DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

GHQ/SCAP Records(RG 331)
Description of contents

THE NATIONAL ARCHIVES OF THE UNITED STATES

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(2) Folder title/number: (8)
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(3) Date: Nov. 1945 - Apr. 1946

(4) Subject:

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(7) Film no. Sheet no.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 312.1 (17 Apr 46)ESS/FI
(SCAPIN 1018-A)

APO 500
17 April 1946

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT: : Return of Documents to Settle Special War Account.

1. Reference is made to memorandum from the Imperial Japanese Government, C. L. O. No. 1406 (EF), dated 27 March 1946, subject: "Return of Documents to Settle Special War Account (LO 386)", and attached memorandum from Ministry of Finance, dated 25 March 1946, same subject.

2. The request that the documents listed in inclosure (1), LO 386, be returned to the Ministry of Finance and that access be given to inspect and copy, if necessary, those listed in inclosure (2) in order that final settlement of the Special War Account may be effected as rapidly as possible, is approved.

3. The Imperial Japanese Government is directed to have an official of the Ministry of Finance contact the Allied representative at the Bank of Japan for instructions pertaining to accomplishing action required in paragraph 2 above.

FOR THE SUPREME COMMANDER:

J. W. Mann
for B. M. FITCH,
Brigadier General, AGD,
Adjutant General.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

225.1 - 3

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REPORT ON ORDINANCE

Finance Ministry Ordinance No. 37,
promulgated 18 March 1946

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Finance Ministry Ordinance No. 37

The enforcement of Imperial Ordinance No. 110 of the twenty-first year of Showa (1946) relating to the termination of Special Account for Emergency Military Expenditure shall be prescribed as follows:

18 March 1946

Viscount Keizo Shibusawa,
Minister of Finance

Article 1. The acceptance by Bank of Japan of the revenue belonging to Special Account for Emergency Military Expenditure shall be discontinued after 30 April 1946:

Provided however, that the revenue shall be accepted by 31 May of the same year in the following cases:

1. In case where an official in charge of accounts pays in the revenue received by him.

2. In case where the revenue is paid in by means of transfer within the scope of the National Treasury.

The disbursement by Bank of Japan of the expenditure belonging to Special Account for Emergency Military Expenditure shall be discontinued after 31 May 1946.

Article 2. The receipt by an official or person in charge of accounts of the revenue belonging to Special Account for Emergency Military Expenditure shall be discontinued after 30 April 1946.

Article 3. The refundment of the appropriations to Special Account for Emergency Military Expenditure shall be discontinued after 30 April 1946.

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DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Article 4. It shall be discontinued after 30 April 1946 to issue cheques or to make the payment in cash by settling accounts of Special Account for Emergency Military Expenditure: Provided, however, that cheques may be issued by 31 May 1946 in respect to the payment to be made for the sake of transfer within the scope of the National Treasury.

Article 5. Of the sum of money belonging to Special Account for Emergency Military Expenditure for which cheques have been issued, the fund corresponding to the amount which remains unpaid by 31 May 1946 shall not be incorporated in the surplus or deficiency of the budget mentioned in Article 4 of Imperial Ordinance No. 110 of 1946, and shall be disposed of by carrying it forward.

Article 6. The sum of money deducted in accordance with the provisions of Paragraph 1 of Article 3 of Imperial Ordinance No. 110 of 1946 shall be disposed of, as prescribed by Minister of Finance, by officials in charge of disbursements by refunding it to the fixed amounts of respective expenses paid out.

Article 7. It shall be discontinued after 31 May 1946 to settle debts charged on Special Account for Emergency Military Expenditure by means of borrowing the Government Special Fund.

Article 8. The last general report on receipts and disbursements belonging to Special Account for Emergency Military Expenditure shall be submitted to Minister of Finance not later than 10 June 1946.

Article 9. Government offices in charge of revenues of state shall draw up, as prescribed by Minister of Finance, a statement of accounts showing increase and decrease of the budget in respect to the revenue amount of Special Account for Emergency Military Expenditure, which has been received and shall forward it to Minister of Finance not later than 30 June 1946.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Ministers concerned shall draw up, as prescribed by Minister of Finance, a settlement statement of such expenses belonging to Special Account for Emergency Military Expenditure as falling under their jurisdiction and shall forward it to Minister of Finance not later than 30 June 1946.

Article 10. Minister of Finance shall close the Accounts Books of Special Account for Emergency Military Expenditure on 30 June 1946 in the presence of auditors of the Board of Audit.

Article 11. The statement of accounts as provided for in Paragraph 2 of Article 6 of Imperial Ordinance No. 110 of 1946 shall be drawn up by adding the amount which has been disposed of by incorporating it in the revenue or expenditure of General Account up to the end of the fiscal year in view to the settled amount of the revenue and expenditure of Special Account for Emeregency Military Expenditure in the fiscal year when such amount has been disposed of by incorporating it in the revenue or expenditure of General Account in accordance with the provisions of Paragraph 2 of Article 3 of the same Ordinance.

