

(1507) AIKAWA IPS case 214

(2)

(13)



SECRET

NAME: AIKAWA, Yoshisuke.

PRESENT STATUS: Confined in Sugamo Prison.

SUMMARY OF INFORMATION:

Member of the Cabinet Advisory Board in the KOISO Cabinet; advisor to Board of Technology; a leading nationalist and industrialist. Former President of the Manchuria Industrial Development Corp.; Nissan Company Ltd.; Nissan Automobile Co. Ltd., and Chairman of many Manchurian industrial enterprises. SUBJECT is a brother-in-law of KUHARA, Fusanosuke. He resigned his position as President of the Manchukuo Heavy Industries Company Ltd., and other companies in 1942. In 1943 he became a member of the House of Peers and a member of the Cabinet Advisory Council, and in 1944 a Councillor to the Board of Technology.

REMARKS:

For a number of years SUBJECT was one of the leading and most influential Japanese industrialists and munitions manufacturers, and, as such materially aided in the exploitation of Manchuria. His activities were chiefly along industrial lines rather than political. In 1943 he was appointed one of the original Cabinet advisors by Premier TOJO. CIS/G-2, FEC, in a report to Legal Section, under date of 14 May 1947, recommends as follows: "Unless it is decided to indict AIKAWA on the prima facie evidence of having made business profits in wartime, G-2 strongly recommends his release without preference of charges."

RECOMMENDATION:

It is recommended that SUBJECT be retained in custody as a Class A war criminal suspect and be tried before an International Military Tribunal in Tokyo.

SECRET



UNITED STATES ARMY FORCES - PACIFIC  
GENERAL HEADQUARTERS

Aikawa-Yoshisuke

2 B 1

Sugamo Prison

June 11<sup>th</sup> 1947



回答書

一九四七・六・一

記事

質問  
番号

1. 一九四一、二、七ニハ余ハ滿洲國首都新京ニ於テ

滿洲重工業開發株式會社總裁ノ職ニアリタリ

一九四五、九、二ニハ余ハ東京都ニ於ケル

財團法人義済會々長及ヒ社団法人日産會々長ノ職ニ  
アリタリ

アイカワヨシスケ

2. 鮎川義介 Aikawa Yoshisuke

3. 常テ別名ヲ用井シトナシ又呼稱セラレシフトモナシ

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ヤマダケンヨシナガノカミウツリヨウアラハヒカミ

5. 山口縣吉敷郡上宇野合村字氷上

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8. 頸蓋島中心ヨリニ研た方傷痕トシテ田形ノ窪ミヲ存ス、左母指爪が一  
山形ニナラス

9. 東京都豊島区北巣鴨拘置所

10. 東京都千代田区紀尾井町六番地

Kojimachi,  
Chiyodaku,  
Tokyo

ナシ

12. 今回ノ戦犯名疑者トシテ外ニハ絶対ニナシ

13. 滿洲重工業用共及株式會社總裁







GENERAL HEADQUARTERS  
UNITED STATES ARMY FORCES, PACIFIC

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 日産火災海上保險株式会社  
 日本油脂株式会社  
 日中ビクター蓄音器株式会社  
 日産ゴム株式会社 (後稱日産木材業)  
 滿洲重工業 (开发株式会社)  
 滿洲鑛山株式会社  
 滿洲飛行機株式会社  
 株式会社昭和製鋼所  
 滿洲輕金屬株式会社  
 東亞道 (开发株式会社)  
 滿洲自動車製造株式会社  
 株式会社本溪湖鑛鉄公司  
 日産自動車株式会社  
 昭和自動車工業株式会社

取締役会長  
 同前  
 平取締役  
 代表取締役  
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 總裁  
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其他

内河重機株式会社

取締役会長

内河是銀株式会社

理事長

日理生命保險株式会社

取締役

内河投資信託株式会社

同前

株式会社日産

取締役社長  
及会長

同前

取締役会長

同前

顧問

同前

取締役社長  
及会長

内河市政府

経済顧問

梅子書院會社

日新書院會社

財団法人帝國書院會社

中央經濟會社

朝鮮信託株式會社

大正建設會社

大正建設會社



GENERAL HEADQUARTERS  
UNITED STATES ARMY FORCES, PACIFIC

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左記ノ通り

財団法人 井上玄月英人會 理事及 役員

社団法人 日本工業クラブ 評議員、理事及 役員

社団法人 日本経済協会 評議員

財団法人 防長教育會 評議員

社団法人 東亞研究所 評議員

社団法人 世界經濟調査會 評議員

社団法人 厚生協會 顧問

社団法人 日産會 会長

社団法人 經濟連盟會 常務理事

財団法人 義捐會 会長

社団法人 調査研究會 輪盟監督及 顧問

財団法人 科學勸業協會 理事及 評議員

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Searching for the Truth

UNITED STATES ARMY FORCES, PACIFIC  
GENERAL HEADQUARTERS



GENERAL HEADQUARTERS  
UNITED STATES ARMY FORCES, PACIFIC

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Aikawa-Yoshisuke

2B-1

Sugamo Prison







Date: 8 May 1947

Report of Investigation Division, Legal Section, GHQ, SCAP.

Inv. Div. No.  
1507

CRD No.

Report by: Major B. R. Patterson

Title: Yoshisuke AIKAWA

Synopsis of facts: AIKAWA born 1880 at Yamaguchi-ken. Graduate Tokyo Imperial University 1903. Traveled United States 1903 to 1908. Founder Tobata Casting Company in Japan. President Japan Industrial Co. 1920. Pres. Manchukuo Heavy Industries 1938. Pres. Manchurian Industrial Development Co. 1939. Member House of Peers. Advisor to TOJO Cabinet. Appre. requested 2 Dec 45. Interned Sugamo 17 Dec 45. Released house arrest File AG000.5 (10Feb 47).

-P-

Reference: Report by Thomas J. Gallagher 6 March 1947.

DETAILS:

At Tokyo:

This investigation is predicated upon the request of the Honorable Lord WRIGHT, President of the International War Crimes Commission.

A review of the indices reveal the following information:

AIKAWA was born in November 1880 in Yamaguchi-ken. Eldest son of AIKAWA Yahachi, a prefectural government official. In 1903 AIKAWA graduated from Tokyo Imperial University (Mechanical Engineering). From 1903 he worked as a laborer at the Shibaura Iron Foundry. In 1905 he went to the United States and worked as a laborer at the Malleable Iron Company, Erie, Pennsylvania. He toured the United States inspecting the various casting industries. He returned to Japan and founded the Tabata Casting Company. This was in 1909. In 1920 he became President of Japan Industrial Company. In 1927 he became Chief Executive of various enterprises operated jointly with Fusanosuke KUHARA. In 1936 he made a tour of Manchuko on an inspection trip at the invitation of the Kwantung Army. In 1937 he was reported to have visited the US to obtain loans for the development of Manchuria. He became President of the Manchuko Heavy

Distribution:

1 Pros.  
1 CRD  
1 Fukuoka  
1 Inv. Div (File 1507)  
1 Major Patterson

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Industries in 1938 and on the 25th of December 1939 he became President of the Manchurian Industrial Development Company, Ltd. In 1940 he is reported to have made a tour in Germany to inspect industrial conditions. On the 27th of December 1942, AIKAWA resigned as President of the Manchurian Industrial Development Company, Ltd., remaining as Councillor. This time he was appointed Economic Advisor to the Manchuko government. In January 1943 AIKAWA became a member of the House of Peers by Imperial appointment. In 1943 he was appointed one of the original cabinet advisors by Premier TOJO.

In 1931 AIKAWA began rapid company promotions in earnest. Capitalizing on the inflationary situation plus stimulus provided to heavy industries by the expanding military budget, he became concerned with the development of the industrial potentialities in Manchuria.

In 1938 AIKAWA was reported to have approached T.J. WATSON, President of International Business Machines Incorporation, for a fifty million dollar loan which, when refused, prompted him to raise his request to 300 million, which was also refused. This was the period when the Japanese government was apparently experimenting with the short-lived "Open-Door" policy in Manchuria. One source says AIKAWA had many good connections with commercial circles in America, and at this time he announced that Manchuria was outstripping Japan in industrial development, but needed American capital and large scale machinery to further this development. On the 18th September 1941, AIKAWA is reported to have stated that his efforts to secure help from Germany had failed. Late in 1942 AIKAWA announced that in December at the expiration of his term as President of the Manchurian Industrial Development Company, he would retire. One source felt that AIKAWA may have resigned because of friction with the military, caused by his insistence that Manchuria should not be neglected for the development of the new Southern Regions.

AIKAWA has been called one of the most conspicuous men of Japan finance, plutocrat of the munitions industry and one of the "Big Five" of Manchuria. His prosperity was said by one source to benefit an alleged five million shareholders and 130 thousand employees.

Sources well acquainted with him say that he was congenial, considerate of his foreign employees, and extremely proud of his early American experiences. He publicly and privately admired U.S. business and industrial methods and was said to be "genuinely friendly to America". American engineers who worked for him spoke of his business and personal relations, as well as his business ability, in the highest terms. (Source IPS case No. 214 and Inv.Div File 1507).

A letter dated 1 August 1946, subject, Release of Detained Suspected War Criminals, from J. B. Keenan to G-2 Assistant to the Chief of Staff through Legal Section, reads as follows:

1. Investigation conducted to the present date with respect to AIKAWA, Gisuke (Gesuke, Yoshisuke, Yoshisaka), formerly President of the Manchurian Industrial Development Company, Ltd., who is now being detained at Sugamo Prison, fails to reveal at this time evidence sufficient to warrant charging him with any offense cognizable before the International Military Tribunal for the Far East.



2. AIKAWA is 66 years of age, founder of the Tobata Casting Company and the Nissan Company, a public holding company. He rose from an obscure engineer to one of Japan's top-ranking industrialists. In 1937, by invitation from HOSHINO and ITAGAKI, he went to Manchukuo and later agreed to establish an industrial corporation to take over and speed up the exploitation of heavy industry in Manchukuo. In pursuance of this plan, he established the Manchurian Industrial Development Company, Ltd. in Manchukuo. While the result of AIKAWA's efforts to industrialize Manchukuo played into the hands of the militarists and aided eventually in the war aggression, there appears to be no evidence aligning him with the military aggressors in the conspiracy to wage war. Rather it appears that AIKAWA favored the open door policy in industrializing Manchukuo, sought foreign capital, including American, for that purpose and was first and foremost a businessman and industrialist. Following his resignation in 1942 from the Manchurian Industrial Development Company, Ltd., he was appointed a member of the House of Peers in January 1943 and an advisor to TOJO's Cabinet in November 1943. He has had numerous extremist army connections but nearly all were formed in Manchukuo and originated from business interest which do not appear by the evidence now at hand to make AIKAWA responsible for any criminality in connection with the military aggression in Manchuria.

3. In view of the fact that the evidence available is not sufficient to warrant his prosecution before the International Military Tribunal, this Section recommends AIKAWA's release from Sugamo Prison at this time, subject to his reincarceration in the event additional evidence is discovered, unless the Legal Section recommends to the contrary.

It is believed that all sources of information have been exhausted at this time.

UNDEVELOPED LEADS:

The Tokyo Office - At Tokyo - Will follow and report the disposition of Subject.

P E N D I N G



Legg1 Section AIKAWA, Yoshisaka  
(1507)

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**GENERAL HEADQUARTERS**

~~UNITED STATES ARMY FORCES, PACIFIC~~  
**FAR EAST COMMAND**

**CHECK SHEET**

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File No:

Subject: AIKAWA Yoshisuke, Internee in Sugamo Prison

Note  
No.

From: G-2

To: Legal Section  
(Attn: Invest Div,  
Lt Col R.E. Rudisill)

Date: 14 MAY 1947  
GB/CIS/OD:TPD/mk

Info Copy To: IPS (Attn: Invest Div,  
Mr. E. P. Monaghan)

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1. In a period of less than 30 years, the administrative and executive genius of AIKAWA Yoshisuke built up the industrial combine known formally as the NIHON SANGYO K. K. (Japan Industrial Co. Ltd.) but popularly called the "Nissan interests". In 1937 the NIHON SANGYO K. K., which was the parent concern of "18 planet-like subsidiaries and 130 attendant projects in Japan involving ¥900,000,000 authorized capital of which ¥700,000,000 was paid up", liquidated its stock holdings and moved lock, stock and barrel to Manchuria, where it joined hands with the Manchoukuo Government to establish the MANSHU JUKOGYO K. K. (Manchurian Heavy Industries Co. Ltd., often called the Manchuria Industrial Development Corporation). The life story of AIKAWA Yoshisuke (TAB A) is the history of his business ventures from the foundation of the TOBATA IMONO K. K. (Tobata Foundry Co. Ltd) in 1910 to his retirement from the presidency of the MANSHU JUKOGYO K. K. in December 1942.

2. Evaluation of AIKAWA at the time of his arrest in December 1945 appears as TAB B.

3. Evaluation of AIKAWA in ONI's publication "Biographies of Prominent Japanese" dated 15 September 1945 appears as TAB C.

4. Accusations direct and implied in TAB B and TAB C are:

a. The statement "AIKAWA is a brother-in-law of KUHARA Fusanosuke, who was at one time president of the defunct SEIYUKAI, formerly strong Japanese political party" has indirect political implications.

b. "This man owes his meteoric rise in industrial circles to the boom in automotive and heavy industries in the 1930's and to the industrial development of Manchoukuo in which he played a very important part, as founder and president of the Manchoukuo Heavy Industries Co. Ltd."

c. "His part in the Manchoukuo Incident is evidenced by the positions which he held as president, chairman, and/or director of many Manchoukuo concerns dealing in war materials.

"Here (as president of the Nissan Automobile Co. Ltd.) apparently he came to the attention of the Kwantung Generals, who found him to their liking... AIKAWA is reported to have been a rabid militarist; and because of close association and cooperation with leaders of the Kwantung Army, beginning in 1933, with the Army's backing and in opposition to the Mitsui interests,

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GENERAL HEADQUARTERS  
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he and his companies came into financial prominence and influence not previously enjoyed."

"He and HOSHINO (Naoki) are probably more largely responsible for development of war industries in Manchoukuo than any other individuals."

d. "He resigned his position as president of the Manchoukuo Heavy Industries Co. Ltd. in 1942 because he thought Manchoukuo was being slighted in order that more stress might be placed on the development of newly conquered southern areas."

e. "However, in 1943, he became a member of the House Of Peers, a member of the Cabinet Advisory Council, and in 1944 a Councillor to the Board of Technology."

5. CIS research on AIKAWA shows:

a. Until AIKAWA's sister divorced KUHARA Fusanosuke, head of one faction, not president, of the old SEIYUKAI, AIKAWA was KUHARA's brother-in-law. When KUHARA became Minister of Communications in 1927, AIKAWA took over the tottering KUHARA Mining Co. Ltd. and other KUHARA interests. At this point KUHARA retired altogether from business circles to devote himself whole-heartedly to politics. There is no evidence that AIKAWA benefited by KUHARA's political connections. His relationship to other brothers-in-law and his brother (TAB D) were more important to AIKAWA's success than the connection with KUHARA after KUHARA gave up his business career.

b. AIKAWA's "meteoric rise in industrial circles" was no floating with the tide of an industrial boom as suggested in TAB B. He was a brilliant executive whose dynamic administrative ability and forceful leadership were largely responsible for the success of the enterprises to which he set his hand. In addition to this innate genius for management and hard work he formulated an organizational plan new to Japan, which he called the "open holding company". By this term he meant a parent concern which simulated the usual Japanese zaibatsu holding company in that it controlled by investment a number of subsidiary companies, but which differed from the ordinary zaibatsu in that stock purchases were open to the public. This meant that AIKAWA's enterprise could draw on the almost unlimited resources of the general public instead of being limited to the wealth, however large, of a few families. Another difference lay in the fact that the Nissan people built their empire largely on the ruins of financially embarrassed enterprises which they bought up, rehabilitated and added to their holdings. It



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14 MAY 1947

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was on these bases that AIKAWA constructed the NIHON SANGYO K. K., which in 1937 had 55,000 shareholders and whose history is succinctly described in an extract from HIGUCHI Hiroshi's "Nihon Zaibatsu Ron" (Discussion of the Japanese Zaibatsu) published in 1940, of which a translation appears as TAB E. Although the NIHON SANGYO K. K. was commonly referred to as a "new zaibatsu", it was not a zaibatsu in the ordinary sense of the term, by virtue of the fact that its shares were so widely distributed.

c. AIKAWA was in no way responsible for the Manchurian Incident. In 1931 he was a comparatively unknown and unimportant man who had but recently begun the series of amalgamations and capital increases which were to make possible the gigantic Nissan combine. In 1931 he had no interests in Manchuria. It was not until 1937 that the Nissan people were invited to share the ownership and control of the MANSHU JUKOGYO K. K. with the Manchurian Government on a 50-50 basis. AIKAWA has described the circumstances of this expansion into Manchuria in his own words in the English pamphlet "Manchuria Industrial Development Corporation" published by the Oriental Economist in March 1938 (TAB F), under the sub-title "A Golden Opportunity":

"The seeds of the present project were sown about a year ago, in the early autumn of 1936, when at the invitation of the Hsinking authorities I made a tour in Manchoukuo to inspect all phases of the region's industrial opportunities. Some time later I was appointed a sort of adviser to the Kwantung Army, which subsequently asked my opinions and suggestions on various pertinent subjects from time to time. The seeds thus sown have now borne fruit. Under the guidance of the Army, Manchoukuo has been making a series of experiments to determine what course its industrial development, should follow, and many test tubes have been broken in the process. The sum total of these experiments has been the conclusion that it would be advantageous to leave industrial affairs to the care of industrialists. At the same time the discovery has been made that the Nippon Industrial Company (NIHON SANGYO K.K.) possesses every requisite for undertaking such a mission successfully. This concern is an organization with huge capital owned by over 50,000 well scattered stockholders. It has a capacity for almost infinite expansion and its assets comprise a rich reservoir of personnel, technique and skill covering a wide range of activities, all of which have been built up by many years of effort. In concept and organization the Nippon Industrial Company was well fitted from the beginning to carry out large scale projects of national importance, which makes it peculiarly suited for undertaking Manchoukuo's industrial development. All these facts were recognized. From the standpoint of Nippon Industrial it was felt that Manchoukuo offers a new field of activity

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and unrivalled opportunity for giving full scope to the firm's functions as a holding company, thereby fulfilling its assigned mission. It was only natural that both parties should find a common basis for agreement. Then the North China Incident broke out and developed into full Japan-China hostilities which proved something of a drain on the nation's productivity. Consequently the Five-Year Plan of Manchoukuo became inactive and as a result the union between Manchoukuo and the Nippon Industrial Company was speedily concluded. It is therefore proper to say that the present project was in the nature of a chance occurrence, a product of circumstances so to speak. Certainly it was not the result of contrivance or promotion by any particular man or group of men."

