THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

RG 331 (Allied Operational & Occupation Headquartes, World War II)

Supreme Commander for the Allied Powers
Government Section
Administrative Division
Purge Miscellaneous File
1945-51

Demobilization Board to Public Information Media

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Description of contents

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(1) Box no. 2057

(2) Folder title/number : (1)
Economic Purge Financial Organizations 500.33

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List of Contents Included

(6) Reproduction : (Yes) No

(7) Film no. Sheet no.

I N D E X

24. Memo for PSQD - Controlling branch in North China of the Central Bank of Manchuria. 31 Dec47

~~25. Status of Sanwa Bank . . . . . 5 May '47~~

25. From Ministry of Finance - re Removal of Overseas Funds Bank from the list of Purge Ordinance . . . . . No date

I N D E X

17. Check sheet - Request by Japanese Government to transfer SANWA BANK from para 12 to para 13 . . . . . .29 Apr. '47
Attached - Reply from ESS - 9 May '47
Memo for Record - 29 Apr. '47
Letter to Gen. Whitney from Kanamori - SANWA BANK as listed in Cabinet and Home Ministry Ordinance No. 1, 1947-16 Apr. '47
Memo for Col. Kades - Status of Sanwa Bank -5 May '47
Report of outstanding loans

18. List of resignees of ten companies between 1 Nov. '46 and 30 Apr. '47 TOKYO SECURITIES CO. LTD.; YAMAICHI SECURITIES CO. LTD.; DAIWA SECURITIES CO. LTD.; NOMURA SECURITIES CO. LTD.; NIKKO SECURITIES CO. LTD.; SANWA BANK LTD. . . . . 1 May '47

18a. Status of Sanwa Bank . . . . . 5 May '47

19. Memo for Record (draft)- NOMURA SECURITIES CO. . . . . 3 July '47

19a. Memo for Record - (draft) - Transfer of companies listed in the Cabinet and Home Ministry Ordinance No. 1, 1947, from paragraph 12 to paragraph 13 . . . . . .9 June '47
20. Memo for Chief, PSQD - KOBAYASHI, Ataru : His relationship to the Fukoku Chohei Hoken Kaichn (Prosperity Conscription Insurance Co.) . . . . . 9 July '47
20a. Memo for CLO - Companies listed in the Cabinet and Home Ministry Ordinance No. 1, of 1947: Transfer from Paragraph 12 to 13 . . . . . .10 July '47

21. Check sheet - Mitsui Real Estate (concerning placing company on para 12). . . . . .25 July '47

22. Memo for CLO - Mitsui Real Estate - added to Paragraph 12 . . . . . 1 Aug. '47

23. Memo for CLO - Deletion of company listed in Cabinet and Home Ministry Ordinance No. 1 of 1947 from Paragraph 5 (United Funds Bank) . . . . . .12 Dec. '47

I N D E X

10. Check sheet - OSAKA SUMITOMO MARINE AND FIRE INSURANCE CO. LTD. Application of purge. . . . . 25 Feb. '47

11. Memo to Chief, PAD - Purgees' influence in determining their successors in economic organizations - SUMITOMO BANK . . . .3 Mar. '47

11a Ltr. to Prime Minister from ASAI, Koji, Sumitomo Bank Ltd - Re: Government Memorandum Concerning to Removal of Undesirable Persons from Economic, Financial & Publishing Circles . . . . . 24 Mar. '47

12. Check sheet - Transfers of Securities Companies from para 12 to para 13 of purge, recommendation for-DAIWA SHOKEN K.K.; NIKKO SHOKEN K.K.; NITCHITSU SHOKEN K.K.; NOMURA SHOKEN K.K.; TOKYO SHOKEN K.K.; YAMAICHI SHOKEN K.K. . . . . 29 Mar. '47
Attached - Memo for Record relevant to above

13. Memo for the Chief, GS - Ten economic companies to be deleted from para 12, SANWA BANK; NIKKO SHOKEN K.K.; NOMURA SHOKEN K.K.; YAMAICHI SHOKEN K.K.; DAIWA SHOKEN K.K.; TOKYO SHOKEN K.K. . . . . 4 Apr. '47

14. Questionnaires on leading officers of influential companies, financial and economic organizations, submitted to GHQ for review . . . . . .16 Apr. '47

15. Memo to Chief PAD - State Minister Kanamori's request to delete ten companies from Cabinet and Home Ministry Ordinance No. 1, 1947, para 12 - SANWA GINKO; NIKKO SHOKEN K.K.; NOMURA SHOKEN K.K.; YAMAICHI SHOKEN K.K.; DAIWA SHOKEN K.K.; TOKYO SHOKEN K.K. . . . . .17 Apr. '47

15a. Shares owned by the Bank of Japan . . . . . .21 Apr. '47

16. Check sheet - Request by Japanese Companies to transfer companies from para. 12 to para 13 - SANWA BANK; NIKKO SECURITIES CO.; NOMURA SECURITIES CO.; YAMAICHI SECURITIES CO.; DAIWA SECURITIES CO.; TOKYO SECURITIES CO. . . . . 23 Apr. '47
Attached - Reply from ESS-9 May '47
Check sheet relevant to subject mentioned- 9 May '47
Kanamori's submitted explanations with regard to 5 securities companies . . .16 Apr. '47

I N D E X

1. List of officials - YAMAICHI SHOKEN K.K. (YAMAICHI SECURITIES FINANCE CO. LTD.) . . . . . .no date

2. List of officials - TOKYO SHOKEN K.K. (TOKYO SECURITIES CO., LTD.) . . . . . no date

3. List of officials - SANWA GINKO K.K. (SANWA BANK CO. LTD.) . . . . . no date

4. List of officials - NOMURA SHOKEN K.K. (NOMURA SECURITIES CO.,LTD.) . . . . . .no date

5. List of officials - DAIWA SHOKEN KABUSHIKI KAISHA (DAIWA SECURITIES COMPANY, LTD.). . . . . no date

6. Memo for PAD - Review of questionnaires of President, Directors and Principal Auditors (total:seven) of the newly formed Tokio Bank . . . . . 3 Jan. '47

7. Letter from President, ASANO BUSSAN CO. (ASANO PRODUCTS CO.) - request for deletion from Imperial Ordinance . . . . . 8 Jan. '47

8. Memo for PAD - Petition in behalf of Mr. Okana, President of the Sanwa Bank. . . . . 20 Jan. '47

9. Check sheet - Transfer of Securities Companies from para 12 to para 13 of purge, recommendation for action - DAIWA SHOKEN K.K.; NIKKO SHOKEN K.K.; NITCHITSU SHOKEN K.K.; NOMURA SHOKEN K.K.; TOKYO SHOKEN K.K.; TOKYO SHOKEN K.K.; YAMAICHI SHOKEN K.K.. . . . . .25 Feb. '47
   Attached - Check sheet relevant to above . . . . . 29 Mar. '47
   Memo for Record attached to cope of above Check sheet - same
   Letter from President of Nomura Securities answering questions relating to affiliations of company and Nomura family-no date

Financial Institutions

(B)

MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

RE: Removal of Overseas Funds Bank from the list of Purge Ordinance

The Overseas Funds Bank is now classified as "a financial institution that participated in the expansion of Japan", being defined as "a financial institution whose principle object lies in the financing for colonization and development within the colonies and areas occupied by Japanese Army or financing for munition production through mobilization or control of the financial resources existing in the colonies or areas occupied by Japanese army."

Consequently, the former officers of the Bank have been designated as purgees (Paragraph E). We should like, however, to take the liberty of drawing your attention to the true facts of the Bank with the expectation that your reconsideration of the Bank's true nature will prove the incompatibility of the inclusion of the Bank in the list of Purge Ordinance and that the former officers of the Bank will be released of purge from the standpoint of not only justice but also equity.

The true nature of the Overseas Funds Bank can be charactrized as follows:

(1) The Bank was not a bank in the ordinary sense. It was only a part of the Japanese governmental mechanism of budgetary accounting, being actually a book of account entered in and kept by some officials of the Ministry of Finance.

In other words, it was a mere technical device used for a purely administrative purpose of eliminating the difficulties that would technically puzzle the compilation and

execution of the government budget under such circumstances as to continue to peg the exchange rate at a certain fixed point in spite of the sharp rise of commodity prices in China and Southern Areas.

(2) As you can logically infer from the above the Bank did not have even a regular officer or employee of its own. As shown in the Annexed Tables Nos. 1 & 2, the book-keeping and some accessory affairs were assigned to a few government officials as a part of their work just because they happened to be in the section in charge of such affairs in the Ministry of Finance.

Thus, the office of the Bank was not actual but imaginary. In other words, the Ministry of Finance where the books of accounts were kept was the imaginary office of the Bank.

(3) The above means that the Oversees Funds Bank did not have any office building of its own. The imaginary office was situated in the Ministry of Finance, which was responsible for the compilation and execution of the government budget. It is needless to say that the expenses of the Bank were next to nothing.

(4) The fund of the Bank was invested solely by the Government, and the balance of the Bank's account belonged to the Government. In this respect, the nature of the Bank was of Governmental institutions.

(5) The management and operation of the Bank was, in fact, none other than an ordinary administrative operation of the government except that it was carried out in the name of the Overseas Funds Bank. The government officials who were, ex officio, in charge of the affairs of the Bank, were almost nominal in the sense that neither additional responsibility nor new work was, so to speak, placed upon them.

(6) The officers of the Bank were also nominal existence. Non-governmental officers were only ornamental and they did not know the entries in the account books of the Bank. The service of the Government officials concerned of the Ministry of Finance were a part of the duties they had to perform ex officio. Naturally, there had never been held any meeting of the Bank's officers in connection with the management and operation of the Bank affairs, for there occurred no such necessity in view of the technical nature of the Bank, namely, the bookkeeping. It was also quite natural that no remuneration was paid to the officers of the Bank.

For your reference, we must make some comparison of the Overseas Funds Bank with the United Funds Bank, which was removed from the list of Purge Ordinance in February, 1948, and the Trade Corporation, which was not listed in the Purge Ordinance.

The United Funds Bank was identical with the Overseas Funds Bank in the fact that their existence was nominal and imaginary, for they were only a system of book-keeping. However, in this comparison special attention must be paid to the fact that the Overseas Funds Bank was much more mechanical and

passive in its operation and it did not have any discretionary power (Annexed Table No. 1 and Annexed Paper No. 1).

The Trade Corporation was an actual middle man in the trade of commodities with China and Southern Areas, adjusting the unnatural economic phases caused by the pegging of the exchange rate at a certain point. On the contrary, the Overseas Funds Bank had nothing to do with trade of commodities with the occupied areas, being only an internal accounting system to adjust the budgetary transactions.

The above comparison can be sufficient to justify the submission of this petition for the removal of the Overseas Funds Bank from the list of Purge Ordinance, especially in the light of the principle of equity.

Speeking a little more in detail of the Overseas Funds Bank, we must, firstly, mention that the existence of this nominal Bank was for such short period that it was established in February, 1945, and closed in September of the same year. As it was the last stage of the Pacific war and the unfavourable outcome of the war was already apparent, the Bank had no opportunity to perform its function, nominal as it was.

Secondly, the Overseas Funds Bank Law upon which the Overseas Funds Bank was based was elaborate in appearence, but, in reality, it contained nothing substantial and autonomous, being extremely passive and nominal.

Thirdly, the Law provides that the Bank was a special corporation under the name of the "Overseas Funds Bank", whose primary object was to raise and operate overseas funds, but, in reality, there was no occasion on which the Bank raised and operated any overseas funds. The Bank was, as stated before, not a financial organization in the proper sense.

Fourthly, the Bank was simply a technical system of accounting and book-keeping. In other words, it was a governmental special account designed to coordinate the discrepanies in budgeting and accounting, caused by such unatural economic situation that, regardless of the aggravated inflation and steep rise of commodity prices - the sharp fall of money-value, the exchange rate was kept pegged at a fixed point without being revised properly from time to time because of political, diplomatic and military considerations. After all, the operation of this nominal Bank was a sort of usual governmental function, and the Bank is, correctly speaking, a variation of governmental processes.

(Note 1.) The exchange rate had to be kept pegged at a fixed point from such considerations as the political and military relations with the people in the occupied areas and others, because a sharp fall of exchange rate in China and Southern areas would indicate the aggravation of inflation and economic exhaustion in the occupied areas, disclosing the internal defects of those areas and the inefficiency of the occupation policy.

(Note 2) The accounting technique of adjustment used by the Overseas Funds Bank may be summarized as follows:

Assume that the rise of commodity prices in China during the coming fiscal period, e.g., a quarter of a year, is expected to be about twenty times. Then, the government prearranges the so-called adjustment rate, namely, the ratio of adjustment fund to the amount appropriated in the government budget, for instance, at 19 to 1. The Overseas Funds Bank had no power to participate in the determination of the adjustment rate. Suppose the expenditures amounting to 2 billion yen were needed in China. Then, the accounting officer in the field receives 2 billion yen from the agent of the Bank of Japan in order to pay the expenses. This accounting officer knows only the fact that he received 2 billion yen from the Japanese financial institution in the field which is agent of the Bank of Japan, and that he disbursed the amount, keeping the entries in his book of accounts as such. So far as the financial mechanism in the field is concerned, the Overseas Funds Bank borrows 2 billion yen from the Japanese financial institutions in the field and delivers the amount to the agent of the Bank of Japan, from which the accounting officer in the field draws 2 billion yen according to the disbursement order dispatched by the government in Tokyo.

As a counterpart of the financial mechanism in the field, the following bookkeeping was effected in Tokyo. Firstly, the Overseas Funds Bank receives a deposit of 2 billion yen from the Japanese financial institutions in the field. Secondly, the

Overseas Funds Bank delivers one hundred million yen to the Bank of Japan as a loan to the Government, which disburses the money as an amount appropriated in the budget. Thirdly, the Overseas Funds Bank transfers one billion nine hundred million yen to the account of the accounting officer in the field, who acts as a sub-agent of the Overseas Funds Bank in the field. This money is disbursed as an adjustment fund, which is entered in the account book of the Overseas Funds Bank as an adjustment expenditure. This expenditure was eventually to be settled in a proper way by the Government. Fourthly, in this way the accounting officer in the field could use 2 billion yen in order to meet the rising commodity prices.

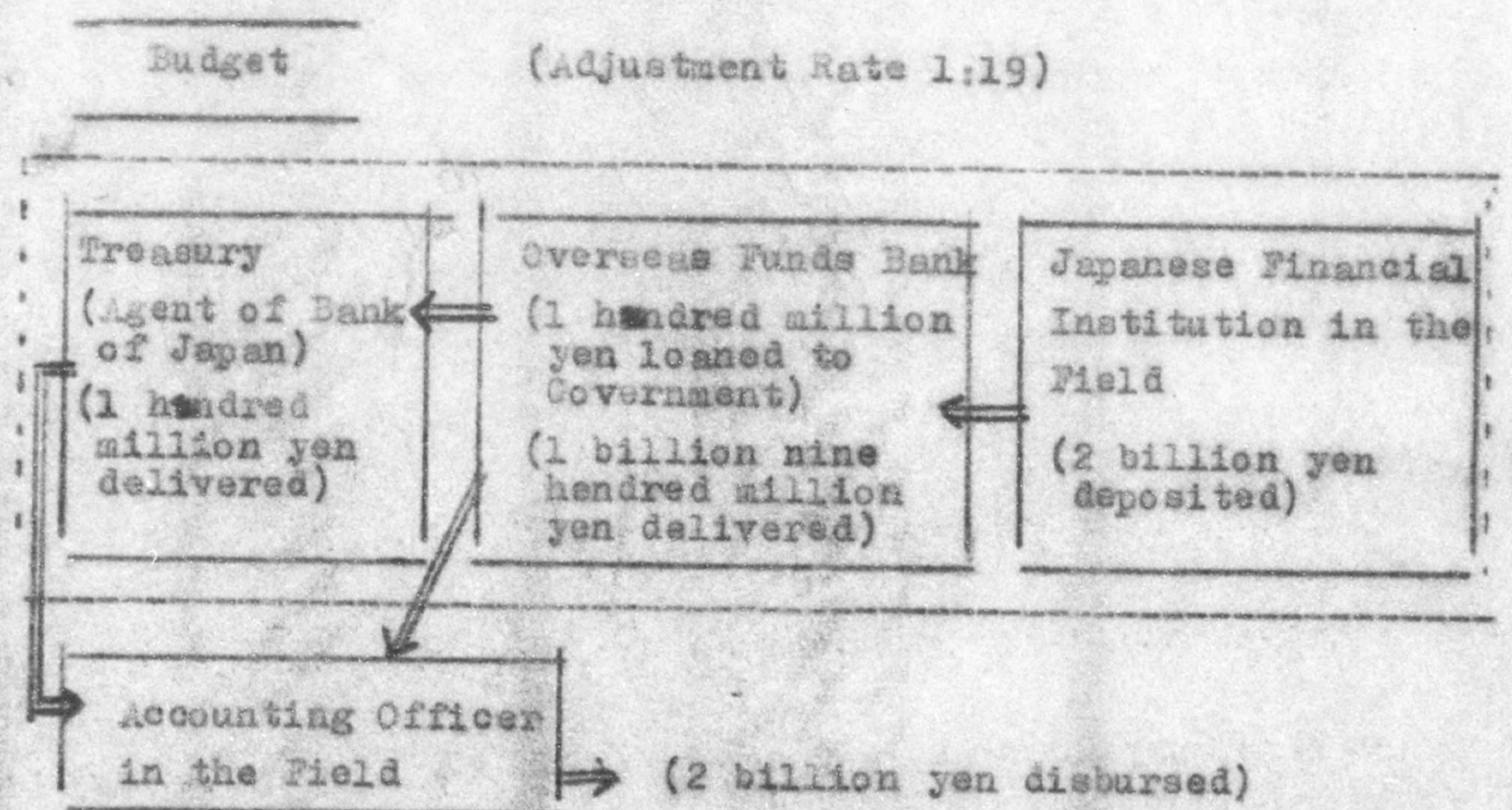
In spite of the complicated appearance of the above mechanism, the actual process was very simple, for the Japanese financial institution in the field was agent of both the Overseas Funds Bank and the Bank of Japan, and the necessary procedure was only the entries in the books of account.