The statement of accounts mentioned in the preceding paragraph shall be submitted for discussion at the regular session of the Imperial Diet to be opened in the following year of the fiscal year when the amount mentioned in the statement of accounts has been disposed of by incorporating it in the revenue or expenditure of General Account in accordance with the provisions of Paragraph 2 of Article 3 of Imperial Ordinance No. 110 of 1946.

RECEIVED ... HISTORICAL AND REPORTS SECTION

Supplementary Provisions

The present Ordinance shall apply as from 1 March 1946.

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AG 319.1 (4 Dec 45) ESS-FI

APO 500
4 December 1945

SUBJECT: Transmittal of Document.

TO : Joint Chiefs of Staff, War Department,
Washington, D. C.

1. There are attached three copies of a Special report, subject "An outline of the present status of the special account of War Expenses and the plan for its liquidation", submitted to this Headquarters by the Liaison Office of Japanese Ministry of Finance.

FOR THE SUPREME COMMANDER:

1 Incl: Special Report of the
Liaison Office of the
Japanese Ministry of
Finance, dtd 6 Nov 45.
(In trip)

CY 1 2/24/45
WCD
1208,1004

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RCK/ATM/syk
4 December 1945

MEMO FOR RECORD:

1. Subject of letter is: Transmittal of Document.

2. The attached document is:

a. "Publication in the newspapers of the Present Status and proposed Liquidation of the special account for War Expenses." submitted to this Headquarters by the Liaison Office of the Japanese Ministry of Finance.

3. It is desired to forward the above document to the Joint Chiefs of Staff as information of interest to Government Departments in Washington.

C. F. T.

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大日本帝國政府

PRESS LIAISON OFFICE
FOREIGN MINISTRY OF FINANCE

No. 4 6 November, 1946.

FOR: Economic and Scientific Section, Finance Division

SUBJECT: Publication in the newspapers of the Present Status and Proposed Liquidation of the Special Account for War Expenses

1. I submit herewith a translation of a statement on the above subject intended for publication in the newspapers.

2. It is the intention of this Ministry to keep the general public informed as to the financing of war-expenditures, its scheme, procedure, scope, etc. and also what has been done by the Government since the cessation of war and what is going to be done in the near future in this connection.

3. We would appreciate your suggestions as to the desirability of the publication of such a statement.

FROM THE FINANCE OFFICE, FINANCE MINISTRY

Yotutane Kinoki
Councillor

TM

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大日本帝國政府

AN OUTLINE OF THE PRESENT STATUS
OF THE SPECIAL ACCOUNT OF WAR EXPENSES AND
THE PLAN FOR ITS LIQUIDATION

1. Present status of the special account of the War Expenses

Particulars are shown in the attached tables.

2. Accounting procedures of the special account of the War Expenses

(1) Procedure of Paying Expenses

After the budget for the special account of the War Expenses is approved by the Diet and sanctioned by the Emperor, the Ministries of War, Navy and War Supplies submit to the Ministry of Finance at intervals of about three months, an estimate of the expenses (not exceeding the budget amount) which they expect to use during the next three months. This estimate is then examined by the Ministry of Finance, submitted to the Cabinet Meeting, and after obtaining the Imperial sanction, the procedure of paying-out is taken. The only item in the Special Account of the War Expenses which comes under the jurisdiction of the Ministry of Finance is that of the interests to be paid on the loans which are appropriated to meet military expenses abroad. For such expenditures, a similar procedure is taken when required.

(2) Collection of Revenue

The cash revenue, which is collected by the Revenue Collectors, is reported to the Revenue Collecting Officials who in turn report to the respective ministers concerned. The number of officials dealing with revenue collection is, in the case of the Army, about 11,000, and with the navy, about 1,900.

(3) Reports of the Result of Accounts

Statements of accounts, accompanied by evidences, are submitted by the respective pay officials to the central authority. (The chief of army Tokyo Paymasters Bureau and the

chief

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Chief of Paymasters Department of Ministry of Navy). The statements are examined by relative authorities and passed on to the Auditing Bureau.

As for the results of revenue collection, the Ministry of Home Affairs has so far reported to the Ministry of Finance up to the account of June, 1945, while other ministries have reported up to December, 1944, or in some cases, up to March, 1945. Regarding the results of expenditure the Ministry of War Supplies has reported its total amount up to June, 1945, while other Ministries, up to March, 1945.

(4) Method of Overseas Payments

As for the payments by troops, warships, vessels, etc. abroad, the internal procedure in the Army and Navy Ministries are generally the same as that of payments at home, but their remittances are made by means of the Bank of Japan's instructions for payments telegraphed to its agents, and advance officials located at the place of delivery of the fund from the said agents as specified in the payment advice.

These funds for payment which are needed by the Bank of Japan Agents in the respective regions are supplied according to the localities, by The Manchoukuo Central Bank, The Federal Reserve Bank of China, The Central Reserve Bank of China, The Bank of Thailand, the Bank of French-Indo-China, or the Southern Development Bank.

