At any rate, it is true that the exchange of violent speeches between Nishio and Seko have given an unusual shock to the public.

Many actually must have been shocked terribly. The Diet agreed on the establishment of a special investigation committee for hoarded goods. And, the organ was named the special committee for the investigation of hoarded goods and the following persons were decided as members of the said committee.

Chairman: Kanju Kato, Social Democratic Party (Leftist) Committee member: Kyuichi Tokuda (Communist); Nakano (Agricultural Party); Mizuta (Liberal Party); Kawasaki (Democratic Party); Ichimatsu Ishida (Cooperative Party).

These members are all said to be persistent speakers in the Diet. Thus amidst the keen attention not only among Japanese but also among Allied authorities, the case is to be investigated. However, in this connection various political parties made the following presentations.

Social Democratic Party:

The Liberal Party is launching operations to strictly investigate this case and the entire job is to be taken over by the same party. The Liberal Party agreed on the opening of a special investigation committee apart from the government. The party, at its directors meeting, decided to elect Kato the Chairman of the same committee.

Democratic Party:

In order to sweep off all suspicion from the public, investigation is to be made strictly. Politics is to be based on morals and virtue. Moreover, the prestige of the Diet is to be maintained. And, furthermore, to maintain the high standard of moral and virtue of politics, the case must be settled with the strong investigation.

Liberal Party:

The problem is not only one between the Liberal Party and Seko, but also will affect largely the mobilization and disposal of hoarded goods as well as maintenance of order and morale of the government organ. Therefore the Diet itself is to investigate the case with morality and virtue, thus sweeping off the suspicion of the people. Moreover, in doing so, the government position is to be clarified.

Under this situation, the government at its cabinet meeting, decided to postpone the transfer of the problem to the prosecution authorities. However, the steps which are now going to be taken by the government are to be watched.



Molasses case at Shizuoka, where the epicenter of the Seko Case is located

The waves of the Seko Case after all reached to the point of shaking leading political groups. The center of this wave is whirling around firstly the Sugar Case in Shizuoka Prefecture, which may have close connection with some of the present Cabinet members, and secondly the donation of a fund amounting to ¥30-million to the Liberal Party from the Civil Welfare Cooperation Association which has close connection with the illegal transactions of military uniforms.

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First of all, mention is to be made of the molasses case in Shizuoka Prefecture.

The epicenter of the sugar case in Shizuoka is the Toyo Brewery Co., Daini-cho, Shizuoka City. The company's president Koji Shirai ran as the candidate for the first general election after the war and failed. Yujiro Komatsu director of the same company, was elected the representative in the second general election. This company was producing Butanol (a kind of fuel for airplane) with sugar as raw material at the request of the Fuel Bureau of the Military Supply Ministry during the war. When the production of Butanol was stopped after the war, the stock of sugar at the company was estimated at around 1,600 tons. Of the total, 1,000 tons were distributed through the regular route to the public in Shizuoka Prefecture in late August, 1945. Meanwhile, the remaining amount has been stocked at various godowns, such as the Tokyo Godown at Daini-cho. However, of the remaining sugar stock, 350 tons were sealed by the Agriculture and Commerce Ministries in September, 1945 The other remaining 250 tons of sugar were not registered with the approval of the authorities to enable the company to cover expenses and losses. Of the total sealed sugar, 250 tons were handed over to the Sugar Control Association on the order of the chief of the Foodstuff Bureau of Agriculture Ministry on March 31, 1946, and also on May 5, 1946 23 tons were handed over to the same association. The rest of the sugar, amounting to 77 tons, was given to the Toyo Brewery Co. to back up the company's economy.

This was the report made by the Daini Police Station, Shizuoka Prefecture. However, according to the opinion of Justice Minister Suzuki, the figures on the sugar stock were actually quite different.

The problem centered on the whereabouts of 100 tons (according to Justice Minister Suzuki)---327 tons (according to the report of the Daini Police Station). Many brokers and leading government officials concentrated on this sugar. Some of the villagers disclosed that many persons visited the company to receive one or two pounds of sugar as gifts to take home. The villagers called the company a magic sugar palace. Thus, many brokers were active in connection with this sugar. The Numazu District Prosecutor's Office handled several cases around this city, such as the illegal transaction of syrup, bribery of custom officials, sugar embezzlement case, etc. Some of them were related to the cases already prosecuted at the Numazu District Court.