The circumstances surrounding the transfer of the Nissan interests to Manchuria have been evaluated by a disinterested Japanese source in the concluding paragraphs of WADA Hidekichi's article "Yoshisuke Aikawa: the Man and His Work", published in the March 1938 issue of "Contemporary Japan" (TAB G):

"Let us now turn our attention to Aikawa's activity in Manchoukuo. His assumption of the presidency of the Manchoukuo Heavy Industries Company marks a step forward in his business career... The new Manchurian organization has for its objective the development of natural resources in that country, and Mr. Aikawa has a completely free hand in its operation.

"It may be of interest in passing to note that with this unfolding of his business ideals a change has come over the complexion of his idea of the open holding company, for the new enterprise, while being in substance an extension of the Nissan Company (NIHON SANGYO K. K.) in Manchuria, is half financed by the Manchoukuo Government. According to Mr. Aikawa, Manchuria contains an untold quantity of natural resources in the shape of coal, gold, iron and others, only waiting to be developed. With such materials close by, the heavy industries may be carried on to greater advantage. The further expansion of the activities of the new company will, of course, largely depend upon the amount of the capital made available. Anyhow, the company will in due course take over various other undertakings in Manchuria, for instance, the production of copper, light metals, magnesium, coal and other branches of the mining industry, and the motor-car industry. Furthermore, the development of the aircraft industry in Manchoukuo is another of the urgent needs of the moment. Once on the Asiatic Continent, all these enterprises will have to be operated by methods more fitting to a continent, and Mr. Aikawa turns for his teachers to the United States, the America which produced Harriman, Rockefeller and Henry Ford..."

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**Note  
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**From:** G-2

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It cannot be denied that AIKAWA was one of the most influential figures in the industrial development of Manchuria but accusations that he

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d. The accusation that AIKAWA "resigned his position as president of the Manchoukuo Heavy Industries Co. Ltd. in (December) 1942 because he thought Manchoukuo was being slighted in order that more stress might be placed on the development of newly conquered southern areas" was clearly refuted in AIKAWA's farewell address to the Nissan Konwa Kai (Nissan Discussion Society) on 7 January 1943 (TAB K). AIKAWA told his audience in plain Japanese that his retirement was motivated by his disagreement with governmental controls:

"Moreover, the governmental control (of the business) is very rigid. It is not only a price control but extends to almost every phase of our economic activity. This is an age in which the 'fuehrer system' manages business. There is no room for the activity of an old hand like me who has seen his heyday in the era of liberalism. However proper it may seem that I should serve another five years and retire after playing off my game of 'ten years one round', I have arrived at the conviction that my honorable successor is more apt to act as a fuehrer than I. May I be permitted to console myself with the thought that I am causing no one any trouble by asking permission to leave at this opportune moment."

e. AIKAWA became a member of the House of Peers in 1943 as one of the 66 "members elected by and from among the highest tax-payers in any prefecture, in direct national taxation on land, income and business profits". This was a perfectly normal climax to his highly successful business career.

AIKAWA became one of 11 members of the Cabinet Advisory Council on 7 November 1943,--as an industrial consultant,--and remained on the Council until the end of the war. Likewise, in July 1944 he became an advisor to the Cabinet Board of Technology (GIJUTSU IN - TAB L). Because of his

7  
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industrial prominence, AIKAWA, like other scientists, financiers, scholars and businessmen, was a natural choice for these positions. That AIKAWA had no political ambition is proved by the fact that he held no posts in the Imperial Rule Assistance organizations except as one of the scores of nominal KOMON (Advisors) of the IRAA from October 1944 to June 1945.

f. On 17 February 1942, at an interim general meeting of stockholders of the MANSHU JUKOGYO K. K. AIKAWA made a patriotic speech (TAB M) in which he recommended that ¥35,000,000 of a ¥70,000,000 profit on shareholdings be donated to the "Imperial Forces" and to the Manchurian Government. The motion was unanimously approved, and as a result the funds were presented not to the Japanese Army but to

Manshu Jukogyo K. K. workers as a welfare fund	¥ 6,500,000
Public grant to the Government of Manchoukuo	10,000,000
GUNJI ENGO KAI (Soldiers' Relief Society) (TAB N)	5,000,000
GISEI KAI (Sacrifice Society)	13,500,000
Total	¥35,000,000

The nature of the GISEI KAI, the research and welfare organization to which AIKAWA turned his attention after his retirement from the MANSHU JUKOGYO K. K. in 1942 is indicated in AIKAWA's farewell speech to the NISSAN KONWA KAI (TAB K), in the charter of the Foundation (TAB O), and in the nature of the expenses of the society (TAB P). It will be noted that the donations made by the GISEI KAI were to scientific, economic, legal and political research institutes, with the exception of one ¥5,000 gift to the Imperial Rule Assistance Political Society in 1943.

g. Worthy of note is the fact that AIKAWA has no record of membership in any of the popular nationalist societies in Japan.

6. In short, it appears that in the face of concrete evidence presented it would be very difficult to prove that AIKAWA was a party to the planning and/or execution of aggressive war. Evidence shows him to be a "Harriman, a Rockefeller or a Ford" who made the best of his profits where he found them in the line of business which he followed from his youth.

7. Unless it is decided to indict AIKAWA on the prima facie evidence of having made business profits in wartime, G-2 strongly recommends his release without preference of charges.

TAB A - Curriculum Vitae of AIKAWA Yoshisuke

TAB B - Evaluation of AIKAWA Yoshisuke at time of arrest (December 1945)

TAB C - Extract from ONI's publication "Biographies of Prominent

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1 cont'd

- Japanese" dated 15 September 1945 --AIKAWA Yoshisuke
- TAB D - Important family connections of AIKAWA Yoshisuke
- TAB E - Extract from "Nihon Zaibatsu Ron" (Discussions of the Japanese Zaibatsu) by HIGUCHI Hiroshi, published in 1940--The Nissan Concerns
- TAB F - Pamphlet "Manchuria Industrial Development Corporation" published by the Oriental Economist in March 1938
- TAB G - Article from March 1938 issue of "Contemporary Japan" -- "Yoshisuke Aikawa: The Man and His Works"
- TAB H - Extract from "The Industrialization of Japan and Manchukuo" by Schumpeter, Allen, Gordon and Penrose, published in 1940.
- TAB I - OSS Extracts from New York Times, 13 March 1938
- TAB J - American Consulate, Yokohama, Report of 6 January 1938 (No. 358) as reported by OSS.
- TAB K - Farewell address of AIKAWA Yoshisuke to NISSAN KONWA KAI - 7 January 1943.
- TAB L - Extract from the SHOKUIN ROKU -- The Cabinet Board of Technology
- TAB M - Extract from the minutes of the General Meeting of Stockholders of Manshu Jukogyo K. K. - 17 February 1942
- TAB N - GUNJI ENGO KAI (Soldiers' Relief Society)
- TAB O - Charter of the GISEI KAI (Sacrifice Society)
- TAB P - Expenditures of the GISEI KAI (Sacrifice Society)

for P.S.B.  
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AIKAWA Yoshisuke, Internee in Sugamo Prison

G-2

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14 MAY 1947  
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1. In a period of less than 30 years, the administrative and executive genius of AIKAWA Yoshisuke built up the industrial combine known formally as the NIHON SANGYO K. K. (Japan Industrial Co. Ltd.) but popularly called the "Nissan interests". In 1937 the NIHON SANGYO K. K., which was the parent concern of "18 planet-like subsidiaries and 130 attendant projects in Japan involving ¥900,000,000 authorized capital of which ¥700,000,000 was paid up", liquidated its stock holdings and moved lock, stock and barrel to Manchuria, where it joined hands with the Manchoukue Government to establish the MANSHU JUKOGYO K. K. (Manchurian Heavy Industries Co. Ltd., often called the Manchuria Industrial Development Corporation). The life story of AIKAWA Yoshisuke (TAB A) is the history of his business ventures from the foundation of the TOBATA IMONO K. K. (Tobata Foundry Co. Ltd) in 1910 to his retirement from the presidency of the MANSHU JUKOGYO K. K. in December 1942.

2. Evaluation of AIKAWA at the time of his arrest in December 1945 appears as TAB B.

3. Evaluation of AIKAWA in ONI's publication "Biographies of Prominent Japanese" dated 15 September 1945 appears as TAB C.

4. Accusations direct and implied in TAB B and TAB C are:

a. The statement "AIKAWA is a brother-in-law of KUHARA Fusanosuke, who was at one time president of the defunct SBIYUKAI, formerly strong Japanese political party" has indirect political implications.

b. "This man owes his meteoric rise in industrial circles to the boom in automotive and heavy industries in the 1930's and to the industrial development of Manchoukue in which he played a very important part, as founder and president of the Manchoukue Heavy Industries Co. Ltd."

c. "His part in the Manchoukue Incident is evidenced by the positions which he held as president, chairman, and/or director of many Manchoukue concerns dealing in war materials.

"Here (as president of the Nissan Automobile Co. Ltd.) apparently he came to the attention of the Kwantung Generals, who found him to their liking... AIKAWA is reported to have been a rabid militarist; and because of close association and cooperation with leaders of the Kwantung Army, beginning in 1933, with the Army's backing and in opposition to the Mitsui interests,

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AIKAWA Yoshisuke, Internee in Sugamo Prison

G-2

Legal Section  
Info Copy To: IPS

14 MAY 1947  
GB/CIS/OD;TPD/mk

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contd

he and his companies came into financial prominence and influence not previously enjoyed."

"He and HOSHINO (Naoki) are probably more largely responsible for development of war industries in Manchoukuo than any other individuals."

d. "He resigned his position as president of the Manchoukuo Heavy Industries Co. Ltd. in 1942 because he thought Manchoukuo was being slighted in order that more stress might be placed on the development of newly conquered southern areas."

e. "However, in 1943, he became a member of the House Of Peers, a member of the Cabinet Advisory Council, and in 1944 a Councillor to the Board of Technology."

5. CIS research on AIKAWA shows:

a. Until AIKAWA's sister divorced KUHARA Fusanosuke, head of one faction, not president, of the old SEIYUKAI, AIKAWA was KUHARA's brother-in-law. When KUHARA became Minister of Communications in 1927, AIKAWA took over the tottering KUHARA Mining Co. Ltd. and other KUHARA interests. At this point KUHARA retired altogether from business circles to devote himself whole-heartedly to politics. There is no evidence that AIKAWA benefited by KUHARA's political connections. His relationship to other brothers-in-law and his brother (TAB D) were more important to AIKAWA's success than the connection with KUHARA after KUHARA gave up his business career.

b. AIKAWA's "meteoric rise in industrial circles" was no floating with the tide of an industrial boom as suggested in TAB B. He was a brilliant executive whose dynamic administrative ability and forceful leadership were largely responsible for the success of the enterprises to which he set his hand. In addition to this innate genius for management and hard work he formulated an organizational plan new to Japan, which he called the "open holding company". By this term he meant a parent concern which simulated the usual Japanese zaibatsu holding company in that it controlled by investment a number of subsidiary companies, but which differed from the ordinary zaibatsu in that stock purchases were open to the public. This meant that AIKAWA's enterprise could draw on the almost unlimited resources of the general public instead of being limited to the wealth, however large, of a few families. Another difference lay in the fact that the Nissan people built their empire largely on the ruins of financially embarrassed enterprises which they bought up, rehabilitated and added to their holdings. It

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**AIKAWA Yoshisuke, Internee in Sugamo Prison**

G-2

Legal Section

14 MAY 1947

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was on these bases that AIKAWA constructed the NIPPON SANGYO K. K., which in 1937 had 55,000 shareholders and whose history is succinctly described in an extract from HIGUCHI Hiroshi's "Nihon Zaibatsu Ron" (Discussion of the Japanese Zaibatsu) published in 1940, of which a translation appears as TAB E. Although the NIPPON SANGYO K. K. was commonly referred to as a "new zaibatsu", it was not a zaibatsu in the ordinary sense of the term, by virtue of the fact that its shares were so widely distributed.

c. AIKAWA was in no way responsible for the Manchurian Incident. In 1931 he was a comparatively unknown and unimportant man who had but recently begun the series of amalgamations and capital increases which were to make possible the gigantic Nissan combine. In 1931 he had no interests in Manchuria. It was not until 1937 that the Nissan people were invited to share the ownership and control of the MANSHU JUKOGYO K. K. with the Manchurian Government on a 50-50 basis. AIKAWA has described the circumstances of this expansion into Manchuria in his own words in the English pamphlet "Manchuria Industrial Development Corporation" published by the Oriental Economist in March 1938 (TAB F), under the sub-title "A Golden Opportunity";

"The seeds of the present project were sown about a year ago, in the early autumn of 1936, when at the invitation of the Hsinking authorities I made a tour in Manchoukuo to inspect all phases of the region's industrial opportunities. Some time later I was appointed a sort of adviser to the Kwantung Army, which subsequently asked my opinions and suggestions on various pertinent subjects from time to time. The seeds thus sown have now borne fruit. Under the guidance of the Army, Manchoukuo has been making a series of experiments to determine what course its industrial development should follow, and many test tubes have been broken in the process. The sum total of these experiments has been the conclusion that it would be advantageous to leave industrial affairs to the care of industrialists. At the same time the discovery has been made that the Nippon Industrial Company (NIPPON SANGYO K.K.) possesses every requisite for undertaking such a mission successfully. This concern is an organization with huge capital owned by over 50,000 well scattered stockholders. It has a capacity for almost infinite expansion and its assets comprise a rich reservoir of personnel, technique and skill covering a wide range of activities, all of which have been built up by many years of effort. In concept and organization the Nippon Industrial Company was well fitted from the beginning to carry out large scale projects of national importance, which makes it peculiarly suited for undertaking Manchoukuo's industrial development. All these facts were recognized. From the standpoint of Nippon Industrial it was felt that Manchoukuo offers a new field of activity

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AIKAWA Yoshisuke, Internee in Sugamo Prison

G-2

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IPS

14 MAY 1947

GB/CIS/OD:TFD/nk

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and unrivalled opportunity for giving full scope to the firm's functions as a holding company, thereby fulfilling its assigned mission. It was only natural that both parties should find a common basis for agreement. Then the North China Incident broke out and developed into full Japan-China hostilities which proved something of a drain on the nation's productivity. Consequently the Five-Year Plan of Manchoukuo became inactive and as a result the union between Manchoukuo and the Nippon Industrial Company was speedily concluded. It is therefore proper to say that the present project was in the nature of a chance occurrence, a product of circumstances so to speak. Certainly it was not the result of contrivance or promotion by any particular man or group of men."

The circumstances surrounding the transfer of the Nissan interests to Manchuria have been evaluated by a disinterested Japanese source in the concluding paragraphs of WADA Hidekichi's article "Yoshisuke Aikawa: the Man and His Work", published in the March 1938 issue of "Contemporary Japan" (TAB G):

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G-2

Legal Section

14 MAY 1947

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G-2

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14 MAY 1947

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was a "rabid militarist" have been circumstantially based upon the fact that the Nissan interests made the best of a "golden opportunity" offered by the Manchurian Government's invitation to expand into Manchukuo instead of in over developed Japan or in to barren Karafuto. This development proved AIKAWA to be a man of extraordinary business acumen, but does not, except circumstantially and in retrospect, prove him a militarist. The man's career should not be judged without due consideration of the fact that in every respect he followed the line of his talents and life-long interests in heavy engineering. For evaluation purposes, TABs E, F and G are of particular value because they were written calmly and disinterestedly in 1938, 1940 and 1940 respectively, before wartime propaganda had warped the logical process of international thought. Also pertinent to these accusations of "rabid militarism" is an American Consulate, Yokohama, report of 6 January 1938 (No. 358) as reported by OSS (TAB J).

d. The accusation that AIKAWA "resigned his position as president of the Manchoukuo Heavy Industries Co. Ltd. in (December) 1942 because he thought Manchoukuo was being slighted in order that more stress might be placed on the development of newly conquered southern areas" was clearly refuted in AIKAWA's farewell address to the Nissan Kenwa Kai (Nissan Discussion Society) on 7 January 1943 (TAB K). AIKAWA told his audience in plain Japanese that his retirement was motivated by his disagreement with governmental controls:

"Moreover, the governmental control (of the business) is very rigid. It is not only a price control but extends to almost every phase of our economic activity. This is an age in which the 'fuehrer system' manages business. There is no room for the activity of an old hand like me who has seen his heyday in the era of liberalism. However proper it may seem that I should serve another five years and retire after playing off my game of 'ten years one round', I have arrived at the conviction that my honorable successor is more apt to act as a fuehrer than I. May I be permitted to console myself with the thought that I am causing no one any trouble by asking permission to leave at this opportune moment."

e. AIKAWA became a member of the House of Peers in 1943 as one of the 66 "members elected by and from among the highest tax-payers in any prefecture, in direct national taxation on land, income and business profits". This was a perfectly normal climax to his highly successful business career.

AIKAWA became one of 11 members of the Cabinet Advisory Council on 7 November 1943,--as an industrial consultant,--and remained on the Council until the end of the war. Likewise, in July 1944 he became an advisor to the Cabinet Board of Technology (GIJUTSU IN - TAB L). Because of his

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**AIKAWA Yoshisuke, Internee in Sugamo Prison**

G-2

Legal Section

14 MAY 1947

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industrial prominence, AIKAWA, like other scientists, financiers, scholars and businessmen, was a natural choice for these positions. That AIKAWA had no political ambition is proved by the fact that he held no posts in the Imperial Rule Assistance organizations except as one of the scores of nominal KOMON (Advisors) of the IRAA from October 1944 to June 1945.

f. On 17 February 1942, at an interim general meeting of stockholders of the MANSHU JUKOGYO K. K. AIKAWA made a patriotic speech (TAB M) in which he recommended that ¥35,000,000 of a ¥70,000,000 profit on shareholdings be donated to the "Imperial Forces" and to the Manchurian Government. The motion was unanimously approved, and as a result the funds were presented not to the Japanese Army but to

Manshu Jukogyo K. K. workers as a welfare fund	¥ 6,500,000
Public grant to the Government of Manchoukuo	10,000,000
GUNJI ENGO KAI (Soldiers' Relief Society) (TAB N)	5,000,000
GISEI KAI (Sacrifice Society)	13,500,000
<b>Total</b>	<b>¥35,000,000</b>

The nature of the GISEI KAI, the research and welfare organization to which AIKAWA turned his attention after his retirement from the MANSHU JUKOGYO K. K. in 1942 is indicated in AIKAWA's farewell speech to the NISSAN KONWA KAI (TAB K), in the charter of the Foundation (TAB O), and in the nature of the expenses of the society (TAB P). It will be noted that the donations made by the GISEI KAI were to scientific, economic, legal and political research institutes, with the exception of one ¥5,000 gift to the Imperial Rule Assistance Political Society in 1943.

g. Worthy of note is the fact that AIKAWA has no record of membership in any of the popular nationalist societies in Japan.