The following diagram illustrates the above mechanism.

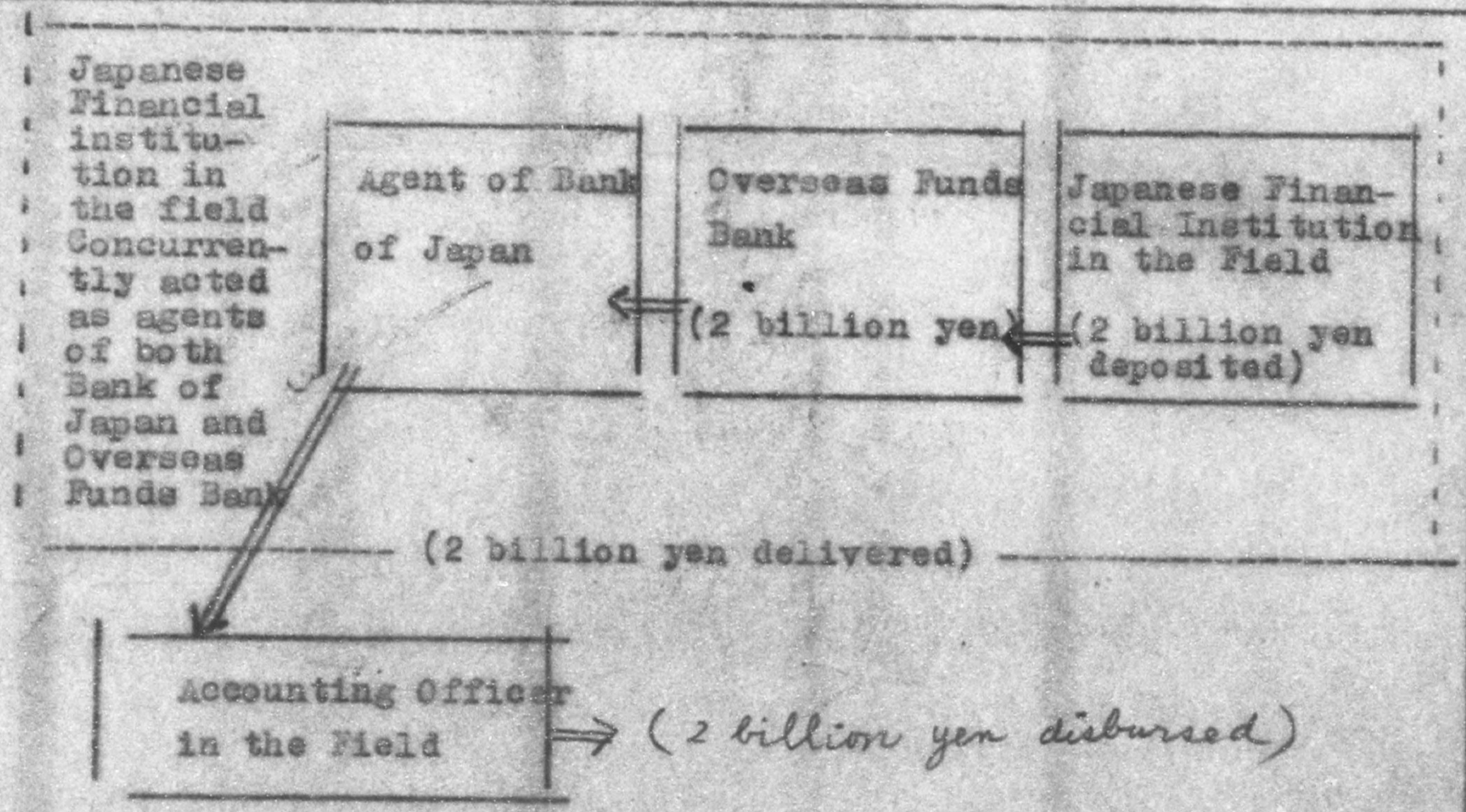
MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

Annexed Diagram

Imaginary mechanism in Tokyo



Mechanism in the field



MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

Annexed Papaer No. 1

Comparison of the United Funds Bank with the Overseas Funds Bank

1. The setout of the United Funds Bank bears a remarkable resemblance to that of the Overseas Funds Bank.

   (1) That it has no full-time officers or employees.

   (2) That it has not independent business office.

   (3) That it is only an existence on paper.

2. The two Banks existed for such extremely short periods as follows:

   (1) United Funds Bank. From 12 May 1945 To 30 Sept. 1945.

   (2) Overseas Funds Bank. From 13 Feb. 1945 To 30 Sept. 1945.

3. Regarding the purposes of their establishment:

   (1) The United Funds Bank was established as a system to put into effect the monetary and financial policy of the Bank of Japan so that the inflationary trend could be checked by coordinating the financial demands of financial institutions and by controlling the increase of loans of the Bank of Japan. Thus, the United Funds Bank could be regarded as the variation of one of the functions of the Bank of Japan.

   (2) Although it is provided in the law that the purpose of the Overseas Funds Bank was to raise and operate overseas funds, the Bank was actually the variation of one of the governmental functions to administer the budgetary accounting, intervening between the government and the financial institutions.

4. As the United Funds Bank was a domestic financial institution, so was the Overseas Funds Bank contrary to its name. The Overseas Funds Bank was never engaged in the "raising and employemant" of "Overseas funds."

It was, in reality, a technical system to take care of accounting and bookkeeping in the homeland.

5. The substantial differences in business of the two Banks were as follows:

(1) The United Funds Bank had a discretionary power to make loans to financial institutions acting independently and positively at its own judgement and performed its function of supplying funds to munition industries.

(2) On the contrary, the Overseas Funds Bank did not have any scope for discretion, for its deposits and loans were created and settled automatically according to the amount of expenditures in the field and the adjustment rate determined by the government, thus functioning as a mere accounting passage.

6. Attached is a comparison table of the United Funds Bank and the Overseas Funds Bank.

MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

Annexed Table No. 1

Comparison Table of United Funds Bank and Overseas Funds Bank

	United Funds Bank	Overseas Funds Bank
(1) Statutes on which the banks are based	Banking Law Ordinary bank(joint-stock company)	Overseas Funds Bank Law Special juridical person (In fact, it is not a financial institution)
(2) Established	12 May, 1945 (business opened on 15 May 1945)	13 Feb, 1945
Closed	30 Sept., 1945	30 Sept., 1945
(3) Purpose	Agent to practise the Bank of Japan's monetary and financial policy to adjust the financial demands among financial institutions with the object to control the Bank of Japan's loans in order to prevent inflation	Raising and employment of overseas funds(Art. 1 of the Law) In fact, a variation of a governmental organ to act as a medium between financial institutions and the government to administer the budgetary accounting.
(4) Capital	50 million yen (100 yen per share, one half paid-up) Shareholders Bank of Japan (80%) 81 Leading Financial Institutions (20%)	50 million yen Entire amount invested by Govt.
(5) Set out ~~with~~ (a) Officers:	Chairman of the Board - Vice-Governor of Bank of Japan Other officers:- Officers and employees of Bank of Japan, National Financial Control Association, and other financial institutions	President - Vice-Minister of Finance ~~Directors~~ Directors: - Chiefs of the Budget Bureau and Foreign and Overseas Funds Bureau, and 4 non-governmental persons. Auditors:- non-governmental persons
Employees:	Employees of the Bank of Japan (concurrently held)	Employees:-Employees of Ministry of Finance

	(all the above-indicated personnel receive no remuneration)	(all the above-indicated personnel receive no remuneration)
(b) Business office	Main office:- Located in main office of Bank of Japan Branch offices:- Located in branch offices of Bank of Japan (26 cities)	Main office:- Located in Ministry of Finance Agents:- Overseas exchange banks
(6) Business	(x) Absorption of money; Local banks, Central Co-operative Bank for Agriculture and Forestry, trust companies, life insurance companies, People's Bank, etc.	(x) Deposits: Exchange banks
	(y) Employment of Funds: (a) Loans to financial institutions (funds for munition industries) (b) Other loans (to important enterprises of public nature) Central Food Corporation, Japan Fertilizer Co.Ltd., Iron and Steel Control Association, Industrial Equipment Corporation, Japan Securities Exchange, etc. (c) Subscribing, underwriting and trading in corporate debentures	(y) Loans; loans to government
	(z) Acceptance of obligations (Deposits of domestic business offices of overseas banks)	

17

(7) Accounting (Relation to the Treasury)	Object lies in the balance between income and outgo, and not in profit. No dividends paid to shareholders.	Surplus income paid to Treasury. Losses borne by Treasury.
(8) Relative to Directive on Purge from Public Service		
Designation	Cabinet Ordinance, Home Ministry Ordinance No. 1, Annexed Table No.1 Par. 5 (4 Jan. 1947) (Par. E) "Financial and Development Organizations involved in Japanese Expansion"	Cabinet Ordinance, Home Ministry Ordinance No. 1, Annexed Table No. 1 Par. 5 (4 Jan. 1947) (Par. E) "Financial and Development Organizations involved in Japanese Expansion"
Release	Released by Cabinet Order No. 32, Prime Minister's Office Ordinance No. 11, (9 Feb. 1948)	Release desired

Annexed Table No. 2.

President, Directors and Auditor of Overseas Funds Bank

President		Director		Director		Auditor	
Name	Term of Office in Bank	Name	Term of Office in Bank	Name	Term of Office in Bank	Name	Term of Office in Bank
Vice-Minister MATSUKUMA Hideo	From 13 Feb.1945 To 23 Feb.1945	Director of Budget Bureau UZEKI Koshiro	From 13 Feb.1945 To 13 Apr.1945	Vice-President of Bank of Korea HOSHINO Kiyoji	From 13 Feb. 1945 To 30 Sept.1945	Auditor of Bank of Japan TSUCHIYA Koji	From 13 Feb. 1945 To 30 Sept.1945
- do - TANAKA Yutaka	From 23 Feb. 1945 To 13 Apr.1945	- do - NAKAMURA Tateki	From 13 Apr.1945 To 30 Sept.1945	Vice-Governor of Southern Areas Development Bank TAKEI Risaburo	From 13 Feb.1945 To 30 Sept.1945	Vice-President and Director of Bank of Taiwan MUTOHASHI Heitaro	From 13 Feb. 1945 To 30 Sept.1945
- do - YAMAGIWA Masamichi	From 13 Apr.1945 To 30 Sept.1945	Director of Foreign and Overseas Funds Bureau KUBO Bunzo	From 13 Feb.1945 To 30 Sept.1945				
		Vice-President of Yokohama Species Bank ASADA Shinsaku	From 13 Feb.1945 To 30 Sept.1945				
		- do - YANAGIDA Seijiro	From 13 Feb.1945 To 30 Sept.1945				

	Overseas Funds Bank Position	Other Surrenderable Positions
Matsukuma Hideo	Pres. 13 Feb - 23 Feb 45	Oriental Devel. Co. Vice-Pres Mar. 45 - Oct 45
Tanaka Yutaka	Pres. 23 Feb - 13 Apr 45	None
Yamagiwa Masamichi	Pres 13 Apr 45 - 30 Sep 45	None
Ueki Koshiro	Director 13 Feb 45 - 13 Apr 45	None
Nakamura Tataki	Director 13 Apr - 30 Sep 45	None
Kubo Bunzo	Director 13 Feb - 30 Sep. 45	None
Asada Shinsaku	Director 13 Feb - 30 Sep 45	Yokohama Specie Bank Dir 42 - 45 Vice Pres - 45 Br. Mgr Dairen 36 - 38 Br Mgr Shanghai 38 - 39
Yanagida Seijiro	Director 13 Feb - 30 Sep 45	Yokohama Specie Bank Jun - Oct 45

(over)

14

MEMORANDUM TO: CHIEF, PUBLIC SERVICE QUALIFICATIONS DIVISION

31 December 1947

SUBJECT : Controlling branch in North China of the Central Bank of Manchuria.

1. Shanhaikwan was designated as the controlling branch of the Central Bank of Manchuria in North China. The Japanese Government submitted satisfactory evidence to show that Peking and not Shanhaikwan was the controlling branch. See Tab. A.

2. It is therefore recommended that Peking be recognized as the controlling branch in North China of the Central Bank of Manchuria.

Arvilla Chick

ARVILLA CHICK
PUBLIC SERVICE QUALIFICATIONS DIV.

94

16

	Overseas Funds Bank Position	Other Pursuable Positions
Hoshino Kiyaji	Director 13 Feb - 30 Sep 45	Bank of Chosen Dir 36-45 Vice-Pres Feb-Oct 45
Iakei Risaburo	Director 13 Feb - 30 Sep 45	Southern Development Bank Vice-Pres 42-45
Tsuchiya Koji (deceased)	auditor 13 Feb - 30 Sep 45	None
Motobashi Heitaro (Ryotaro)	auditor 13 Feb - 30 Sep 45	Bank of Taiwan Dir. 39-44 Vice-Pres. 44-45

5

To: Government Section

We were advised previously in your Memorandum that the Chief of the Shanhaikwan Branch of the Central Bank of Manchuria should be designated as falling under Category E because the said Branch supervised the five Branches in North China and Mongolia. However, we should like to designate as falling under Category E the Chief of Peking Branch instead of the Chief of the Shanhaikwan Branch for the following reasons based on the fact the Peking Branch presided over the above area.

Reasons:

A. The Peking Branch was established in August, 1939 in Peking, the political and economic center of the North China, its aim being to supervise the Branches in the North China area and to form a contact with the Government offices and banks in North China.

Consequently its main business consisted in:

a. Business concerning the concentration of the exchanges issued in Manchuria on China.

b. Planning relating to the above business and its execution.

c. Contact with the Japanese and Chinese Government offices in Peking as well as with the Federal Reserve Bank, Specie Bank, Bank of Korea, etc.

d. Investigation of general economic conditions, etc., so its Chiefs were selected from among competent persons, such as the Sectional Chiefs of the Head Office.

B. As the Shanhaikwan Branch was situated at Shanhaikwan, border town of Manchuria and China, the said Branch transacted the conversion business for ordinary passengers as well as the remittance and other accessory business.

The transaction of business was performed under the direction of the Head Office and the Peking Branch, and the Chief of the Branch had no power over other Branches, so its Chiefs were selected from among the persons corresponding to the Sectional Vice-Chiefs of the Head Office.

In addition, the Chiefs of the Peking Branch were as follows:

KAWADA, Masayoshi	Aug. 1939 - Sept. 1940	No.390, North Koriyama, Koriyama-cho, Ikoma-gun, Nara-ken.
KEIDA, Minoru	Sept. 1940 - Oct. 1941	Dead
MATSUMOTO, Shuichi	Oct. 1941 - Jul. 1943	No.10, Nakano-cho, Tsuyama-shi, Okayama-ken.

TSUMORI, Saburo Jul. 1943 - Oct. 1944

In the Manchurian and Mongolian Repatriates Assistance Association, Kayaba-cho, Chuo-ku, Tokyo-to.