(5) Adjustment of the Special Account of War Expenses by means of the Foreign Fund Treasury.

In order to avoid rapid expansion of the budgeted amounts which resulted from the abnormal rise of commodity prices in China and the South Sea Area, adjustments of budgeted amounts by means of the Foreign Fund Treasury were effected since last March in China (with the exception of Kwangtung and Hainan) and in the South Seas Area (excepting Thailand and French Indo-China) for the payment of supplies required in those areas.

Such adjustments are made in the following manner:

When payment is made for the supplies obtained locally a certain amount of the fund is delivered from the Foreign

Fund

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Fund Treasury besides the fund of the Special Account of war expenses, and the Foreign Fund Treasury is to acquire the fund, through local financial organs, in the case of China, from the Bank of Chosen, and the Yokohama Specie Bank, and in the case of the South Seas Area, from the Southern Development Bank in their relative currencies.

3. Outline of the mode of accounting after the termination of the war.

With the termination of war, all orders of war supplies and contracts of ship-building and other constructions have been cancelled. The following measures are being taken to liquidate such orders or contracts:

(1) For those orders already fulfilled or contracts already completed before August 15, 1945, prompt payment in full is to be made.

(2) For those orders partly delivered or contracts partly completed at the time of termination of the war, part-payments are to be made in proportion to the amount completed or in progress. Materials supplied by the Government and the value of unused materials should be taken into consideration upon such payments.

(3) Amount of advanced payments, if any, must be deducted when such payments as those stated above, are made.

(4) Compensation for losses suffered by contractors resulting from the Government's orders concerning the construction of plants or production of commodities, are to be withheld until such time when the general policy regarding Government compensation will be decided.

4. Outline of the investigation of account made by the Army and Navy after the war.

It is to be regretted that due to the general confusion and paralized condition of communications the intentions of the central authorities failed to reach effectively some of the local sections, as a result of which, in some quarters, inadequate measures were taken in connection with the distribution of war supplies and termination of war contracts.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

As the situation became more or less calm, the army and navy authorities have been taking the following measures to rectify the injustice and to penalize those who are responsible.

(1) Investigation of accounting:

Thorough investigation is being made by the auditing organization of the army and navy, and whenever necessary, those who are in charge of cash or supplies are withheld from demobilization or even some of them who had been demobilized have been re-arrested.

(2) Rectification of unjust disposition

All possible measures are being taken to rectify the unjust disposition of war supplies, etc. For example, properties which had been given away to individuals or companies are being recovered or being sold at appropriate prices.

As active allowances given to employees, officers, or soldiers are also being recovered. In the case where there is no means of recovery, those who are responsible are being made to indemnify the losses or are being penalized.

Those who are suspected of having committed unlawful acts such as embezzlement of Government funds or property, are being investigated by military lawyers. Such suspected persons number several thousand.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

5. The proposed liquidation of the special account of War Expenses

It goes without saying that this account should be liquidated. What hinders immediate effectuation is

a) The number of paying officers and sub-paying officers was something like 15,000, and when we add to them the assistant-sub-paying officers the total number amounted to tens of thousands. Although this number decreased very much as the demobilization process goes on (at the time of writing there are still about 9,700 in office), there is no means to get the proper substitute for them. If we think of the complex character of the actual procedure of military book-keeping, we come to the conclusion that an abrupt change of machinery only means disorder.

b) There are still millions of soldiers abroad and there are still many things to be cleared in connection with them.

c) There are many payments to be made out of this special account such as

(1) Bills to be paid for goods which have already been delivered

(2) Payment of salaries to the remaining families

(3) Payments in connection with the measures taken for military facilities.

Under the circumstances, the Ministry of Finance has decided to take the following steps in the immediate future:

a) From 1 December 1945 (the date when the War and Navy Ministry are due to dissolve themselves)

the Ministry

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

The Ministry of Finance will take over the charge of the Special Account of War Expenses and hence the Minister of Finance will be responsible for this account.,

b) Assuming that the expenditures for Japan Proper relative to this Special Account will end by the end of March of next year, this account will be closed at the end of March, 1945.

c) The necessary expenditures thereafter in connection with the repatriating soldiers will be met by the remainder of the Special Account which will be transfered to the Ministry of Finance.

d) Considering the necessity of detaining the means to make clear what has been done before and also the necessity of avoiding any confusion which may arise by changing the personnel at this time, the Ministry of Finance intends to adopt the present system of administration of this account together with the necessary personnel as required.

TABLE 1.

Special Account of War Expenses Sanctioned by the Emperor & Spent

(1) Departments	(2) Budget	(3) Sanctioned by the Emperor	(4) Balance (2) - (3)	(5) Spent	(6) Balance (3) - (5)
Army		113,389,978,000		112,401,845,000	988,132,000
Navy	¥222,128,567,000	72,284,737,000	16,560,321,000	65,709,618,000	6,575,118,000
War Supply		18,918,530,000		15,711,050,000	3,207,479,000
Finance		[illegible],975,000,000		973,649,000	1,350,000
Total	222,128,567,000	205,568,245,000	16,560,321,000	194,796,165,000	10772,080,000

Note: The table shows the figures as on Oct. 25, 1945.