6. In short, it appears that in the face of concrete evidence presented it would be very difficult to prove that AIKAWA was a party to the planning and/or execution of aggressive war. Evidence shows him to be a "Harriman, a Rockefeller or a Ford" who made the best of his profits where he found them in the line of business which he followed from his youth.

7. Unless it is decided to indict AIKAWA on the prima facie evidence of having made business profits in wartime, G-2 strongly recommends his release without preference of charges.

- TAB A - Curriculum Vitae of AIKAWA Yoshisuke
- TAB B - Evaluation of AIKAWA Yoshisuke at time of arrest (December 1945)
- TAB C - Extract from ONI's publication "Biographies of Prominent

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**AIKAWA Yoshisuke, Internee in Sugamo Prison**

G-2

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- TAB D - Japanese" dated 15 September 1945 --AIKAWA Yoshisuke
- TAB E - Important family connections of AIKAWA Yoshisuke
- TAB F - Extract from "Nihon Zaibatsu Ron" (Discussions of the Japanese Zaibatsu) by HIGUCHI Hiroshi, published in 1940--The Nissan Concerns
- TAB G - Pamphlet "Manchuria Industrial Development Corporation" published by the Oriental Economist in March 1938
- TAB H - Article from March 1938 issue of "Contemporary Japan" -- "Yoshisuke Aikawa: The Man and His Works"
- TAB I - Extract from "The Industrialization of Japan and Manchukuo" by Schumpeter, Allen, Gordon and Penrose, published in 1940.
- TAB J - OSS Extracts from New York Times, 13 March 1938
- TAB K - American Consulate, Yokohama, Report of 6 January 1938 (No. 358) as reported by OSS.
- TAB L - Farewell address of AIKAWA Yoshisuke to NISSAN KONWA KAI - 7 January 1943.
- TAB M - Extract from the SHOKUIN ROKU -- The Cabinet Board of Technology
- TAB N - Extract from the minutes of the General Meeting of Stockholders of Manshu Jukogyo K. K. - 17 February 1942
- TAB O - GUNJI ENGO KAI (Soldiers' Relief Society)
- TAB P - Charter of the GISEI KAI (Sacrifice Society)
- TAB Q - Expenditures of the GISEI KAI (Sacrifice Society)

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Curriculum Vitae of AIKAWA Yoshisuke



Curriculum Vitae of AIKAWA Yoshisuke

- 1880 - Born in Yamaguchi Ken
- 1903 - Graduated from Tokyo Imperial University (Engineering)
- 1904 - 1905 - Worked as day-laborer in Shibaura Iron Works
- 1905 - 1906 - Apprenticed to Gould Compler Foundry, Buffalo, New York, U.S.A.
- 1910 - Founded Tobata Iron Works (Tobata IMONO JO ) Tobata, Fukuoka Ken
- 1922 - Founded United Industrial Co., Ltd. (KYORITSU KIGYO K.K.) with his brother FUJITA Masasuke.
- 1927 - Became president of Kuhara Mining Co., Ltd.(KUHARA KOGYO K.K.)
- 1927 - Founded HITACHI Electric Power Co., Ltd.(HITACHI DENRYOKU K.K.)
- 1928 - Reorganized Kuhara Mining Co., Ltd. as Japan Industrial Co., Ltd. (NIHON SANGYO K.K.)
- 1929 - Founded Japan Mining Co., Ltd. (NIHON KOGYO K.K.) as a subsidiary of Japan Industrial Co., Ltd.
- 1930 - Transferred real estate of Japan Industrial enterprises to Mutual Land Co., Ltd. (GODO TOCHI K.K.)
- 1933 - Bought up Yamada Mines (YAMADA TANKO) for Japan Mining Co., Ltd.
- 1934 - Founded Nissan Rubber Mfg. Co., Ltd. (NISSAN GOMU KOGYO K.K.) as a subsidiary of Japan Mining Co., Ltd.
- 1934 - Amalgamated Johore Rubber Co. with Nissan Rubber Mfg. Co., Ltd.
- 1934 - Amalgamated Dowa Rubber Cultivation Co., Ltd (DOWA GOMU SAIBAI K.K.) with Nissan Rubber Mfg. Co., Ltd.
- 1934 - Bought up Japan Mines (NIHON TANKO) as a subsidiary of Japan Mining Co., Ltd.
- 1934 - Took over Osaka Iron Works (OSAKA TEKKOSHO) as a subsidiary of Japan Industrial Co., Ltd.
- 1934 - 1935 - Bought up Mutual Fisheries Co., Ltd. (KYODO GYOGYO K.K.), Oriental Whale Fisheries Co., Ltd. (TOYO HOGEI K.K.), Great Japan Marine Mfg., Co., Ltd. (DAI NIHON SEISUI K.K.) and Japan Whale Fisheries Co., Ltd. (NIHON HOGEI K.K.) and established Japan Foodstuffs Mfg. Co., Ltd. (NIHON SHOKU-RYOHIN KOGYO K. K.)
- 1934 - Increased capital of Japan Industrial Co., Ltd. from ¥75,000,000 to ¥99,415,000.
- 1934 - Amalgamated Imperial Cold Storage Co., Ltd (TEIKOKU REIZO K.K.), Three-Continent Cold-Storage Co., Ltd. (SANRIKU REIZO K.K.) and Showa Freezing Co., Ltd. (SHOWA REITO K.K.) with Japan Foodstuffs Mfg. Co., Ltd.
- 1935 - Increased capital of Japan Industrial Co., Ltd. from ¥99,415,000 to ¥200,000,000.
- 1936 - Amalgamated Japan Mutual Ship-Building Co., Ltd(NIHON GODO KOSEN K.K.), Japan Whale Fisheries Co., Ltd., Japan Foodstuffs Mfg. Co., Ltd. with Mutual Fisheries Co., Ltd. and established Japan Marine Products Co., Ltd. (NIHON SUISAN K.K.)



Curriculum Vitae of AIKAWA Yoshisuke

- 1936 - Amalgamated Great Japan Artificial Fertilizer Co., Ltd. (DAI NIHON NIMPI K.K.) with Japan Mines (NIHON TANKO) to form Japan Chemical Industries Co., Ltd. (NIHON KAGAKU KOGYO K.K.)
- 1936 - Increased capital of Japan Industrial Co., Ltd. from ¥200,000,000 to ¥225,000,000.
- 1937 - Amalgamated Home Products Mfg. Co., Ltd. (KOKUSAN KOGYO K.K. --the former Tobata Iron Works) with Hitachi Mfg. Co. (HITACHI SEISAKU SHO)
- 1937 - Bought up Mutual Fats Co., Ltd. (GODO YUSHI K.K.) and formed New Japan Fats Co., Ltd. (SHIN NIHON YUSHI K.K.)
- 1937 - Reorganized Central Fire and Marine Insurance Co., Ltd. (CHUO KASAI KAIJO HOKEN K.K.)
- 1937 - In cooperation with the Manchurian Government formed the Manchuria Heavy Industries Co., Ltd. (MANSHU JOKOGYO K.K.)
- 1942 - Resigned as president of Japan Industrial Co., Ltd. and Manchuria Heavy Industries Co., Ltd. and formed GISEI KAI (Welfare Association)
- 1943 - Appointed to House of Peers
- 1943 (Nov)-
- 1945 (Aug) - Member of Cabinet Advisory Council
- 1944 (Oct)-
- 1945 (Aug) - KOMON (Advisor) of Imperial Rule Assistance Association

NOTE: The biography of AIKAWA Yoshisuke is largely the history of the development of the mammoth NISSAN interests, from which the high points have been chosen as selected by HIGUCHI Hiroshi in his NIHON ZAIBATSU RON (Discussion of the Japanese Zaibatsu) published in 1940.



Evaluation of AIKAWA Yoshisuke at time  
of arrest (December 1945)



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

OSD letter, May 3, 1972

By JET NARS Date 8-18-73

Evaluation of AIKAWA Yoshisuke at time of arrest, December 1945

"Born 1880. President, Manchuria Industrial Development Corp; Nissan Ltd; Nissan Automobile Co., Hitachi Electric Power Co., Chairman, Manchuria Mining Co., Manchuria Airplane Manufacturing Co., Tungpientao Development Co., Nippon Mining Co., Nippon Marine Products Co., Director, Manchuria Light Metals Co., Nissan Chemical Industry; Advisor, Nissan Life Insurance Co.

"This man owes his meteoric rise in industrial circles to the boom in automotive and heavy industries in the 1930s and to the industrial development of Manchoukuo in which he played a very important part, as founder and president of Manchoukuo Heavy Industries Company Limited. His part in the Manchoukuo Incident is evidenced by the positions which he held as president, chairman, and/or director of many Manchoukuo concerns dealing in war materials. He resigned his position as president of the Manchoukuo Heavy Industries Company Limited in 1942 because he thought Manchoukuo was being slighted in order that more stress might be placed on the development of newly conquered southern areas. However, in 1943, he became a member of the House of Peers, a member of the Cabinet Advisory Council, and in 1944 a Councillor to the Board of Technology. He and HOSHINO are probably more largely responsible for development of war industries in Manchoukuo than any other individuals."

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Extract from ONI's publication "Biographies  
of Prominent Japanese" dated 15 September 1945  
AIKAWA Yoshisuke



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Extract from ONI's publication "Biographies of Prominent Japanese"  
dated 15 September 1945

"Yohisuke AIKAWA (AYUKAWA) - Cabinet Adviser and Prominent Industrialist.

"AIKAWA was born in November 1880 in Yamaguchi-ken, graduated from Mechanical Engineering School of the Tokyo Imperial University in 1903, thereafter joining the Shibaura Engineering Works, Ltd. He toured the United States to study the steel casting industry from 1905 to 1909, working for a time as a laborer in a Pittsburg mill. Upon returning to Japan he established and became president of the Tobata Foundry Company. He first came into prominence in 1933 while head of the Nippon Automobile Co. Here, apparently, he came to the attention of the Kwantung Army Generals, who found him to their liking. He is now president and director of a number of industrial and insurance companies and was first president of the Manchukuo Industrial Development Corporation which was capitalized at ¥450,000,000, handling all the coal, metal, mining and heavy manufacturing in Manchukuo. AIKAWA made an inspection tour of European industries, spending from December 1939 to April 1940 in Germany. In December 1942 he resigned his presidency of the Manchukuo Industrial Development Co., and in November 1943 was made a member of the House of Peers and appointed a cabinet adviser. In July 1944 AIKAWA was appointed an adviser to the Board of Technology. It was announced in April 1945 when the Suzuki Cabinet was formed that AIKAWA would be retained as an adviser, making him the only adviser to have retained his post through the Tojo and Koiso cabinets into the Suzuki cabinet. With others, he resigned 20 August 1945. AIKAWA is reported to have been a rabid militarist; and because of close association and cooperation with leaders of the Kwantung Army, beginning in 1933 with the Army's backing and in opposition to the Mitsui interests, he and his companies came into financial prominence and influence not previously enjoyed. AIKAWA is a brother-in-law of Fusanosuke KUHARA, who was at one time president of the defunct Seiyukai, formerly strong Japanese political party. AIKAWA is described as a short, heavy-set but solid individual, personally untidy, but mentally alert. He is direct and "very American in his business talk". He is said to be a person of extraordinary energy."

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Important family connections of AIKAWA Yoshisuke



Important Family Connections of AIKAWA Yoshisuke

IIDA Tojiro - Father-in-law, Managing Director of IIDA Takashimaya Co. Ltd.  
and other IIDA interests.

KUHARA Fusanosuke - former brother-in-law by marriage to AIKAWA's sister.  
Politician, statesman and industrialist.

FUJITA Masasuke - blood brother, adopted into FUJITA family. Industrialist.

KIMURA Kusuyata (deceased) - brother-in-law by marriage to AIKAWA's sister.  
Director of MITSUBISHI Interests.

KAIJIMA Taiichi (deceased) - brother-in-law by marriage to AIKAWA's sister.  
Industrialist.

INOUE Tadashiro (Viscount) - brother-in-law by marriage to AIKAWA's sister.



Extract from NIMON ZAIBATSU RON  
(Discussions of the Japanese Zaibatsu)  
by HIGUCHI Hiroshi, published in 1940  
The Nissan Concerns



Extract from NIHON ZAIBATSU RON (Discussion of the Japanese Zaibatsu)  
by HIGUCHI Hiroshi, published in 1940

#### Chapter IV - The New Zaibatsu

##### I - The Nissan-Manchuria Heavy Industries Concerns

###### 1. The History of Nissan

The sudden announcement of the transfer to Manchuria of the Nissan interests and of the establishment of the Manchuria Heavy Industries Co. Ltd. in the late November autumn of 1937 stirred up a whirlpool of conjecture from various points of view and in various fields of thought in Japan and Manchuria. Since that time the new firm has celebrated three birthdays. There have been all sorts of criticism of the company's activities, but surmounting the particular difficulty of importing foreign capital, AIKAWA and his group have plugged on.

In Manchuria the Manchuria Heavy Industries Co. Ltd. is a special concern which commands a monopoly of important key industries, but in Japan proper the firms which have sprung from the old Nissan company strongly maintain their character as public enterprises. In the world of today the peculiar nature of the Manchuria Heavy Industries Co. Ltd. is not strange, even though the firm is a newly conceived kind of outfit which, with a nucleus of capital supplied by AIKAWA's blood relations, has been developed with private and public funds. Even while the Nissan-Manchuria Heavy Industries concern was developing in Japan, it abounded in special features. The following account describes the flowery growth of Nissan company until the time it was transformed into the Manchurian enterprise.

From the old days of the Kuhara Mining Company to the company's expansion under the controlled economy of Japan, the special feature of Nissan's development was its utilization of public capital. The following will explain why, since 1933, the Nissan company conducted its series of separations and amalgamations. First, while Nissan appraised at a value which included its own company's none-too-low premiums the stock which it delivered to the stockholders of the companies which it took over, it overevaluated the stocks of the amalgamated companies at but a fraction of their face-value. Next, it improved through confidence and operational technique the internal structure of the amalgamated companies, improved the value of their stock and turned all except a controlling interest over to the public. Consequently it was able to gain huge premiums. Furthermore, it accomplished this same objective among all of the powerful companies which it directly or indirectly controlled. The Nissan Company economized, established pyramidal control, amalgamated companies in the same industry, rationalized business procedures and established the bases of its activities in seven great industrial companies, Nihon Kogyo, Nihon Suisan, Hitachi Seisaku, Nissan Kagaku, Nihon Yushi,



Extract from NIHON ZAIBATSU RON

Nissan Gomu and Nissan Jidosha.

The enormous success of AIKAWA's Nissan concern in the short period of several years, independent of banking capital, lies in the ingenuity of AIKAWA. It has been due to the huge premiums gained by his risky feat of buying and selling companies, or as AIKAWA himself puts it, "to capitalize without interest through mobilization of the support of the masses."

From the standpoint of the historic development of Zaibatsu capitalism, Nissan achieved its success during the period in which the great Zaibatsu, the Mitsuis, the Mitsubishiis, and the Sumitomos were uniting industrial and banking interests to achieve their objectives. Probably Nissan had no alternative other than to mobilize the capital of the masses through public holding companies of a speculative nature. To a certain degree the Nissan Company proved the possibility of success in forming an industrial concern without aid from banking organs. This has always been one of AIKAWA's firm convictions.

<u>Details</u>	<u>Date</u>	<u>Capitalization</u>
Took over management of KUHARA's Hitachi Kozan	1905	
Founded Tobata Imono	1910	
Reorganized Kuhara Kogyo	1912	¥ 10,000,000
Increased capital, Kuhara Kogyo	1916	30,000,000
Increased capital, Kuhara Kogyo	1917	75,000,000
Founded Hitachi Denryoku	1927	75,000,000
Founded Nihon Sangyo	1928	75,000,000
Founded Nihon Kogyo	1929	75,000,000
Transferred real estate to GODO Tochi	1930	75,000,000
Founded Yamada Tanko	1933-1934	75,000,000
Founded Nissan Gomu	1934	75,000,000
Amalgamated Nissan Gomu with Johore Gomu	1934	75,000,000
Amalgamated Dowa Gomu Saibai	1934	75,000,000
Founded Nihon Tanko	1934	75,000,000
Founded Osaka Tekkosho	1934	75,000,000
Amalgamated Kyodo Gyogyo, Toyo Hogei, Dai Nihon Seisui, Kyodo Gyogyo and Nihon Hogei and established Nihon Shokuryohin Kogyo	1934	75,000,000
Increased capital, Nihon Sangyo	1934	99,415,000
Amalgamated Teikoku Reizo, Sanriku Reizo and Showa Reito with Nihon Shokuryohin Kogyo	1934	99,415,000
Increased capital, Nihon Sangyo	1935	200,000,000
Amalgamated Nihon Godo Kosen, Nihon Hogei, Nihon Shokuryohin Kogyo with Kyodo Gyogyo and established Nihon Suisan	1936	200,000,000
Amalgamated Dai Nihon Jimpi with Nihon Tanko and formed Nihon Kagaku Kogyo	1936	225,000,000
Increased Capital, Nihon Sangyo	1936	225,000,000



Extract from NIHON ZAIBATSU RON

<u>Details</u>	<u>Date</u>	<u>Capitalization</u>
Amalgamated Kokusan Kogyo (former Tobata Imono) with Hitachi Seisakusho	1937	¥225,000,000
Bought up Godo Yusni and formed Shin Ninon Yusni	1937	225,000,000
Reorganized Chuo Kasai Kaijo Hoken	1937	225,000,000
Founded Manshu Jukogyo	1937	450,000,000

In executing his undertaking, AIKAWA rode the endless tide of the bear market. The Nissan company's development can be divided into the following major periods:

1. Amoeba-like divisions of holdings during the stock inflation of 1933 and 1934
2. Organization of public corporations in the latter part of 1936
3. Purchase of other firms and amalgamations and increases in capital during the period of the second inflation in early 1937 (the period of Nissan's great development)
4. Expansion into Manchuria in the latter part of 1937

Nissan's Manchurian activities will be discussed later. However, even after transfer to Manchuria, Nissan's organization of public enterprises has been continued in Japan proper. For example, the Godo Tochi was renamed Kabushiki Kaisha Nissan and was used as a liaison and investment company for domestic enterprises. Nissan maneuvered mergers of various automobile enterprises in Tokyo and to some degree established itself as 'boss' in the industry. The Tokyo Gasu Denko of the Matsukata's was amalgamated into the Hitachi Seisakusho. Nihon Victor and Nihon Chikuonki were transferred to Tokyo Denki. Nissan Gomu and Daido Matchi were amalgamated to form Nissan Norin Kogyo, and their agricultural, rubber and match departments were enlarged. Toho Jinsen was absorbed into Nihon Yushi. After the death of NEZU Kaichiro, Nissan took over the NEZU interests; Tokyo-wan Kisen was placed under the banner of Nissan Kisen. Furthermore Nissan launched into life-insurance by taking over the Taihei Seimei, a NEZU interest. Even though the danger of inflation which gripped the stock-market in 1933 and 1934 was over, AIKAWA and the Nissan concerns were not yet firmly stabilized. After KUHARA and AIKAWA became related by marriage, Nissan took over the remains of the OKAWA, TANAKA and NEZU interests, which had established original industrial monopolies. Nissan today has a greater system of industrial control in Japan and Manchuria than Mitsui and Mitsubishi.