In connection with the case with which some of the present cabinet members were said to be connected, it is said that when H.M. the Emperor gave some cakes to repatriates encamped in this area, some sugar was also distributed among the people there. Taking advantage of this occasion, some unknown person started operations to purchase some 100 tons of sugar out of the hoarded sugar. In this connection, a certain Cabinet member stated that if molasses was wanted instead of sugar, something could be done. Thus, a Seko Order was issued and 100 tons of sugar were sold at the official quotation under the name of molasses. Thus, this person donated some ¥20-million to a certain political party to which the Cabinet member belonged.

This case came under the examination of Prosecutor Kawai of the Numazu District Court. However, the case was not concluded, as Kawai was transferred. To make matters worse, an advisor of the Toyo Brewery Co., who was a lawyer, assumed the post of prosecutor in the Tokyo Supreme Court and taking advantage of his position, he hindered the proceeding of the examination. In this regard, it is reported that Tsuda, manager of the Toka Co., who was the most responsible person in this case, disappeared and still is at large. This is one of the most strange cases today.



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Problematical report concerning the actual ground for the case:

By a single statement from Seko, various rumors spread throughout the country daily. Some said that Hiroo Wada, then Agriculture Minister, and Home Minister Kimura received ¥10-million, respectively, as operating funds for their political party, from the Toyo Brewery Co. Meanwhile, Etsujiro Uchara was bribed with 350,000 according to another rumor.

Be that as it may, what was the purpose of Seko's declaration that some of the present Cabinet members were necessarily connected with the illegal sugar transactions? Is it a policy to down the present Cabinet?

The whole text of Seko's report, which caused havoc all over the country, is as follows: (This was written by Seko himself.)

Toyo Brewery Co. Sugar Case:

1. Name of goods:
   White and Red Sugar ..... 250 tons

1. Price:
   Official quotation, ¥300 per kan. Total amount is ¥19,950,000 (Total weight, 66,500 kan). The blackmarket price for this sugar is ¥1,300 per kan. This totals ¥86,450,000. The balance, ¥66,500,000.

   Those related to this case:
   Hiroo Wada, former Agriculture Minister
   Kozaemon Kimura, present Agriculture Minister
   Agriculture Vice-Minister Kusumi
   Agriculture Secretary Hasebe
   Chief of the 3rd Section of the ESB
   Vice-Chief of the same section Katsugase
   Tasuke Ito, secretary of the Agriculture Ministry
   Prince Ichijo and his chief secretary Baron Miyake

1. Nature of sugar:
   Stock for military during the war.

2. History:
   Japanese, Korean, and Chinese made desperate efforts to obtain sugar.

Present Situation:

a. The sugar was sealed. Later the seal was confirmed by the Liaison Office and Agriculture Ministry.
b. In the name of Kotaro Nagata, application for the purchase of the goods is now filed.

1. Why Mr. Nagata filed the application for the purchase of sugar:
   In the first place, those who sealed the sugar godown said that the case had become much confused and that the authorities concerned were in trouble. Therefore, if there is any guarantee by a reliable quarter it will be sold. Mr. Nagata then applied to the authorities for the purchase of goods with Prince Ichijo as his sponsor.

Until the application was filed, Baron Miyake, Secretary of the Prince, contacted the Liaison Office, Agriculture Minister Wada, Vice-Minister Kusumi, Secretary Hasebe, Shigeru Katsugase, chief of the 3rd section of the ESB and Tasuke Ito, vice-chief of the same section.

By means of the above mentioned steps, the application was presented for the first time, but the application was turned down. 25

1. The second application.
The authorities said that the applicant should be a corporation.

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As Hiroo Wada, Agriculture Minister declared it was not feasible for the government to disclose of it as sugar but as molasses, an application for the purchase of the article in question with undermentioned particulars was sent into the Minister to obtain the necessary permit.

Explanation for the application:

1. Article: Molasses

1. Quantity: 100 tons (originally 150 tons, but cut by 50 tons)

1. Purpose for usage: a. For condensed milk for infants.
b. For powdered milk and confectionaries.

1. Applicant: Nagata

1. The present status of the affair is: Through the above mentioned application consent was given by the parties concerned, and the document has been passed over to the Central Liaison Office. And before long it is expected that it will be forwarded on to the Agriculture Ministry and subsequently permission to be granted.