TAKASHIMA, Yuichi Oct. 1944 - Aug. 1945 Dead.

T. Ato

Government Section

APO 500,
12 December 1947.

MEMORANDUM FOR: Director-General
Cabinet Secretariat

SUBJECT : Deletion of company listed in Cabinet and Home Ministry Ordinance No. 1 of 1947 from Paragraph 5.

The Japanese Government is instructed to delete the United Funds Bank from Paragraph V, Appendix I, of Cabinet and Home Ministry Ordinance No. 1 of 1947. The influential personnel involved should be screened as officials of the Bank of Japan.

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

PSCD

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12 December 1947

MEMORANDUM FOR THE RECORD

1. The United Funds Bank was placed in Paragraph 5, Appendix I of the Cabinet and Home Ministry Ordinance No. 1 because it was allegedly created for the purpose of financing the war effort. Investigation has revealed that the United Funds Bank is actually a part of the Bank of Japan.

2. The following facts substantiated the above:

a. The bank was established 15 May 1945 and was designated as a closed institution on 29 September 1945.
b. The purpose of the bank was to channel the surplus funds of the local banks to the large banks for munition company loans.
c. The bank was a creation of the Ministry of Finance.
d. The Bank of Japan held approximately 80% (380,100 shares) of the total shares (500,000 shares) in the United Funds Bank. The remaining stockholders were 74 banks, 4 trust companies, etc., embracing all the principal financial institutions in Japan.

(1) Bank of Japan Law, Chapter III, Art. 24 "The Bank of Japan, whenever deemed necessary for international

23

financial transactions, may, with the permission of the competent Minister, make contribution of capital or advances to any foreign financial institutions or undertake exchange-clearing transactions with such foreign institutions."

(2) Article 27 "The Bank of Japan may not undertake any operations other than those prescribed in the present law, provided, however, that this restriction shall not apply in case the Bank, deeming it necessary for the attainment of the object of the Bank, has obtained the permission of the competent Minister."

(3) The only two instances in which the Bank of Japan has obtained such permission to contribute capital (stock is one form of capital) are subscribed capital for the United Funds Bank and the People's Bank. The People's Bank is listed in Paragraph 6, Appendix II of Cabinet and Home Ministry Ordinance No. 1, 1947.

e. Five officers of a total of thirteen were officers of the Bank of Japan while the remainder were from representative financial institutions. The officers were chosen through joint conferences between the officials in the Bank Bureau of the Ministry of Finance and the Directors of the Bank of Japan.

f. The Bank was housed in the Bank of Japan and its branches in the branches of the Bank of Japan.

g. The business of the bank was handled by the United Funds Section of the Business Department of the Bank of Japan.

h. Only one or two formal meetings of the Board of Directors were ever held and at these meetings merely expost facto reports were made.

i. The bank paid no salaries to its officials and employees.

3. In view of the above facts, it is quite apparent the United Funds Bank is in reality a part of the Bank of Japan, and should, therefore, be treated as such. If this Bank were not dissolved, it should be listed in Paragraph 6 with the People's Bank and the Bank of Japan, but since it no longer exists and these positions are screenable only, nothing would be accomplished by adding a name to the list. Due to the fact that the Bank of Japan was by law forbidden to advance capital except with special permission, and since this was granted only twice, the United Funds Bank is a special case; other banks in Category "E" cannot claim exemption on the same grounds. Out of the 13 officials, 4 are purgeable on other grounds and 2 more would probably be purged.

4. Therefore, it is recommended that the United Funds Bank be deleted from Category "E".

5. Category E or Par. 5 of Appendix I of Cabinet and Home Ministry Order No. 1 of 1947 includes "Officers of Financial and Development Organizations involved in Japanese Expansions" whereas paragraph 6 of Appendix II includes "special companies, corporations, special banks, and other companies in which the Government or organizations mentioned above is the largest stockholder."

6. Since the United Funds Bank is dissolved, concurrence from another section for above action is not necessary.

Arvilla Chick

ARVILLA CHICK
PUBLIC SERVICE QUALIFICATIONS DIVISION

Government Section

APO 500,
1 August 1947.

MEMORANDUM FOR : Central Liaison Office, Tokyo.

SUBJECT : Mitsui Real Estate

The Japanese Government will add the Mitsui Real Estate Company, Ltd. (Mitsui Fudosan K.K.) to Paragraph 12, Cabinet and Home Ministry Ordinance No. 1 of 1947.

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

PSD

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1 August 1947

MEMORANDUM FOR THE RECORD:

1. The Mitsui Real Estate Company, Ltd. (Mitsui Fudosan K.K.) should be added to Paragraph 12 of the Cabinet and Home Ministry Ordinance No. 1 of 1947 since it falls under Paragraph 6, sub-paragraph 4 of Interpretation of Category G by the Japanese Government "Holding companies designated...and influential companies closely associated with the above." The Mitsui Honsha is the holding company of the Mitsui combine and the stocks of Mitsui Real Estate are 100% controlled by the Mitsuis. The Mitsui Real Estate Company, in addition to being entirely controlled by the Mitsui family, has been the medium through which much of the financial and political power of the family was exercised. Its president, SASAKI, Shiro, represents a family which for two generations has been associated with that of the Mitsui. See TAB A for more detailed information.

2. ESS has no objection to placing the Mitsui Real Estate on Paragraph 12 - See TAB B.

3. Actually Paragraph 12 is now Paragraph 11 in the Japanese version of the Ordinance, but until the Ordinance is revised, which cannot be done now because of the paper shortage, the former number will be used.

Arvilla Chick
ARVILLA CHICK

25

CW/CLK/JPK/AC/wk

Mitsui Real Estate

Govt. Section

ESS

Attention Mr. Straitiff

25 July 1947

1. Your comment requested in regard to placing Mitsui Real Estate on par 12 Cabinet and Home Ministry Ordinance No. 1, 1947.

---------- CW ----------

MEMO FOR RECORD

25 July 1947

In as much as the Mitsui Real Estate is of concern to ESS, Anti Trust and Cartels it is referred to them for comment.

Arvilla Chick

ARVILLA CHICK

Post

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has been
circulated

CW/CLK/JPN/AC/WK

Mitsui Real Estate

Govt. Section ESS 25 July 1947
Attention Mr. Straitiff

1. Your comment requested in regard to placing Mitsui Real Estate on par 12 Cabinet and Home Ministry Ordinance No. 1, 1947.

---------- CW ----------

(2) From: LS To: GS Date: 30 July 1947

1. Reference is check note 1, above.

2. ESS/AC advises that there is no objection to placing Mitsui Real Estate on Par. 12 of Cabinet and Home Affairs Ministry Ordinance No. 1, 1947.

T.RC.K.
Major, Infantry
---------- Act. Chief, Legal Section -------

Government Section

APO 500,
10 July 1947.

MEMORANDUM FOR : Central Liaison Office, Tokyo.

SUBJECT : Companies Listed in the Cabinet and Home Ministry Ordinance No. 1 of 1947; Transfer from Paragraph 12 to Paragraph 13.

1. The request of the Japanese Government that the following companies listed in Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947 be transferred from Paragraph 12 to Paragraph 13 thereof is approved:

a. Nikko Securities Co. Ltd. (Nikko Shoken K.K.)
b. Yamaichi Securities Co. Ltd. (Yamaichi Shoken K.K.)
c. Daiwa Securities Co. Ltd. (Daiwa Shoken K.K.)
d. Tokyo Securities Co. Ltd. (Tokyo Shoken K.K.)
e. Sanwa Bank (Sanwa Ginko)

2. The request of the Japanese Government that the following companies listed in Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947 be transferred from Paragraph 12 to Paragraph 13 thereof is not approved:

a. Japan Precision Co. Ltd. (Nippon Seiko K.K.)
b. Nomura Securities Co. Ltd. (Nomura Shoken K.K.)
c. Nishiro Fishing Co. Ltd. (Nishiro Gyogyo K.K.)
d. Taiyo Fishing Co. Ltd. (Taiyo Gyogyo K.K.)
e. Titan Industrial Co. Ltd. (Titan Kogyo K.K.)
f. Otani Heavy Industrial Co. Ltd. (Otani Kogyo K.K.)

3. The Japanese Government will add the following companies to Paragraph 12, Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947:

a. Toyo Bearing Co. Ltd. (Toyo Bearing Seizo Kaisha)
b. Hayashikane Shoten

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

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PSCD

MEMORANDUM FOR THE RECORD: 7 July 1947

SUBJECT: Transfer of Companies Listed in the Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947, from Paragraph 12 to Paragraph 13.

1. A petition from the Securities Companies to be removed from the list of the economic purge renewed attention to the inappropriateness of independent securities companies, as distinguished from banks engaged in underwriting, being on the Paragraph 12 list. Conversation with representatives of ESS/LE and ESS/FI lead to the conclusion that certain misunderstandings were involved in the original inclusion of these companies on the list. It is observed that underwriting in itself, that is, unaccompanied by a monopoly over the sources of new capital, does not carry with it important economic power. Moreover, during the critical period, underwriting by banks constituted 70% of the total underwriting, the remaining 30% being accounted for by five securities companies. Consequently, the four companies in question did not hold a monopolistic position within the underwriting field. ESS concurs with the Government Section that these companies should be transferred to Paragraph 13. See Tabs A and B.

a. Nikko Securities Company Ltd. (Nikko Shoken K.K.)
b. Yamaichi Securities Company Ltd. (Yamaichi Shoken K.K.)
c. Daiwa Securities Company Ltd. (Daiwa Shoken K.K.)
d. Tokyo Securities Company Ltd. (Tokyo Shoken K.K.)

2. The Nomura Securities Company (Nomura Shoken K.K.) is 90% owned by the Nomura family, and is the center of the Nomura Zaibatsu. The Government Section and ESS concur that this company cannot be deleted from Paragraph 12. See Tabs A and B.

3. The Government Section and ESS concur that the Sanwa Bank (Sanwa Ginko) should be transferred to Paragraph 13. The Sanwa Bank was studied by Mr. T. A. Bisson of the Government Section. See Tab C.

> "In the light of the Sanwa Bank's essential effort to provide financing services for the small and middle-sized businessmen which must form the backbone of a free enterprise economy, it is impossible to discount
>
> (a) the Stockholdings of the Yamaguchi-Konike-Kikuchi trio, and
>
> (b) the limited special ties mainly with textile industries as factors placing the bank in a Zaibatsu category."

4. The Government Section and ESS concur that the Japan Precision Company (Nippon Seiko K.K.) cannot be deleted from Paragraph 12. It was the second leading company in Japan producing bearings. In 1943, 32.4% of the total output of Japan in this field came from the said company; it is a leading company in Japan making quality ball and roller bearings from the basic raw materials and second in output with 6,000,000 pieces in 1941. Since it is anticipated that the reparations policy will make this company 100% monopolistic, it is even more important

that the company be carefully screened to be sure that it organized on a democratic basis. However, this does not involve the merits of the company during the critical period with which the Ordinance is concerned. The criteria determining the listing of companies on Paragraph 12 of Appendix II of the Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947 states, Paragraph 6, subparagraph 1: "Conspicuously influential companies which have manufactured finished aircraft or arms, or munitions or strategic or critical materials essential to the construction of operations thereof." See Tabs B, D and G.

5. The Government Section and NRS concur that the Nichiro and Taiyo Fisheries cannot be deleted from Paragraph 12.

a. The Nichiro Fishing Company is the second fishing company in Japan and has pronounced monopolistic characteristics. By a series of amalgamations and purchases of other companies, it became the sole operator in the leased fishery areas of Soviet Kamchatka, and the main operator in Karafuto, the northern Kuriles and Hokkaido. In 1941, the company produced 225,060 metric tons of fishery products. Therefore, the above company clearly falls under the criteria determining the listing of companies on Paragraph 12, Appendix II of the Cabinet and Home Ministry Ordinance No. 1 of 1947 which states in "Interpretation of Category G by Japanese Government," paragraph 6, subparagraph 3, "Conspicuously monopolistic companies". Tab E.

b. The Taiyo Fishing Company is the third fishing company in Japan, is almost entirely owned by the Nakabe family. In the pre-war period, this company carried out extensive fishing operations in Japan, Korea and Formosa, and whaling operations around Japan and in the Antarctic. The Taiyo Fishing Company also had controlling interests in a number of concerns allied to fishing such as boat building and repair yards, canneries, cold storage and ice-making plants. The Taiyo Gyogyo K.K. is better known in Japan by the name of the parent company, The Hayashikane-Shoten, which is now under study for inclusion in paragraph 12. The Taiyo Fisheries clearly falls under the same criteria as the Nichiro Fishing Company. Tab E.

6. The Government Section and ESS concur that the Toyo Bearing Company should be added to Paragraph 12. This company is the leading producer of ball and roller bearings in Japan and produced 41.4% of the total output in this field in 1943. In 1941, 9,000,000 pieces were produced. Its specialty was ball and cylindrical roller bearings for aircraft industry; the ownership includes Mitsui and Sumitomo capital. Therefore, under Appendix II, Cabinet and Home Ministry Ordinance No. 1 of 1947, Paragraph 6, subparagraph 1, "Conspicuously influential companies which have manufactured finished aircraft or arms, or munitions or strategic or critical materials essential to the construction or operations thereof." See Tabs D and G.

7. The Government Section and ESS concur that the Titan Industrial Company, (Titan Kogyo K.K.) cannot be deleted from Paragraph 12. It produced 70% to 75% of the total Japanese production of titanium, an essential ingredient for dye, and was a member of an international cartel which controlled the world market. In addition, its stock was held by Manchuria Investment Securities Company and Daitsu Senryo Gomei Kaisha, an I. G. Farben subsidiary, in the ratio of 49.9% to each. While stock ownership is not ordinarily a factor of great importance, in this case it is additional proof of monopolization, and adds to the importance of the company in the field of its product. The criteria determining the listing

of companies on Paragraph 12 of Appendix II of the Cabinet and Home Ministry Ordinance No. 1 of 1947 states, Paragraph 6, subparagraph 3: "Conspicuously monopolistic companies which have engaged in domestic or foreign trade." See Tab F.

8. The Government Section and ESS concur that the Otani Heavy Industrial Company Ltd. (Otani Kogyo K.K.) cannot be deleted from Paragraph 12. The structure and organization of their company place it definitely in Paragraph 12. The authorized capital is ¥ 115 Million of which ¥ 101 Million is paid up. About 88% of the stock of the company is in the hands of one man and his family (Otani) while about 12% is owned by the Furukawa Electric Company. While the amount of direct sales to the Japanese Army and Navy was small, the entire production was of tools and items essential to war effort. The criteria determining the listing of companies on Paragraph 12 of Appendix II of the Cabinet and Home Ministry Ordinance No. 1 of 1947 states, Paragraph 6, subparagraph 1: "Conspicuously influential companies which have manufactured finished aircraft or arms, or munitions or strategic or critical materials essential the construction and operations thereof." Subparagraph 5 also applies "Companies which have authorized capitalization exceeding one hundred million yen." See Tab H.

9. Company officials are listed in Tab I.

10. Major Rizzo and Miss Hadley concur.

Arvilla Chick
ARVILLA CHICK

FILE UNDER:

Financial Organizations

I N D E X S H E E T

DATE:

9 July 1947

FROM:

Lt. Baerwald

TO:

Chief, PSQD

SUBJECT:

MEMO FOR CHIEF PSQD

KOBAYASHI, Ataru: His relationship to the Fukoku Chohei Hoken Kaichn (Prosperity Conscription Insurance Co.)

DOCUMENT FILED UNDER:

CLASSIFIED FILE:

201 (KOBAYASHI, Ataru)

MEMORANDUM FOR RECO

DRAFT

9 June 1947

SUBJECT: Transfer of Companies Listed in the Cabinet and Home Ministry Ordinance No. 1, 1947, from Paragraph 12 to Paragraph 13.

Economic

1. A petition from the Securities Companies to be removed from the list of the economic purge renewed attention to the appropriateness of independent securities companies, as distinquished from banks engaged in underwriting, being on the Paragraph 12 list. Conversation with representatives of ESS/LC and ESS/JI lead to the conclusion that certain misunderstandings were involved in the original inclusion of these companies on the list. It is observed that underwriting in itself, that is unaccompanied by a monopoly over the sources of new capital, does not carry with it important economic power. Moreover, during the critical period, underwriting by banks constituted 70% of the total underwriting, the remaining 30% being accounted for by five securities companies. Consequently, the four companies in question did not hold a monopolistic position within the underwriting field. ESS concurs with the Government Section that these companies should be transferred to Paragraph 13. See Tabs A and B.