## 2. Nissan's Capitalistic Kernel

As AIKAWA has often announced, Nissan is a public concern or holding company. However there must be a capitalist "kernel" even in Nissan. Capitalist promotion was the "kernel" which led Nissan to great success.



Extract from NIHON ZAIBATSU RON

Those who formed this were KUHARA Fusanosuke and AIKAWA Yoshisuke, both from the lower samurai class in Choshu (Yamaguchi-ken).

AIKAWA Yahachi

married Naka (niece of INOUE Kaoru)  
Sumi, daughter (wife of KIMURA Kusuyata, former executive director of Mitsubishi)  
Yoshisuke, son (married Miyoko, eldest daughter of IIDA Tojiro of Takashimaya)  
Masasuke, son (adopted by the FUJITA family of Tokyo)  
Kiyo, daughter (married KUHARA Fusanosuke)  
Fuji, daughter (married KAIJIMA Taichi)  
Sada, daughter (married Viscount INOUE Kyoshiro)  
Yoshi, daughter (married KONDO Shinichi, president Denki Shoken Hoyusha)

FUJITA Shikataro (FUJITA family of Tokyo)

TAKETA Kyosaku, son (President of former Dai Nihon Kogyosha)  
Ichitaro, adopted son (Masasuke, brother of Yoshisuke)

KUHARA Fusasaburo (KUHARA family)

Ikuta, son (SAITO family)  
Harusuke, son (President, Kokusan Seikisha)  
Ichiro, son (TAMURA family of Kobe)  
Haruzo, son (President, Nihon Suisan Kai)  
Fusanosuke, son  
Mitsuo, son (married granddaughter of TANAKA Eihachiro)

FUJITA Denjiro (FUJITA family of Osaka)

Heitaro, son  
Tokujiro, son  
Hikosaburo, son

All the males of the KUHARA and AIKAWA families, with the exception of the FUJITA family of Osaka, are connected with the Nissan concern. Through wives of KUHARA and AIKAWA Nissan is supplied with blood relations in the capital. Among them are the TAMURA Family, which have been related to them since the old days of the KUHARA Mining Company. The KAIJIMAs, FUJITAs and KUHARAs are the three groups which composed the nucleus of AIKAWA's Tobata Imono. But when AIKAWA established the Nissan as a public concern there was infiltration of capital from other financiers. Among the independent capitalist blocs reorganized under the banner of the Nissan concern were Tamura's Marine interests and TANAKA's chemical interests. "Blood calls Blood". Various independent enterprises were once again collected together under the guiding hand of the "master-mind, AIKAWA.



Extract from NIHON ZAIBATSU RON

The capital of the AIKAWA relatives is the nucleus of the Nissan Concern. With this as foundation, the increase of AIKAWA's influence through public sales of shares, company purchases, and company transfers could not be restrained. In common with the other Zaibatsu in Japan, the Nissan, although a public concern, was founded materialistically upon the capital of a group of blood relations and upon cooperative amalgamation of going concerns.

The present Manchuria Heavy Industries Company, Limited, which is the trunk of the Nissan-Manchuria Heavy Industries tree, has over 64,000 share-holders who, as AIKAWA says, are continuously changing. The only bloc which possesses 100,000 or more of the firm's 4,500,000 public shares is the Mochi Kabu Kaisha Kyoritsu Kigyo; all others have less than 50,000 shares. Among the share-holders there are many life insurance companies, stockbrokers, ordinary individuals, and heads of the enterprises which have been amalgamated into Nissan. However, even though the stockholders have increased relatives of AIKAWA and KUHARA still hold the majority interest. The names Kyoritsu Kigyo, Kuhara Honten, Tamura Gomei, Kaishima Gomei, Takashima-ya Iida, Hibiya Shoten, AIKAWA Yoshisuke, FUJITA Seisuke, TANAKA Eihachiro can be found in the roster of stockholders. These connections of AIKAWA are also the capitalistic backbone of the main industrial concerns under the concern. Herein lies the historical tradition of the concern.

Thus when the capitalist nucleus of Nissan is scrutinized, it is evident that the capital comes from the blood relations of AIKAWA and KUHARA. However, their share holding in the parent and subsidiary companies constitute less than ten per-cent of the total shares. On the whole, as compared with 4 or 5 years ago, the share-holdings of the AIKAWA relations have decreased. Consequently, Nissan has strengthened its character as a public holding company.

### 3. Nissan Concern's Industrial Control System

The present day Nissan-Manchuria Heavy Industries concern has practically no similarity with the Japanese industries of ten years ago at the time the embargo on gold was lifted. It is also quite unlike the enterprises of the old Nissan system in Japan. Until the outbreak of the China Incident in the summer of 1937 the Manchurian company had not even been thought of.

Nissan

derived from: Kyoritsu Kigyo  
Kuhara Honten  
Tamura Gomei  
Kaijima Gomei  
AIKAWA Yoshisuke



Extract from NIHON ZAIBATSU RON

Manshu Jukogyo

incorporating Manchurian Government interests

Japanese interests:

Nihon Kogyo (Taiwan Kogyo  
(Nichinan Sangyo

Hitachi Seisakusho (Osaka Tekkosho (Harada Zosen, Mukojima  
(Kokusan Seiki Senkyo)  
(Hitachi Gasu  
(Hitachi Kokuki  
(Hitachi Heiki  
(Hitachi Kosakuki  
(Manchu Hitachi Seisakusho  
(Ryo Kosha  
(Tokyo Jidosha Kogyo

Hitachi Denryoku

Nissan Jidosha (Nissan Jidosha Hambai

Nissan Kisen (Tokyo Wan Kisen

Nissan Kagaku (Osaka Alkali Hiryo  
(Nitto Ryuso  
(Taiwan Hiryo  
(Ube Kogyo  
(Nihon Io  
(Nissan Ekitai Nenryo  
(Taiwan Denka Kogyo

Nihon Yushi (Hokkai Yushi  
(Kita Nihon Yushi  
(Nihon Sekken  
(Osaka Sekken  
(Hoten Yushi  
(Chitan Kogyo  
(Teikoku Kakohin  
(Tairen Yushi Kogyo  
(Manshu Daizu Kogyo  
(Kunimitsu Kayaku  
(Mokuto Gyoryo and 17 others

Nihon Suisan (Nihon Gyomo Sengu  
(Borneo Suisan  
(Tobata Ichiba  
(Hinode Gyogyo  
(Nichiman Gyogyo  
(Nitto Gyogyo  
(Godo Gyogyo



Extract from NIHON ZAIBATSU RON

(Nihon Seito  
(Nihon Tanko Kogyo  
(Nihon Suisan Kagaku  
(Nihon Suisan Kenkyusho  
(Nanyo Suisan  
(Shinko Suisan  
(Tsu Reizo Seito and 7 others

Nissan Norin (Asahi Matchi and 6 others

Nissan Kasai Kaijo Hoken

Nissan Seimei Hoken

Chuo Doboku

Teikoku Mokuzai

Manchurian interests:

Showa Seikosho  
Manshu Tanko  
Manshu Saikin  
Manshu Kozan  
Manshu Hikoki Seizo  
Manshu Jidosha Seizo  
Tohendo Kaihatsu  
Honkeiko Baitetsu  
Kyowa Tetsuzan

Nissan's major domestic interests, as formerly, are composed of heavy industrial enterprises interested in machinery, mining, ship-building, automobiles and chemicals (such as fertilizers, oils and fats), ocean transportation and marine products. The development of all these industries has been the same as that of any new industry. Diversification is probably the greatest characteristic of the Nissan concern. The present Nissan can no longer be passed off lightly as a new heavy industry Zaibatsu, although it has many of the characteristics of an ordinary industrial Zaibatsu. Its industrial enterprises are already larger than those of the Sumitomo and Asano.

The special features of Nissan's industrial management are:

1. It moved into industrial fields such as marine products and automobiles, which were untouched by the old Zaibatsu.
2. Although it still has no banking organs, recently it has extended its feelers into insurance and has established a pyramidal control aiming at general economy and mobilization of capital.
- 3.



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3. In order to versatilize its control, Nissan has distributed its stock holdings among the great industrial firms under its wing.

	<u>Japanese Interests</u>		<u>Manchurian Interests</u>	
	1938	1939	1938	1939
Stock	¥267,464,000	¥267,654,000	¥247,199,000	¥572,333,000
Loans	57,553,000	54,085,000	3,035,000	66,138,000
Total	¥325,017,000	¥321,739,000	¥250,234,000	¥638,471,000
Grand Total:	1938 - ¥575,251,000			
	1939 - 960,210,000			

4. Lastly, in the natural course of events, Nissan has gradually transferred its main enterprises from Japan to Manchuria. Nissan and the Manchurian economy have already formed a complete union. This factor, with the present trend of casting off control over subsidiaries such as Nihon Kogyo, Hitachi Seisakusho, Nihon Suisan will decide Nissan's future development. For instance, the proportion of loans to the companies associated with Manchuria Heavy Industries Company, Limited, became greater during 1938 and 1939, and the Manchurian interests secured greater capital strength. This was probably due to the successive formation of great companies such as Manshu Kozan, Manshu Jidosha, Manshu Hikoki, Tohendo Kaihatsu and Kyowa Tetsuzan. This trend is still continuing.

Nissan and the Manchuria Heavy Industries Company, Limited, have in Japan, besides Nihon Kogyo, twelve (12) companies (Nissan Kisen is a subsidiary company of Nihon Kogyo), which are direct subsidiaries. In regard to these thirteen(13) subsidiaries, although the number of shares held by the Manchuria Heavy Industries Company, Limited, in each company depends on the character of the industry, they control on an average more than thirty percent (30%) of the stock. Through the utilization of accumulated capital, outside investments, and control of a large number of subsidiary companies, the great companies of Nihon Kogyo, Hitachi Seisakusho, Nissan Kagaku, Nihon Yushi and Nihon Seisan are weaving their net of control.



	<u>Declared Capital</u>	<u>Paid Up Capital</u>	<u>Total Shares</u>	<u>Nissan's Holdings</u>	
				<u>No. of Shares</u>	<u>Percentage</u>
Nihon Kogyo	¥240,150,000	¥200,125,000	3,202,000	1,887,074	58.6%
Hitachi Seisakusho	204,500,000	161,670,000	4,090,000	1,414,565	34.6%
Hitachi Denryoku	10,000,000	6,250,000	200,000	96,060	48.0%
Nissan Jidosha	30,000,000	30,000,000	600,000	553,700	92.3%
Nissan Kagaku	124,000,000	93,000,000	2,480,000	1,335,286	53.4%
Nihon Yushi	50,000,000	38,600,000	1,001,000	271,850	26.9%
Nihon Suisan	93,000,000	68,250,000	1,860,000	858,448	46.2%
Nissan Norin	20,600,000	17,400,000	412,000	176,048	42.7%
Nissan Kaijo	10,000,000	2,500,000	200,000	---	---
Nissan Seimei	1,000,000	250,000	1,000	---	---
Chuo Doboku	1,000,000	1,000,000	20,000	19,350	96.8%
Nissan Kisen	20,000,000	14,750,000	400,000	223,262	55.8%
Taiwan Kogyo	30,000,000	30,000,000	600,000	597,990	99.7%
Osaka Tekkosho	30,000,000	30,000,000	600,000	598,300	99.7%
Osaka Alkali	3,000,000	1,875,000	60,000	47,640	79.4%
Nitto Ryuso	5,000,000	3,725,000	100,000	57,397	57.4%
Ube Kogyo	2,250,000	2,250,000	45,000	33,158	73.7%
Nihon Io	5,000,000	2,250,000	100,000	28,965	29.0%
Hokkai Yushi	1,500,000	825,000	30,000	16,050	53.5%
Dairen Yushi	500,000	500,000	10,000	7,000	70.0%
Godo Gyogyo	10,098,000	10,098,000	---	---	---
Borneo Suisan	2,500,000	1,400,000	50,000	28,332	56.7%
Nihon Gyomo	1,000,000	1,000,000	20,000	7,375	36.9%



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Pamphlet "Manchuria Industrial Development Corporation"  
published by the Oriental Economist in March 1938



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NIPPON INDUSTRIAL COMPANY'S ENTRY INTO MANCHOUKURO

My Views On The Development Of Manchurian Industries

By Yoshisuke Aikawa

President of the Manchuria Industrial  
Development Corporation

A GOLDEN OPPORTUNITY

"The seeds of the present project were sown about a year ago, in the early autumn of 1936, when at the invitation of the Hsinking authorities I made a tour in Manchoukuo to inspect all phases of the region's industrial opportunities. Some time later I was appointed a sort of adviser to the Kwantung Army, which subsequently asked my opinions and suggestions on various pertinent subjects from time to time. The seeds thus sown have now borne fruit. Under the guidance of the Army, Manchoukuo has been making a series of experiments to determine what course its industrial development should follow, and many test tubes have been broken in the process. The sum total of these experiments has been the conclusion that it would be advantageous to leave industrial affairs to the care of industrialists. At the same time, the discovery has been made that the Nippon Industrial Company possesses every requisite for undertaking such a mission successfully. This concern is an organization with huge capital owned by over 50,000 well scattered stockholders. It has a capacity for almost infinite expansion and its assets comprise a rich reservoir of personnel, technique and skill covering a wide range of activities, all of which have been built up by many years of effort. In concept and organization the Nippon Industrial Company was well fitted from the beginning to carry out large scale projects of national importance, which makes it peculiarly suited for undertaking Manchoukuo's industrial development. All these facts were recognized. From the standpoint of Nippon Industrial, it was felt that Manchoukuo offers a new field of activity and unrivalled opportunity for giving full scope to the firm's functions as a holding company thereby fulfilling its assigned mission. It was only natural that both parties should soon find a common basis for agreement. Then the North China Incident broke out and developed into full Japan-China hostilities which proved something of a drain on the nation's productivity. Consequently, the Five-Year Plan of Manchoukuo became inactive and as a result the union between Manchoukuo and the Nippon Industrial Company was speedily concluded. It is therefore proper to say that the present project was in the nature of a chance occurrence, a product of circumstances so to speak. Certainly



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it was not the result of contrivance or promotion by any particular man or group of men.

"A single circumstance that made the project possible was so unusual that it can well be described by the old platitude 'an opportunity that occurs but once in a thousand years.' This was the abolition by Japan of extraterritorial rights in Manchoukuo and the transfer of administrative rights in the South Manchuria Railway zone which became effective on December 1, 1937. No matter how zealously Manchoukuo may have wanted Nippon Industrial to undertake the project, and no matter how keenly the company may have desired to do so, ordinarily it would have been out of the question for Nippon Industrial to transfer itself to Manchoukuo and retain its status as a juridical person, because Manchoukuo is a foreign country.

"The then-impending transfer of extraterritorial rights and administrative rights in the Railway zone offered the unique opportunity. If the Nippon Industrial Company was to transfer itself to the Railway Zone before midnight on December 1, the removal would take place under Japanese law. After midnight of that date, the transplanted company would automatically acquire and retain the status of a juridical person under Manchoukuo law. Once the decision to act had been taken, all parties concerned acted with resolution and despatch. High officials extended every cooperation, which was an outstanding factor in the success of the plan, and the transfer was completed within the time limit. Something that had appeared as improbable of success as 'a blind tortoise hitting a floating log in the ocean' was thus accomplished. It might be proper to say, therefore, that the semi-governmental corporation of Manchoukuo now scheduled to be organized was something ordained by fate."

#### SPECIAL FORMULA FOR EXPLORING MANCHOUKUO

"There are two avenues of approach to the double problem of exploring the natural resources and establishing industries in such a country as Manchoukuo. One is to take up individual industries according to a predetermined plan. This is an ensemble system. Personnel and management policy must differ according to which system is adopted.

"In Manchoukuo as in most other places the lineal system has been in use up to now, and the iron, coal, aircraft and automobile industries, for example, have been established haphazardly and without the maintenance of an organic relationship among them. If we were to apply this system it would give Manchoukuo the status of a mere branch shop with Japan as the center of the industries concerned, and first-class men



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would not go to Manchoukuo. Furthermore the industries there would have to be operated on much the same scale as in Japan, and that scale would prove entirely too small for such a vast country. If business were conducted on this limited basis, it is natural that the amount of Japanese capital attracted there should be appreciably smaller than for a business having its headquarters in Japan. In fact, it is not surprising that industrial development in Manchoukuo thus far has moved at a snail's pace.

"It is my opinion that for Manchoukuo the lineal method must be discarded and that the vast natural resources must be developed on a scale commensurate with the huge size and character of the country. The Japanese insular notion, which is based on past experience alone, will not be suitable in this instance. In the political, economic and all other fields, Manchoukuo must have its own program based on its special needs and characteristics.

"There is a striking similarity in many respects between Manchoukuo and America, especially such sections of America as Minnesota and Illinois. An aerial observation is sufficient to convince anyone of the topographical likeness. Both regions are rich in natural resources such as mining and agricultural possibilities, which in America have made possible the development of industrial metropolises like Detroit and Chicago. Climatic conditions also are similar, but in this respect Hsinking has an advantage over Detroit. In Detroit, heavy snowfall makes road conditions so bad that motor transport becomes extremely difficult in winter, whereas heavy snowfall is almost unknown in Manchoukuo and even north of Hsinking traffic can be carried on everywhere when the whole territory is turned into a wide expanse of frozen plains. The admirable development that has taken place around the Great Lakes encourages me to believe that a similar development in Manchoukuo would be comparatively much easier.