1. At the time of his retirement, Hiroo Wada, Agriculture Minister, handed the matter over to Vice-Minister Kusimi.

The Vice-Minister has visited Prince Ichijo, as did the succeeding Minister Kimura, on February 16, convenient means of communications, but he reportedly promised that he would express his view in a few days through Prince Ichijo.

1. Value: A. Legitimate value at the time of exposure:
¥300 per kan (3.75 kg.)
B. Government's connivance value:
¥450 per kan and lastly for the licenced consuming bodies, ¥1,200 - ¥1,300 per kan.
Prevailing blackmarket price: ¥2,000 per kan.

1. Name of buyers:
Shitaya Confectioners' Association
Taihei Confectionery Co., Ltd.
Tokyo Japanese Confectioners' Association---(Toraya)
Morinara Plant at Shizuoka

Note: While an application by the Imperial Household Ministry, on behalf of Her Majesty the Empress Dowager, for Imperial donation to repatriated orphans was still pending at the time, it was said that for this together with Mr. Nagata's request, permission will be granted.

On March 2, 1947, the report was received.

As to this report, Seko confirmed it with the remarks:

"This report cannot be considered necessarily incorrect," a remark which as usual, kept him from committing himself either way.

Those Involved in the Seko Case:

Following up this report, which was said to be in Seko's own handwriting, the focus of the affairs has been narrowed. At the same time some

idea though faint, of the persons playing important roles behind the curtain, has become known.

Among those persons, the following are conspicuous:

Cabinet members: Hiroo Wada, present governor of the Economic Stabilization Board (former Minister of Agriculture) Kozaemon Kimura, present Home Minister, (Ex-Minister of Agriculture). Non-officials of note: Prince Ichijo and Baron Miyake. The latter is a self-styled Secretary of the Prince and actually a ficititous figure. Kotaro Nagata, broker. Takeo Kurokawa, proprietor of Toraya, and member of the House of Councillors.

Moreover, through manipulations by these figures, still more hands taking active parts have been brought to light, gradually.

In other words, by the time reports reached Seko, it had become clear that they have followed a greatly complicated course as hereunder described:

1. Matsuro Yajima, self-styled Managing Director of the Meiwa Industry Co., Ltd., talked over this matter with Kotaro Nagata, broker.

2. Nagata consulted on the matter with Katsumasa Meyeda, Managing Director, of the Tohoku Fuel Industry Co., Ltd.

3. Mayeda solicited Tsuyoshi Shibuya, Representative Director of the Tohoku Fuel Industry Co., Ltd. Asking for his cooperation, and has organized the Tokyo Food Materials Cooperative Society, including among the members Mitsuo Arimura (no regular job), Rizo Sayeki (Attorney), Gizo Miyagawa, Hikosaburo Yonemoto, and Nagata.

4. Moreover, Arimura, with this information in hand, approached this friend Seko and asked for his cooperation.

Meanwhile, Prince Ichijo came into the limelight, but this was mostly through intermediation of the self-styled secretary to the prince, a fictitious Baron Miyake, it is said.

Now then, let us hear what is said by these principle figures to be the true facts of the case:

Kotaro Nagata: "I was the very first one to talk to Yajima concerning the matter. He asserted that as regards the government selling of sugar he has secured the assurance of Prince Ichijo and, therefore, I was to furnish him with my power of attorney. By this time the matter progressed to the stage that I wanted to interview Prince Ichijo personally, but Yajima always hindered me somehow from so doing. He often talked of a Baron Miyake and even showed me the card belonging to Baron Miyake, but I had never met him."

Mitsuo Arimura: "I think it was towards the end of February last that my friend Shibuya consulted me on this matter. It was mutually agreed then that we should leave the matter to the best efforts of Mr. Seko. After seeing Mr. Nagata, the applicant, I handed over to Mr. Seko a memo to the above effect. I am the very one, indeed, who had undertaken direct negotiation with Mr. Seko and supplied him with information, but I then emphasized the necessity of inquiring into the authenticity of the information."

Prince Ichijo: "Yajima has often called on me, but I have never given him my credentials. Moreover, it is altogether news to me that he had a talk with me about government selling of sugar to the public. I have never heard of a man called Baron Miyake, who is said to be my secretary. No such name as Miyake is among the peers of Japan."

Hiroo Wada, Governor of ESB: "When I first heard of this case, I had already resigned from the post of Agriculture Minister. Furthermore, I have no knowledge of any government sales of sugar. This is simply nothing but slander.