2. The Government Section and ESS concur that the Nomura Securities Company, being the center of the Nomura financial Zaibatsu, cannot be deleted from Paragraph 12, because of its Zaibatsu connections. See Tabs A and B

3. The Sanwa Bank was studied by Mr. T. A. Bisson of the Government Section.

The Chief ESS Sec-C concurs

> "In the light of the Sanwa Bank's essential effort to provide financing services for the small and middle-sized businessmen which must form the backbone of a free enterprise economy, it is possible to discount
> (a) the Stock holdings of the Yamaguchi-Konike-Kikuchi trio, and
> (b) the limited special ties mainly with textile industries as factors placing the bank in a Zaibatsu category."

It is to be removed from the 12 list. See Tab C

4. The Government Section and ESS concur that the Japan Precision Company (Nippon Seiko K.K.) cannot be deleted from Paragraph 12. It was the second leading company in Japan producing bearings. In 1943, 32.4% of the total output of Japan in this field came from the said company; it is a leading company in Japan making quality ball and roller bearings from the basic raw materials and second in output with 6,000,000 pieces in 1941. The criteria determining the listing of companies on Paragraph 12 of Appendix II of the Cabinet and Home Ministry Ordinance No. 1 of 1947 states, Paragraph 6, subparagraph 1: "Conspicuously influential companies which have manufactured finished aircraft or arms, or munitions or strategic orcritical materials essential to the constructions ofoperations thereof." Tabs B, D and G

5. The Government Section and NRS concur that the Nichiro and Taiyo Fishers cannot be deleted from Paragraph 12.

a. The Nichiro Fishing Company is the second leading fishery in Japan with monopolistic characteristics. By a series of amalgamations and purchases of other companies, it became the sole operator in the leased areas of Soviet Kamchatka, and the main operator in Karafuto, the northern Kuriles and Hokkaido. In 1941 the company produced 225,060 metric tons of fishery products. Therefore, the above company clearly falls under the criteria determining the listing of companies on Paragraph 12, Appendix II of the Cabinet and Home

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MEMORANDUM FOR RECORD:

SUBJECT: Transfer of Comapnies Listed in the Cabinet and Home Affairs Ministry Ordinance No. 1, 1947, from Paragraph 12 to Paragraph 13.

1. A petition from the Securities Companies to be removed from the list of the economic purge renewed attention to the appropriateness of independent securities companies, as distinguished from banks engaged in underwriting, being on the Paragraph 12 list. Conversation with representatives of ESS/LC and ESS/JI lead to the conclusion that certain misunderstandings were involved in the original inclusion of these companies on the list. It is observed that underwriting in itself, that is unaccompanied by a monopoly over the sources of new capital, does not carry with it important economic power. Moreover, during the critical period, underwriting by banks constituted 70% of the total underwriting, the remaining 30% being accounted for by five securities companies. Consequently, the four companies in question did not hold a monopolistic position within the underwriting field. ESS concurs with the Government Section that these companies should be transferred to Paragraph 13. See Tabs A and B.

a. Nikko Securities Company Ltd. (Nikko Shoken K. K.)
b. Yamaichi Securities Company Ltd. (Yamaichi Shoken K. K.)
c. Daiwa Securities Company Ltd. (Daiwa Shoken K. K.)
d. Tokyo Securities Company Ltd. (Tokyo Shoken K.K.)

2. The Nomura Securities Company (Nomura Shoken K. K.) is 90% owned by the Nomura family, and is the center of the Normura Zaibatsu. The Government Section and ESS concur that this company cannot be deleted from Paragraph 12. See Tabs A and B.

3. The Government Section and ESS concur that the Sanwa Bank (Sanwa Ginko) should be transferred to Paragraph 13. The Sanwa Bank was studied by Mr. T. A. Bisson of the Government Section. See Tab C

> "In the light of the Sanwa Bank's essential effort to provide financing services for the small and middle-sized businessmen which must form the backbone of a free enterprise economy, it is possible to discount
> (a) the Stock holdings of the Yamaguchi-Konike-Kikuchi trio, and
> (b) the limited special ties mainly with textile industries as factors placing the bank in a Zaibatsu category."

4. The Government Section and ESS concur that the Japan Precision Company (Nippon Seiko K.K.) cannot be deleted from Paragraph 12. It was the second leading company in Japan producing bearings. In 1943, 32.4% of the total output of Japan in this field came from the said company; it is a leading company in Japan making quality ball and roller bearings from the basic raw materials and second in output with 6,000,000 pieces in 1941. The criteria determining the listing of companies on Paragraph 12 of Appendix II of the Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947 states, Paragraph 6, subparagraph 1:

Ministry Ordinance No. 1 or 1947 which states in "Interpretation of Category 4 by Japanese Government," par. 6, subpar. 3, "Conspicuously monopolistic companies which have engaged in domestic or foreign trade." Tab E

b. The Taiyo Fishing Company is the third largest fishing company in Japan, almost entirely owned by the Nakabe family. In the pre-war period, this company carried out extensive fishing operations in Japan, Korea and Formosa, and whaling operations around Japan and the Antarctic. The Taiyo Fishing Company also had controlling interests in a number of concerns allied to fishing such as boat building and repair yards, canneries, cold storage and ice-making plants. The Taiyo Gyogyo K.K. is better known in Japan by the name of the parent company, The Hayashikane-Shoten. Because high level decisions rested with one man, the company could make speedy adjustments to changing conditions. It was the most active producer of fish because of its independent nature and adaptability. Therefore, the Taiyo Fisheries also clearly falls under the same criteria as the Nichiro Fishing Company. Tab E

7, 4. The Government Section and ESS concur that the Toyo Bearing Company should be added to Paragraph 12. This is the largest bearing company in Japan, producing 41.4% of the total output in this field in 1943. This said company is the leading producer of ball and roller bearings in Japan. In 1941, 9,000,000 pieces were produced. Its specialty was ball and cylindrical roller bearings for aircraft industry; the ownership includes Mitsui and Sumitomo capital. Therefore, under Appendix II, Cabinet and Home Ministry Ordinance No. 1, 1947, Paragraph 6, subparagraph 1 "Conspicuously influential companies which have manufactured finished aircraft or arms, or munitions or strategic or critical materials essential to the constructions or operations thereof." - See Tabs D and G

6 a. The Government Section and NRS concur (NRS concurrence was by phone call with Mr Adams on 22 May) that the Hayashi Kane Shoten should be placed on the paragraph 12 list. Inasmuch as the Hayashi Kane Shoten is a part of or subsidiary to the Taiyo Fishing Company, it should be considered in the same classification in regard to the purge directive. The Hayashi Kane Shoten was one of the first Japanese companies to exploit the Korean fisheries and had extensive operations there before World War II. The company also had large holdings in Formosa, Manchuria and the South Seas. Because it is difficult to separate the Hayashi Kane Shoten and Taiyo Fisheries, the Hayashi Kane Shoten should be placed on Paragraph 12 under the same criteria as the Taiyo Fishing Company. See Tab F

ARVILLA CHICK

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3 July 1947

MEMORANDUM FOR THE RECORD:

SUBJ:NOMURA SECURITIES CO.

1. In February 1947, information was requested by Government Section relating to appeal of the four (4) Securities Underwriters for transfer from paragraph 12. Information was submitted showing that the charge of monopoly was unjustified since the four companies, continued, did only about 26-27% of total underwriting. Subsequently, it was pointed out by Government Section that the stock of Nomura Securities Co. was in the hands of Nomura Gomei and other Homura institutions to a total of about 93%. On the basis of this factor, it was deemed justified to consider Nomura Securities Co. as a case different and apart from the other three companies; and summarily enough, ESS went along with it as shown by check sheets subsequent to the one of February 25. Meanwhile, much more information has been gathered on the actual structure and position of Nomura Securities Co. and at this time, when a decision must be rendered, the following factors must be weighed properly:

1) Nomura Securities Co. did not do more underwriting, proportionately, than the other companies in the business.
2) It did not serve as a medium of financing Nomura enterprises. (†)
3) It did not have strong financial ties with the controlling organization since it used banking facilities of other banks much more than those of the Nomura Bank.
4) Management was composed almost exclusively of people who have come up through the ranks in the securities business.

(†) -Their records disclose that since they were constituted as a securities company, they have transacted in Nomura issues only to the extent of 0.03% of total volume of business.

The reason for the control being concentrated in the hands of the Nomura Gomei is given as follows:

> Up to 1925, the Nomura Bank had a Securities Department which on that time became independent from the Bank. From 1925 to 1937 it engaged only in Bond dealing. In 1937 it became a member of the Securities Exchange and went into the business of stock dealing and underwriting. The Nomura combine went, for its financing, to institutions such as the Nomura Bank, Mitsui Bank, Sumitomo Bank, and, to the Osakaya Securities Co. in Osaka, the nucleus from which the entire Nomura organization sprung.
>
> The stock of the Nomura Securities Company, representing the Nomura combine's investment is now in the hands of Holding Companies Liquidation Commission for liquidation, and it must be admitted that nothing done to the Securities Company as such can be deemed as punishment to the Nomura combine - the only and most adequate punishment being the liquidation of their control.

J. SIMONELLI

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Econ Purge.

5 May 1947

MEMORANDUM FOR: Colonel Kades

SUBJECT : Status of Sanwa Bank

1. The Sanwa Bank was established in 1933 by a fusion of the interests of three minor Zaibatsu in the Osaka area. Three banks participated in this merger: the Yamaguchi Bank (Yamaguchi family), the Konoike Bank (Konoike family), and the Kikuchi Bank (Kikuchi family).

2. The original decision to place the Sanwa Bank on the "A" list for mandatory removal of principal officials was dictated by two considerations: (1) that the largest blocks of shares were still owned or controlled by the members of the Yamaguchi, Konoike and Kikuchi families and (2) that the bank's operations had developed a type of combine relationship with certain textile concerns.

3. Both as individuals and through corporate entities (the Yamaguchi Goshi Kaisha and the Konoike Gomei Kaisha), the Yamaguchi-Konoike-Kikuchi triumvirate is in a position to control the Sanwa Bank through its stock holdings. The extent of its holdings, however, is much less than in the case of a typical Zaibatsu bank, amounting to perhaps 15 per cent. This figure might be slightly reduced or increased, depending upon the weight attached to various complications attending the stock holdings of certain trustee entities resulting from assets involved in the merger. There is no evidence that the triumvirate interferes much in management policy or even works as a unit. Its members now seem to exist as merely different individual shareholders. Able professional management of the bank's affairs is clearly established. President of the bank, Mr. K. Okano, was originally connected with the Bank of Japan. He became managing director of the Sanwa Bank in August 1937, and successively advanced to vice-president (July 1941), president (May 1945), and concurrently chairman of the board of directors (December 1945).

4. Among textile and other minor business concerns tied in with the Sanwa Bank, the most important is represented by Dai Nippon Boseki (Great Japan Cotton Spinning Company). The presidency of Dai Nippon Boseki was held by Kikuchi Kyoze up to 1942. His sons continue to hold considerable blocks of shares in the company (in November 1945 Kikuchi Tatsuo held 20,000 shares and Kikuchi Bungo 17,900 shares). The Sanwa Bank has extended sizeable loans to Dai Nippon Boseki. It may be questioned, however, that these ties with industry add up to a typical combine dominated by Sanwa Bank. The holding company relationship is not in evidence and the ties are restricted almost entirely to the one field of textiles in contrast to the extensive horizontal spread of a typical Zaibatsu combine.

5. The Sanwa Bank is large in scale, taking rank among the first five ordinary banks. During the Pacific War, particularly, it engaged extensively in munitions company financing,

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primarily along lines of converting textile plant to war purposes.

6. Against these facts, however, it was maintained that the Sanwa Bank's policy had traditionally been centered on lines that concentrated its loans on the servicing of small and middle scale business enterprise. Data on this crucial point was not available at the time the Sanwa Bank was placed on the "A" list. Materials since supplied substantially establish the validity of this major argument urged in favor of the intrinsic difference between the Sanwa Bank and the big Zaibatsu banks.

7. In 1937 more than 60 per cent of the Sanwa Bank's loans were under 50,000 yen. By 1946 this position was reversed, with only 11.6 per cent under 50,000 yen. The details are as follows:

	1937 Amount (1000 yen)	%	1946 Amount (1000 yen)	%
Under 10,000 yen	241,680	41.9	136,016	2.8
10 - 50,000 "	125,523	21.8	361,533	8.8
50 - 100,000 "	100,490	17.4	305,038	7.3
100 - 500,000 "	46,080	8.0	402,240	14.8
Over 500,000 "	63,409	10.9	2,652,853	61.3
	577,182	100.0	4,127,680	100.00

8. Equivalent data for the 1938-42 years show that this change occurred gradually and that the biggest change was effected after 1941 when coercive pressure was applied by the Japanese authorities. (For this series, see Tab "A").

9. Most of the wartime munitions loan group is being wiped out by the current reorganization forced by the special tax program cancelling war indemnities. The Japanese authorities were asked to show what their loan status would be after reorganization. This picture is shown in Tab "B", giving the estimated status of new accounts at the conclusion of such reorganization. It indicates that the Sanwa Bank will then have substantially returned to its status of 1937, when it was primarily servicing small and middle sized businessmen through short-term financing (3 months, with normal extensions to 6 months. In 1937 approximately 62 per cent of the Sanwa Bank's loans were short-term, and this percentage was maintained over the whole 1938-42 period.

10. It is considered desirable that a banking institution of this type be continued under the management which has maintained the policy outlined, except for the deviation forced during the wartime era. In the light of the Sanwa Bank's essential effort to provide financing services for the small and middle-sized businessmen which must form the backbone of a free enterprise economy, it is possible to discount (a) the stock holdings of the Yamaguchi-Konoike-Kikuchi trio and (b) the limited special ties mainly with textile industries as factors placing the bank in a Zaibatsu category.

11. It is recommended that it be removed from the "A" list.

T. A. BISSON

List of Resignees of Ten Companies
Between Nov. 1, 46 and Apr.30, 47.

May 1, 1947.

Name of Company	Name	Organization and Position from which Retired	Date of Resignation	Result of Screening	Remarks
1. Tokyo Securities Co. Ltd.					None
2. Yamaichi Securities Co.Ltd.					None
3. Daiwa Securities Co.Ltd.					None
4. Nomura Securities Co.Ltd.					None
5. Nikko Securities Co.Ltd.	SUZUKI, Takeshi	Auditor	Dec.28,1946		
6. Sanwa Bank Ltd.	OKANO, Kiyohide	President	Feb. 5,1947	x	
	ONO, Shigekazu	Managing Director	Feb.28,1947	x	
	NAKAMURA, Nakaba	"	"	x	
	KOKUBU, Masajiro	"	"	x	
	TAKABAYASHI, Kameta	Standing Auditor	Nov.25,1946		
	MORINOBU, Keiji	Director	Feb.28,1947	x	
7. Nichiro Fishing Co. Ltd.	KONO, Ichiro	President	Jan.24,1947		designated before Jan. 4, 47
8. Taiyo Fishing Co. Ltd.	KAWAKAMI, Takeichi	Director	Dec.30,1946	o	
	KATO, Heikichi	"	"		

9. Japan Precision Bearing Co.Ltd.	TOBINAGA, Jinji	Director	Nov.30,1946	
	TAKAHASHI, Korekata	"	Dec.24,1946	
10. Titan Ind.Co.Ltd.	Joachim Rockstroh	Director	Nov.12,1946	
	Bernhard van der Laan	"	"	
	Kurt Jung	"	"	
	OOHASHI, Kikuzo	"	"	
	FUJITA, Masasuke	Director & President of the same company	Jan.16,1947	x

designated before Jan. 4, 47

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

CW/CLK/JPN/AC/c

(Do not remove from attached sheets)

File No.:

Subject: Request by IMP. Jap. Govt. to transfer SANWA Bank from Para. 12 to para. 13 in Cab. & Home Min. Ord. #1

Note No.: (2)

From: Govt Section To: ESS-Legal Division Attn: Mr. Stratiff Date: 29 April '47

1. Herewith find arguments advanced by the Imperial Japanese Government in support of their contention that the Sanwa Bank now listed in paragraph 12, Cabinet and Home Ministry Ordinance No. 1 be transferred to paragraph 13.

2. Your comment requested.

Inclosure:
1 Memorandum

CW

FROM: ESS TO: GS WFM/CPM/MTS/jb Date: 9 May 1947

1. It is the recommendation of ESS that Sanwa Bank now listed in Paragraph 12, Cabinet and Home Ministry Ordinance No. 1, 4 January 1947, be transferred to Paragraph 13 of said Ordinance.