#### DEVELOPMENT PLAN SPECIALLY FRAMED

"Thus the general lay of the land in Manchoukuo is such that small scale operations will be of no avail and should not be attempted from the first. Industrial development must be carried out according to a definite plan specially framed for that country, and separate and apart from anything that has been done in Japan. The problem should be tackled in the pioneer spirit, for otherwise wonderful resources and opportunities will be wasted to no purpose. Many projects in Manchoukuo have been inaugurated as if branch shops of industries in Japan were being set up. This procedure is certain to fail as Manchoukuo's



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human as well as natural resources differ from those of Japan. Planned economy of the Russian pattern, in which natural resources rather than the population are the main factor of development, should be the objective. Everything must be done according to a predetermined program that has been drawn up with an eye to the distant future; in order to make the entire system of industries thus developed a well balanced, organic whole in usefulness and efficiency. From this standpoint I admire the plan on which Hsinking is being made a metropolis. Compared with those of Japan, Manchoukuo's natural resources are so immense that they require different methods of tapping. If precedent must be found we should look to America. When Manchoukuo is regarded in this light, many methods of solution suggest themselves.

"This in short is my view of Manchoukuo. Different formulae must be followed in sinking capital and in employing manpower. The piecemeal manner of acquiring desirable men from Japan which has been followed in the past is wrong and not conducive to success. The immense natural resources of Manchoukuo call for a determined attack, made with strategy and on an ambitious scale. The labor available is of such a kind that quick results from highly skilled men are out of the question. A mass production system on a large scale, operated on a well organized plan similar to military drill methods, is most suitable because labor with a low standard of efficiency can then be utilized.

#### THE QUESTION OF MARKETS

"Markets are a necessary adjunct to the industrial development under discussion, but they will take care of themselves in time and can be deferred for later solution. In gunnery there are two methods of finding the range. One is to train your gun on a point beyond the target, then shorten your fire until you hit the mark. The other is to aim at a point in front of the target and then lengthen your fire. Both methods are acceptable in gunnery, but in developing Manchoukuo's industries we should aim beyond the target. When Tokyo Station was built, many people wondered why such a big structure should be erected in the middle of the virtual desert that Marunouchi then was, but what is the situation today? If you are niggardly with your ammunition and are unwilling to shoot beyond the mark, you can never accomplish anything worth while in Manchoukuo, for before long the target itself should be moving out toward the point of over-range fire. The industrial program should be conceived on a very ambitious scale, because the chances are that even so, complaints will soon be made that the scale is not large enough.



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"My opinion is that this principle is applicable to aircraft and automobile manufacture as well as other industries. The progress of any planned economy should be measured in time units of five or ten years, for during the life of the plan conditions will be found entirely inadequate for later requirements. The target is far distant and is moving fast. It is impossible for you to shoot far enough ahead. This is my view of the market problem, which can be left for solution later.

#### AN INTEGRATED SYSTEM AND NIPPON INDUSTRIAL

"My conception of how Manchoukuo's industrial development should be effected is, in rough outline, as follows. Every action should be premeditated and all actions should be coordinated, as previously stated. The Ford system of supplying materials and parts should be considered in the manufacture of motor cars, since obviously this manufacturing industry cannot be carried on successfully if the essential materials are beyond the manufacturers' control. An accurate program for the supply of necessary materials will have to be mapped out and capital requirements must be measured accordingly. A keynote of balance and harmony must be struck for the entire scheme of development. To mine coal, manufacture iron and assemble aircraft, each haphazardly and independent of the others, would clearly be uneconomic. All activities must be interrelated and coordinated, and therefore we must have a central organization whose guiding principle will underlie all these activities that the unity of the whole mechanism. Any organization whose head is constantly changing would be incapable of undertaking the task. In the light of these requirements, the Nippon Industrial Company possesses unrivalled experience at least in Japan and therefore every qualification for this assignment.

"To operate successfully in such a country as Manchoukuo, a business concern must also be democratic and must have at its disposal many men skilled in many branches of industries. Consequently a company which specializes in only one branch would not be qualified. The old established plutocrats are supplied with ample capital and equipped with a high-standard personnel for many industries but they cannot afford to move their headquarters to a foreign country and they face the added handicap of being unable to appeal to the public for capital, if necessary, because they are private concerns. With a holding company whose stock is held by the masses the case is entirely different as the stockholders are constantly changing and the potential supply of capital remains inexhaustible. As long as the enterprise is profitable and rests on a sound foundation, a holding company can raise



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new capital at any time it is required merely by operating the pump. This will be a feature of inestimable value in developing Manchoukuo's resources. In the light of these facts, the Nippon Industrial Company alone of all companies in Japan is qualified to fulfil Manchoukuo's requirements. Manchoukuo has what Nippon Industrial wants and Nippon Industrial has what Manchoukuo needs, and so it is in the logic of things that they should come together. The two were fated to unite.

#### GUARANTEED INVESTMENT RETURNS

"The reader is referred to a statement on Page 4 for details of Nippon Industrial's removal into Manchoukuo, but it may not be out of place to give an explanation here of the guarantee of six per cent per annum return on invested funds that was agreed by the Manchoukuo Government. The fundamental question involved is whether sufficient returns will be realized to average six per cent per year for a period of ten years on all the funds brought into Manchoukuo. If an average six per cent return cannot be realized, then the project would have been better left alone. As Manchoukuo has taken the initiative and invites my participation, it is only reasonable that it should give the guarantee that these funds will earn six per cent. In fact the resources available cannot have such a small value, and if this is the case the Government need not begrudge the guarantee.

"The guarantee would not be needed if the undertaking were to be handled as heretofore in the piecemeal fashion suitable to ordinary business management. But in this particular instance a semi-governmental corporation is going to be organized for the special purpose of building up any and all enterprises which Manchoukuo may deem necessary for its well-being. In other words, the new corporation is a sort of state institution and has to abide by the dictates of Manchoukuo, on whose behalf and interests the corporation is to undertake the work. As the primary purpose of such a task is fulfilling national requirements, anyone undertaking it is entitled to ask a proper guarantee. No one can afford to undertake such a gigantic work unconditionally. In the case of the South Manchuria Railway Company, I feel it illogical for the Company to make disbursements essential to the national existence without a guarantee. In carrying out a State policy the State must be consulted, and it is reasonable that there should be guarantees and safeguards that can not be expected by an ordinary trading concern. About the capital needs involved, it is not right to apply to ordinary commercial banks without careful regard for the condition of the money market. If such a big credit seeker as the South Manchuria Railway were to dominate a tight loan market, the lot of small borrowers would be



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very unenviable, and the situation would become still worse if another loan seeker, the Manchuria Industrial Development Corporation, were to squeeze in a limited money market. Mindful of this fact, our corporation takes the stand that it will wait until such time as the capital supply condition becomes easier as far as the ordinary money market is concerned.

"Some of the proposed Manchoukuo enterprises are clearly very profitable while others are distinctly unprofitable, but we will be satisfied if the consolidated earnings average six per cent. This is the basic principle of the semi-governmental corporation. Both the aircraft and automobile manufacturing enterprises, if conducted on the scale projected, certainly will not be profit-makers for some time, but within ten years the moving target will be entering an easy range, with the result that the capital invested should be earning six per cent or much more on the average. It can be expected that when this stage is reached, these enterprises will be earning sufficient to repay the government grant for the return. As compared with the money lender's computation of interest by the day or the joint-stock company's dividend distribution by the half-year fiscal term, a ten year unit period for the settlement of accounts for the State may be called rather too short and might well be half a century or a full century. This is the principle underlying the guarantee of a return on the corporation's invested capital. The natural resources now lying dormant in Manchoukuo are, so to speak, first assessed and evaluated, then made the basis of a provisional dividend distribution which is subject to an eventual readjustment. Of course no guarantee of any kind is sought for the dividends to be paid for the old enterprises of the Nippon Industrial Company. The guarantee now being offered by Manchoukuo differs in character from those very often made for dividend privileges by ordinary semi-governmental companies in Japan. Ours is based on unquestionably sound logic and sound principles.

#### BROAD AGREEMENT ALLOWS FREE HAND

"In this connection, it should be added that for the first ten years from the organization of the semi-governmental corporation, Manchoukuo guarantees not only a six per cent return but also the principal of all the funds brought into the country and employed for the operation of its enterprises. This guarantee applies to any money expended in Manchoukuo, i.e. capital investments, running expenses, and in fact, anything and everything in the holding company's disbursements for that purpose. The stand is taken that the semi-governmental corporation in question is, so to speak, a real estate agent



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whose salary should be considered as an investment needed for the exploration of natural resources. As the six per cent return means a net return after allowing for expenditures, the privilege is accorded to both capital and overhead expense items without discrimination. The calculation will be made not on the principle of the double-entry system of book-keeping, but on that of the single-entry.

"Such a broad arrangement is in keeping with conditions in Manchoukuo, as the corporation needs considerable freedom for its operations. Unlike the so-called free enterprise of Japan, the corporation should have a broader arrangement as its undertaking is carried on under a definite premeditated scheme. Too much advantage, must not be taken of this guarantee, however. The scheme should be pushed boldly, but with every attention to small details. The business should be carried on in a fair and square manner.

#### NIPPON INDUSTRIAL'S INTRINSIC VALUE

"Question: 'How will the new company's capital be constructed?'

Answer: 'Of its capital stock of ¥450 million, half (¥225 million) is to be contributed by private interests in Japan and Manchoukuo (as a matter of fact by the present stockholders of Nippon Industrial Company), and the remaining half by the Manchoukuo Government.'

"Question: 'What will Manchoukuo's contributions be?'

Answer: 'They will be tangible assets and cash. Of Nippon Industrial's authorized capital, ¥26,600,000 remains unpaid. Manchoukuo will match the outstanding paid up capital of Nippon Industrial by paying up approximately ¥200 million. In other words, the 55,000 stockholders of Nippon Industrial will contribute ¥200 million and Manchoukuo will match that sum. This policy of maintaining at all times an equal capital investment by both the Government of Manchoukuo and by individual citizens will be followed mainly to facilitate the disposal of the residual assets in the event of the company's dissolution and the disposal of dividends. It has been agreed that in case the residue at the time of the company's liquidation should be below 150% of the paid up capital, such residue be distributed in the proportion of two parts for private shares and one part for the Manchoukuo Government's shares. Any such assets in excess of the 150% will be divided equally between the two classes of shares. This arrangement is based on the present intrinsic value of the shares of the Nippon Industrial Company.'



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"Untill recently the market price of Nippon Industrial shares was below ¥70 which does not do justice to their intrinsic value. A careful assessment should give them a value well above ¥100. Assuming that ¥100 represents a fair value, it would entitle the present shareholders to receive two ¥50 fully paid up shares of the proposed semi-governmental corporation. This arrangement, however, would not be to the advantage of Nippon Industrial shareholders since the tax authorities would regard one of these shares as having been given as a premium payment and might impose a tax accordingly. Therefore, it has finally been agreed to exchange share for share, but as one Nippon Industrial share was valued at ¥100 as against a par value of ¥ 50 for the Manchoukuo shares, the holder of the former is entitled to dividends and equity in the proportion of two to one in his favor.

"It is therefore proper that when a 10% dividend is paid to private stockholders (the original Nippon Industrial shareholders), Manchoukuo should receive one-half this rate, or 5%, these representing the same dividend rate as measured by the true value of the capital invested. Consequently, it is agreed that up to the point where Nippon Industrial shareholders receive dividends on an annual basis 10%, Manchoukuo is to receive them on the basis of half thereof. When profits justify dividends in excess of 10%, the excess is to be shared fifty-fifty, which is only a logical arrangement. When the capital is increased in the future, Manchoukuo and the private stockholders will discuss the respective rates of dividends to be received.'

"Question: 'The shareholders of Nippon Industrial then are going to exchange their shares for those of the privileged semi-governmental company?'

Answer: 'Yes'.

#### NO DIRECT NEGOTIATIONS WITH THE S.M.R.

"Question: 'How are you going to take over the subsidiary enterprises of the South Manchuria Railway?'

Answer: 'It has been agreed that Manchoukuo shall purchase them from the railway company before they are taken over by the newly formed corporation. There will be no direct negotiations between the new semi-governmental corporation and the South Manchuria Railway Company. The original idea of Manchoukuo was first to organize a semi-governmental company, merge this with the Nippon Industrial Company, and later to absorb other enterprises which might choose to join. In other words, Manchoukuo contemplates doing all that the Nippon Industrial Company has done heretofore in the way of absorbing numerous companies. By this



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system any business and enterprises to be purchased will be acquired by Manchoukuo before they are merged with the semi-governmental company, and their evaluation will be made strictly on the cost principle, with the abuses of 'watering' stock tabooed. Manchoukuo owns mining and other properties as well as controlling interests in the Manchuria Colliery Company, light metals and other Manchoukuo enterprises, which will be contributed to the new semi-governmental corporation in exchange for cash. The plan, therefore, is to have Manchoukuo pay up on its shares by way of 'show money' which will later be displaced by tangible assets if agreeable to Manchoukuo. It is very probable that at times Manchoukuo's contribution may assume greater proportions than those of the private interests, but even so the paid-up capital of the two groups will be kept on a par. Any discrepancy will be adjusted by means of loan account, and when private shares are increased these loans will be turned into shares so as to have stock parity maintained between the two classes of shareholders. This will make it possible to observe the principle of dividing, half and half, the capital stock of the new semi-governmental company by the 55,000 Nippon Industrial shareholders on the one hand and the Manchoukuo Government on the other. With this capital structure the company is ready to develop any resources in cooperation with the Manchoukuo Government, and the scope of the development work and resources handled will thus be expanded gradually. Foreign capital will be invited to participate in various enterprises under the new corporation on the same footing as Japanese and Manchoukuo capital.'

#### OTHER OLD STANDING ENTERPRISES

"Question: 'Aside from those of the South Manchuria Railway Company, is the new corporation going to absorb development schemes in Manchoukuo which are contemplated by Japanese and which presumably are based on some acquired rights?'

Answer: 'The Corporation's mission is to carry out a state policy of developing natural resources under an integrated and coordinated system. A planned economy has been the policy of the Hsinking Government, and a system of regulations looking to its perfection is in force. When the proposed semi-governmental corporation has begun functioning on anything like the contemplated scale, it is very probable that some of the old enterprises will find the going pretty rough. However, as the principle of free enterprise is recognized in Manchoukuo for certain classes of business, there is scarcely any reason why all enterprises should come under the controlling wing of our corporation. Those specific enterprises which come within the scope of this corporation's field of activity must come under our control no matter how long they have been established.'



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#### CAPITAL RAISING POWER OF NIPPON INDUSTRIAL

"Question: 'Does the new corporation contemplate increasing its capital in the near future?'

Answer: 'That step would be feasible as soon as a reasonable dividend can be assured for the increased capital, although it is difficult to say how soon that stage will be reached. I am going to Manchoukuo at the head of 55,000 stockholders and with the ¥200 million paid up capital which is worth intrinsically at least ¥450 million, calculated on the basis of ¥100 per share. When capital is needed for expanding the productivity of certain prescribed industries, I have assurances that the Industrial Bank of Japan will grant loans in an amount between ¥200 million and ¥300 million. A collateral trust securities law will probably be enacted at the next session of the Diet, and when this is done, depending on money and banking conditions, our Corporation may take full advantage of the facilities offered by this law.'

#### INTRODUCTION OF FOREIGN CAPITAL

"Question: 'What about the introduction of foreign capital?'

Answer: 'Manchoukuo has been undecided heretofore about the method of developing its natural resources, and the number of experiments that were made and then rejected has been large. But the country knows now where it stands in regard to this question. Unlike in Japan, things in Manchoukuo are done with despatch. A handful of high Government officials get together, agreement is reached, and a new law is out tomorrow. Any measure which is logical and sound is promptly adopted for immediate enforcement. Anti-foreignism shall not be tolerated in Manchoukuo hereafter. The principle of the open door shall be enforced to the letter. The rapid development of Manchoukuo's resources depends entirely on the rigid enforcement of this policy.'

#### LABOR NEEDED FOR DEVELOPMENT WORK

"The most important question is whether Manchoukuo contains natural resources of sufficient importance. I feel that it does, and the Hsinking authorities believe the same. If it proves so, the difficulty will be solved. To develop them much time and much money will be needed. To start an aircraft enterprise at Mukden, for instance, a large tract of land must be purchased and houses must be built for those who are to migrate there. All of the investment involved must remain dormant for some time. The more any expansion work is speeded up, the greater is the amount of capital that must be so invested and left to lie inactive for a number of years before it begins to earn. There is a limit to



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any high speed operation if dividends have to be maintained on a certain definite basis. In a country like Manchuria the job must be pushed forward at high speed and consequently there will be a longer non-productive period for invested capital. During the lean years the State ought to make a grant and offset the temporary losing operations.'

"Question: 'What is the first enterprise you are going to start?'

Answer: 'Very likely gold mining.'

"Question: 'What will be the production?'

Answer: 'It must be on a scale that will produce at least 25 metric tons a year.'

"Question: 'What will be the capital needed for that project?'

Answer: 'Capital offers no difficulty, as all the machinery and equipment required can be obtained in Japan.'

"Question: 'Are heavy industries all you are interested in, or do you not intend to try the extraction of oil from coal?'

Answer: 'That will depend on what the Government says. If it says so the corporation will have to tackle anything, but coal liquefaction is an unrestricted industry. Just now we are not interested in any chemical enterprise.'

"Question: 'Are automobiles and aircraft most important?'

Answer: 'Iron and steel are more important, and coal mining is by no means unimportant. Because of the China emergency, we cannot get all the necessary equipment for these enterprises in Japan for prompt delivery. In the Five-Year Plan these requirements are computed at around ¥3,000 million, I hear. These figures are not day-dreams. I have not yet worked it out myself, but my idea is that the amount will be about that size. For the present, much of the materials needed for these projects will have to come from foreign sources, and if they are to be obtained promptly there will be difficulty in acquiring the necessary amount of foreign exchange. This will be our problem of outstanding importance and we must find some solution.'

"Question: 'Labor may offer another difficult question.'

Answer: 'In her days of great industrial development, America was dependent for labor on Italian immigrants.'

"Question: 'In Manchuria, then?'

Answer: 'As the Manchu men are needed for farm labor, they will



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not be available in sufficient numbers for our purpose. Korean workers cannot be brought over in numbers sufficient for large scale operations of the American type, and North China does not hold any promise as a source of a desirable type of labor. We must formulate a plan. I have my eye on White Russians living in Manchoukuo. As they are fit for this class of work I have an idea of making use of them.'

"Question: 'What is your view on the effect which the industrial development work of the new semi-governmental corporation will have on the industries of Japan?'