The figures include estimated amount of expenses paid outside of Japan Proper.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG No. 775015

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

大日本帝國文明

TABLE II

Sanctioned Budget Classified By Ministry Concerned

Classification	Amount
(1) War Ministry	
Personnel	11,446,578,000
Salaries	8,215,886,000
Travelling Expenses	1,043,424,000
Employees' Fee	1,544,376,000
Others	643,192,000
Supplies	86,920,281,000
General	3,659,504,000
Clothings & Provisions	24,224,763,000
Munitions	28,280,223,000
Fuel	2,765,692,000
Horses	1,008,269,000
Transportation	7,879,668,000
Construction	16,405,390,000
Others	3,696,759,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Expenses re.	
Interment of Prisoners	446,466,000
Administration	662,254,000
Special Purchase of Commodities	12,657,047,000
Loan to Nanpo Development Bank	66,105,000
Reserve	630,805,000
Miscellaneous	660,140,000
Total	113,389,978,000

(3) Navy Ministry

Salaries	3,721,709,000
Administration	99,241,000
Misc. Pay & Expenses	1,296,943,000
Clothes & Provisions	3,287,831,000
Medical Expenses	274,367,000
Naval & Other Important Post	146,598,000
Warship Operation	5,724,492,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Waterway	77,937,000
Education	141,966,000
Building & Upkeep of Ships Munitions	34,119,629,000
Warship Building	3,073,396,000
Reserch	334,785,000
Construction	11,791,558,000
Ship Operation	1,723,505,000
Family Allowances	196,010,000
Subsidy	87,953,000
Special Purchase of Commodities	2,481,857,000
Loans to Nanpo Development Bank	13,581,000
Continget Expenses of Vessels	41,283,000
Administration of Occupied Territories	103,745,000
Other Expenditures	712,674,000
Long Service Bonus	56,096,000
Miscellaneous	767,571,000
Total	72,284,737,000

大日本帝國政府

帝国政府 大本日

(3) Ministry of War Supplies (Cont'd)

Territories	Aug.	Sep.	Oct.	Total
Japan Proper	2,420,787,000	156,976,000	136,936,000	15,710,476,000
Korea	0	0	0	574,000
	2,420,787,000	156,976,000	136,936,000	15,711,050,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 77501 5

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

(4) Ministry of Finance

Territories	1944	Apr-Jun	July	Aug	Sep	Oct	Total
Japan Proper	370,244,000	0	0	0	603,405,000	0	973,649,000
Others	0	0	0	0	0	0	0
Total	370,244,000	0	0	0	603,405,000	0	973,649,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NND NO. 775015

(3) Ministry of War Supplies

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Personnel	18,172,000
Supplies	18,693,955,000
Subsidy	10,300,000
Miscellaneous	1,186,000
Total	18,918,630,000

(4) Ministry of Finance

Interests on Loans	975,000,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

- Continued -

日本帝國政府

Territories	1941	1942	1943	1944
Japan Proper	2,781,496,000	7,421,112,000	11,129,838,000	10,931,232,000
Korea	13,420,000	30,001,000	51,490,000	162,587,000
Formosa	56,040,000	90,375,000	160,083,000	264,400,000
Manchuria	1,676,000	281,000	405,000	6,587,000
China	231,322,000	388,881,000	1,663,382,000	5,839,736,000
South Seas	21,116,000	454,498,000	774,243,000	1,864,521,000
Thai	165,000	31,601,000	25,638,000	160,364,000
French Indo-China	4,365,000	37,897,000	83,574,000	124,852,000
Others	16,564,000	385,000	664,931,000	1,579,304,000
Total	3,106,073,000	8,385,151,000	13,779,440,000	19,089,461,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

TABLE III

Expenses Paid, Classified By Ministry of Territory

(1) War Ministry

Territories	1937	1938	1939	1940
Japan Proper	1,300,448,000	3,042,666,000	2,534,527,000	3,988,047,000
Korea	51,769,000	65,651,000	68,225,000	83,669,000
Formosa	11,861,000	28,506,000	30,244,000	37,974,000
Manchuria	87,842,000	296,573,000	409,631,000	368,568,000
China	206,926,000	560,098,000	693,923,000	712,474,000
South Seas	0	0	0	0
Thai	0	0	0	0
French Indo-China	0	0	0	0
Others	0	0	0	0
Total	1,658,848,000	3,993,495,000	3,736,550,000	4,190,734,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Expenses Paid, Classified By Ministry of Territory