"Furthermore, concerning the sugar for Imperial Donations by Her Majesty the Empress Dowager to repatriated orphans, this application is said to have been filed through the Imperial Household Ministry, vice-Minister Kato of the same Ministry positively denies the fact. The facts are stranger than fiction. By following a detective story-like rationalization, the focus of the case has now shifted to the person Matsuro Yajima, who is considered to be the originator and schemer.

"Unfortunately, however, this Yajima has been sentenced by the Kofu District Court to imprisonment for two years on July 20, on the charge of fraud, and has been put into the prison in that city. Nevertheless, this fellow Yajima by making his astounding confession has shocked the public. His statement is as follows:

'Having heard the information of government selling of sugar already since September last year, a thought to make a fortune came across my mind. This thought prompted me to consult Mr. Nagata. Baron Miyake is a fictitious person.'"

In other words, he has simply been drawing the world into a havoc and turmoil by self-staged fraud and crookedness.

As a consequence of the confession of Swindler Yajima, the sugar case, which shocked the public, seemed approaching the climax with much less difficulty than was thought. However, there are indeed in the world quite a number of strange, mysterious and scandalous plots or affairs like the "Dreyfus Affair" yet unexpected. Therefore, if this sugar case involving such intrigue is hushed up without further scruting the Dark Ages of Japan shall surely remain dark forever. It is therefore imperative that the case be cleared up in such a way as to fully convince the public.

<u>Justice Minister Suzuki Starts Operations:</u>

In the House of Councillors, which has been keeping a keen watch on the development of the affairs, at the justice committee meeting held on the very first day of the re-opening of the Diet, August 25, Yoshinobu Yamashita (Ryokufu Clique) demanded of Mr. Suzuki, Justice Minister, to report to the meeting on the results of the government's investigation into the Seko Case. Thus both houses are directing their attention to this question.

Reply made by Justice Minister Suzuki:

"While the government through its proper machinery is exerting itself towards exposing hoarded or concealed goods, in order to divert them to the regular route, yet what the procurators have in mind is not the goods themselves, but in the crime committed. I understand that there are hundreds of cases now pending, concerning not only the crimes committed in connection with the Seko Intelligence report, but also many others. The investigations of them are still incomplete, so I must refrain at present from making any comments thereon.

"Nevertheless, the case that I hereby dwell upon, with which names of some members of the present Cabinet, are concerned, involves the disposal of 1,350 tons of sugar, stored at Daini, Shizuoka Prefecture, which was used for manufacturing Butanol by the Toyo Brewery Co., Ltd. After the war, 1,000 tons out of the total 1,350 tons was delivered to the Shizuoka Prefectural Government as a general ration to the public, and the company appealed to the Agriculture Ministry to turn the same over to them in order to make good the advances they had made during the war.

"On March 21, 1946, when Mr. Soejima assumed the post of Agriculture Minister, permission was granted under the name of the Chief of Food Supply Bureau, for only 100 tons for the company and the remaining 250 tons to be placed on regular routes for distribution to the public. Hiroo Wada, present Governor of ESB, was then Chief of the Agriculture Administration Bureau and as it was sometime afterward that he became the Minister of Agriculture, he has nothing to do herewith whatever. The sugar delivered to the company on March 21 subsequently was turned into syrup, and although some of it was involved in crime in having been used as bribes, the matter stands entirely outside the jurisdiction of the Agriculture Ministry.

"Notwithstanding the rumor, I see no possibility whatsoever that Mr. Wada, Governor of ESB; Mr. Kimura, Home Minister; Mr. Ashida, Foreign Minister; and Nishi, Secretary General, are connected in any way with the complication.

"The broadcasting abroad of such scandals is indeed a shame and disgrace not only to the cabinet but also the nation at large. If we should remain silent or if the matter should be left as it stands, it will be taken as connivance on the part of the government so I can most assuredly declare that the legal procedure is now well under way. The prosecution is conducted in the authority of the Minister of Justice, and is not political."

Thus, for the first time, the government has expressed its view on the Seko Case.

At this juncture, the House of Councillors, in response to a strong demand from the members, has decided to organize an extraordinary investigation organ, after Chairman Ito of the justice committee and Chairman Yoshikawa of the Peace and order Maintenance committee met and consulted on the matter.

While Nishio's commentary on the accusation of Seko have furnished enough incentive to involve the case in politics, Justice Minister Suzuki had also declared; as was above mentioned that a legal action was also underway. Thereupon, on the next day to the declaration of Suzuki in the House of Councillors, the House of Representatives, through Shiro Hanamura (Liberal) at its justice committee meeting questioned the government on its attitude in connection with the affairs.