Answer: 'History shows that in Japan as well as in most foreign countries, the productive power is appreciably stepped up during a period of war because all the available productive resources are employed to the full in order to conduct military operations. That is the reason why, when the war ends and there is no longer a commensurate outlet for the expanded productivity, a reactionary post-war depression sets in. Everyone who passed through them will readily recall the experiences of the post-war slumps following the Japan-China war, the Japan-Russia war, and the World War. The last dealt a hard blow to the business communities of Europe and America as well as Japan. Just now Japan is concentrating her productive resources to push the military operations in China, and it behooves us all to study and find in advance proper outlets for this productivity after the hostilities are terminated.

"The role to be played by the new semi-governmental corporation in that respect is important, I believe. Recent investigation conducted on a limited scale discloses the fact that the Tungpientao district has rich deposits of iron ore, coking coal and other minerals necessary for the operation of heavy industries. Moreover the whole of Manchoukuo remains almost entirely undeveloped. The industrial development to be carried on by the new corporation in this virgin territory therefore will constitute an important means of diverting Japan's pent-up industrial energy into proper channels.'

#### RELATIONS WITH NORTH CHINA

"Question: 'If conditions in North China are more favourable for developing iron and coal industries, will you not make that region another seat of activity for the Japanese-Manchoukuo joint operation of heavy industries?'

Answer: 'Such an argument is likely to be advanced, but I don't want to think that far ahead. Manchoukuo has studied its own problems most diligently and has sacrificed much. Those problems must be solved



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first and foremost, and I would let other regions alone. One should not be greedy. It is my view that North China will have to make experiments of its own in the next four or five years.'

MOBILIZATION OF THE WORLD'S CAPITAL  
AND MAN POWER IS KEY TO INDUS-  
TRIAL DEVELOPMENT IN  
MANCHOUKUO

(A summary of an address made by President Aikawa at a banquet held at the Yamato Hotel, Hsinking, Manchoukuo on January 10, when formal announcement was made of the Corporation's establishment)

"It has been my privilege and honor to be appointed president of the Manchuria Industrial Development Corporation which has just been organized in this country. At the final general meeting of shareholders of the Nippon Industrial Company held in Tokyo on December 27, the company's dissolution and establishment of the semi-governmental organization, the Manchuria Industrial Development Corporation, were resolved upon. Needless to say, the corporation has a very important mission to fulfill in this country, and I fear that I may not prove myself equal to the heavy responsibility involved in that position. In this connection I shall take the liberty of dwelling at some length this evening on the motive and reasons why I have taken up such a heavy responsibility.

"There are a number of inducements for my agreeing to undertake this task. In the first place, I feel that Manchoukuo must contain abundant resources which are essential for the development of heavy industries. Secondly, I have high hopes that Manchoukuo will supply a fair quota of capable Manchus to carry on these industries. Thirdly, I value highly the very fact that because this country has not made progress in industry so far, the general conditions here are so favorable to the organization of industries on an integrated basis and large scale befitting a continental country. On this latter feature I wish to go into more detail.

"I have been engaged in the manufacturing business in Japan proper for over 30 years. What has been accomplished in that long period, however, is pitiable when I compare it with the advanced industrial



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nations of the West. We are now keenly alive to the urgent necessity of amplifying industrial productivity, since the present emergency has created an immense demand for goods. We have read and heard much about the difficulties encountered by the industries of Western nations during the World War, but until the time when this China emergency arose, the matter had not been forcibly impressed on our minds. Our experience of the China hostilities has revealed many things hitherto unthought of, especially to us industrialists. It is now the general conviction that, apart from the present emergency requirements, both Japan and Manchoukuo must unite to develop and amplify their economic powers.

"To increase industrial productivity in Japan, almost insurmountable difficulties must be overcome. As we all know, within the narrow confines of Japan proper we have an over-abundance of organizations of all imaginable kinds. The situation may be likened to a small plot of land sustaining an enormous building structure which, to make things worse, has extensions and annexes jutting out in all directions. Unless the whole conglomeration is demolished and an entirely new construction put up in its place, there is no way of effectively remodeling it to suit our purposes. In this respect, Manchoukuo, containing an abundance of resources, is an ideal site on which to build a new structure without repeating our past defects. Unfortunately, however, Japan proper lacks men endowed with adequate experience to design and operate such a structure on a continental scale and on an integrated basis. It has been my lot to be entrusted by the Governments of Japan and Manchoukuo with undertaking this difficult task. But I myself have no experience in establishing industries on a continental scale. Nevertheless, as it is evident that someone must assume that tremendous responsibility I have acceded to the command and made up my mind to do my best.

"In this connection, I wish to tell you of something that was indelibly impressed on my mind when I came here for the first time two years ago. During the past five years or so, men in all walks of life in Japan have come over to this country to do their part in the difficult work of empire founding. What struck me forcibly was their manner of serving Manchoukuo. Their labor is certainly exacting and strenuous, one man virtually doing more than ten men's share, which is a spectacle one seldom encounters at home. Moreover, I see today extremely young men in charge of all institutions, working with vigor and enthusiasm. I am now 59 years of age and do not feel that I am particularly old, but men of my age are very rarely met among Manchoukuo officials of Japanese extraction. Men fully 10 or even 20 years



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my junior are found occupying important posts here, which goes to demonstrate that Manchoukuo's future is incomparably bright. These men are an advance party of the type of manpower that is indispensable to the development of the Asiatic continent. I am therefore trying to get up all the ardor of youth so that I may work side by side with these youthful officials in the exploitation of the continent with all my heart and in the spirit of a reformer.

"You have all been made very well acquainted with the new corporation through the newspapers and periodicals, and I need not go into the details. But it may not be amiss to call your attention to the immensity of the undertaking. The Five-Year Plan for all industries of Manchoukuo, which became effective from the spring of last year, involved approximately three billions of yen in capital to be invested. Assuming that this three billion yen was to be locked up wholly in the heavy industries, what would be the size of these enterprises?

"My experience in Japan tells me that heavy industries which have three billion yen in the invested capital would employ about 450,000 workers as direct labor. Such an army of workers would form industrial towns containing in all 2,000,000 people, including the workers and their families. This would be a population equal to that of Harbin, Hsinking, Kirin, Mukden and Antung all combined. If such new towns were to be built in five years, a community of 400,000 souls would have to be built each year for five successive years. A population of 400,000 people contains between 80,000 and 90,000 families. Even if this five year period were stretched, for instance, to 10 years, the task would be difficult enough. Such a problem is involved in the work which I am to undertake.

"The successful solution of this industrial community problem, however, does not represent the whole problem of Manchoukuo's heavy industries. It merely marks the beginning. In it the first stage in the development program may be reached, so to speak, and then there will still be the second and third stages of the work to claim our attention.

"The whole system of enterprises, subsidiaries and affiliates of the old Nippon Industrial Company, employs about 150,000 workers. To build up industries on this scale has taken more than 30 years, and during these long years the enterprises have not developed in a leisurely fashion. Many of them were already doing a thriving business when they were brought together through a series of merger schemes and each of them has grown and progressed at a creditable pace. It is



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apparent, therefore, that if I were to tackle the new assignment by the old method which I used in Japan, it would take some 90 years, or three generations of life, to get together and train an army of 450,000 workers. If I were to undertake it in exactly the same manner as I have done in Japan, I would have to be reborn three times before the mission was very near to accomplishment. You will now appreciate what a colossal undertaking I am being called upon to attempt, and this is especially the case when the work is expected to be done in so short a period as five or ten years. It is my belief that the key to the solution is cooperation. In carrying out my projects in Japan I was early exposed to a certain amount of criticism regarding the speed at which they were pushed. People were apprehensive that sooner or later hitches would develop. It has been my experience, however, that it all depends on the method followed.

"The incomparably greater scale on which they have to be developed, renders whatever degree of all-embracing capacity I have shown in Japan wholly inadequate for the exploration of Manchoukuo's heavy industrial resources. While it will be essential of course for Japan and Manchoukuo fully to cooperate, that alone will not be sufficient to guarantee the successful solution of the problem. It would be highly desirable to call upon the whole world to contribute all that is best in its institutions toward building up and starting this gigantic project of the newly founded empire. Therefore, it will be my essential function to mobilize and direct an organization which embodies the cream of the industrial technique that the world has evolved, as otherwise, obviously I cannot hope to acquit myself of the heavy responsibility. I must very frankly admit that almost my only hope rests with the capital and manpower which the world would be ready to marshall if the work is to be accomplished within the stipulated period of time.

"It is therefore my conviction that, in order to bring the present scheme to fruition, manpower, capital and technique will have to be summoned from all corners of the earth in a magnanimous spirit worthy of the great undertaking.

"Some sections of journalism have been inclined to criticize me harshly, painting me as an industrial dictator who applies force without regard for the interest of others or for sentiment. It may sound immodest, but, as I told you earlier, cooperation is my motto and whenever I have started after any objective I have always taken special pains thoroughly to discuss the issue with the men concerned. This practice I have invariably followed in the past and this will be my attitude in the future toward Manchoukuo officials with whom it will be



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good fortune to work in this undertaking. Moreover, the project which I am about to launch is not my personal undertaking but that of Manchoukuo, for whose account and on whose behalf I am going to operate. My attention therefore will be centered on the work, in full cooperation with the leading Government officials in charge. It is my ardent wish that none of you shall be led astray by thoughtless criticism. I want you fully to understand the facts of the matter and to give me your best support and cooperation.

"It is pleasant to note that from the early days of its foundation, Manchoukuo's guiding spirit has been to build an ideal state of Benevolent Rule, Harmony among Five Races, and Equal Opportunity and the Open Door. This ideal after all boils down to one of cooperation. This spirit then must also be the guiding principle in the work of developing Manchoukuo's heavy industries. I seek the cooperation of all to make the first state policy corporation ever organized in Manchoukuo a real success.

"I take this opportunity to announce that, on the occasion of the Nippon Industrial Company's transplantation into Manchoukuo; a certain amount was set aside for retiring allowances and special bonuses for directors and others who had connections with the company, in accordance with a resolution adopted by the shareholders, and that it has been decided to apply a part thereof to the following donations.

" A sum of ¥2,000,000 will be contributed to create a fund for the relief and education of the surviving families of those Japanese who sacrificed their lives for the cause of Manchoukuo.

"Another ¥2,000,000 will be contributed towards the relief of inhabitants in the Tungpientao district where there are rich deposits of iron ores that are to constitute the basis of our industrial operations. As you are undoubtedly aware, this region is in a miserable condition, being still infested with bandits, and the lot of its inhabitants calls for our sympathy. A program of vigorous development such as is contemplated by our corporation makes it highly probable that some friction will develop there. As business men we do not want to engage in the work while under arms. It is therefore deemed proper that relief funds be established for the benefit of those who may be in any manner inconvenienced by our restoration work, especially in such districts as Sankiangsing, Tungpientao and Hsientaosing where our initial operations will take place. After consulting with the authorities in charge, these arrangements will be effected and formal announcements made to the above effect. However, as I see here present this evening several officials



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closely connected with these affairs, I have taken this opportunity to give an outline of what is contemplated.

"At this time when my associates and myself and a large number of stockholders of the Nippon Industrial Company are leaving Japan in order to move into Manchoukuo and spend the remainder of our lives engaging in an epoch-making enterprise, we cannot help feeling deep emotion.

"In the first place, it has been largely due to the sacrifice made by those who fell in the Manchurian Incident and those who suffered the greatest injury therefrom that we are now able to move into Manchoukuo. Those victims of the incident should therefore be regarded in the light of our ancestors to whose spirits religious service should be performed. The ¥2,000,000 is a kind of offering made with a sincere and humble mind.

"The wealth of Tungpientao's mineral resources has been preserved intact to this day, without being divided up among diversified interests, almost as if intended for tapping by our Industrial Development Corporation. Indeed these resources are the most important foundation stone of our present industrial project. It is therefore fit that those who have saved the resources for us, whatever their motive may have been, should be offered some relief, and a way is being opened for them to better their living condition."



Article from March 1938 issue of "Contemporary Japan"  
"Yoshisuke Aikawa: The Man and His Works"



Article from "Contemporary Japan" issue of March 1938.

YOSHISUKE AIKAWA: THE MAN AND HIS WORK

By HIDEKICHI WADA

"The subject of this sketch is one of the very few individuals who are real leaders in the industrial world of Japan today. Until quite recently, Mr. Aikawa was an ordinary industrialist, whose name scarcely received mention. In the course of the past few years, however, he has risen with astonishing rapidity to a position of great importance. With his extra-ordinary power to grow, and his wonderful administrative ability, he is indeed a unique figure in Japan's industrial life.

"From the establishment of a mining company with a capital of 50 million yen as recently as 1928, within a short space of nine years, Mr. Aikawa has built up the gigantic Nihon Sangyo K. K. (Japan Industrial Company, Limited), better known as the Nissan Company for short which has eighteen affiliated and 130 otherwise related concerns, with a total capital of 800 million yen. Aikawa advocated a revision of the existing big-business system in favour of the principle of the public holding company, and applied this principle to the Nissan Company. In addition to this, he was to all intents and purposes the prime mover and originator of the Manchoukuo Heavy Industries Company, which is now charged with the task of exploiting the natural resources necessary for defence purposes and of developing heavy industries in Manchuria.

"Mr. Aikawa is an entrepreneur of a type the like of which is rarely found among business men in this country. He is an engineer before everything and he looks at business from the engineer's point of view. Hence, his business methods are severely rational.

"As affording an insight into the character and the business philosophy of Mr. Aikawa, his experiment with an air-gun is of interest. Some ten years ago when he was still a local industrialist in the Tobeta Iron Casting Co., in the Kyushu district, he was convalescing from an attack of pneumonia. A man of few hobbies, he took to the juvenile pastime of air-gun with the innocence of a boy. Engineer that he was, he enquired as to the rules of shooting the mark, as to the right position of the body, at what angle must the arm and the wrist be kept, how should the butt of the gun be applied to the shoulder, and so forth. Even in the use of the air-gun, Aikawa conducted minute experiments with some 30,000 trial shots(!), until finally he was certain that by combinations of different factors he could control the course of the missile with sufficient accuracy. By the application of his theory, he said he could bring down as many as 140 sparrows in a day's shoot.

"Another of Mr. Aikawa's very few hobbies is painting with the brush



Article from "Contemporary Japan" issue of March 1938.

in black and white. He has not taken lessons with great masters, but seeks to be entirely himself in the execution of his art. Whether in painting landscape, figures, or still objects, he goes on in his own fashion, as carefully and thoroughly as in the case of using his air-gun. His theory of correct painting, with its rules of combination free-hand, flexible joint, universal joint, and what not, is complicated enough to mystify the average man. What he aims at, he says, is a complete mastery of the human mechanism. Even in art, then, Aikawa is an out and out engineer, and a propensity for exactitude and thoroughness characterizes his attitude toward all undertakings, business or otherwise.

"Mr. Aikawa hails from Yamaguchi prefecture, where he was born in 1881 as the eldest son of a retainer of the clan Lord of Yamaguchi. Unlike many another successful man, who rose to fame and fortune from small and humble beginnings, Aikawa grew up in most favourable circumstances. In the first place, he had Marquis Kaoru Inouye for his uncle on his mother's side. Then, his wife is the eldest daughter of Mr. Tojiro Iida, the head of the House of Takashimaya, who is a veritable business baron in Western Japan, while his younger brother is an heir by adoption of Baron Fujita, a multi-millionaire in Osaka, and his sisters are married to prominent business men, one to Mr. Kusuyata Kimura of Mitsubishi Company, another to Mr. Taichi Kaishima, well-known coal-mine owner of the Kyushu district, and a third to Mr. Fusanosuke Kuhara, formerly Minister of Communications and a mining magnate.

"Mr. Aikawa graduated from the Engineering College of the Tokyo Imperial University. While at college, he lived with Marquis Inouye and his student days were rather uneventful. He had no particular enthusiasm for sports, playing only lawn tennis in a leisurely manner. He was devoted to his studies. The personal influence that his great uncle exerted upon him was such as to remain a motive power throughout his life. Upon graduation, while his classmates sought employment in big companies, Aikawa was courageous enough to put on a pair of blue overalls and enter the Shibaura Iron Works by the back gate as the humblest factory hand. 'A true engineer must try to learn his trade on the spot,' he said with determination.

"The next year found the young Aikawa trained in the art of iron casting. Not content with his training at Shibaura and despite the fatigue from his daily labour, he would get hold of a few comrades to make, on Sundays, a round of other factories, two or three of them on each occasion, to learn still more. In less than a year all his companions gave up this Sunday ordeal but, in rain or shine, Aikawa with his usual thoroughness steadfastly went on his rounds and two years passed in this fashion. This intensive discipline led him to form a clear notion of the nature of his future work. Seeing that almost all of the prosperous



Article from "Contemporary Japan" issue of March 1938.

and progressive industrial activities are built up after the Western fashion, Aikawa resolved to visit the United States.

"In 1905, he went to New York, where he was directed to a certain Iron Works at Buffalo. There he worked as a labourer, receiving five dollars a week to start with. His interest chiefly lay in the manufacture of steel pipes and iron castings. Once he had the misfortune to spill the molten fluid into his shoe and to sustain severe burns on one of his feet. To make hurried trips to the cast with the molten metal in a pail weighing eleven KANME (1 KAN-8½ pounds roughly) must certainly have been very trying to a Japanese. But Aikawa, with the dexterity that comes from untiring investigation, soon acquired the knack of the job and never fell behind his American co-workers.

"With the invaluable experiences won in a manner quite unusual for a Japanese, Aikawa returned home after two years of intensive study in America. Upon his return he established in 1910 a casting factory at Tobata in the Kyushu district with a capital of 300,000 yen obtained through the aid of Marquis Inouye and other relatives. This was Mr. Aikawa's real start in life and marked the beginning of the first stage in the brilliant career of this great entrepreneur, which from then seems to be divided more or less distinctly into four periods. The second was characterized by the organization of the Kyoritsu (United) Industrial Company, Limited, and the succeeding period of the Nissan Company was followed by yet another and, this time, continental industrial activity in Manchoukuo.

"In the Tobata Cast Iron Company, Mr. Aikawa put into practice the technical skill he acquired while in the United States and succeeded in turning out articles of high order. After some ups and downs, the Company grew under the war-time boom, with the result that its capital was increased to 2,000,000 yen, and Aikawa gained handsome profits which he could manage to keep notwithstanding the post-war reaction.