Incl: n/c W. F. M.

17

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29 April 1947

MEMORANDUM FOR RECORD:

Request of Imperial Japanese Government for transfer of Sanwa Bank from Paragraph 12 to paragraph 13 referred to ESS Legal Division, Mr. Stratiff for comment inasmuch as this bank is of concern to ESS Finance Division. This memorandum is in addition to memorandum of 23 April 1947 sent for comment involving 10 companies request for transfer as of above and on which Mr. Stratiff is working.

ARVILLA CHICK

6

SIRAFF

MEMORANDUM FOR : General Whitney, Chief of Government Section, General Headquarters, Supreme Commander for the Allied Powers.

MEMORANDUM FROM : Kanamori, State Minister, Imperial Japanese Government.

SUBJECT : Sanwa Bank (Sanwa Ginko) As Listed In Cabinet and Home Ministry Ordinance No. 1, 1947.

16 April, 1947.

1. Sanwa Bank was established in 1933 upon incorporation of "Sanjushi Bank", "Yamaguchi Bank" and "Konoike Bank" three of which were second-ranking and local banks with head-offices in Osaka. The incorporation resulted from the financial panic in 1927 as well as the business depression in 1932 and 1933 toward which "Yamaguchi" and "Konoike" keenly felt the necessity to entirely resign from financial undertakings. This being promptly realised with assistance of the Government and the Bank of Japan, the Sanwa Bank made a start as a thoroughly public bank. It follows that the cause of the incorporation lay in completely wiping out "Zaibatsu" tinge. Since that time on, the bank has been engaged with financing light industries such as textile or miscellaneous

Encl 1

7

goods industries and commercial and manufactural industries of small and medium scale in Kinki District (in and around Osaka). It must be understood, therefore, that the present scale of the Sanwa Bank is an outcome of having been entrusted by the general public on account of its public nature and as a result, of having transacted with the public or relatively small-scale enterprises.

2. Segregation of Capital and Management.

The shareholders of the bank amount to 15,500 persons in number (199 shares per one shareholder in average). Among those, the "Sanwa Shinko K.K." (9.96% against total shares), the "Yamaguchi Limited Partner-ship" (6,82%), the "Konoike Partnership" (2,92%) and the "Ebisu Real Estate K.K." are main shareholders. However, the "Sanwa Shinko K.K." and the "Ebisu Real Estate K.K." were organised in order to liquidate the "Bishu Bank", the "Ebisu Bank" and the "Sanwa Trust Co.". As a consequence, the "Sanwa Shinko " and the "Ebisu Real Estate" own the shares of those liquidated previously possessed by the Sanwa Bank and the shares of the Sanwa Bank which were possessed by those liquidated. As for "Yamaguchi" and "Konoike", the shares have been held for the

purpose of mere investment, indicating 8,73% against total shares in case of "Yamaguchi" even if "Yamaguchi Limited Partnership" and "Yamaguchi" family are totalled, and 3,25% in case of "Konoike" even if "Konoike Partnership" and "Konoike" family are totalled. We may also show that there are no officers in the bank who represent these shares. To conclude, it is clearly noted that there have been no influence nor effect seen on the management of the bank from "Yamaguchi"and"Konoike" . As a fact, the bank has been exclusively managed by directors who had been in service in the Bank of Japan and in the Sanwa Bank.

3. Character of Public or People's Bank.

While the bank shares are owned by numerous small shareholders among whom holders of less than 100 shares are figured 71% out of all shareholders, the depositers amount to 1790,000 persons among whom 58% are depositors of less than 1,000 yen. Loans are being made in the number of 32,000 out of which the loans in amount of less than 10,000 yen are counted 43%. As for exchange transactions and bill clearings, the bank is noted for exceedingly numerous transactions as well as comparatively small amount per transaction.

9

Also it might be added that the bank has had a noteworthy feature in loan. The fact is able to be reasonably shown by the loans registered in 1937, just before the outbreak of wars, on consideration of the financial situations faced with direct and indirect forcing on loans to munitions industries during the war. They run as 146,000 number of loans and 577 million yen in total amount loans out of which loans of less than 10,000 yen occupied 92.5% in number and 41.9% in amount and most of which were short-term loans. The above will mean nothing but the fact that the bank is a commercial bank in nature. And even during the war, much must be taken into consideration on the fact that medium and minor commercial or industrial enterprises were incorporated to control organisations or "Eidan" as a result of the measures for adjustment of industries which resulted in large amount of loans from the Sanwa Bank. It follows that the loan to munitions industries by the Sanwa Bank was in comparatively small amount and was made with comparatively late start.

4. <u>Conclusion</u>.

We are unable to admit that the Sanwa Bank has been in any way tinged with "Zaibatsu" character. It is noted that the bank

has been a public bank with trust by people together with the policy held by the bank. We might add that the bank ranked down to 5th in amount of deposits in the war-time though, until the outbreak of the late war, it continued top ranking among financial institutions all over Japan. We conclude herewith that the Sanwa Bank should definitely go off para. 12 of the Ordinance.

KANAMORI, Tokujiro

State Minister.

Tab "A"

Report of Loans Outstanding(No. of Items and Amounts) as of the

for Years I938---I942.

Date	Classified as to amounts	No. of Items	Total	%	Amount	Total	%	Short Loans	T.
15/6	under I0.000	125,188		94	257,407		39.5	257,407	
	" 50.000	6,190		4.6	123,475		18.9	123,475	
I938	"I00.000	1,409	133,185	1,1	101,659	651,665	15.6	98,065	
	"500.000	299		0.2	88,978		13.7	82.735	
	over 500.000	99		0.1	80,146		12.3	51,639	
14/6	under I0.000	93,848		93.1	238,028		30.1	238,028	
	" 50.000	4,230		4.2	127,751		16.0	127,703	
I939	"I00.000	1,633	100,804	1.6	110,080	793,447	14.0	107,062	
	"500.000	988		1.0	197,568		24.9	180,264	
	over 500.000	105		0.1	120,020		15.0	91,911	
15/6	under I0.000	86,999		88.5	280,705		25.5	280,705	
	" 50.000	7,861		8.0	190,403		17.3	190,403	
I940	"I00.000	1,960	98,312	2.0	110,207	1,101,073	10.	106,068	
	"500.000	1,376		1.4	287,399		26.1	260,693	
	over 500.000	116		0.1	232,359		21.1	193,066	
I6/6	under I0.000	70,919		84.7	258,347		18.3	258,347	
	" 50.000	8,582		10.3	197,461		14.0	197,461	
I94I	"I00.000	1,886	83,682	2.3	126,940	1,410,477	9.0	123,012	
	"500.000	2,094		2.5	418,911		29.7	381,519	
	over 500.000	201		0.2	408.818		29.0	364,202	
17/6	under I0.000	56,689		79.8	289,292		15.1	289,292	
	" 50.000	8,877		12.5	266,302		13.9	266,302	
I942	"I00.000	2,789	70,980	3.9	189,668	1,915,839	9.9	182,949	
	"500.000	2,356		3.3	471,296		24.6	428,078	
	over 500.000	349		0.5	699,281		36.5	646,039	

ing(No. of Items and Amounts) as of the end of June

rs I938---I942.

ount	Total	%	Short Loans	Total	%	Long - term Loans	Total	%
57,407		39.5	257,407		94.1	0	38,448	5.9
23,475		18.9	123,671			104		
01,659	651,665	15.6	98,065	613,217		3,594		
88,978		13.7	82.735			6,243		
80,146		12.3	51,639			28,507		
38,028		30.1	238,028			0		
27,751		16.0	127,703			48		
10,080	793,447	14.0	107,062	744,968	93.89	3,018	48,479	6.11
97,568		24.9	180,264			17,304		
20,020		15.0	91,911			28,109		
80,705		25.5	280,705			0		
90,403		17.3	190,403			0		
10,207	1,101,073	10.	106,068	1,030,935	93.63	4,39	70,138	6.37
87,399		26.1	260,693			26,06		
32,359		21.1	193,066			39,93		
58,347		18.3	258,347			0		
07,461		14.0	197,461			0		
26,940	1,410,477	9.0	123,012	1,324,541	93.91	3,928	85,936	6.09
13,911		29.7	381,519			37,392		
08,818		29.0	364,202			44,616		
89,292		15.1	289,292			0		
66,302		13.9	266,302			0		
39,668	1,915,839	9.9	182,949	1,812,658	94.62	6,719	103,181	5.38
71,296		24.6	428,078			43,218		
09,281		36.5	646,037			53,244		

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

CW/CLK/JPN/AC/rg

(Do not remove from attached sheets)

File No.:

Subject: Request by Japanese Companies to transfer companies from para. 12 to para. 13 in Cabinet Home Ministry Ordinance No. 1.

Note No.:

From: Govt. Sec. To: ESS - Legal Division Date: 23 April 1947
Att: Mr. Stratiff

1. Herewith find arguments advanced by the Imperial Japanese Government in support of their contention that following ten (10) companies now listed in paragraph 12, Cabinet and Home Ministry Ordinance No. 1 be transferred to paragraph 13:

a. Japan Precision Company (Nippon Seiko K.K.)
b. Titan Industrial Company (Titan Kogyo K.K.)
c. Nichiro Fishing Company (Nichiro Gyogyo K.K.)
d. Taiyo Fishing Company (Taiyo Gyogyo K.K.)
e. Sanwa Bank (Sanwa Ginko)
f. Nikko Securities Company (Nikko Shoken K.K.)
g. Nomura Securities Company (Nomura Shoken K.K.)
h. Yamaichi Securities Company (Yamaichi Shoken K.K.)
i. Daiwa Securities Company (Daiwa Shoken K.K.)
j. Tokyo Securities Company (Tokyo Shoken K.K.)

2. Your comment requested.

Inclosures
5 Memorandums

CW

From: ESS To: GS Date: 9 May 1947

(2)

1. Reference is Note 1, above.

2. ESS recommends as follows:

a. That Japanese Precision Company (Nippon Seiko K.K.) be retained in Paragraph 12 of Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947.

b. That Toyo Bearing Company, previously a larger manufacturer than the Japanese Precision Company, be added to said Paragraph 12.

c. That the Titan Industrial Company (Titan Kogyo K.K.) be transferred from Paragraph 12 to Paragraph 13 of said Ordinance.

d. That Nikko Securities Company (Nikko Shoken K.K.), Yamaichi Securities Company (Yamaichi Shoken K.K.), Dai wa Securities Company (Daiwa Shoken K.K.), and Tokyo Securities Company (Tokyo Shoken K.K.) be transferred from Paragraph 12 to Paragraph 13 of said Ordinance.

16

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T
(Do not remove from the attached sheets)

File No.

Subject: Request by Japanese Companies to transfer companies from para. 12 to para. 13 in Cabinet Home Ministry Ordinance No. 1.

Date: 9 May 1947

Note No.	From: ESS To: GS
(2) Cont'd	e. That Nomura Securities Company (Nomura Shoken K.K.) be retained in Paragraph 12 of said Ordinance. 3. The arguments of the Japanese Government reference Nichiro Fishing Company (Nichiro Gyogyo K.K.) and Taiyo Fishing Company (Taiyo Gyogyo K.K.) were heretofore returned to GS by separate Check Sheet, 28 April 1947. 4. The matter of the Sanwa Bank is dealt with in separate Check Sheet, this date. 3 Incls: 2 w/d - 1c and 1d, above W. F. M[illegible]

Memorandum For: General Whitney, Chief of Government Section, General Headquarters, Supreme Commander For The Allied Powers.

Memorandum From: Kanamori, State Minister, Imperial Japanese Government

Subject: 5 Securities Companies As Listed In Cabinet And Home Ministry Ordinance, No. 1, 1947.

16, April, 1947.

We are forwarding herewith the explanation with regard to 5 securities companies as listed in the Cabinet and Home Ministry Ordinance No. 1, 1947, which, we believe, should be taken off para 12 of the ordinance.

T. Kanamori

Kanamori
State Minister

enclosure: Business
Activities of the four Securities Underwriting Companies and the Tokyo Securities Company which were designated as coming under Category "A" of the Purge.

Business Activities of the four Securities Underwriting Companies and the Tokyo Securities Company which were designated as coming under Category "A" of the Purge.

A. Securities Underwriting Companies.

1. Underwriting of public bonds and debentures.

Securities underwriting companies can be considered to have three functions. The first is the business of underwriting and floating, as a securities underwriter, national bonds, local bonds and debentures; the second is to undertake transactions on the securities market, as a broker of the securities exchange; and the third is to buy and sell securities as a securities dealer (a so-called dealer in spot shares) at their premises.

As the largest amount of capitalization of underwriting companies is not more than ¥20,000,000.-, it is generally recognized that the position and power of securities underwriting companies in the economic world is much weaker and smaller in comparison with other financial institutions such as banks or trust companies. In this respect it can be said that the power and position of Japanese securities underwriting companies, being so weak and small as it is, it can hardly be compared with that of those in the United States.

The fact that big securities companies in the United States before 1934 held funds of the general public as well as their own capital gives a distinct difference in nature to the securities underwriting companies in this country which are extremely limited in their activities by the small amount of their capitalization.

1). Underwriting of public bonds and corporate debentures:

The special position given to securities underwriting companies under "The Securities Underwriting Business Act"

is confined only to underwriting of public bonds and corporate debentures, and no difference is made between other general securities dealers and the said underwriters with regard to underwriting of stocks.

The objective of "The Securities Underwriting Business Act" is to impose a stricter supervision over underwriters than other general securities dealers and has specifically given a condition that companies capitalized at ¥2,000,000 or more may become an underwriting company. It is not the intent of the law, to give special rights or powers to specific companies.

2). The fact that there is only one securities underwriting company, the Japan Hypothec Securities Company (Nihon Kangyo Shoken), besides the four companies in question which were designated this time is due to the fact that there were no other among the many hundreds of exchange brokers or securities dealers who were legally qualified and had the experience, capacity, and trustworthiness as an underwriter. As a matter of fact, there has not been submitted even one formal application for license as an securities underwriter. (Incidentally, only one informal proposal was made some years ago).

The licensing system for underwriting companies is based upon the same idea as that of other financial institutions such as banks, trust or insurance companies, and the objective of the system is to establish certain restrictive condi-

tions for the interest of the general public; it is not the intention of the system to bring about a monopoly in the securities business.

3). The underwriting business of securities underwriting companies is merely to sub- underwrite a part of debentures or others underwritten by a syndicate organized by powerful banks or trust companies. In other words, although the term "underwriting" is used, the actual business is merely to engage in the disposal of securities. The actual result of the business was, as shown in the attached sheets (1) and (2), that regarding national bonds, 13% to 16% of the total amount of issue, and regarding local bonds and debentures, 15% to 27% only of the tatal amount of issue were handled by these each year.

2. Underwriting of stocks:

With regard to underwriting of stocks, underwriting companies and other securities brokers have, as previously mentioned, carried out business on quite an EQUAL basis, and underwriting companies did not boycott other brokers. This is clearly seen from the fact that the underwriting companies and all other securities dealers as one body in January 1940 formed a Committee for stocks on the Market introduced by the underwriting companies, and all the brokers were placed or an equal standing with equal opportunity with respect to stocks on the market as provided for by the constitution of the said Committee.

Art 2 of the Amended Constitution of July 1946 clearly provides for that "members of the Brokers Association shall, as a rule, handle, the business of flotation or sales jointly with respect to stocks offered to the public in a spirit of co-prosperity."

3. Transactions of issued securities.

1). With regard to securities transactions on the exchange, securities underwriting companies stand in the same position as of other brokers, and the volume of business handld by them does not indicate a monopoly as shown in attached sheets (3) to (6). Upon examination of long-term set-off transactions on the Tokyo Stock Exchange, it can be readily seen that transactions carried out by the four underwriting companies comes to merely 5% to 9% of the total volume of transactions on the same Exchange, and with regard to spot transactions on the same Exchange it is 20% to 32%.

2). As was mentioned in foregoing paragraph, transactions carried out by the securities underwriting companies were not monopolistic at all. Securities underwriters laid emphasis on spot transactions and not on set-off transactions while other brokers laid emphasis on set-off transactions.