(2) Navy Ministry

Territories	1937	1938	1939	1940
Japan Proper	354,315,000	762,867,000	1,063,900,000	1,452,726,000
Korea	0.	91,000	735,000	6,958,000
Formosa	-	1,000	56,000	11,178,000
Manchuria	27,000	83,000	13,000	1,098,000
China	21,104,000	38,849,000	43,035,000	59,621,000
South Seas	2,000	7,000	5,000	224,000
Thai	2,000	7,000	5,000	205,000
French Indo-China	0	0	0	0
Others	0	0	0	19,000
Total	375,449,000	801,899,000	1,107,745,000	1,581,907,000

- Continued -

Territories.	1941	1942	1943	1944
Japan Proper	3,780,628,000	6,663,248,000	8,611,394,000	10,198,144,000
Korea	209,389,000	209,426,000	178,951,000	442,395,000
Formosa	68,728,000	57,748,000	120,236,000	293,148,000
Manchuria	1,198,007,000	1,405,552,000	1,661,397,000	2,287,859,000
China	830,505,000	1,122,932,000	2,638,255,000	21,987,822,000
South Seas	299,741,000	919,089,000	2,554,104,000	10,301,321,000
Thai	-	-	-	603,385,000
French Indo-China	-	-	-	158,928,000
Others	-	-	-	9,539,006,000
Total	~~1,658,348,000~~ 6,381,949,000	10,367,997,000	15,764,339,000	45,510,692,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDC NO. 77 5 015

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

(3) Ministry of War Supplies

Territories	1943	1944	1946 Apr-Jun	1946 July
Japan Proper	289,309,000	5,520,079,000	3,620,405,000	499,900,000
Korea	117,000	315,000	122,000	17,000
	289,426,000	5,520,394,000	3,620,527,000	499,998,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

- Continued -

Territories	Apr. - Jun.	Jul.	Aug.	Sep.
Japan Proper	2,821,925,000	2,630,789,000	4,555,591,000	943,822,000
Korea	472,855,000	50,317,000	605,112,000	51,468,000
Formosa	500,205,000	0	160,000,000	201,052,000
Manchuria	610,933,000	500,000,000	600,000,000	27,000
China	4,596,809,000	0	0	169,000
South Seas	197,782,000	589,664,000	6,890,000	22,705,000
Thai	133,234,000	241,771,000	0	25,000,000
French Indo-China	0	0	0	0
Others	64,548,000	347,548,000	6,890,000	47,705,000
Total	10,128,511,000	3,770,771,000	5,927,593,000	1,173,780,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDC NO. 775015

- Continued -

Territories	1945 Apr.-Jun.	Jul.	Aug.	Sep.
Japan Proper	7,644,194,000	1,445,884,000	2,947,293,000	1,324,086,000
Korea	87,721,000	152,327,000	34,462,000	200,000
Formosa	58,970,000	110,084,000	70,364,000	303,275,000
Manchuria	369,000	13,000	0	0
China	779,404,000	806,712,000	883,747,000	416,000
South Seas	132,265,000	164,772,000	49,331,000	2,922,000
Thai	46,003,000	81,951,000	976,000	0
French Indo-China &	30,074,000	0	0	0
Others	116,187,000	82,821,000	48,355,000	2,922,000
Total	8,742,925,000	2,879,494,000	3,755,189,000	1,630,901,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Territories	Oct	Total
Japan Proper	208,632,000	50,790,600,000
Korea	0	2,489,181,000
Formosa	0	1,504,705,000
Manchuria	140,000	~~126,000~~ 9,416,196,000
China	0	33,349,918,000
South Seas	5,353,000	14,851,243,000
Thai	0	1,003,392,000
French Indo-China	0	158,928,000
Others	5,353,000	13,688,922,000
Total	203,419,000	112,401,845,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

- Continued -

大日本帝國政府	Territories	Oct.	Total
	Japan Proper	745,028	50,003,616,000
	Korea		519,995,000
	Formosa		1,125,220,000
	Manchuria		10,552,000
	China	47,000	10, 526,261,000
	South Seas		3,523,911,000
	Thai		346,920,000
	French Indo-China		280,863,000
	Others		2,896,127,000
	Total	745,075,000	65,709,618,000

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大日本帝國政府

TABLE IV

SPECIAL WAR EXPENSE BONDS ISSUED

YEAR	Bonds Issued	Aggregated Total
1937	1,093,871,000	1,093,871,000
1938	3,700,800,000	4,794,371,000
1939	4,001,500,000	8,795,871,000
1940	5,202,500,000	13,998,371,000
1941	7,130,000,000	21,128,371,000
1942	13,050,000,000	34,178,371,000
1943	18,154,000,000	52,332,371,000
1944	22,934,300,000	75,266,671,000
1945	22,323,310,000	97,589,981,000

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

225.1

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ITEM 2 Compensation for losses will be given after General Compensation Policies have been decided - Asahi Shimbun - 10 Nov 45. Translator: S. Inoue

Full Translation:

The Finance Office has published the following breakdown of the present situation and planned disposal of Extraordinary War Expenditures as follows:

The accountant's procedure for the Extra War Budget.