"In the second stage we find Aikawa growing beyond the cast iron industry and engaged in general industrial enterprises. By the establishment of the Kyoritsu Industrial Company he proposed to resuscitate such of the small and medium-sized business companies which were hit hard by the post-war panic but which yet gave hopes of a fresh start. Thus the Kyoritsu Industrial Company was in reality a holding company, and although this Company was far from being a success owing to want of suitable concerns to be bought up, yet in the five years of its management, Aikawa with his usual clear thinking and thoroughness conceived the principles of what he calls the open holding company. By this is meant a holding company the shares of which are freely offered to the public instead of their being mostly owned by a particular individual and those around him,



Article from "Contemporary Japan" issue of March 1938.

and this, according to Aikawa, is the most effectual and progressive type of the holding companies. With such a conviction and vision he entered upon the third stage of his career.

"Before the on-set of the post-war panic, Mr. Kuhara, Aikawa's brother-in-law, was unquestionably the mining king of Japan. The panic, however, caused him to forsake business for politics and the management of the Kuhara Mining Company, Ltd., subsequently fell upon the shoulders of Aikawa. At this time, this company was capitalized at 15 million yen and operated, or was supposed to be operating, a number of coal mines, but the business was at its lowest ebb and its credit standing suffered deplorably. Aikawa, daring though he is, was surprised and troubled at the plight of the company. One consoling point in the situation, he said, was the fact that there were all over the country well over ten thousand shareholders of the Kuhara Mining Company. Here he struck at the idea of building up an open holding company, as distinct from a private holding company, the notion of which he gained, as has already been mentioned, while running his Kyoritsu Industrial Company.

"Forthwith, he set about rebuilding the Kuhara Mining Company under the new style of the Nihon Sangyo K. K. with a capital of 50 million yen, all of which shares were offered to the public. This was in 1928. Large-scale business undertakings should be carried on not by a few wealthy individuals but by the co-operation of the public, maintains Aikawa. According to his ideal, all holding companies should offer their shares to public subscription instead of keeping them for a 'select' few. The profits of the undertakings should be shared by all the shareholders. Hence, it might be said that the management are the trustees of the shareholders' investments and the protectors of their interests. All big things can really be accomplished by gathering small contributions from all quarters of the country and, besides, one could hope in this system to draw upon the public for funds if the need should arise to increase the resources of the enterprise.

"This is in substance Aikawa's idea in the management of the Nissan business. After weathering the world depression, the Nihon Industrial Company has entered upon a period, still continuing, of great activity, accelerated by the reimposition of the embargo on gold and by the universal race for rearmament, as was shown particularly in the remarkable growth of the business of the Nihon Kogyo (mining) and the Hitachi Manufacturing Company. But these were only the beginning of the still more remarkable expansion of the Nissan business. Purchases and mergers of industrial companies followed in rapid succession. In this manner the Company's mining industry was extended from coal to gold, silver, copper and iron, and, in the field of heavy industries, with the Hitachi Manufacturing Company as the nucleus, the operations covered the manufacture



Article from "Contemporary Japan" issue of March 1938.

of various war supplies, locomotives, electric and motor cars, ship-building and the like. Then, the marine industry and match manufacturing, were added; while, later, the Company acquired the Victor and the Columbia Gramophone Company (in Japan) and, more recently, it put the Dai-Nihon Artificial Fertilizer Company under its management, thus embarking upon the chemical industry.

"Today, the Nissan Company, or perhaps more exactly Aikawa, lords it over the whole field of industrial activity in this country, with the exception of the textile and sugar industries. If one includes all affiliations and tributaries, the Nissan Company has the command of a capital of 858 million yen, of which 679 million yen is paid up, and its shareholders number over 100,000. With the exception of the South Manchuria Railway, the Nissan Company, in point of the size of capital and the scope of operations, falls second only to Mitsui Co., but comes first in the number of shareholders. Aikawa, with a burning zeal for his ideal of a gigantic open holding company and with his marvellous ability for business administration, has succeeded in building up the great Nissan Company within the space of nine years since he took over the management of the Kuhara Mining Company and four years after he set about his vigorous drive for his ideal in 1933. A man who has never known failure, Aikawa is no dare-devil, but he always sits down first to reckon his 'adversary's force,' and we have seen how thoroughgoing and severely exact he is. The Nissan Company is thus no mushroom growth.

"Let us now turn our attention to Aikawa's activity in Manchoukuo. His assumption of the presidency of the Manchoukuo Heavy Industries Company marks a step forward in his business career. The new Manchoukuo Company has come into being through the co-operation of the Manchoukuo Government and the Nissan Company, and the capital of the new company amounting to 450 million yen is contributed by the Manchoukuo Government and the Nissan Company in equal parts. The new Manchurian organization has for its objective the development of natural resources in that country, and Mr. Aikawa has a completely free hand in its operation.

"It may be of interest to note in passing that with this unfolding of his business ideals a change has come over the complexion of his idea of the open holding company, for the new enterprise, while being in substance an extension of the Nissan Company in Manchuria, is half financed by the Manchoukuo Government. According to Mr. Aikawa, Manchuria contains an untold quantity of natural resources in the shape of coal, gold, iron and others, only waiting to be developed. With such materials close by, the heavy industries may be carried on to greater advantage. The further expansion of the activities of the new company will, of course, largely depend upon the amount of the capital made available. Anyhow, the Company will in due course take over various other undertakings in Man-



Article from "Contemporary Japan" issue of March 1938.

churia, for instance, the production of copper, light metals, magnesium, coal and other branches of the mining industry, and the motor-car industry. Furthermore, the development of the aircraft industry in Manchoukuo is another of the urgent needs of the moment. Once on the Asiatic Continent, all these enterprises will have to be operated by methods more fitting to a continent, and Mr. Aikawa turns for his teachers to the United States, the America which produced Harriman, Rockefeller and Henry Ford. It is interesting to recall that Aikawa spent the most valuable period of his apprenticeship in the United States, and now he is reported to be contemplating a visit to that country again."



Extract from "The Industrialization of Japan and Manchukuo"  
by Schumpeter, Allen, Gordon and Penrose, published in 1940

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Extract from "The Industrialization of Japan & Manchukuo 1930-1940", by Schumpeter, Allen, Gordon and Penrose, published by the MacMillan Company in 1940.

During the last year or two much attention has been attracted to the so-called "younger" business groups, which have risen in importance along with the growth of the war industries. Of these the chief is the Nissan (Nippon Sangyo Kaisha) group managed by Mr. Y. Aikawa. Mr. Aikawa, who was a protege of Marquis Kaoru Inouye, first became prominent about ten years ago when he took over the Kuhara Mining Company, and since 1931 he has greatly extended the range of his interest largely, though not entirely, in connection with supplying the demand for armament materials. Apart from its great mining properties, Nissan is especially important in the engineering industry--it owns the famous Hidachi Works--and it has large subsidiaries engaged in the match and aquatic products trades. Towards the end of 1937 it entered upon a new phase in its career as a result of a change in the Government's industrial policy with regard to Manchukuo. Up to that time investments by Japanese in the new State had fallen far short of what was necessary to carry out the industrial development which had been planned for it. This was partly because the great capitalists were skeptical of the profitability of many of the Manchurian enterprises, especially in view of the rigid system of industrial control which had been deliberately set up by the Manchukuo Government on the initiative of the Army leaders there. The State-controlled South Manchuria Railway Company, in whose hands most of the large scale undertakings were concentrated, for this reason found difficulty in raising adequate capital for the firms which it wished to establish or to extend. The outbreak of the war with China and the deterioration in the international situation as a whole during 1937 made the full exploitation of Manchukuo's resources all the more essential in the opinion of the Army leaders, and a change of policy was therefore decided upon. In October, 1937, the Japanese Government announced that in future the South Manchuria Railway Company would confine its activities to the development and administration of the railway system, while its industrial undertakings would be transferred to a new company, the Manchukuo Heavy Industries Development Company, in which the Nissan group would hold half of the capital, the remainder being in the ownership of the Manchukuo Government.

The reason why Nissan rather than the great Zaibatsu was chosen as the agency for the industrial development of Manchukuo was purely political. The Army in Manchukuo has been bitterly opposed to the great family businesses and has objected to their profiting from the exploitation of the new State. But it has now been realized that the country cannot be fully developed without the capital which huge concerns alone can provide, and that the capital will not be forthcoming under the old system of rigid State control. So the Army has been willing to compromise to the extent of admitting a capital group ostensibly outside the great families to a share in the development and control of Manchurian resources. Moreover, the capital of the Nissan



holding company, unlike that of the Zaibatsu's holding companies, has been subscribed by many thousands of shareholders, and in this respect it apparently possesses a very different financial foundation from that of the other large capital groups. The Army has thus been persuaded that the profits of Nissan will be widely distributed and will not be confined to a few families. This alleged contrast between Nissan and the other capital groups, however, may well prove to be more apparent than real. The holders of shares in Nissan's subsidiaries include members of the older family businesses, and it is not likely that Nissan will be able to raise the additional capital needed to exploit Manchukuo (unless foreign capitalists fill the gap) without resort to the financial institutions of the Zaibatsu. The semi-official banks are supporting Nissan; but in the present financial situation they have many other preoccupations and can scarcely supply sufficient funds for long-term investment outside Japan Proper. Furthermore, Mr. Aikawa has family connections with leading persons in the Mitsubishi group, and these connections count for much in Japan. Indeed, it may well be that most of these "younger" financial groups already have connections of one kind or another with the Zaibatsu; for instance, Mori, a "young" financial group in the chemical and electrical industries, has affiliations with Yasuda. Unless there is a rapid growth of a class of investor in industrial securities from among the general public, then most of these "young" groups may ultimately become subservient to the great families.

This tendency would become pronounced if Japan entered upon a serious depression or if Manchurian enterprises failed to provide the profits that are expected under the new regime. The "young" capital groups are heavily involved in the war industries and in risky enterprises on the Continent, and they would be the first to feel the effects of a fall in the demand for munitions and a check to Japanese schemes of industrial development in eastern Asia. In these circumstances the older and more cautious groups would be provided with an opportunity, such as has often come to them in the past, of acquiring the industrial properties of the "younger" groups at low prices. This chance may well come at the end of the present war when the Japanese economy will be subjected to the strain of adjusting itself to peace-time conditions. At any rate it is not yet safe to assume that the recent remarkable growth of new capital groups foreshadows a permanent decline in the importance of the great Zaibatsu.



OSS Extracts from New York Times, 13 March 1938

I



OSS Summary of Extract from New York Times of 13 March 1938

AIKAWA {GISUKE  
YOSHISUKE

"He is trying to raise \$50,000,000 (U.S.) credit in the United States; has approached T. J. WATSON president of the International Business Machines / he is an industrialist of the progressive type; was the chief aide of Fusanosuke KUHARA, his brother-in-law; when KUHARA became Minister of Communication in the Tanaka cabinet, AIKAWA became chief executive of their joint enterprises then principally the Kuhara Mining Co., the Kuhara Trading Co., the Godo Fertilizer Co., and the Hidachi Electric Manufacturing Company / he took advantage of the 1931 inflation to begin a career of rapid company promotion; he combined the Kuhara interests into the Japan Industrial Company and commenced the formation of subsidiaries; the whole aggregate capital of this organization is over 50,000,000 yen / he intends to employ an unlimited number of foreign experts to build up a modern model industrial state in Manchukuo

"New York Times, 13 March 1939, p. 29



American Consulate, Yokohama, Report of  
6 January 1938 (No. 358) as reported by OSS

J



OSS Summary of American Consulate General, Yokohama, Report No. 358,  
6 January 1938.

"AIKAWA, (Gisuke  
(Yoshisuke)

"Born in Yamaguchi Prefecture in November 1880; graduated from the Engineering College of Tokyo Imperial University in 1903; his father was a prefectural government official / he desired to learn the metal industry from the ground up; he worked as a laborer in the iron foundry in Shibaura for two years after his graduation; he worked for two years as a laborer in a foundry in the United States; upon his return to Japan in 1909 he founded the Tobata Casting Company with capital provided by MITSUI, KUHARA, KAIJIMA and FUJITA interests; he was helped by his uncle, Marquis Kaoru INOUE, a statesman of the Meiji Restoration / he has been closely associated with his father-in-law, Kusanosuke KUHARA, President of the Japan Iron Foundries who was one of his original backers in the Tobata venture; KUHARA became closely associated with the reactionary element in the Japanese Army and was recently sentenced to prison for his connection with the attempt of those officers on 26 February 1936 to seize the control of the Gov't. AIKAWA and KUHARA have been favored by substantial Army support for the last few years and the present development is a culmination of their relations with the Army; KUHARA's attempted Army coup d'etat has presumably improved his political support by the Army / the army favors AIKAWA and his interests because their prosperity benefits an alleged 5,000,000 shareholders all over Japan in addition to the 130,000 employees / he publicly and privately admires the American business and industrial methods; his experience in the United States is said to have aroused this admiration and it is inferred that he is genuinely friendly to Americans; the American engineers who have worked for him all speak of him in the highest terms so far as their business and personal relations are concerned; they also speak highly of his ability

"American Consulate General, Yokohama, Japan #358, 6 January 1938  
OSS R & A FE, Washington, 5 July 1944"



Farewell address of AIKAWA Yoshisuke to  
NISSAN KONWA KAI - 7 January 1943

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MR. YOSHISUKE AIKAWA'S SPEECH ON THE OCCASION OF  
HIS RETIREMENT FROM  
MANCHURIA INDUSTRIAL DEVELOPMENT CORPORATION

--Being the address delivered by  
Mr. Yoshisuke AIKAWA at the Luncheon  
Party on January 7th, 1943, given  
by the Nissan Konwa Kai, Tokyo  
Branch, in the Hall of the Nissan  
Building --

As you may have read in the newspapers and elsewhere, my term of office of five years as the first President of Manchurian Heavy Industries Co. Ltd. expired on December 27th last year, and I took this opportunity to tender my resignation. Vice-president TAKASAKI has been appointed my successor. May I be permitted today to express to you the personal thoughts which come to my mind on leaving office and to tell you what I intend to do in the future?

When I was asked to shoulder the responsibility of developing heavy industries in Manchuria, I estimated roughly that the work would take approximately 10 years. It was with this in mind that I said in my inaugural address that 10 years would be only one round of the game. Manchuria must be developed and managed on a continental basis, and for this purpose we must discharge our duty with the same firmness of purpose as would be required in founding a new country. Even in the creation of an ordinary company, the first two or three years should be considered a period of preparation. Only after such a period is it possible to start real work with semi-annual settlement of accounts. But in the case of a large-scale nationally important company of as the Manchurian Heavy Industries Co. Ltd., settlement of accounts could not logically be anticipated within 10 years. Within that length of time, one could not be in a position to judge whether the firm was a success or a failure. The very work of acquainting the public with the nature and business of the company would require at least 10 years, twice as long as in the case of an ordinary company. Such was my idea, and with that in mind I took up my work. For example, if one is to choose a site for a factory, one would have to appropriate some 200,000 tsubo in Manchuria, while 10,000 tsubo is to be considered big enough in Japan. Everything in Manchuria must be planned and managed on a scale some twenty times as large as in Japan. To-day, Japan (Japanese industry) has expanded, but in those days, such a proportion as twenty to one worked as a standard. Obviously, since it has been only five years since the Manchurian Heavy Industries Co. Ltd. was born, it cannot justly be considered a mature concern.

Furthermore, in order to get heavy industries in Manchuria firmly



and rapidly established, it was necessary to mobilize world resources, in other words, to acquire the best techniques and the most up-to-date machineries from abroad as the basis upon which the heavy industries in Manchuria must evolve. This was my original plan. It is a matter of profound regret that the change in the situation has since frustrated my good and honest intention. However, I have done my best to cope with the changing situation and have tried every means to get safely through these five stormy years. It is only recently that the company has shown signs of being able to get on --ah, what a real relief to me!

Of course, there may be people who decline to regard this company as independent and self-supporting, asserting that it is still receiving an enormous amount of Government subsidy with which to pay its dividends. To this criticism I should like to reply that as companies go to-day management is placed under various restraints which were unknown in the days of liberalism. For instance, revenue and expenditures are mainly controlled by Governmental policy. What would be the reasonable prices and rates in Manchuria as compared with prices in Japan, we do not know, for they are so shrouded in confusion that it is impossible to get to the bottom of the situation and grasp the whole significance. Therefore, it is almost impossible rationally to assess the business results of a company in Manchuria. Under such circumstances, we can only attempt a rough judgement by broad deductions based on general trends in the world at large, in other words, by using our common sense. To-day, Japan is in the turmoil of a war, the scope of which she has never known before. In order to win this war, Manchuria must play the most important role of all countries in the Co-Prosperity Sphere. Iron and steel in Manchuria have already particularly contributed towards the war effort.

In view of this situation, one is in no position to discuss the industrial effort in Manchuria from the point of view of profits. However, if I am asked to discuss it on that basis, I shall take up the question of coal. If the price of Manchurian coal were raised to the level of Japanese coal, it would cost ¥5 more per ton than at present. The increase would be ¥10 per ton on the basis of North China price. If we were allowed to raise the price in this way, we should certainly be able to ask our Government to discontinue the grant of 27-28 million yen semi-annual subsidy to pay off our dividend of 8% to our civilian stockholders and 4% on our Government shares. If the Manchuria Heavy Industries Co. Ltd. continues to pay dividends at the present rate and nothing more, the company is, I believe, well qualified to present itself as an already well established and independent business. In this sense, I believe that I have fulfilled my duty.

Moreover, the Government control is very rigid. It is not only a price control, but extends to almost every phase of our economic acti-



vity. This is an age in which the Fuehrer system manages business. There seems to be no room for the activity for an old hand like me who has seen his heyday in the era of liberalism. However proper it may seem that I should serve another five years and retire after playing off my game of "10 years one round", I have arrived at the conviction that my honourable successor is more apt to act as a Fuehrer than I. May I be permitted to console myself with the thought that I am causing no one trouble by asking permission to leave at this opportune moment.

Thus it is that I have made up my mind to retire from my position as the pillar of a very large business family of well over one million members, consisting of 300,000 shareholders and 600,000 employees of both Japanese and Manchurian nationality. I fully realize the responsibility that I owe to my shareholders and employees. Moreover, as you may well know, Manchuria Heavy Industries Co. Ltd. was created by ordinances passed by the Cabinets of both the Japanese and Manchurian Governments, which entrusted me with the firm's management. Naturally enough the Japanese and Manchurian Governments are in a position to demand anything of me. Therefore, may I say to you that an understanding has been reached that I shall not appear again in the front line of Japanese business, but tender greater service to my country in entirely different field.