Set-off transactions were suspended after the termination of the war and securities transactions were limited to spot transactions. As a result of this, the business of underwriting companies become more active in comparison with other brokers. This phenomenon, however, came about after the termination of war and, furthermore, it may be said that this is due to the fact that securities underwriting companies laid emphasis on spot transactions in the part, and thus held a great number of customers in this line. An off-hand statement that underwriting companies have been carrying on a monopoliatic control of the transactions of securities is therefore not proper or fitting. Furthermore, in future, the distinction between underwriting companies and ordinary securities brokers will be abolished under the new Securities Exchange Law and consequently, there is no fear that a monopolistic

tendency is to arise.

3). On offering to the public the stocks in the possession of the Committee for Conservators of Closed Institutions, certain mistakes and miscarriages were made at first due to the fact that those concerned were unaccustomed to such work. How ever since September, a method of general bidding was taken and not only securities dealers but also banks, trust companies, insurance companies and other juridical persons, and individuals have been given the opportunity to purchase such stocks on an equal basis.

B. Tokyo Securities Company

1. The Tokyo Securities Company was established in July 1927, with the Brokers Association of the Tokyo Stock Exchange as its nucleus. Of its authorized capital of ¥10,000,000.- the paid-up amount, was ¥2,500,000. It was called the Tokyo Stock Exchange and Agent Co. (Tokabu Daiko Kaisha).

The purpose of the establishment of the company was, at that time, to coordinate deliveries of short-term set-off transactions (similar to transactions "by the regular-way" on the New York Stock Exchange), to furnish necessary funds for buying, and to offer for loan such stocks to be sold.

2. The Tokyo Stock Exchange was abolished in 1943 and the Securities Exchange of Japan was established in its place. At the same time, short-term set-off transactions were abolished and, accordingly, the main business of this company became to carry out transactions of small number of stocks less than blocks of 50 shares, (Similar to an "odd-lot dealer") as well as to act as go-between for transactions entrusted by out-of-town brokers and to act as an transfer agent for transfer of title of stocks.

3. In short, the said company may said to be a facility established for the convenience of the members of Association with regard to transactions.

It has no direct dealings with general customers and so it may be looked upon as one carrying out a part of the functions of a clearing house in the United States.

Consequently, its actual operation is left to self-rule of the members.

There exists no fact that the Securities Exchange of Japan participated in the actual operation of the company.

4. After the end of the war, the exchange was closed and, consequently, the company is now only carrying on business of buying and selling of fractions of blocks of stocks.

5. The present capital stock is ¥10,000,000.-, fully paid-up and the main stockholders are the Securities Exchange of Japan (due to the fact that the same company is an agent of the Exchange), the Brokers Association, and the Tokyo short-term Securities (Totan Shoken) which is a subsidiary of the Association.

(Although the Securities Exchange of Japan is one of the large stockholders of the said company, no director or officer of the company has been selected by the Exchange, and the Exchange has no controling power over the company). The fact that the Securities Exchange of Japan is a stockholder of the same company is due to the fact that the Tokyo Stock Exchange was a stockholder in the begining and, with the establishment of the Securities Exchange of Japan, it succeeded to the assets and liabilities of the Tokyo Stock Exchange. Consequently, the Securities Exchange of Japan automatically became a stockholder and no other special reason exists at all.

In short, the Exchange was a stockholder of the Tokyo Securities Co. from before the outbreak of war, and this fact did not result after the establishment of the Securities Exchange of Japan. Furthermore, the fact that the Tokyo Short-term Securities Co. is a stockholder is due to the fact that the Tokyo Short-term Securities Co. was established by the members of the Association with their own investment; therefore, there is no difference from the Association itself being a stockholder.

6. The outline of the business activities of the Tokyo Securities Co. is as follows:

(1) Acting as delivery agent for short-term set-off transactions (prior to 1944) (similar to a clearing House Corporation). The business which the Tokyo Securities Co. carried out from 1937 to 1944 (the year of establishment of the Securities Exchange of Japan) was delivery in short-term set-off transactions. The volume of the said business was, as shown in the attached sheet (7), 2% to 4% of the total volume of short-term transactions.

(2) Buying and selling on long-term set-off transactions (1944 afterwards).

The amount of long-term set-off transactions handled as a go-between or on its own account after 1944 is, as shown in the attached sheet (8), about 1% to 3% of the total volume of such transactions on the securities market.

(3) Spot transactions (1944 afterwards).

As shown in the attached sheet (9), the amount was about 3% of total volume of spot transactions.

7. In conclusion, it can be said that the position of the Tokyo Securities Co. in the securities field is far weaker than the above-mentioned underwriting companies, when compared.

Furthermore, to regard the company as having a controlling influence upon the economic field is far from the actual facts of this case.

C. Taking into consideration the above-mentioned facts it is greatly desired to exclude the four underwriting companies and the Tokyo Securities company from the companies coming under category A of the purge.

Attached Sheet No. 1

Amount of new issue of national bonds and amount of sale thereof fr. 1941 to 1945.

(in one thousand of yen)

Year	Amount of issue	Amount sold	
		underwritten by the Deposit Bureau	underwritten by the Bank of Japan.
1941	10,191,000	2,150,000	6,723,263
42	14,259,000	3,050,000	10,613,960
43	21,147,000	5,900,000	13,851,281
44	30,357,300	10,400,000	17,483,332
45	33,111,227	16,859,000	23,448,261

Year	Details on the amount sold by the Bank of Japan			Ratio of the amount sold at underwriters to the amount of issue
	sold directly by the Bank of Japan	sold at post offices	sold at underwriters	
1941	4,748,756	590,877	1,383,630	13.58 %
42	7,444,603	1,080,327	2,088,372	14.65 %
43	9,471,901	1,190,738	3,188,642	15.08 %
44	11,910,738	638,289	4,934,649	16.25 %
45	17,770,293	120,744	5,557,224	16.78 %

Attached Sheet No. 2

Amount of issue of local bonds and debentures and ratio of amount underwritten by the four underwriters to the amount of issue.

(in one thousand of yen)

Year	Amount of issue	Nikko	Nomura
1941	4,263,455	241,134 5.6 %	228,762 5.3 %
42	5,228,142	165,651 3,1 %	277,733 5.3 %
43	6,037,938	166,582 2.7 %	384,575 6.3 %
44	8,407,433	589,108 7.0 %	542,129 6.4 %
45	7,699,050	345,126 4.4 %	280,239 3.6 %

Year	Yamaichi	Daiwa	Total
1941	220,715 5.1 %	224,928 5.2 %	915,539 21.2 %
42	466,202 8.0 %	275,579 5.2 %	1,185,165 21.6 %
43	482,071 7.9 %	390,943 6.4 %	1,424,173 23,3 %
44	758,176 8.1 %	502,314 5.9 %	2,391,727 27.4 %
45	397,206 5.1 %	198,294 2.5 %	1,220,865 15.6 %

(NB) Local bonds and debentures sold by secubities companies are those sub-underwritten by them, which were underwritien by a syndicate.

Attached Sheet No. 3

Volume of transactions of national bonds already issued.

(in one thousand of Yen)

Year	Nikko	Nomura	※ Yamaichi	Daiwa
1941	561,281	447,708	912,773	623,612
42	75,928	179,076	1,066,367	664,886
43	618,507	828,674	1,450,703	1,483,780
44	1,052,376	443,787	2,538,964	1,691,768
45	731,749	191,805	1,322,554	757,097

(NB) Local bonds are included in the figures of Nikko.
The figures of before 1943 of Nikko shows only the amount transacted by the old Nikko.
※ The figures of Yamaichi include those of national bonds, local bonds and debentures.

Attached Sheet No. 4

Volume of transactions of local bond and debentures already issued.

(in one thousand of Yen)

Year	Nikko	Nomura	※ Yamaichi	Daiwa
1941	461,688	337,579		429,894
42	766,436	387,676		413,656
43	1,074,090	801,910		871,893
44	1,422,044	924,143		491,402
45	488,245	461,883		184,407

(NB) The figures of before 1943 show only the amount transacted by the old Nikko.
※ The figures of Yamaichi are omitted due to the fact that they are included in the figure of the same company shown in the Attached Sheet No. 3.

Attached Sheet No. 5

Long-term set-off transaotions on the Tokyo Stock Exchangs

(in one thousand of yen)

Year	Nikko	Nomura	Yamaichi	Daiwa	Total of the above four Companies	Total amount of transactions	Ratio of the amount transacted by the four companies to the total amount of transactions
1941	1,899	-	1,696	-	3,999	62,872	9.6 %
42	3,790	-	3,497	-	7,247	138,823	9.2 %
43	2,481	307	3,220	-	6,008	111,184	9.4 %
44	1,936	1,936	2,988	920	7,007	82,008	8.9 %
45	493	391	836	396	2,116	21,940	9.9 %

(NB) Regarding 1945, only up to August of the same year.

Attached Sheet No. 6

Spot Transactions on the Tokyo Stock Exchange.

(in one hundred of share)

Year	Total amount of Transactions	Nikko	Nomura	Yamaichi	Daiwa	Total of the above four companies	Ratio of the Amount transacted by the four companies to the total amount of transactions
1941	34,440	2,273	2,117	2,910	2,910	9,044	26 %
42	75,358	4,685	6,669	5,377	5,377	19,483	26
43	34,102	1,767	2,322	2,368	2,368	7,338	22
44	41,203	2,760	2,883	3,189	1,789	10,619	26
45	36,968	2,873	2,206	5,013	1,888	11,982	32

(NB) Regarding 1943, only up to May of the same year and regarding 1945, up to August of the same year.

Attached Sheet No. 7

Amount of Short-term set-off transactions at the Tokyo Stock Exchange compared with the amount transacted by the Tokyo Securities Co. as an agent.

Classification / Year	Total amount of short-term transactions		Amount of short-term transactions handled by the Tokyo Securities Co.		Ratio of Amount Transacted by the company as an agent to the total amount of transactions.
	Quantity of shares	Amount	Quantity of shares	Amount	
		000 omitted		000 omitted	
1937	86,970,680	10,998,877	6,723,580	746,650	3.9 (%)
38	58,130,750	7,532,527	3,544,550	353,032	3.0
39	60,209,590	7,031,065	4,004,660	358,572	3.5
40	67,958,190	7,215,367	3,112,570	262,060	2.3
41	59,114,040	5,579,237	2,506,703	182,105	2.1
42	68,864,690	6,741,157	3,825,180	321,126	2.8
43	18,859,210	1,425,590	1,544,199	127,657	4.1

(NB) 1. Short-term transactions were abolished as in 31 August 1943.

2. Ratio is obtained by making a computation of two times the amount of transaction ~~of the company.~~ Total

Attached Sheet No. 8

Long-term set-off transactions on the Tokyo Market of the Securities Exchange of Japan Compared with the volume of transactions of the Tokyo Securities Co.

Classification / Year	Total amount of long-term transactions		Amount of transactions carried out by the Tokyo Securities Co.				Ratio of Transactions made by the Tokyo Securities Co. to the total amount of transactions
			Its own Transaction		Transactions made as a go-between		
	Quantity of shares	Amount	Quantity of shares	Amount	Quantity of shares	Amount	
		000 omitted		000 omitted		000 omitted	
1943 fr.Sep. to Dec.	11,804,050	925,292	1,150	81	70,500	5,011	0.56 (%)
1944	41,004,300	1,949,264	7,300	569	775,350	53,756	1.9
45 fr.Jan. to Aug.	18,529,150	1,361,589	5,250	457	611,450	44,019	3.3

(NB) Long-term transactions at the Tokyo Securities Co. were carried out from September 1943.

Attached Sheet No. 9

Amount of Spot-transaction on the Tokyo Market of the Securities Exchange of Japan and over-the-counter spot transactions and comparision thereof to the amount of transactions made by the Tokyo Securities Co.

Classification / Year	Total amount of transaction		Transactions made by the Tokyo Securities Co.				Ratio of the amount of transactions made by the same company to the total amount of transaction
			Its own transactions		intermediary transactions		
	Quantity of shares	Amount	Quantity of shares	Amount	Quantity of shares	Amount	
		000 omitted		000 omitted		000 omitted	
1943	33,423,884	2,008,586	21,671	1,525			0.06 (%)
44	27,121,461	1,523,440	892,990	78,851			3.2 "
1945 fr.Jan. to Aug.	20,552,844 (over-the counter transactions)	1,127,480	827,719	56,155	990,350	57173	
Dec.	104,500 (over-the counter transactions)	uncertain					
1946 fr.Jan. to Jun.	7,670,139 (group transactions)	uncertain	706,223	31,742			3.2 "
46 fr. Jul. to Dec.	13,758,516	791,290					

(NB) Over-the-counter transaction was carried out from July 1946. The amount of the over-the-counter trading as from December 1945 to July 1946 is shown in an estimated figure.

Nikko Securities Co.

Quantity of stocks	Name of stockholder	Ratio of the holding to the total amount of stocks	Districts
163,257	Industrial Bank of Japan	40.8 (%)	Tokyo
70,440	Tomonari Toyama	17.7	"
22,870	Shinko Securities	5.8	"
10,110	Taiyo Life Insurance Co.	2.5	"
10,000	Daiwa Life Insurance Co.	2.5	"
5,130	Motoichi Toyama	1.3	"
5,000	Dai-ichi Conscription Insurance Co.	1.2	"
5,000	Fukoku Life Insurance Co.	1.2	"
108,193	Other 602 Stockholders	27,0	
Total 400,000	610	100.0	"

Daiwa Securities Co.

Quantity of stocks	Name of stockholder	Ratio of the holding to the total amount of stocks	District
5,712	Yasutaro Watanabe	1.5 (%)	Tokyo
5,500	Heijiro Yoshikawa	1.4	"
5,204	Sadaichi Matsunaga	1.4	Wakayama
3,600	Hikaru Noda	0.4	Tokyo
3,267	Eiji Kato	0.8	Tokyo
2,776	Mon Ogawa	0.7	Osaka
2,430	Kojuro Miwa	0.6	"
356,517	Other 6883 stockholders	92.7	
Total 385,000	6870	100.0	

Nomura Securities Co.

Quantity of stocks	Name of stockholder	Ratio of the holding to the total amount of stocks	District
212,200	xNomura Gomei Co.	88.4 (%)	Osaka
10,000	xNomura Bank	4.2	Osaka
10,000	xNomura Life Insurance Co.	4.2	Tokyo
3,000	Tojiro Shiosaki	1.2	Osaka
1,600	xTokushichi Nomura	0.1	Osaka
3,200	Other 11 stockholders	1.3	Osaka
Total 240,000	16	100.0	

(NB) x Shows the stocks transferred to the Holding Company Liquidation Commission

Yamaichi Securities Co.

Quantity of stocks	Name of stockholder	Ratio of the holding to the total amount of stocks	District
52,330	Konosuke Koike	17.4 (%)	Kanagawa
11,000	Yoshiro Koike	3.8	Tokyo
10,000	Fukoku Life Insurance Co.	3.3	"
9,450	Teru Koike	3.2	"
7,805	Koike Limited Partnership	2.6	"
7,450	Shigeru Kinoshita	2.5	"
3,000	Sanwa Bank	1.0	"
3,000	Shoei Kogyo Co.	1.0	Osaka
195,565	Other 1453 stockholders	65.2	Tokyo
Total 300,000	1460	100.0	

okyo Securities Co.

Quantity of stocks	Name of stockholder	Ratio of the holding to the total amount of stocks	District
98,470	Securities Exchange of Japan	49,2 %	Tokyo
89,988	Totah Securities Co.	45.2 %	"
10,000	Tokyo Brokers Association	5.0 %	"
1,542	Other 80 stockholders	0.8 %	
Total 200,000	83	100.0 %	

Financial Organizations
21 April 47

SHARES OWNED BY THE BANK OF JAPAN

The business of the Bank of Japan is restricted by law. Any business which goes beyond the law is fundamentally prohibited. There is, however, an exception. It is permitted only when there is an approval of the Finance Minister cognizant of its necessity toward achieving the aim of the Bank.. This is stipulated in Articles 27 and 38 of the Bank of Japan Law. (Refer to separate sheet, together with English translation.) Formerly, there was a sentence in the Bank Law which read, "The Bank of Japan may not own shares of enterprises."

The shares held presently by the Bank of Japan with the approval of the Finance Minister are as follows:

Control Bank ------- only 380,100 shares

A total of 19,005,000 yen is entered in the account book on the basis of 50 yen per share.

I would like to add further information. When the People's Bank, although not a joint stock company, increased its capital, as of July 1945, (The People's Bank was established solely with an investment of the government in accordance with the People's Bank Law) from 10 million yen to 30 million yen, the Bank of Japan financed the increase of 20 million yen. The above investment of 20 million yen is entered in the account as an asset of the Bank of Japan.

