

EXHIBIT No 3324

(23)

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Exh. No.

Translated by  
Defense Language Branch

INTERNATIONAL MILITARY TRIBUNAL FOR THE FAR EAST

THE UNITED STATES OF AMERICA, et al,

-vs-

ARAKI, Sadao et al

SWORN DEPOSITION (Translation)

Deponent : TSUSHIMA, Juichi

Having first duly sworn an oath as on attached sheet and in accordance with the procedure followed in my country I hereby depose as follows.

1. I, TSUSHIMA, Juichi, was resident in Great Britain, the United States, France and so on as the Financial Commissioner Abroad of the Finance Ministry from 1927 to 1934. was Vice Finance Minister in the Okada Cabinet, July 1934-March 1936; Vice Governor, Bank of Japan, February 1937-November 1941; President, North China Development Company, November 1941-February 1945; Finance Minister in the Koiso Cabinet, February-April 1945; and Finance Minister in Prince Higashikuni Cabinet, August-October, 1945.
2. On the occasion of the London Conference on the Naval disarmament in 1930, I was just residing at London and there, appointed an

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aide from the Finance Ministry to Mr. Reijiro Wakatsuki, Japanese Delegate to the Conference. Mr. KAYA, Okinori came to London from Japan with the delegation also as an aide from the Finance Ministry.

The aides from the Finance Ministry insisted from the standpoint of our public finance that the Conference should be brought to a success by all means while the aides from the Navy, especially those from the Naval General Staff took the stand that Japan should not mind to break off the Conference, if her original proposition did not prevail. There were occasions of impassioned controversies between the two camps.

Throughout these circumstances, Mr. KAYA firmly upheld the position on the part of the Finance Ministry. Mobilizing the whole stock of his naval knowledge which almost surpassed the Navy's own experts, he exerted himself to the utmost, now giving advice to the delegates, and bringing pressure to bear upon the die hard opinions on the part of the Navy.

It was fully recognized among us concerned at that time, that behind the screen, the London Conference on naval disarmament owed it in large measure to his efforts, among the rest, that it could manage somehow to come to a conclusion, after so many twists and turns.

3. when I was Vice Finance Minister in the OKADA Cabinet (July, 1934 -

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March, 1936), Mr. KAYA was Chief, Accounts Bureau. He strove hard to curb the increase in the general budget, especially the military budget, to maintain sound public finance. For instance, at the tenacious insistence of Mr. KAYA and the others, Finance Minister TAKAHASHI, in compiling the budget for 1936 fiscal year, fixed a policy of gradual reduction in national loan floatation and proclaimed it to the public. The major objective was to curb the demands for increased military expenditures. Then the Army and Navy were putting in every year their demands for increased appropriations, but they should by no means be acquiesced in, in order to maintain sound public finance. Hence the policy of clamping down on them by means of gradually tightening the limit to national bond floatation, -- a likeliest item to enlist general support. The Army and Navy were furiously opposed to the policy for it amounted to block the main source of revenue to satisfy their demands for increased appropriations. It was after the exchanges of heated arguments between the staffs of the fighting services and that of the Finance Ministry, and the entanglements of the budget conferences of the Cabinet with Ministers engaging in all-night discussions, that the policy of gradual reduction in national bond floatation was finally carried through.

Before long, the so-called February 26th Incident took place, when Finance Minister TAKAHASHI and many other prominent high officials were assassinated. It was observed by some of the well-

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informed quarters at that time, that the uncompromising stand on the part of the Finance Ministry officials with Mr. KAYA as its champion toward the requests for increased military appropriations as above mentioned, did much toward the outbreak of the Incident.

4. The February 26th Incident brought about the downfall of the OKADA Cabinet. It was succeeded by the HIROTA Cabinet with Mr. BABA as Finance Minister. Mr. BABA, acquiescing in the demands for increased military appropriations, changed the budget policy fixed by his predecessor, (of course he abandoned the policy of gradual reduction in national bond floatation). I, who was the Vice-<sup>Minister</sup> under Finance Minister TAKAHASHI, resigned as a matter of course. Mr. KAYA changed from Chief <sup>of the</sup> Accounts Bureau to Chief <sup>of the</sup> Finance Bureau after Mr. BABA assumed the Finance portfolio. The latter Bureau had nothing to do with the budget deliberation.

5. Finance Minister BABA's budget for 1937 fiscal year took shape in the fall of 1936. Thenceforth, our imports rapidly increased; there appeared a dangerous sign of chaos in our balance of trade and foreign exchange rates; the machinery of foreign exchange control was made unable to run smoothly; our economics was confronted with profound uneasiness and dangers.

The HIROTA Cabinet collapsed in February 1937. In the succeeding HAYASHI Cabinet, Mr. YUKI was the Finance Minister and Mr. KAYA, the Vice Minister. They strove to curtail the BABA budget. The HAYASHI Cabinet went out in June, 1937, and the first KONOYE Cabinet

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came to power, with Mr. KAYA as Finance Minister. In July the Sino-Japanese Hostilities broke out. The demands for increased military expenditures, expansion of production and what not became intensified; the financial circle was overtaken by uneasiness more than ever. Mr. KAYA, as the Finance Minister, racked his brains to keep the scared finance in order through maintaining the exchange rates, controlling<sup>1</sup> the supply of industrial funds, easing the credit stringency, checking the advance in money rates, averting the closing of stock exchanges, stabilizing the security market, moderating the panic-stricken sentiment of the financial circle and preventing the self-diffidence, etc.