Justice Minister Suzuki expressed an opinion differing somewhat from the statements of Nishio saying:

"As to the Seko Case, I have no interest in the statement made by Nishio, the chief Cabinet Secretary, nor do I have an intention to prosecute Seko in view of the investigations which seeks to learn first whether Seko spoke of such a thing unreservedly or not and the basis of rumors from which to prosecute the person truly responsible."



## Military Uniform Swindle Case

Inception of the Case:

While Molasses Case had been discussed as if to involve Cabinet members in it, deep suspicion had been focussed on the presentation of ¥20-million to the Liberal Party. Thus, it can be said that the honor of political parties has been lost.

The Case dates back to June 12 when the 2nd Division of the Investigation Section of the Metropolitan Police Board made big sack raid on the Welfare Association of the repatriates, a foundational Judicial person, in Chuo-ku, Tokyo, and summoned the members of the board of directors of the association and 44 blackmarketeers as suspects of swindling. The arrest resulted from a hint in the form of a complaint to the police by Tsudanuma Agricultural Association, Chiba Prefecture, against the Welfare Association of the Repatriates which was said to have swindled some ¥750,000 in deposit for 10,000 military uniforms to be released by the association.

Taking into consideration the characteristics of the case, the Metropolitan Police Board required investigation of the affair by the prefectural polices. The investigation, resulted that throughout the country the association had concluded counterfeit contracts with 24 organizations such as agricultural, fishing, and others for the release of some 183,000 military uniforms. In the swindle, the association acquired about ¥10-million of illegal money in deposits. With the progress of the investigation, the existence of a "Written Instruction for Release" issued by Seko was revealed as being behind the case. In relation to the written order rumors were brought to light of two members of the Liberals, Manabu Shiozuki, ex-member of House of Representatives, and Bunroku Fujikawa, an unsuccessful candidate, having requested the above-mentioned organizations to contribute some ¥10-million to the Liberal Party in reward for their rendering services in releasing the goods. Seko issued a counter-statement saying that the written instruction in question was a counterfeit.

¥10-million to the Liberal Party:

Rumors of the ¥10-million contribution to the Liberal Party created a serious sensation among various circles of the newly departed National Diet urging the parties concerned to clarify the true phase of the affairs. On the other hand, Mibuhiko Ogawa, the central figure of the Case, and director of the Welfare Association for Repatriates, issued a statement aimed at giving proof of the contribution of ¥10-million to the Liberal Party.

The statement read:

"In December last year, Kan-ichiro Kamei, ex-member of House of Representatives, brought to me a business proposition to have second-hand military uniforms released which were stocked in the Demobilization Bureau. Thereupon, with a promise to sell military uniforms, I obtained ¥1-million and ¥6-million in deposits from the Ishioka Agriculture Association, Ibaragi Prefecture, and from the Nagano Prefecture respectively. However, Mr. Kamei informed me of the dissolution of the contract this March saying that it was impossible for him to hand the goods over to me, concerning which I had gotten somewhat impatient.

"In March by chance, Shigehiko Mizuno, a broker of Kyoto City, brought me a business proposition via Kiichi Watanabe, chief of directors of the Association, to send me 60,000 suits of new military uniforms which were reserved for the Liberal Party. Simultaneously with the talk, I tried to get the broker to get the military uniforms. There upon, at first, I handed Mr. Mizuno, the broker, ¥800,000 of ready cash for the purpose. At the end of March, through the introduction of Mr. Mizuno, three of us, i.e., myself, Mr. Watanabe, and Mr. Arai, a commissioner of the Association, met Kitaro Nakasone, an unsuccessful candidate of the Liberal Party and Manabu Shiozuki, M.P. of the Liberals at a restaurant, "Kikutei" in Shinbashi, and asked their cooperation in getting the uniforms.

"At the meeting, however, Mr. Nakazone told us: 'In reward for releasing 600,000 suits of military uniforms, we would like to request of you the contribution of ¥10-million to the Liberal Party.' We gathered the amount after consulting with Mr. Nakamura, representative of the National Mineral Association and other applicants who wanted to get military uniforms. In early April, we again met Mr. Nakazone and Shiozuki at the restaurant and presented the money to the Party through them. A few days later, Mr. Nakazone informed us of the 'permits for Release'.