The People's Bank Law states, "The investment of the People's Bank of 10 million yen shall be a government investment. However, this investment may be increased with the approval of the State Minister."

The administration of the People's Bank was beset with difficulties after its establishment. There was a need for capital, especially to relieve their internal confusion, when the municipal credit association was about to be placed under the wing of the People's Bank from the Agricultural Central Bank in July 1945.

The Bank of Japan financed the increased investment of 20 million yen because the government, confronted with difficulties, could not make the investment at that time. The reason for the Bank of Japan making an investment was because the Bank of Japan was exempted from paying dividends. To date, there has been no dividends paid.

Although there is a 20 million yen investment in the People's Bank in the form of bonds, apart from the Control Bank mentioned above, there are no other shares owned by the Bank of Japan.

1. It is obvious that the Bank of Japan and the Control Bank are existing legally as two separate institutions. This is because the Control Bank was established as a joint-stock company while the Bank of Japan was established by special judicial persons.

2. Although the war was already in its critical stage when the Control Bank was established, I do not think there were any persons who could forecast adjustment problems of the Bank after the defeat. Regardless of the outcome of the war, they probably only believed that the Bank's losses from munitions investment were to be paid By the government at a later date. This is not because the Bank was independent.

Even if the Control Bank was temporarily established as a Special Account Section within the Bank of Japan, they naturally expected to be compensated for losses suffered by this section. Accordingly, I believe it is only natural that, the explanation of the facts which existed when the Bank was established, and discussion based on viewpoints for the liquidation of the Bank after the defeat, are two contradictory points.

3. The explanation of the fact that the Bank of Japan was in a very convenient position for establishing the Control Bank by investing large sums into the shares of the Control Bank, by supplying equipment and personnel without cost, and by maintaining close liaison with the Control Bank is more a problem of expression, and this can be done in numerous ways.

4. Our protest is as follows:

a. Against nominal appointment in accordance with orders from the Bank of Japan.

b. ~~None~~ AGAINST participations in its administration after the bank was established.

3

c. Term of office not to exceed three months(in view of individual character and conduct.)

The characteristic theory of the Control Bank, which is referred to, is an explanation of facts which serve as the background of the aforementioned protest, and the account given here is our impression of the actual state of affairs which existed at the time, or perhaps, as conceived by the general public. If it were to be expressed from another viewpoint, it might be said that these contain inaccuracies. However, I had no intention of erring in stating the facts which I recall at that time.

FILE UNDER:

Financial organizations

I N D E X S H E E T

DATE:

17 April 1947

FROM:

Beate Sirota

TO:

Chief, PAD

SUBJECT:
MEMO TO CHIEF PAD
State Minister Kanamori's request to delete ten companies from Cabinet and Home Ministry Ordinance No. 1, 1947, paragraph 12 Sanwa Bank (SANWA GINKO); Nikko Securities Company (NIKKO SHOKEN K.K.); Nomura Securities Company,(NOMURA SHOKEN K.K.); Yamaichi Securities Company (YAMAICHI SHOKEN K. K.); Daiwa Securities Company (DAIWA SHOKEN K.K.); Tokyo Securities Company (TOKYO SHOKEN K.K.)

DOCUMENT FILED UNDER:

MEMOS TO PSQD

CLASSIFIED FILE:

15

Date April 16, 1947.

PPCLO Questionnaires on Leading Officer of Influential Companies, Financial & Economic Organizations, submitted to G.H.Q. for review

Daiwa Securities Co., Ltd.

FUKUDA, Chisato	(14760)	Passed	Managing Director
KATAGIRI, Shuzo	(14763)	"	Standing Auditor
SAKAI, Hiroshi	(14762)	"	Director
WATANABE, Shinpei	(14761)	"	"
KATO, Kazune	(14753)	Removed	General Managing
OKAMURA, Shinichi	(14759)	"	Director
WATANABE, Yasutaro	(14757)	"	President

Nichiro Fisheries Co., Ltd.

KOBAYASHI, Koichiro	(15045)	Passed	Director
KATSUYA, Teikichi	(15049)	"	"
MIYAZAKI, Seizo	(15048)	"	"
NAKAMURA, Kota	(15046)	"	"
TANI, Shujf	(15047)	"	"
OHMI, Masataro	(15043)	Removed	Managing Director
SHINTANI, Shunzo	(15050)	"	Head Auditor
TOYAMA, Gengo	(15044)	"	Managing Director
TSUTSUMI, Seijiro	(15042)	"	"

Nikko Securities Co., Ltd.

HOTTA, Tatsuo	(14782)	Passed	Director

ISHII.

ISHII, Kanae	(14781)	Passed	Director
KAWANO, Kiyomoto	(14789)	"	"
KIMURA, Tomoo	(14783)	"	"
MINEGISHI, Jiro	(14786)	"	"
NAGANO, Yoshinori	(14785)	"	"
TANAKA, Seizaburo	(14784)	"	"
FUKUOKA, Kenyu	(14775)	Removed	Chairman of Director
IMURA, Kei	(14788)	"	Executive Auditor
KATAOKA, Masahiro	(14787)	"	Auditor
NAGAI, Senkichi	(14780)	"	Managing Director
OKADA, Yasunosuke	(14777)	"	"
OTANI, Masahiro	(14779)	"	"
TOHYAMA, Genichi	(14776)	"	President and Managing Director
YOSHINO Gakuzo	(14778)	"	Managing Director

(Steel)

Nippon Seiko Co., Ltd.

HORIGUCHI, Tadā	(15527)	Passed	Director
ISOE, Michio	(15526)	"	"
SAITO, Koji	(15525)	"	"
SENGE, Katsumaro	(15532)	Removed	Managing Director
TERAZAWA, Nakanosuke	(15533)	"	"
YASUMATSU, Toshio	(15531)	"	President

Nomura Securities Co., Ltd.

AMEMORI, Tsunejiro	(15151)	Passed	Director
HIRAYAMA, Ryotaro	(15152)	"	"

OKUMURA.

OKUMURA, Tsunao	(15150)	Passed	Director
SAKAMOTO, Chitaru	(15155)	"	"
SEGAWA, Minoru	(15156)	"	"
SEKIGUCHI, Keitaro	(15157)	"	"
SHIBATA, Kyoji	(15154)	"	"
TSUJIOKA, Masaharu	(15153)	"	"
IIDA, Seizo	(14819)	Removed	President
KOMATSUBARA, Tomosaku	(15149)	"	Executive Director
OYAMA, Kenkichi	(15158)	"	Standing Auditor
TAKAHASHI, Kaname	(14820)	"	Managing Director

Sanwa Bank Ltd.

ICHIKAWA, Michiyuki	(15170)	Passed	Director
KANAI, Rokuro	(15164)	"	"
KAWAMURA, Ryosuke	(15165)	"	Managing Director
NISHIMURA, Tetsuzo	(15167)	"	Standing Auditor
NISHIURA, Sei	(15171)	"	Managing Director
SUYAMA, Yasujiro	(15166)	"	Director
TAKENAKA, Kyojiro	(15180)	"	"
TAKEUCHI, Daisuke	(15169)	"	Managing Director
WATANABE, Tadao	(15168)	"	President
KOKUBU, Masajiro	(15177)	Removed	Managing Director
MORINOBU, Keiji	(15181)	"	Director
NAKAMURA, Nakaba	(15178)	"	Managing Director
OKANO, Kiyohide	(15176)	"	President and Chairman of the Board of Directors

OKO.

ONO, Shigekazu	(15179)	Removed	Managing Director
Taiyo Fishing Co., Ltd.			
AKIYAMA, Shunichiro	(15079)	Passed	Director
ARITA, Kyokichi	(15095)	"	"
FUJIE, Akira	(15090)	"	"
KAWAKAMI, Niichi	(15078)	"	"
MARUO, Shinichi	(15092)	"	"
MATSUURA, Yoshio	(15085)	"	"
NISHIGORI, Issei	(15091)	"	"
SAEKI, Tsurutaro	(15083)	"	"
SEI, Totaro	(15093)	"	"
SUZUKI, Sanya	(15087)	"	"
TAKEMURA, Yoshio	(15094)	"	"
WATANABE, Masayuki	(15086)	"	"
YAMAZAKI, Kinosuke.	(15084)	"	"
ITO, Iroku	(15081)	Removed	Managing Director
NAKABE, Etsuro	(15082)	"	Vice-President
NAKABE, Kaneichi	(15089)	"	President
NAKABE, Kenkichi	(15083)	"	Vice-President
KATANO, Moritaka	(15080)	"	Director
Titan Kogyo K.K.			
HAMASHIMA, Shigeo	(15528)	Passed	Director
KUROHARA, Jun	(15529)	"	"
FUJITA, Masasuke	(15536)	Removed	President

TANAKA.

TANAKA, Otokichi	(15530)	Removed	Managing Director

Tokyo Securities Co., Ltd.

KOBAYASHI, Mitsuji	(14770)	Passed	President and Director
MOCHIZUKI, Takashi	(14773)	"	Director
MORIIZUMI, Koshiro	(14771)	"	Managing Director
YAMAZAKI, Taneji	(14772)	"	Director
OGUSHI, Mitsuo	(14774)	Removed	Standing Auditor

Yamaichi Securities Co., Ltd.

ASAGIRI, Joichi	(14737)	Passed	Director
IMAI, Takeshi	(14739)	"	"
KOIKE, Giro	(14736)	"	"
MATSUBARA, Juzo	(14740)	"	Standing Auditor
TSUSHIMA, Hisamitsu	(14732)	"	Director
UCHIDA, Minoru	(14733)	"	"
UCHINO, Nagaharu	(14738)	"	"
WATANABE, Bunjiro	(14735)	"	"
HANADA, Junichi	(14731)	Removed	Managing Director
ITO, Tamotsu	(14734)	"	Director
KINOSHITA, Shigeru	(14728)	"	"
KOIKE, Konosuke	(14729)	"	President
OKAMI, Hajime	(14730)	"	Sole Managing Director

Signature of person sent in to G.H.Q.

FILE UNDER:

Financial Organizations

I N D E X S H E E T

DATE:

4 April 1947

FROM:

T. Kanamori

TO:

General Whitney

SUBJECT:

MEMO FOR THE CHIEF, GS

Ten economic companies to be deleted from Paragraph 12, Sanwa Bank (BANWA GINKO); Nikko Securities Company (NIKKO SHOKEN K.K.); Nomura Securities Company (NOMURA SHOKEN K.K.); Yamaichi Securities Co.(YAMAICHI SHOKEN K.K.); Daiwa Securities Company (DAIWA SHOKEN K.K.); Tokyo Securities Co. (TOKYO SHOKEN K.K.)

DOCUMENT FILED UNDER:

MEMO FOR CHIEF, GS

CLASSIFIED FILE:

13

CW/CLK/CPM/BS/rg

Transfers of Securities Companies from Para 12 to Para 13 of Purge, Recommendation for.

Govt. Section ESS

29 March 1947

2 1. Government Section concurs in ESS recommendation, check note 1, above subject, dated 25 February 1947, that Daiwa Shoken KK (Daiwa Securities Company Ltd), Nikko Shoken KK (Nikko Securities Company Ltd), Tokyo Shoken KK (Tokyo Securities Company Ltd) and Yamaichi Shoken KK (Yamaichi Securities Company Ltd) be deleted from Para 12 and added to Para 13, Appendix II of Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947.

2. Government Section does not concur in the recommendation to delete Nitchitsu Shoken KK (Nitchitsu Securities Company Ltd) and Nomura Shoken KK (Nomura Securities Company Ltd) from Para 12, since both companies have strong Zaibatsu connections.

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

29 March 1947

MEMORANDUM FOR THE RECORD:

1. Before Cabinet and Home Affairs Ministry No. 1 of 1947 was issued, ESS strongly recommended to Government Section that the Daiwa Shoken KK (Daiwa Securities Company Ltd), Nikko Shoken KK (Nikko Securities Company Ltd), Tokyo Shoken KK (Tokyo Securities Company Ltd) and Yamaichi Shoken KK (Yamaichi Securities Company Ltd) be added to Para 12 of Appendix II, Cabinet and Home Affairs Ministry Ordinance No. 1 of 1947 because of their prominence in securities underwriting field. At that time Government Section did not feel that these companies should be added because of their relative unimportance in the economy of Japan but since the Section technically qualified to deal with subject matters insisted on putting the above five companies in Para 12, Government Section instructed the Japanese Government to add them to the list.

and Nomura Shoken

2. ESS now realizes that the securities companies did not play a major role in Japan economy, and recommends that all securities companies listed in Para 12 be deleted from subject Paragraph and placed on Para 13 for screening.

3. It is Government Section's opinion that as far as the Daiwa Shoken KK (Daiwa Securities Company Ltd), Nikko Shoken KK (Nikko Securities Company Ltd), Tokyo Shoken KK (Tokyo Securities Company Ltd) and Yamaichi Shoken KK (Yamaichi Securities Company Ltd) the ESS recommendation is valid. However, in the case of the Nitchitsu Shoken KK (Nitchitsu Securities Company Ltd) and the Nomura Shoken KK (Nomura Securities Company Ltd) they should stay in Para 12 because of their strong Zaibatsu connections. (over)

CIRCULATE

4. The matter of leaving the Nitchitsu Shoken KK (Nitchitsu Securities Company Ltd) and the Nomura Shoken KK (Nomura Securities Company Ltd) on para 12 was discussed with Mr. Straitiff of the Legal Division, ESS. Mr. Straitiff agreed that the Nitchitsu Shoken KK should stay on the list as it was originally put on not because of its activities in the securities underwriting business but because of its Zaibatsu connections. He also agreed that because more than 90% of the Nomura Securities Company was owned by the Nomura Family it should stay on the list.

B.S.

THE SUMITOMO BANK, LIMITED

Osaka, Mar. 24, 1947.

Shigeru Yoshida, Esq.,
Prime Minister,
Tokyo.

Sir:

RE: GOVERNMENT MEMORANDUM CONCERNING TO REMOVAL OF UNDESIRABLE PERSONS FROM ECONOMIC, FINANCIAL & PUBLISHING CIRCLES.

According to the memorandum of Government dated Nov.21,1946 concerning the removal of undesirable persons from economic and publishing circles as well as other public organizations which was issued pursuant to the SCAP Directive of Jan.4,1946 entitled "Removal and Exclusion of Undesirable Personnel from Public Office", executive members and principal officials of the influential companies, financial institutions and other organizations designated by the Prime Minister became to be subject to the qualification examination by the Government. Accordingly, the four executives of this bank who fall under the category of the undesirable personnel have already retired prior to the decision by the qualification examination.

In this connection, however, as to Naomoto Yamauchi, managing director of this bank, we, the undersigned, would like to set forth necessary data for qualification examination and appeal to your special consideration inasmuch as we are not only convinced that he should be exempted from the application of this memorandum for the following reasons but also desire earnestly to keep him as our executive and let him preside our bank as president:

1. Naomoto Yamauchi, as per his personal history hereto attached, was appointed manager of our Tokyo Branch in October, 1943 and although he was subsequently elected as director in October, 1944 and then managing director in April, 1945 in addition to his capacity of the manager of Tokyo Branch, his activity was strictly confined to the work of the branch manager up until Nov.19, 1945 when he assumed his office in Head Office in Osaka as managing director, being transferred to Head Office on Oct.23,1945.

   As you will notice from the foregoing, even though he became managing director before Sept. 2,1945, the time limit stipulated by the Government Memorandum, it was only nominally and in reality he was merely a branch manager, and it was not until November of that year that he actually started his activity as managing director.

Naturally, until November 1945, he did not attend at all to the daily conference of the managing directors in Osaka which is the actual managing organ of this bank. Furthermore, we would state that it is our method to station one of our managing directors in Tokyo who is empowered to control and direct all the branches in Tokyo and Yokohama including Tokyo Branch, and ever since October, 1943, Tokusaburo Maruyama, managing director, had been on that post, and Naomoto Yamauchi did not work in the capacity of a managing director in this respect either. (Refer to the reference paper No.I.)

It might be questioned, then, the reason of election of Yamauchi as managing director. It was a well-known fact that, ever since March 1945, residents in Tokyo were exposed to such an extreme danger due to ceaseless air raid as no one could tell what might happen to him any moment. Tokusaburo Maruyama, then the managing director stationed in Tokyo, was not exception of course and his residence was burnt down in April of that year. Under the circumstances, it was feared that something might happen that would make Maruyama unable to attend to his duty when the communication between Tokyo and Osaka was apt to be suspended thus making it impossible to get in touch with Head Office in Osaka in due course in such a case. Should such thing happen, there might not be time enough to take ordinary procedure as to call a meeting of board of directors to elect his successor, causing great difficulty in carrying on banking business. In view of the foregoing and just for the preparation for such emergency as above-stated, Yamauchi was elected managing director in April, 1945, holding his status of manager of Tokyo Branch as theretofore, so that he might take the place of Maruyama at once in such a case.