1. The method of defrayal of expenditures — An estimate of expenses of the extra war budget will be made to the Finance Office every 3 months and these expenses will be paid on the decision of the Cabinet and by the Imperial sanction. The method of budget payments thus sanctioned differs to some extent among the ministries. In the army and navy offices, the chief of paymasters will be allocated the budget by the respective ministers, after the expenses are actually paid in compliance with the amounts of the Imperially sanctioned budget, and further he will give over the funds at the request of the head of the prepayment-officers, but the most of the actual payment will be made by the prepayment-officers whose power is limited. The number of these officials reached about 11,000 in the army and about 2,200 in the navy at the end of the war, but the former is now 9,000 and the latter 700 at present. In addition the army had many thousands of paymasters belonging to various divisions, brigades, regiments and battalions.

2. The Collection of Revenue: - The amount of cash collected by the revenue officer, who is the final agency is reported, with necessary documents of certification attached, to the senior officer and then to the Minister concerned. The number of such officials reached 11,000 in the army and 1,900 in the navy at the end of the war.

3. The report of the accountant's records:- The report of the accountant's records is sent by the intendants to the central office with the settling documents with receipts, and then to the Board of Auditors after a full investigation. The report of the records of appropriations and revenues was made to the Finance Ministry by the Ministries concerned every month (Every 3 months recently).

4. The disbursal method in foreign countries:- This is almost the same as the disbursement at home. As regards to remittance, the Bank of JAPAN instructs its foreign agencies for the payment and paymasters on the spot disburse according to their instructions. The funds for the agencies are supplied on the spot by such banks as the Central Bank of MANCHURIA (MANCHU CHUO GINKO) or the Central Reserve Bank of CHINA (CHUGOKU RENGO GINKO) CHIOBI GINKO, the INDO-CHINA Bank (INDO SHINA GINKO), the Bank of THAI (TAIKOKU GINKO), and the Southern Development Bank (NANPO KAIHATSU GINKO).

[illegible] September in CHINA. Consequently, [illegible] expenditure of ¥100,000,000 authorized by the War Office in TOKYO could be used for as much as ¥13,000,000,000 by means of this exchange rate in September in CHINA. Such manipulation of the exchange rate leading to compulsory economic assistance of local peoples to the attainments of the war, caused ill feelings toward the army among the local peoples.

The general description of the accountant's business after the end of the war:- All the contracts with civilian companies regarding munitions and construction work have already been repudiated and for the purpose of liquidating all credits and debts the following will be carried out:-

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Speedy payment is expected for the munitions delivered or the works completed before 15 August 1945, partial payment for those which were still underway at the end of the war will also be disbursed, proportional to materials used in accordance with the overall price.

The Compensational defrayment for the losses inflicted the establishments by the governmental order of construction or of the increment of production will be suspended till the general compensational policy has been finally decided. The general description of the measures conducted by the war and navy offices at the end of the war were very illogical but with the return to normalcy, the measures to rectify the injustices and to investigate the persons responsible are now under consideration. The war and navy offices are now investigating the accountant's business and in order to rectify the improper disposals made at the end of the war, compensation or administrative punishment for the persons who are responsible for them, is being devised and several thousands of the suspects are now being examined.

The future disposition of the Extra War Budget:- It is quite difficult from a technical standpoint to cut or suspend a war budget suddenly and moreover the businesses functioning at the conclusion of the war, are being handled smoothly. So the government has decided as follows:

1. The jurisdiction over the Extra War Budget will be transferred to the Finance Ministry on 1 December 1945 on which date both the war and navy offices are dissolved; and the Finance Minister will have charge of the budget from the same date.

The defrayal of the budget will be suspended at the end of March 1946 when the accountant's business in JAPAN proper is expected to be finished. The future defrayment begun from 1 April 1946 from the Extra War Budget will in the most part be used for demobilization, suppling the troops abroad. These expenditures will be paid from the remainder of the war budget, which will be transferred to the Finance Ministry's ordinary accounts until the completion of repatriation.

The transference of extra war expenditures to the Finance Office will be done 1 December 1945. But the immediate complete suspension of the accountant's business regarding the extra war budget, navy and Commerce and Industry (former Munitions Ministry) Ministries, will bring forth confusion, and so recently it was necessary to retain paymasters and intendants who were formerly in the employ of the War, Navy and Munitions Ministries under the supervision of the Finance Minister. 93162

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

ITEM 7 Special Military Expenditures Will Be Cut Off In March - Nippon Sangyo Keizai - 15 Jan 46. Translator: K. Sato.