"Thereupon, in the evening of April 12, I met and received the 'Written Order of Release' in question which was said to have been issued by Seko to Mr. Nakazone at the Hotel "Takanawa", Shiba-ku, Tokyo, where Mr. Mizuno had been lodging. However, no information about the release of goods had been sent to us despite the lapse of one month. Moreover, Seko issued later a statement in which he said the Order was a counterfeit. This statement caused a great confusion among the contractors who proposed the dissolution of the contracts one after another. I could still somehow repay ¥4-million to six contractors but there was little left of the deposits I received previously which had been spent as working money for the maneuver.

"Moreover, I received information about the ¥10-million which was contributed to political organizations and spent as parts of expenditures for the General Election in April, from Mr. Ohno, Dean of the Liberal Party, who had received it via Mr. Nakasone and Karoku Tsuji."

Thereupon, the story goes back to the counterfeit Seko instruction which was written on a ruled paper formerly for Army use. The counterfeit instruction was said to be as follows:

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No. 22 Liquidation of Hoarded Goods

Instruction for Release

Subject: Permit to release hoarded goods.

To : The National Mineral Association

From : Liquidation Committee for Hoarded and Hidden Goods, Economic Stabilization Board

1. Items: Military uniforms for autumn and winter use.

2. Quantity: 600,000 suits.

3. Date: Within one month after the General Election.

4. Place to be delivered: Warehouses in Tokyo and Saitama Prefecture.

SIGNATURE
(KOICHI SEKO)

Acting-chief of the Committee,
Economic Stabilization Board.

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With the instruction, was a certification from Seko addressed to Manabu Shiozuki and Kitaro Nakasone.

As to the instruction, however, Seko stressed its counterfeit nature by saying:

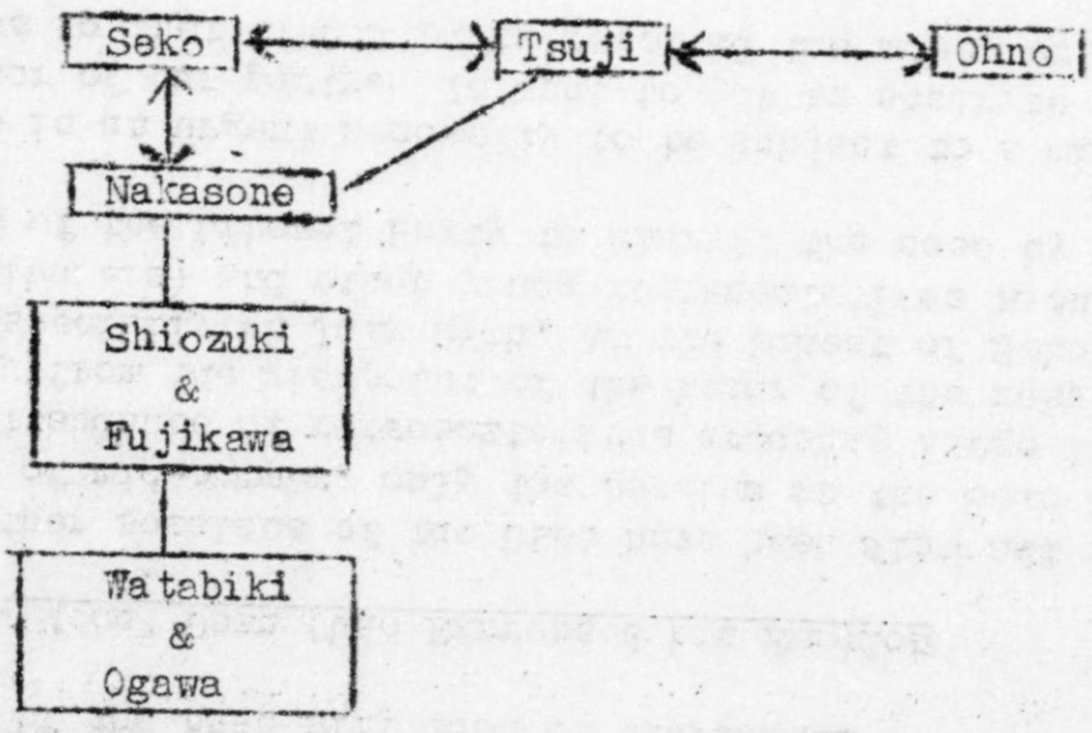
"A certain attorney sent me a letter of inquiry on it, and I was astonished to hear that there was a delivery of a great amount of money. I am quite innocent of having written such an instruction or letter. I made it a rule at that time to let Mr. Sekine, my secretary, write instructions, and the instruction in question is indeed a counterfeit any way you look at it in respect to penmanship and seal-impression."

