared himself a secretary of the former Prime Minister, visited the office of the General Affairs Section of the Supply Department of the Demobilizing Bureau at Sasebo early in the morning of June 20 and said that he came to the office under the order of the Harada Organ, which is led by Hisashi Harada, ex-Vice Consul of the Foreign Ministry. In the Supply Department of the same bureau there was kept some ¥10-million worth of hoarded goods, beside the stocks registered, he added. And, he requested the selling of these hoarded materials to the said department.

With the refusal by the said department on the grounds that there were no such hoarded goods, he said that it could not be true and that he had come to the department on the order of the central government and would come right back again. Thus, he left the office.

This was reported to the Isahaya Police Station of Nagasaki Prefecture. Thereafter, the police authorities watched the activity of the Harada Organ. As a result, it was known that Harada, the leader, was staying at a certain hotel in Sasebo City for a month and was assisted by fifteen or sixteen of his staff. He was attempting to obtain former navy supplies in and around Nagasaki Prefecture.

On July 5, the Isahaya Police Station received a report that the Shimabara Railway Workers Association made contract with Harada for the purchase of some ¥2-million worth of navy uniform and arrested Harada. As a result of the examination, it was known that Harada also had connection with the Seko Intelligence Report. However, further examination is now underway.

6

The Bomb-shell Declaration by Seko

Amidst rising suspicion and mystery among the people of this country due to the continued swindling cases following the issuing of the Seko Orders to expose hoarded goods said to be valued at more than ¥50-billion worth at the official quotation, Representative Seko issued a declaration at the Diet meeting on July 10. Thus the Seko case changed into a kind of political issue.

All newspapers in Japan carried the story of Seko case consecutively on three days on July 12, 13, and 14. Some of the newspapers used very sensational titles such as "some of the cabinet members have connection with large scale swindling cases" or "the case may become the cause of a movement to down the present cabinet."

Seko standing amidst such keen attention of the people stated:

"The hoarded goods are estimated at more than ¥50-billion at the official quotation during the war. Despite the great value of the hoarded goods, their whereabouts are not known due to the fact that government officials and even policemen in conspiracy with blackmarketeers or bad brokers, have prevented the exposure and disposal of them. The Seko Orders have not been issued on groundless reports. They were issued after strict investigation of the report. I have no feeling of shame in this connection."



He then explained his position by showing the silk and woolen textiles which have been so far disposed of by his order.

He stated:

"(Seko Organ)-----When Tanzan Ishibashi, former Finance Minister occupied concurrently the post of chief of the Economic Stabilization Board, he established the Hoarded Goods Disposal Committee within the Board. Mr. Ishibashi occupied the post of chairman of the said committee while I (Seko) was appointed vice-chairman of the same committee.

"The aim of the said committee was that, in order to stabilize the economic condition of Japan, the blackmarket should be clearly wiped out and the goods which were transacted by blackmarketeers should be distributed through the regular distribution organization.

"We thought that if these enormous amounts of hoarded goods would be distributed by the regular ration system, it would somewhat stabilize the currency situation in this country, because these hoarded goods will back up the present inflationary currency. Therefore, we started the operation logically to expose and then dispose of the hoarded goods. As Mr. Ishibashi was in a concurrent post as the chairman of the said committee at that moment, the actual job was done by myself.

"(Diamond Case)-----As the diamonds purchased by the Government during the war was estimated at ¥1,800-million. Therefore, I myself estimated these diamonds at not less than ¥10-billion at the present quotation.

"During the war, the diamonds were purchased by the government at the price of ¥2,200 per carat. But the present quotation is about ¥120,000 per carat. The quotation of diamonds has risen to 10 times compared with that during the war, the ¥1,800-million worth of diamonds thus being valued at ¥18-billion.