2251

Full Translation:

The Finance Ministry believes that the Special Diet will be convened during April, which is the beginning of the next fiscal year. The Government is making an investigation in regards to the issuance of an urgent ordinance concerning the abolition of the special account of the emergency military expenditures. This special account was transferred from the former Military and Navy Ministries to the Finance Ministry last December, but it was decided to abolish it by the end of this fiscal year. For the abolition of this special account, the issuance of a law concerning its abolition is necessary. As the Special Diet will not be opened until next April, it is rather difficult to abolish this special account at the end of March prior to the Special Diet Session. It is unanimously agreed that this account should be abolished; therefore, an ordinance authorizing its abolition, based upon articles eight and 70 of the constitution, is to be promulgated March. Concerning this matter a consultation was held on 14 January between the Finance Ministry and The First and the Second Demobilization Ministries. 931.6-794 16 Jan 46

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

225.1

ITEM 3 The facts and disposition of extraordinary war expenditure. The control will be returned to Ministry of Finance from 1st December - Asahi, Mainichi, Yomiusi Hochi, Tokyo and Nippon Sangyo Shimbun - 10 Nov. 1945 - Translator: M/Sgt. S. Nagamato.

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Full Translation:

With the demand for the apprehension of war criminals, a strong demand was made for the publication of details of the Extraordinary War Expenditure and on the return of its control to the Finance Ministry. On 9 November 1945 the Ministry of Finance announced the present condition and subsequent disposition of the Extraordinary War Expenditures after obtaining a report from the Finance Minister SHIBUSAWA of the Cabinet meeting held on 6 November 1945.

The content of the reports is the present condition of Extraordinary War Expenditure, an account of Extraordinary War Expenditure Appropriation, an outline of handling of accounts after the war, an outline of inspection of accounts conducted by Army and Navy after the war, and the subsequent disposition of Extraordinary War Expenditure; however the following are important points:

1. Within the grand total of Extraordinary War Expenditure Appropriation of 220,212,800,000 yen from the year of 1937 to 1945, 205,500,000,000 yen was sanctioned by the Emperor and 16,500,000,000 yen remained to be sanctioned.

2. The control of the Extraordinary War Expenditure will be transfered to the Ministry of Finance, and the handling of accounts will be the responsibility of Finance Minister.

3. The expenditures will be closed on 1 March 1946 when the accounts of JAPAN proper are expected to be completed. This will require the approval of the Diet and it is expected that the proposal will be submitted at the coming Emergency Diet Session.

4. The expenditure will be required after the closing of the Extraordinary War Expenditure. The remainder of expenditures will be used until the completition of demobilization after the general controls are returned to the Ministry of Finance. The administrative personnel of Munition Department under the Army and Navy will remain and will carry out their duties under the supervision of Finance Minister.

5. The expenditures hereafter are mainly on demobilization and supplying of units still on oversea however is expected to avoid expending more than 16, 500,000,000 yen which was sanctioned by Emperor.

6. The expenditures will be covered by Emergency War Bonds issued hereafter, estimated at 118,300,000,000 yen. Amounts issued now total 97,500,000,000 yen.

NOTE: The following reports are complete to 25 October 1945 and because of the uncertanty of minor details, the report may need some minor changes.

Investigation of the amount authorized by the Emperor and defrayed out of budget for Extraordinary War Expenditures:

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

(The Unit is 1,000 yen and under 31,000 yen omitted)

Name of Ministry	Amount of Budget	Amount Authorized by the Emperor (A)	Remainder	Defrayed Amount (B)	Remainder A-B
War		113,389,978		112,401,845	988,132
Navy	222,128,567	72,284,737	16,560,321	65,709,618	6,575,118
Munitions		18,918,530		15,711,050	3,207,479
Finance		975,200		973,649	1,350
Total	222,128,567	205,568,245	16,560,321	194,796,165	10,772,080

Investigation of the amounts authorized by the Emperor classified by the Ministries:

1. The War Ministry:

Article	Sum (In thousands)
Personnel	11,446,878
Salary (Officers)	8,215,886
Travel Expenses	1,043,424
Salary (Employee)	1,544,374
Others	643,192
Materials	86,920,281
Goods Purchased	2,659,504
Clothing	24,224,763
Munitions	28,280,233
Fuel	2,765,692
Horses	1,000,269
Communication	7,879,668
Building	16,405,390
Others	3,696,759
Allied IW Camp Expenses	446,466
Military Administration Expenses	662,254
Special Purchasing Expenses	12,657,047
Loan to Southern Develop Bank	66,105
Research Expenses	530,805
Others	660,140
Total	113,389,978

2. The Navy Ministry:

Article	Sum
Salary	3,731,709
Office Expenses	99,141
Misc. Expenses	1,396,943
Clothing Expenses	5,237,831
Patients Expenses	174,367
Naval Ports Expenses	146,598
Ship Managing Expenses	5,724,492
Water Route Expenses	77,937
Education Expenses	141,966
Ship Building, Munitions and Repairing Expenses	34,119,629
Ship Building (over)	3,073 396

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

Research Expenses	334,785
Repairs	11,791,558
Shipping Expenses	1,723,505
Extra Family Allowance	196,010
Subsidies	37,593
Special Purchasing Expenses	2,481,857
Loan to South-Develop-Bank	13,581
Emergency Disposition of Ships Expense	41,283
Expenses incurred in Administration of Occupied Territories	103,745
Misc. Disbursements	712,674
Longevity Allowance	56,006
Others	767,571
Total	72,284,737