On the other hand, Manabu Shiozuki, ex-councillor of the Foreign Ministry, who intrigued secretly behind scenes, denied keenly the previous statement of Mr. Ogawa by saying:

"I don't know a Mibuhiko Ogawa, the man in question, who is said to be an ex-subordinate of Mr. Kamei, and I have therefore never seen him. There is a description in his statement that he met me one day in April. But I can set up an alibi as I left Tokyo on March 27 for the Branch Office of the Liberal Party in Miyazaki Prefecture, Kyushu."

Public Procurator Starts Operations:

To get rid of the scandal which widely prevailed among the people who accused the parties concerned for their uncertain attitude towards the case which threatened to involve politician crime, the Prosecutor's Office decided to start action on July 14. Along with decisions reached at series of meetings held in the Council-room of the Supreme Court, the Tokyo District Public Prosecutor's Office, under the direction of Mr. Tanaka, chief of the office, requested, at first. the voluntary appearance of Koichi Seko, M.P., who was the central figure in the case, on July 19, and then Manabu Shiozuki and Bunroku Fujikawa, Other men involved. Furthermore, the activities of the board of procurators extended to a clinical examination of Karoku Tsuji, a leading figure in the background of the political world who is regarded as a wire-puller in the case. However, the matter involved so many delicate problems in the politics and the case itself appeared so complicated that it was indeed not an easy task to clarify the true aspects of the case. As the result of examinations, however, the outline of personal relations centering around Seko was revealed as follows:




Karoku Tsuji, 70, though not so well-known to the public, is said to be a boss behind scenes in the political world. His long acquaintance with political dignitaries of the past since the Meiji Era still make it a easy matter for him to control any ministers at his own will. He has been ill in bed at his villa in Zushi, Kanagawa Prefecture. Answering questions of reporters, he denied the rumor bluntly by boldly saying: "It is indeed an

an intrigue. If I want to gather a mere several million of yen, I can do it without resorting to such a sordid means." At any rate, the activities of the procurators has been making steady progress and it is expected the true aspect of the case will soon be clarified.

"The Morning Moon" Dean Ohno Expressed his Emotion

While other sessions of the Diet have been slow and dull, in the sweltering heat of mid-summer, only the session on the Seko Case had drawn a favorable attendance of representatives arousing large interest in the case if only from the viewpoint of the honor of the respective political parties. Especially on July 25th, at the behest of Seko, Makoto Yamamura (Liberals) and other young representatives keenly requested leading members of the Liberal Party to clarify the case by saying:

"It is an urgent necessity to be subject to a minute examination for the honor of our party. We want to get an accurate explanation from Mr. Ohno, as to whether our party received the money or not."

Replying the question, Mr. Ohno, Dean of the Party, said:

"As I have told you several times our party has never received such a sordid money as contribution. I know some quarters are urging us to issue statements on the matter to sweep off the doubts on our party. But I recognize no necessity of it as it is my deep conviction that the facts will soon be disclosed. My mental state at present is like 'the morning moon' shining bright and serene."

On the other hand, Seko who appeared at times in the Chamber of the Liberal Party in the Diet building boldly said one day surrounded by reporters:

"I'm sure misunderstanding about me will before long be dispelled as the true phase of the matter comes to light. I'm waiting for that time."

Unappeased Sufferers:

Settlement of the military uniform case presumed to be related with the Liberal Party rests on future investigation by the parties concerned which will handle the case from the political point of view.

On the other hand, however, there is an unappeased group dissatisfied with the progress of the case. They are victim organizations which applied to the Welfare Association of Repatriates to render service in releasing military uniforms. They have not received even a suit of uniform nor have they received any of the several hundred thousand yen of deposits back.

Thereupon those peoples organized a united League of Sufferers under the same roof in a building on the Ginza, Tokyo, where the office of the Welfare Association is also located. While pleading with the Government in respect to their straitened circumstances as well as accusing both the Welfare Association and the Liquidation Committee of the Economic Stabilization Board for Irresponsibility, they began to stage a strong campaign to have military uniforms released along with the following statement in which they acknowledged the following points:

(1) The system, organization and management of the Welfare Association for the Repatriates are based on sheer nonsense having no complete and correct account books.