1. As Naomoto Yamauchi has the experience of foreign service of this bank for more than nine years, having served four years as assistant manager of our London Office from 1924 to 1928 and five years as the manager of our New York Office from 1937 to 1942, he is not only proficient in foreign language but also well acquainted with political, economical and social affairs of United States of America. During his stay in New York, it was his utmost desire to contribute to mutual understanding of the culture of the East and West as well as to the promotion of the friendly relations between United States and Japan. His firm belief in righteousness did not waver at all even after he came back to Japan in 1942 and he tried hard to cultivate the democratic idea among fellow-citizen.

Such facts about his character and idea and his effort for the improvement of Japanese-American relation as above-referred to, (Refer to reference paper No.II) have been well recognized even by American people such as Mr. Leo W. Chamberlain, the manager of the Tokyo Branch of the National City Bank of New York.

As it is well recognized that his thought originates in true liberalism and democracy and his character is upright, it is the most earnest and sincerest desire of all the employees of this bank, totaling more than 4300, as well as the depositors in general, to keep him in the director-ship of this bank.

1. Although he served about four years as assistant manager of our London Office and about five and half years as manager of our New York Office, as above mentioned, he could hardly do anything, at his discretion, other than routine business, foreign branches being controlled and supervised by Head Office, much less anything to cooperate or contribute to the execution of war. As to seven month period he served as the manager of the Foreign Department in Head Office, from November 1942 to June 1943, samething could be said as he could do nothing important or extraordinary without instruction or authorization of the managing director in charge of the Foreign Department. Moreover, as no foreign exahange business could be executed because of war, at that time, his department remained rather nominally without business. He has never assumed any position of any company having connection with Sumitomo concern. (Refer to reference paper No.III.)

1. Should he be disqualified and removed from this bank, all the members of managing directors, five in all, would be swept away, four of them having retired already as stated in the first paragraph. If this happen in this bank, the reconstruction and adjustment of this bank might be endangered when the responsibility of the monetary organs is especially heavy in the course of the economic reconstruction and rehabiliation of Japan. As a matter of fact, on the 12th of last February, five members of this bank, namely Ko Suzuki, Shozô Hotta, Saburo Matsumoto, Kihachiro Iwasaki and Jumpei Nishimura, were elected as managing directors of this bank. However, none of them, having had no experience of attending to the bank's management as managing directors so far, are considered competent enough to be entrusted with the management of this bank as president yet. Moreover, in view of the present difficult economic condition, it can hardly be expected, we are afraid, to fulfil the bank's mission by the method of conference of newly elected five directors only.

THE SUMITOMO BANK, LTD.,

In view of the foregoing it is our strong belief that Naomoto Yamauchi is indispensable and absolutely necessary for the reconstruction and the sound management of this bank, and we, therefore, respectfully request you to kindly give your special consideration to the above.

Yours faithfully,

THE SUMITOMO BANK, LIMITED.

K. Asai

Koji Asai, Manager, the Staff Department.

THE SUMITOMO BANK, LTD.,

Personal History

1. Name — Naomoto Yamauchi

1. Date of Birth — Oct. 18, 1896.

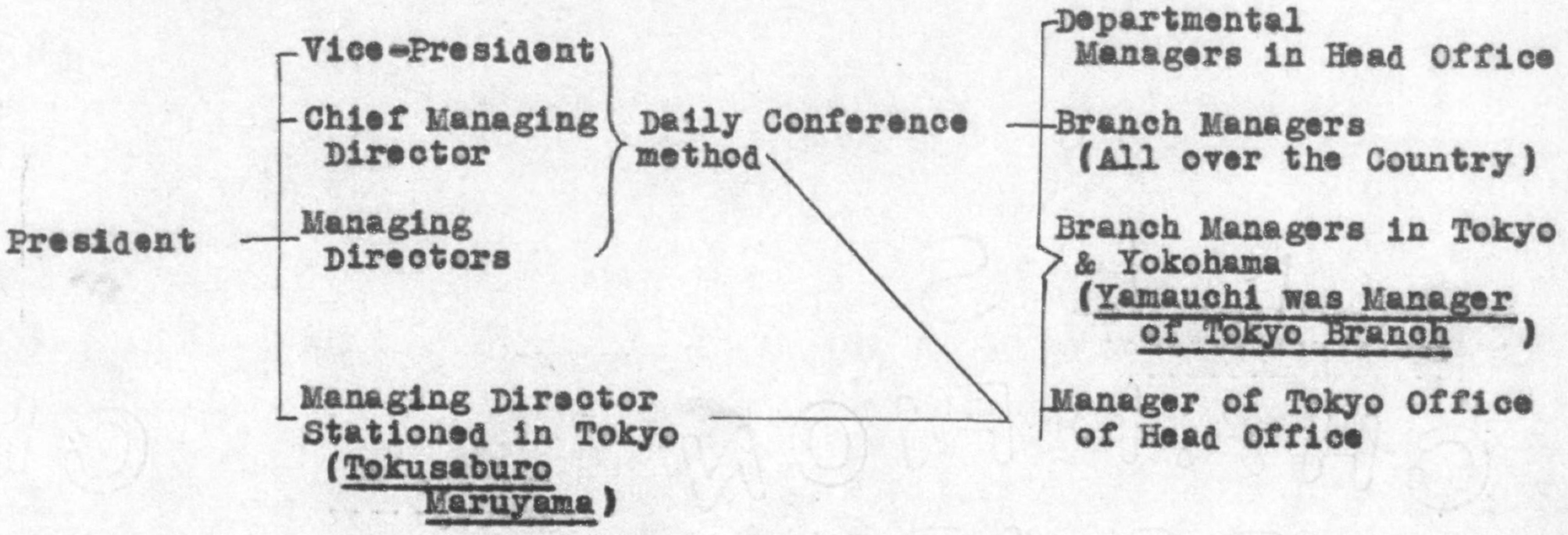
1. Educational & Business Career

July, 1920	Graduated from Tokyo Imperial University - Law Department.
July, 1920	Entered the Sumitomo Bank, Ltd.
Oct., 1924	Appointed Assistant Manager of the London Branch.
June, 1928	Appointed the Head of the Foreign Dep't of the Head Office, Business Dep't.
June, 1931	Appointed Private Secretary.
Apr., 1936	Appointed Sub-Manager, Head Office, Business Dep't.
Feb., 1937	Appointed Manager of New York Office.
Aug., 1942	Repatriated to Japan from U.S.
Nov., 1942	Appointed Manager of Head Office, Foreign Dep't.
July, 1943	Appointed Manager of Kyoto Branch.
Oct., 1943	Appointed Manager of Tokyo Branch.
Oct., 1944	Elected as Director. Status of Manager of Tokyo Branch unchanged.
Apr., 1945	Elected as Managing Director. Status of Manager of Tokyo Branch unchanged.
Oct., 1945	Relieved of Manager of Tokyo Branch.
Nov.,19,1945	Assumed the Office of Managing Director in Head Office, Osaka.

THE SUMITOMO BANK, LTD.,

Reference Paper No. I

(a) SYSTEM OF THE SUMITOMO BANK, Ltd.
(As of 1945)



(b) Ever since the opening of the Tokyo Branch of this bank in February 1912, except Yamauchi, no manager of the Branch had been a managing director at the same time and there had been no case that two managing directors were stationed in Tokyo besides the case of Maruyama and Yamauchi for six months from April to October in 1945.

From the above, it is quite clear that this was an exceptional case prepared for the emergency at the time of War. Even during this six months, Yamauchi attended solely to the work as a manager of the Tokyo Branch, despite of his title of managing director. This is evidenced by the fact that he was present at the regular meeting of the Board of Directors (which was held every month at Osaka Head Office) only three times after his nomination as director up until October 1945.
(See an extract of Records of the meeting of the Board of Directors enumerated below)

Furthermore, we would like to point out that the President, Vice-President, Chief Managing Director, Managing Director and Executive-Auditor had private room respectively in Osaka Head Office, and naturally Maruyama had a separate room which he could use whenever he went to Head Office, but Yamauchi had no such private room.

An extract of the records of the Meeting of the Board of Directors which shows presence and absence thereto of Yamauchi: (Copied from original)

November 20, 1944	Present
December 21, 1944	Absent
January 15, 1945	"
February 19, 1945	"
March 18, 1945	"
April 28, 1945	Present
May 21, 1945	Absent
June 18, 1945	Present
July 16, 1945	Absent
August 20, 1945	"
September 17, 1945	"
October 15, 1945	"
" 31, 1945	Present (See note (5) below)

(Notes)

(1) The above is an extract of the records which concerns only Yamauchi's attendance to the Board, but Mr. Ohta of the Central Office of Qualification Examination Committee has inspected the original records which is bound as a book and not loose leaves.

(2) In as much as he was appointed director in October 1944, he attended the meeting of the Board on Nov. 20, 1944 to greet the Board for the assumption of his new post.

(3) He was present at the Board on April 28, 1945 as he was expected to be elected managing director.

(4) He was present at the Board on June 18, 1945 as he was in Osaka accidentally with the purpose of making arrangements concerning the business of Tokyo Branch of which he was the manager.

(5) He was not present at any other meeting of the Board than the above cases ((2)-(4)), but he attended the meeting of the Board every time on and after Oct. 31, 1945 as he had been transferred to Osaka Head Office on Oct. 23, 1945.

(c) Yamauchi did not participate at all, during the period of April to November 1945, in the Meetings of Executive Directors which are the Executive organ of the Bank. This is proved by the fact that he did not put his seal as a director on the documents which were presented to the meetings (as mentioned in the following note) whereas all other Executive Directors who were present stamped their seals on them. Moreover he applied for sanction of business transactions to the Directors in some of these documents in the capacity of the Manager of Tokyo Branch, which prove the fact that he was not performing the capacity of a director.

He did not perform either the duty of the Managing Director controlling branches in Tokyo and Yokohama and representing Sumitomo Bank in these districts. These duties were solely performed by his senior Managing Director Tokusaburo Maruyama. This is proved by the attached certificate which testifies that Maruyama was the Director of (Tokyo) Bankers Clearing House, the Auditor of (Tokyo) Bankers Association and the Executive Committee of the Deposit Rate Conference of Banks, all representing Sumitomo Bank in Tokyo.

Note: 1. We have presented for perusal the consecutive documents which were executed at the Meeting of Executive Directors during the period in question of April 28 to September 2, 1945 (except holidays and several days when such meetings were not held owing to air-raids in Osaka, etc.) to Mr. Ohta, Director of the Central Qualification Examination Committee. These documents testify the fact that Yamauchi did not participate at all in the Meeting of Executive Directors during that time as well as the fact that he was applying to the Directors for sanction in the capacity of a Branch Manager.

2. A copy of "Application and Sanction" executed at the Meeting of Executive Directors on June 16, 1945 is attached herewith.

Translation

Certificate

Date March 24, 1947.

We hereby certify that Tokusaburo Maruyama, Managing Director of the Sumitomo Bank, Ltd., was representing his Bank in Tokyo and was,

1) An Auditor of Tokyo Bankers Association, Inc. (Shadan Hojin, Tokyo Ginko Shukaijo) (Since Oct. 1, 1945, the name changed to Tokyo Ginko Kyokai) and an Executive Committee of Deposit Rate Conference of Banks from Nov. 15, 1943 to Feb. 17, 1947, and

2) A Director of Tokyo Bankers Clearing House, Inc. (Shadan Hojin, Tokyo Tegata Kokanjo) (It was dissolved on June 19, 1945) since Nov. 15, 1943 to June 19, 1945.

signed Tsuneo Yamamoto

Executive Director,
Tokyo Bankers Association.

Executive Committee,
Deposit Rate Conference of Banks.

Translation

Application for Sanction of Loan

Customer (Borrower)	Light Metals Controlling Association (Keikinzoku Toseikai)
Date of application for sanction	June 5, 1945.
Amount applied for	Unsecured loan for ¥500,000.
Due	November 1945.
Purpose of borrowing	Operating fund for sundry expenses.
Funds for repayment	Government Subsidy.
Rate of interest	1.1 sen per ¥100 per day.
Expected date of loan	June 6, 1945.

Reason of application and judgement of the Branch

Annual budget for 1945 of this association is ¥4,770,000. These expenditures are met by the Government Subsidy for ¥4,500,000. and membership fees for ¥270,000. Pending their receipt of the above Government subsidy the Imperial Light Metals Controlling Co. Ltd. (Teikoku Keikinzoku Tosei Kabushiki Kaisha) used to make short term loans to Association to cover the shortage of funds.
Now the Imperial Light Metals Controlling Co. Ltd. cannot afford to make this loan to the Association, and the latter asked us to loan them ¥500,000. to meet their June expenses. The case seems reasonable to us, and we believe that the Association is quite reliable. Therefore we apply for sanction of Executive Directors in this business transaction.

Applicant of sanction — Naomoto Yamauchi, Manager, Tokyo, Branch.

Sanctioned by — President Okahashi; Managing Director Harada; -do- Okishio; -do- Nagata

Date of Sanction — June 16, 1945.

Translation

Sanction of loan

No.	No. 4470
Date sanctioned	June 23, 1945
Borrower	Suketatsu Shiba
Amount	¥7,500.
Securities	Shares authorized in the rules of the Bank.
Due date of loan	Dec, 1945
To whom the sactior granted	Naomoto Yamauchi Manager of Tokyo Branch
By whom the sanction given	Hayashi Okahashi President of the Bank

THE SUMITOMO BANK, LTD.,

Reference Paper No.II

Some facts relating to the liberalistic
and democratic thought
of Naomoto Yamauchi.

1. Studied English & French in The First Higher School (Dai-ichi Koto Gakko) in Tokyo.
1. Studied "Democracy" under guidance of late Dr Sakuzo Yoshino in the Political Seience.Section of Law Department in Tokyo Imperial University.
1. During four year service in the Sumitomo Bank, Ltd., London Branch, often attended to the open lecture meeting of Fabian Society and heard the lectures by Sydney Webb, George Bernard Shaw, Prof. H. J. Laski and others.
1. During his stay in U.S. through association with American citizen, andeavoured to contribute to the mutual understanding of the culture of the East & West. Because of the foregoing, an article, as per attached news paper scrap, appeared in New York Herald Tribune dated Nov. 19, 1938 and also on Dec. 25 of that year another article "Christmas at Yamauchi's" appeared in the same paper.

   Also in early December, 1938, Business Week reported his activities in promotion of friendly retations of the East & West.

THE SUMITOMO BANK, LIMITED

Summary of speech by Masamoto Yamauchi
delivered at Tokyo and Fukuoka Branches
of the Sumitomo Bank,Ltd. on Nov.8, 1945
& May 14, 1946 respectively.

There are not a few who are called great men in the world, but among them all, Abraham Lincoln is the man I admire most. He rose from poverty, and he fought for righteousness and for achievement of his conviction through his life. He freed the slaves just for the sake of righteousness and fought out the Civil War unto final victory in the firm belief that it had to be fought out for humanity and for the spirit of democracy, and thus prevented the break-up of the United States.

There are many anecdotes and words and deeds truly worthy of admiration in his life.

During my stay in America, it was my great pleasure to collect as many literatures as possible about him, to say nothing of his biography. Therefore, among many things which I lost due to air raid in Tokyo in May 1945, I feel deepest regret at the loss of those literatures about Lincoln. No wonder that the United States that gave birth to this great man, Lincoln, is the country of "Democracy" and also that American people who love him most as the greatest man are the truly "Liberal and Democratic" nation.

As I stayed there for five and half years, I could observe American life quite well. I don't say that the American people are perfect and faultless, on the contrary I admit that they have many defects. Nevertheless, I am quite sure that the attitude of American people to respect the freedom of others just as much as they claim their own and their courage to be true to their own conviction and to carry out what they think right should be praised and taken as model for us. To make it clear I will tell you one instance out of my personal experiences.

When the war broke out between Japan and United States in 1941, I was in New York attached to our New York Office and naturally I was interned together with other Japanese who were in that city at that time. In the meantime, we were all examined by Public Hearing. At the Hearing, two of my friends - one of whom was a lady - were present voluntarily as my character witness and very emphatically testified for me. One of them said:

> "From my intercourse with this man and his family I can assure you that he is not such a mean person as to do anything detrimental to the United States"