"A great problem was cast on the Diet by these diamonds, resulting in the inception of the Seko Intelligence Report problem. But unfortunately the diamonds were not found. Owing to the continued happening of such cases, I was under great suspicion. Fortunately however, ¥200-million worth of diamonds were found in the godown of a certain trust company on April 3. This fact eloquently testifies that my report is absolutely correct and is not an arbitrary one. The point is how to expose the hoarded goods. I hereby declare that we are not cheated by corrupted policemen who are cooperating with the bad brokers.

"(Textile goods)-----At least 10-million tons of woolen goods, calico and silk textiles are hoarded somewhere in this country. We uncovered some ¥30-million worth of hoarded goods in the Kyoto area. Meanwhile, Tochigi Prefecture reported the hoarding of not a single item, but we succeeded in uncovering some ¥300-million worth of goods with the assistance of the Prosecutors Bureau.

"(Sugar)-----Only in Shizuoka, 250 tons of sugar were hoarded, but this was all molasses. We sold this to the public through the regular route.

"We received a report that some 53,000 bales of sugar are hoarded in Kyushu.

"(Gasoline)-----I dare say that some 30,000 barrels of gasoline are hoarded in Tokyo City.

"(Gold bar)-----Some ¥440-million worth of gold bars outstanding was hoarded in Japan on August 9, 1945. If this gold were rooted up and made a fund to support the currency, it will be possible to issue ¥10-billion of new notes. This is the most effective and shortest way of stabilizing the present inflationary currency."



Can Cabinet members be connected with the Seko Case?

The above is an outline of the Seko Intelligence report revealed before the House of Representatives on July 10. At the meeting on July 12, replying to a question raised by Representative Shoji, Seko again assuming the platform made a bomb-shell declaration to the following effect:

"I understand that Shoji's question is whether there is any cabinet members who are included in the bribery case concerning the selling of sugar by the government.

"I did not say that there are no cabinet members who have relation with the bribery or blackmarketeering transactions of sugar. I am not in a position to make an announcement in this connection at present. However, if an investigation committee in this regard would be organized, I will supply some materials to the new committee."

This Seko statement was a terrible shock to every representative present, let alone to the cabinet members.

The present Cabinet intended to overlook this statement at first. However, the situation became tense because Seko's statement was published not only in the Japanese newspapers, but also in foreign newspapers. What is worse, some of the papers mentioned the names of a few cabinet members. Thus, the cabinet had to take steps to explain its position.

On July 18, Chief Secretary Nishio at a press conference in a wild voice declared that the statement by Seko was made on the basis of a groundless report and therefore the report that some cabinet members had connection with the illegal transaction of hoarded goods has no foundation. He, then, added that the cabinet may indict Seko for libel.

Mr. Nishio's declaration was as follows:

"The statement that some of the present cabinet members have connection with bribery or illegal transactions of hoarded materials is groundless. In order to prevent reports concerning individual prestige from being published or stated without responsibility hereafter, I should like investigate the matter carefully and severely.

"I reported the case to Justice Minister Suzuki and requested to make an investigation. Mr. Suzuki said that it is necessary to prosecute Mr. Seko not merely for defamation of individuals but of the entire cabinet. And, he said that in case of prosecution of Mr. Seko he should like to make the Chief secretary of the cabinet the prosecutor. I agreed with him.

"If an investigation is to be made of the newspaper which reported the names of cabinet members in connection with illegal transactions of hoarded goods and the report is found true, Mr. Seko's statement would become true. Be that as it may, this is a very tricky matter. I have not taken any steps for prosecution, but I am sure to prosecute. The issue of demagogic reports must be restrained. If it becomes clear that some cabinet members have had relations with illegal transactions, the fact must be made public and then direct action must be taken."

Upon hearing Nishio's statement, Seko became angry and he returned with the following statement:

"Based on materials which now I have received, I said that some cabinet members have connection with illegal transactions of sugar hoarded in Shizuoka Prefecture. The charge that I made a groundless report or I scattered malicious demagogery is not to be pardoned. If the prosecution will be made ready, I will make public the material I have held up to now. I expect an honest and correct investigation to be made by the special investigation committee for the hoarded goods, which will be organized in the Diet in the near future."