What do I mean by a different field? I have felt for many years that among the enterprises that are of paramount importance to our country there are many that will not bear fruit if the Government takes them in hand; at the same time they are not attractive in the eyes of private business, for they are enterprises that have been left over as scatterings, being either out of the reach of the Government or too precarious for civilian management. In vain have I long looked for someone to come forward to tackle these non-paying enterprises. When I decided to change the course of my career and start life anew, I naturally decided that I should try to accomplish this thankless job and thus render whatever services I could to my country. May I assure you once again that I have no intention whatsoever of taking an active part in any field which is open either to the Government and to ordinary civilians. I shall avoid any such opportunities and leave them to others who wish to undertake them. On the other hand I shall certainly take up work which others find unattractive or unwieldy, but which our country cannot leave untried. Speaking metaphorically, I should like to devote myself to the sort of work that is allotted to the humble person who turns the wheel of the revolving-stage in the cellar of a theater. There are thousands of people who are eager to show off on the stage, but there are few who volunteer to take up a job under the boards. Dramas cannot be performed only with actors and actresses on the stage. We need what we call the actors behind the screen. If I can be allowed on this occasion to play the role of an actor behind the screen in the



national drama and to devote the rest of my life to this humble and yet significant task, I believe that I can tender more service to my country than I can possibly do in the lime-light of such a business drama as the Manchuria Heavy Industries Co. Ltd. of the Nissan. When it was recently decided that the Manchuria Heavy Industries Co. Ltd. should appropriate 36 million yen out of the profits realized from the transfer of the shares which the company held in its subsidiaries in Japan to the Manchuria Investment & Securities Corporation as funds to be used as an expression of gratitude to the Imperial Japanese Army, as the commemoration of the 10th anniversary of the foundation of the state of Manchukuo, as bonuses to those who had rendered great services to Manchuria Heavy Industries Co. Ltd. and for other public welfare enterprises, I took the opportunity to present my humble intention to appropriate ¥13,500,000 from the amount to begin my work of national importance. I had the honour to receive a favourable answer from the Manchukuo Government. Now, the Japanese authorities have expressed deep sympathy towards my new venture. Thus it is that I have been able to create a foundation called the GISEI KAI in Japan.

In running the Gisei-kai, I favour the policy of a two-pillar system, which will separate the directive machinery from executive machinery, the same system which I adopted in managing the Nissan and Manchuria Heavy Industries Co. Ltd. The Nissan under my leadership was a holding company which acted as a central directive body, while actual business was conducted by its subsidiary companies like the Japan Mining Company and the Hitachi, Limited. I adopted the same policy in the management of the Manchuria Heavy Industries Co. Ltd. Its business was confined to investment in its various subsidiaries which were in charge of the actual work. I intend to apply the same principle to the management of the "Gisei-kai". I shall be the president of the "Gisei-kai" and as such will be the central figure in working out its policies, but the actual work shall be carried out by organs in the same capacity as subsidiary companies. What then will be its main work? It shall do the research work in regard to the economic construction of the Greater East Asia. In view of the present situation, let me emphasize the fact that unless we work in full co-operation with the Government, we shall not be able to expect satisfactory results from our efforts.

As you know very well, our economic system has undergone a fundamental change. Liberalism has almost totally collapsed. Our economic activities are feasible only on the foundation of the East Asia Co-Prosperity Sphere. What economic policies are to be introduced then, to support our guiding political principle of "Let the Whole World Be Our Home"? This is a serious problem which requires profound study. It needs scientific study. We have to find out some final, unerring formula. After perfunctory, fragmentary discussions, the Greater East Asia Investigation Council has extemporized policies which are totally mosaic conclusions by combining various viewpoints of the various persons



gathered there without deliberate and scientific investigations. If I may be permitted to tell you of my own experience, I have never attended such a conference with due preparation. I have found myself speaking of unprepared thoughts. Others may have been as unprepared. Those who have sponsored the conferences may have been serious, but since they lacked sufficient money and time for the conduct of fundamental investigations, we could not expect very much from them.

Even in the matter of formulating economic policies which concern our daily life, a more serious attitude is to be desired of our Government. It has to dig deeper into the fundamentals of economy. It has to mobilize the entire field of science. Economy in this country has been treated as a cousin to jurisprudence. I believe this is a very serious mistake. Particularly, if our Government is to enforce control over economy efficiently, it has to employ the most scientific methods. Otherwise, economy will become an angry tiger. Those who study economy must have a working knowledge of science. If one is to study economy seriously, it is important for one to use as many machines and tools as possible and find the fundamental principles scientifically. It is useless, then, to follow the methods experimented by the other research organs. I earnestly wish I could make a new departure from the conventional system. What then would be the new departure? It would be to vivify, or, in other words, our research work. Ford built a museum where one can see the history of vehicles unfolded before one's eyes. The museum is unique in the fact that its exhibits are so contrived as to move just as they used to in their days. It is useless to exhibit a hand-cart side by side with a rickshaw and treat them as so many curios. Only when one is shown how they move, one is convinced of its real worth. Similarly, if we could succeed in exhibiting economic phenomena by model works, our economic research will become a thing, vivid and real. Such is my idea. We have a good example in shipbuilding, where a small wax model ship is used for testing the water resistances in a test-tank. In giving life to one's invention and convincing the others of its worth, exhibit it vividly with a working model and one will see how much more effective it will be. Soldiers get battle practice constantly. This is the reason why they are strong in actual fighting. If they were taught only theories in time of peace, they would find them not only impractical use but also defective in time of emergency. I have often felt that, if our economic problems as well as our administrative problems should have received such thorough preparatory training, how much more smoothly and effectively they should have been put into actual practice. I have come to this conviction from my experience which I gathered in manufacturing automobiles on mass production scale in Yokohama.

Even the intricacy of exchange can possibly be demonstrated if we have a mind to tax our ingenuity. Some people would say that we need no demonstration in showing the network of exchange. We already have



had practical experiments on the relations between the Japanese Yen, the Manchurian Yen, and the Federal Reserve Bank notes of North China. There is no room for further experiments, they claim. However, it seems to me that, reviewing the course that relations between these currencies have taken so far, they are nothing but a succession of temporary expedients devised by various persons who came to take charge of exchange policies in turn. They are certainly not the phenomena experimented on a consistent policy by one person. Such a temporarizing attitude on the part of the authorities will never do to select the best policies. Research work will always display its real value only when one definite creative principle is applied consistently. But if we can add one more process to it in the form of a model work, the result will be brilliant. Economic problems consist of various factors which are indefinitely complicated and delicate. No one can cover every phenomenon in nature in one's study of an economic problem. It cannot, therefore, be left only to the hands of scholars. Thus it is necessary to establish a guiding principle in handling an intricate economic problem. It must be based on mature intuition, which will direct the course of our research work. This is my argument, and I feel there seems to be room enough for the old person like me to make use of his experiences accumulated sedulously. Of course, this is an emergency period; and we are not permitted to take it easy, devising only far-sighted policies, which will not serve our immediate purpose. We must draw out conclusions as rapidly and efficiently as possible. Then if this be true, we must have a large-scale organization, and ample funds as well. The funds mentioned elsewhere will not be sufficient to achieve such an objective, but I have decided to begin with the available funds. I shall endeavour to obtain more in the future.

There are many problems which will require our special consideration in our study of the economic situation in the Far East. As you know very well, in the former liberalistic and capitalistic age, the secret in managing a company was the raising of necessary funds, and to this work the manager had to devote himself. Where funds were available, goods were available. Money and goods were two sides of the shield, and stood in an inseparable relation to each other. Money was not only followed by goods, but also by necessary manpower. Before the war, manpower was abundant in this country. Money could buy as much of it as was required. In these days, if you withdraw capital, it was invariably followed by that value of goods and manpower. Money was almighty. Of course, its value was dependent upon the ability of its master, but money was certainly the only motivating power in the liberalistic economy.

But we have plunged ourselves into the age of controlled economy. All the countries of the world have been cut off from their intercourse. Thus, money, goods, and manpower stand separate, having no coherent relationship. Money stands alone. Even where money is available, goods are not necessarily available. Goods can be manufactured on the program



of planned economy. But it does not necessarily follow that one can find required manpower. Money, goods, and manpower---these three elements now stand apart from each other. However, perfect a plan may be and even if it is so planned as to have necessary money, goods, and manpower, it is not always executed as planned, due mainly to the fact that the element "time" has not been considered. Thus it is found in practice that our production expansion program does not work out as was originally planned. In my opinion, the object of control economy is to connect money with goods. It is a grave mistake to consider that in controlled economy, money, goods and manpower stand separate. Even in controlled economy, it is necessary to devise some method whereby it will be made possible that goods and manpower will follow where ever money goes as it used to in former days. This is a problem which has been discussed so often between the Finance Ministry and the Planning Board, but in practice it is a very difficult problem. It seems to require deliberate study. Superficial study will be of no avail. There can be no solution to the problem unless it be approached both practically and scientifically. Such a work will naturally require considerable amount of intelligence, money and time.

May I speak to you about what has happened in Manchuria? One day coal is found to top the list of most essential commodities, and the Government asks for its solution. Everybody gets sensible answers. In order to produce so much coal, so much electricity, so much labour and so much material are necessary. Government has to take care of the required material and labour, and the rest will be taken care of by the executive organs. Thus the coal problem is satisfactorily solved. Next, iron is found to be in a serious position. Attention is focussed on iron. In order to produce so much iron, we require so much coal and so much labour. This answer satisfies the iron problem. Next comes light metals. The crops up foodstuffs. They all get their formulae. Now we have the line-up of solutions to all problems and we feel satisfied. But the fact is that we will soon find them not working right. Certainly they do not work alright. Each problem is given its solution at different time. Time discrepancy is not taken into consideration. Thus it is that when we try to put them into practice, we find them not fitting right in their places. When decided at the Cabinet meeting, every problem looks like quite feasible, and the ministers feel relieved. But since the most important business of the supervisory body is not working satisfactorily, the bills issued by it will come to it, causing no end of confusion when they are put into practice. Speaking of price policies, the price of each commodity is fixed independently at a different time, and never all at once. Thus, in practice, the discrepancy in time becomes apparent, breaking the balance of all the price policies. Such a phenomenon can be seen everywhere. Figures are very important and form the basis of all equitable solutions, but at the same time, it is essential to take the importance of the element of time into due consideration. Time is abstract and vague. So it is



very easy to forget its importance, only for a very short while, one can keep "time" in memory, but soon forgets it altogether. It is very difficult to express time in figures. We do not know if we can live beyond the age of 80, but we are acting as though we shall live forever. Time is a very definite thing, but it is easy to forget it. We must find some means of expressing the idea of time so accurately and so unmistakably that it is made impossible to forget it. Particularly, when we consider economic phenomena, we must make sure that the element of time is taken into due consideration. Obviously the methods that have been adopted so far will not serve the purpose. We have to dig deeper into the problem. This is my argument. I have cherished it in my mind for many years. This certainly will receive my serious attention.

There are many problems which require immediate solution. We will do our very best to work out concrete plans based on deliberate investigations which will be conducted by the various organs with the "Gisei-kai" as their center. We will present them to the competent authorities for their consideration. The work of "Gisei-kai" will, then, include problems both "clinical" and "fundamental". Both of them can hardly be said to be profitable jobs.

On leaving Manchuria Industrial Development Corporation, I have decided to retire from the front line of business. I have already made public my decision. Some people have asked me if I intend to become a Government official. That is very far from my intention. It is my sincere desire to tackle this thankless job, and to be of any service to my country in that field. We have to establish the Greater East Asia Co-Prosperity Sphere. For this purpose, we must form a lofty plan. This is essentially a sort of work which should be worked out by the Government. But as you may know very well, there is a frequent change in the Government personnel. This is a fatal defect in the Government organization. The experts engaged in such an important research work should be so determined as to devote their whole life to it. One official is retained in his office only for one year. Such a constant change in the Government personnel will never do to bring fruit to any research work. This is where the Government finds it inconvenient to take such a work in hand. Money is poured, but no good results are obtainable. Government works are more or less in the limelight on the national stage. Every department is bent upon showing itself off brilliantly. Such forms the main stream in the Government circles. However much the Government may spend on a research work, no appreciable results can be reaped from such a nonchalant attitude. Another defect may be found in its pay-roll system, which is certainly not attractive to any capable persons. If the job is to be taken in the civilian hands, a very large organization will be necessary, entailing enormous expenditures. But money will not be spent in vain. This gives me the hope of bringing my task to a successful conclusion.



On leaving Manchuria Industrial Development Corporation, some people have asked me if I am planning to come back to the front line of Japanese business. To-day I do not feel it necessary. As I have made it clear on various occasions, it was my original plan to build the Nissan on the capital of the Japanese masses and to use the funds thus entrusted to me in any work of national importance. It was my ideal to merge the company into a national organ. It was in the course of things that Manchuria Industrial Development Corporation was born when the original plan and final ideal came to mingle themselves into each other. That I have been able to leave the Manchurian Heavy Industry safely is due to the fact that the Nissan has already been merged into a national machinery. Should the Nissan have remained in its original form, it would have been absolutely impossible for me to retire from my office owing to my responsibility to the shareholders, employees and others. May I be permitted to say one word in this connection? I have already retired from the front line of business, but so far as the Nissan is concerned, there should be no reason why I should not be willing to give my counsel to you whenever you should come to me with any problems of importance like the fundamental policies of the company. I should also think it my duty to continue to give my advise in regard to personal affairs in the management of the company. I shall spare no effort in this direction. It is a real pleasure to see that the subsidiary companies of the Nissan are flourishing and contributing greatly to our country. May I take this opportunity to express my sincere gratitude and warm compliments to you upon the services you are rendering to your country? Let me encourage you that you may further exert yourselves in responding to the requirements of the time.

In running the "Gisei-kai", I am sure there may be many occasions when you will be called upon to furnish us with materials which you can obtain from your business source. You will oblige us by giving us bare facts. In starting to study economic problems, there is one thing which worries me considerable. Even the statistics issued by the Government are hazy. It is very difficult to get at the bottom. Therefore, the conclusions to be derived from official statistics are not to be depended upon. If our official statistics carry double face, the truth lies most probably in the back side, which is very difficult to detect. This is the most difficult part of our task. Under such circumstances, in order to make the statistics of the "Gisei-kai" as authoritative as possible, it will be very important for us to know in detail the truth about the actual business conditions of all the Nissan companies and let it be the invaluable source in establishing the general vista of our economic structure. In this sense, I cordially ask for your assistance.

Besides the "Gisei-kai", there is another organization devoted to public welfare, over which I preside. It is the "Nissan-kai", which is a corporate juridical person. The Nissan, which is a joint stock



company, was originally started as an organization partly designed for public welfare. However, there has since been a change in the company law, which has come to impose restraints on its free activities. Last year, the company was divided into two parts. One part is the Nissan, Ltd., which is a purely profit-seeking enterprise, while the other is called the "Nissan-kai", which is entirely devoted to the furtherance of public welfare. The members of the latter organization consist of the subsidiary companies of the Nissan Ltd. What is its business program? There is a number of work under contemplation. One of them will be the encouragement of discoveries and inventions. This item was included on the list in order to facilitate the permission of the establishment of the "Nissan-kai" from the competent authorities, the Ministry of Commerce and Industry. In this connection, the Nissan Society for the Encouragement of Inventions will be created as a subsidiary organ. It is already under preparation. It will also assist the growth of the Nissan Friendly Society. But the main work of the "Nissan-kai" will be found in the field of the preservation of health and public welfare. The Nissan Kemmin Kai and the Nissan Kosei Hokoku Kai are one expression of the main program of the "Nissan-kai". The latter has opened its establishment at Sakura, called the Sakura Nissan Kosei En. Their facilities will first be utilized by the personnel of the member companies and will then be extended to the general public. The establishment at Oshima, which is at present managed by the Nissan Kemmin Kai, is making slow progress. But it was created in order to carry out the original plan of the "Nissan-kai". When time comes, I can assure you that I will do my best to get it running smoothly. May I add one more word here that the "Nissan-kai" is designed to contribute to the public welfare by uniting the strength of the Nissan group?



Extract from the SHOKUIN ROKU  
The Cabinet Board of Technology



Extract from the SHOKUIN ROKU (Directory of Government Officials) 1943

The GIJUTSU IN (Board of Technology) and the functions of each sub-section.

Article 1.

Under the President's Secretariate (Sosai kambo) is the General Affairs Section (Shomu ka) with four sub-sections: Dai Ichi Bu, Dai Ni Bu, Dai San Bu and Dai Shi Bu (1st, 2nd, 3rd and 4th Sections respectively)

Article 2.

The General Affairs Section handles the following matters:

1. Secret matters.
2. Personal affairs matters.
3. Supervision of the official seals of the President (Sosai), Vice-Chief (Jicho), and the Board.
4. Receiving, sending, editing and keeping of documents.
5. Examining and presenting documents.
6. Accounting.
7. Custodianship.
8. Inspection of work achieved.
9. Matters which do not belong to other sections of the Board.

Article 3.

The first sub-section handles the following affairs:

1. Improvement of standard of scientific techniques.
2. Mobilization of scientific techniques.
3. Aiding and guiding civilian research institutes concerned with scientific technique.
4. Standardization of industries as well as industrial products.
5. Regulating and correlating affairs of the sections of the Board.

Article 4.

The first sub-section consists of three divisions: Dai Ikka, Dai Nika, and Dai Sanka.

The first division handles the following affairs:

1. Control of affairs concerning scientific techniques in each Board.
2. General plans for mobilization of scientific techniques.
3. Matters concerning groups of scientists.



Extract from the SHOKUIN ROKU  
re The GIJUTSU IN

4. Encouragement and propagation of scientific techniques.
5. Regulating and correlating business with other sections of the Board.
6. Regulating and correlating affairs with other divisions of the first sub-section.
7. Matters which do not belong to other divisions of the first sub-section.

The second division handles the following affairs:

1. Aid and guidance of civilian research institutes.
2. Regulating and correlating objectives of research.
3. Issuing of orders for experimental research.
4. Planning distribution of materials for research.
5. Planning distribution of funds for research.
6. Distribution of research workers.

The third division handles the following affairs:

1. Control of the exchange of technical skills with foreign countries.
2. Standardization of industries as well as industrial products.
3. Establishment of standard terms for scientific techniques.

Article 5.

The second sub-section (dai ni bu) handles the following affairs:

1. Establishing and effecting plans necessary to promote technical skill in aviation.
2. Encouragement of scientific study to improve technical skill in aviation.

Article 6.

The second sub-section consists of our divisions.

The first division handles the following matters:

1. General planning to promote technical skill concerning aircraft.
2. Standardization of aircraft and materials.
3. Aeronautic meteorology.
4. Aeronautic medical science.
5. Establishment of aeronautic organizations.
6. Regulating and correlating affairs with other divisions of the second sub-section.
7. Matters which do not belong to other divisions of the second sub-section.