3. The Munitions Ministry

Article	Sum
Personnel	13,447
Materials	18,893,955
Subsidies	10,000
Others	1,126
Total	18,918,530

4. The Finance Minister

Article	Sum
Interest With Loan	975,000

Investigation on defrayed amount classified by the Ministries and Areas:
(The unit: 1000 yen at the end of October)

1. The War Ministry

Location	Sum
HONSHU	80,290,600
KOREA	2,489,181
FORMOSA	1,504,705
MANCHURIA	9,416,196
CHINA	33,349,918
SOUTHERN Regions	14,851,243
THAILAND	1,007,392
FRENCH INDO-CHINA	158,928
Others	13,688,922
Total	112,401,845

2. The Navy Misistry

Location	Sum
HONSHU	50,003,676
KOREA	519,955
FORMOSA	1,125,220
MANCHURIA	10,552
CHINA	10,526,261
SOUTHERN Regions	3,523,911

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

THAILAND	346,920
FRENCH INDO-CHINA	280,863
Others	2,896,127
Total	65,709,618

3. Muntions Ministry

Location	Sum
MONSHU	15,710,476
KOREA	574
Total	15,711,050

4. The Finance Ministry

Location	Sum
MONSHU	973,649
Others	0
Total	973,649

Investigation of the actual issuence of Extraordinary War Expenditure bonds:

Year	Amounts Issued	Total
1937	1,093,871	1,093,871
1938	3,700,500	4,794,371
1939	4,001,500	8,795,871
1940	5,202,500	13,998,371
1941	7,130,000	21,128,371
1942	13,050,000	34,178,371
1943	18,154,000	52,332,371
1944	22,934,300	75,266,671
1945	22,323,310	97,589,981

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ADVANCE RELEASE:

The following material is given to the press in advance and IN CONFIDENCE for release at 5:00 p.m. EST 24 November, 1945 (USA Time). None of the material contained herein may be used either for publication or comment until that time.

ADVANCE MATTER: For Release at 5:00 p.m. EST 24 Nov. 1945 (USA Time).

2251

WAR INDEMNITY LIABILITIES

The Japanese Finance Ministry stated that the Japanese government has assumed war indemnity and insurance liabilities totaling 56,500,000,000 yen of which 50,500,000,000 yen remains unpaid.

The greatest single item standing unpaid on the government's books is 32,900,000,000 yen in war risk insurance claims. Claimants to 20,300,000,000 of this amount have been paid by banks but the government debt remains to the banks who did the paying.

Of the total, war industries have claims for the following: 13,500,000,000 yen under the system of "indemnity" or "compensation" whereby the government assumed a "legal obligation", to re-imburse industry for war losses or expenditures; plus 12,600,000,000 yen for war risk insurance, plus 4,100,000,000 yen for cancellation of war contracts and dividend guarantees, or 30,500,000,000 altogather. The importance of the government's plan for indemnification can only be understood if it is realized that nearly all the industrial enterprises in Japan are connected with war industries, the government statement said. "Only when the government effectuates the promised indemnification can the machinery of the whole industrial structure of Japan be set in motion," said the government.

The Bank of Japan, the government's bank of issue, is owed 25 billion yen, or 82 per cent of the 30,200,000,000 yen, by the banks which in turn are owed 32 billion yen by industry, the government pointed out.

The government indicated that the 25 billion yen due the Bank of Japan would be removed from circulation. It was indicated that a large part also of the 20,300,000,000 yen, with which the government

DECLASSIFIED E. O. 12065 SECTION 3-402 / NNDG NO. 775015

must pay the agencies and banks that already have paid off on war risk insurance policies to the holders, will eventually return to the Bank of Japan for retirement. Thus there would be little left of the indemnity money after the industrialists had settled their accounts with the banks throughout Japan, and after the banks themselves had settled with the Bank of Japan.

The greater part of the balance left for circulation among the banks and industry will be used to finance payments of industry's obligations to various sub-contractors, who in turn will use the money to pay for materials and labor, the government said.

"It goes without saying," added the government, "that what money thereafter remains in the hands of war industrialists will remain only in the form of net profits which will, of course, be eliminated by the war profits tax."

The present government charged that the various wartime governments "undertook so many compensations", rather than issue government bonds for war production, because they "did not possess the courage to raise the money by taxation."

The various regimes "were only too afraid of rapidly growing national debt figures", the government said, and therefore "invented so many forms of compensation" for the purpose of persuading the bankers to lend the money instead.

"Outstanding compensation claims are in fact, to a great extent, nothing but delayed expenditures by the government for which government bonds ought to have been issued," the government statement asserted. Urging the necessity of the government's carrying out its indemnity promises, the government told SCAP that "a general breakdown of business morale" would result if the promises were not fulfilled. The government said that banks and insurance companies would go bankrupt as those which had war claims against the government would "suffer huge losses that would be unbearable to most of them".

The government plans to propose the establishment of a committee for the assessment of losses under indemnity claims so as to assure fair treatment for everyone.

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