The Plight then was such that whoever might become the Finance Minister, it would be the utmost of his power to maintain the order of the financial circle, leaving no room for anything like a preparation in the fields of economics and public finance for a future war of aggression.

6. (a). The business of the North China Development Company was conducted in compliance with the provisions of laws, ordinances, regulations and Government orders; routine works were placed under Government supervision of direction to the smallest details; the president and directors had no free hand in the management; in fact, it was rather an agency to execute Government directives. Nor was it the principle of the North China Development Company Law to allow the Company to be

engaged in any actual business, but to make loans and investments to the affiliated companies which carry on such actual business. After the Pacific war broke out, by a revision of the Law in 1943, it was made possible for the Company to do actual business in a specified limit. But that limit was so strict that the Company could only purchase or sell to the affiliated companies such materials as required by the latter; that Government authorization was required for the kind of materials to be handled, which, as a matter of fact, was restricted to small sized objects only.

Also the scope of enterprises to which the loans or investments might be accommodated was restricted by laws and ordinances covering only a part of the wide range of enterprises in North China.

- (b). The North China Development Company had no monopolistic power, nor any controlling right or power over the enterprises in North China. It was only an institution to make loans or investments to its affiliated companies.

Some of the affiliated companies (viz. companies accommodated with loans or investments by the North China Development Company) were running monopolistic enterprises (e.g. the North China Transportation Company, the North China Telegraph and Telephone Company), but they were not what were afforded by the North China Development Company, nor what were negotiated

between the North China Development Company and on the part of the Chinese Government. They were the rights granted to the respective companies. Moreover, the North China Transportation Company, the North China Telegraph and Telephone Company, as well as many other companies were ordinary Chinese juridical persons, established with joint investments of the Chinese and the Japanese, or special juridical persons established under special Acts of the North China Political Council, in which the North China Development Company played only a role of an investor. The ownership of the railroads in North China was, of course, retained in the Chinese hands, the North China Transportation Company only having operated them as the custodian.

- (c). The North China Development Company was not in the place to conduct direct negotiations with the Chinese Governments. They were all taken up by the Japanese Government itself.
- (d) The Law required the North China Development Company to effect co-ordination and adjustment of the business of affiliated companies to which the Company was to make investments or accommodate loans. But its methods were concretely stipulated in the Government Order on the Supervision of the Company; viz. the Company should act in accordance with the terms of business agreements it should conclude with the affiliated companies on



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specified subjects. These agreements obligated the affiliated companies to obtain the consent of the North China Development Company to their decisions on business plans, fund plans, election of directors and certain other important matters, or to make ~~expast~~ fact reports to the North China Development Company on certain items. But the North China Development Company, in turn, was obligated to get the Government's authorization prior to giving its consent on these matters. In fact, therefore, it was the Government that decided upon approval or rejection. Viewed from this point, the North China Development Company had no independency; it was an institution with neither power nor responsibility of its own.

- (c) Though I assumed the presidency of the Company in November, 1941, I have never heard from my predecessor, or directors, or any other persons, the fact that the Company had received a Government order or orders directing the Company to encourage the affiliated companies to work out plans for certain expansions to be completed by or around 1941, nor have I seen any written documents concerning such Government order or orders.
- (f) It goes without saying that the North China Development Company did not get unjustifiable profits from its business, and so was any other affiliated companies. As to the North China Development Company, it registered each business year, a red figure or only a small profits; paid no dividends to the Government-owned

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shares, while with the aid of Government subsidies, the highest dividends it could barely manage to pay to the private shareholders were at the rate of 6 per cent p.a.

The majority of the affiliated companies also were paying negligible dividends, if not nil, their accounts evincing less profitable status than average enterprises.

There was, of course, no discrimination between the Chinese and Japanese share-holders as to the dividends.

What with the strict government supervision and what with their business condition as above mentioned, all companies were obliged to exercise rigid economy in their allowances to directors and employees. This made it difficult to invite competent persons to the management of those companies from Japan and made the personnel administration almost the toughest problem to tackle.

The rate on loans by the North China Development Company to its affiliated companies was fixed so low that it stood at 5% p.a. (5.5% p.a. since middle part of 1944)

- (g) The boards of directors in the affiliated companies which were Chinese juridical persons were constituted by the participation of Chinese nationals in conformity with the spirit of Sino-Japanese cooperation, with many Chinese occupying the presidency, Vice-presidency or Chief-directorship. The number of Chinese who sat in the boards steadily increased.

In the boards of directors of the affiliated companies that

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- o operated coal mines, the Chinese directors outnumbered their Japanese colleagues.

There were many affiliated companies in which the more important positions were held by the Chinese, a few instances of which are given below:

North China Electric Co., Ltd. President Chu shen  
(subsequently,  
Chang hung ho)

North China Communications Co., Ltd Vice-President  
Chou pei ping.

North China Telegraph and Telephone Co., Ltd. Vice-President  
Hsu hsin chih.

Ta-Tung Coal Mining Co., Ltd. President Hsia kung.

Ching-Hsing Coal Mining Co., Ltd. President Tsao ju lin.

Ta-wen-kau Coal Mining Co., Ltd. President Ting ching chen.

On this 18 day of July, 1947.

At Tokyo.

DEPONENT : TSUSHIMA, Juichi (seal)

I, Y. TANAKA, hereby certify that the above statement was sworn by the Deponent, who affixed his signature and seal thereto in the presence of this witness.

On the same date, at Tokyo.

Witness : /S/ TANAKA, Yasumichi (seal)

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OATH

In accordance with my conscience I swear to tell the whole truth  
withholding nothing and adding nothing.

/s/ TSUSHIMA, Juichi (seal)