(2) This trouble was caused by the maladministration of the mediator who went between contractors and the persons concerned.

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(3) It is impossible for any organizations to have goods released through the Welfare Association for Repatriates.

(4) The bulk of the amount received from contractors as deposits was spent for the movement.

(5) Only 3-million yen was paid back to a small minority of contractors from the total deposit of ¥17-million, and the rest amounting to ¥14-million was subject to liquidation.

Thus the representatives of the League entreated several ministers, the Chief of ESB and others to release military uniforms from June 6 to July 4. After series of petitions and consultations with the authorities concerned, they were able to successfully to obtain 15,000 suits of military uniforms through the legal channel by the good offices of the Economic Stabilization Board.

## 9

## The Dialogue Between the Fox and the Badger

As the scandal of the Seko Case drifted throughout the country and public opinion for and against Seko became heated, Seko himself seemed to have tired of explanation and his words come out dully from his mouth being apt to run against anybody.

The explanations given by Seko, in issuing charges against his opponents made at such meetings as "Now it can be told," where he was forcibly present, always took the following stand:

"The administration especially the police authorities who are tied up with local bosses, have always obstructed exposure. This is the very reason which complicates the matter,"

Answering questionnaires, he made it a rule to explain actual examples saying:

"For instance, an agent went to a certain spot in a prefecture to find if hoarded goods were there. Prior to his going to the spot, he was asked to wait for several hours by an economic police man in the prefecture, it is learned.

"Once, several agents were asked to come to a certain place by an economic policeman who said they would be informed of the date to come. A few days later, they went to the spot but found no hoarded goods there.

"Such cases are not rare occurrences. Finally, taking into consideration the host of unreliable information and the attitude of the prefectural polices, we had decided to go straight to the marked spots to forestall the sending of reports to the prefectural authorities concerned.

"This is an actual example which took place in Itabashi-ku, Tokyo. According to information that large amounts of papers were hidden in a warehouse of a certain company, I myself went to expose the goods. I actually found there lots of Indian-paper. Upon the claim of the owner of the goods that he had already submitted a report of it to the Ministry of Commerce, I went back to my office to send inquiries to the Ministry and to others. As the result of the inquiry, it turned out that the owners reply was indeed a 'whopping' lie.

"Furthermore, I know from a certain report that agents had gone to a marked spot where he found policemen keeping a lookout on a warehouse. They obstructed the agents from entering and investigating the warehouse.

"Moreover, it is not seldom that local administrators obtained illegal goods by manipulating accounts for release."

On the other hand, governmental officials had refuted bluntly the above statement by Seko saying:

"The incidents which Mr. Seko described may have taken place. But the truth is that the responsibility for the incidents rests on Mr. Seko, as most of the agents are notorious rascals who only plotted to make money. It is our conviction that to protect commodities stocked by owners with the approval of the authorities concerned constitutes our duty, against which Mr. Seko protests."

This dispute can be called a dialogue between a fox and a badger.

Moreover, tendering his resignation in a fit of anger over the protest against governmental obstruction set forth by Seko, Masaharu Takamasa, chief of the Commodity Division, Metropolitan Police Board, issued a statement in which he bluntly opposed Seko's charges. He supported the fairness of governmental officials in executing their duties to protect commodities of individuals as well as of companies.

The gist of his statement read:

"Mr. Seko is a man who should take all the responsibility for the case judging from the fact that despite his responsible position as acting-chief of the Liquidation Committee of Hoarded and Hidden Goods, he issued written instructions at random based on mere information offered by untrustworthy blackmarketeers and informants. Since last fall, many complaints have been made to the police by various owners of warehouses in Tokyo Metropolis against strange persons with written instruction issued by Mr. Seko. According to the complaint, they took away many goods in stock without permission, showing only written instructions to owners who had no right to oppose. As long as the right to dispose and liquidate hoarded and hidden goods is reserved to the Minister of Commerce and the prefectural governor, it is obvious that the liquidation committee of Mr. Seko cannot have any right to do it. It is only natural that the police cannot but arrest persons who are about to expose goods in stock in the name of the authority of the written instructions.

"Important is the fact that Mr. Seko has got somewhat impatient with consequences of his own statement made at the National Diet in which he declared there were still a large amount of hoarded goods throughout the country, presumed to be no less than 50-million worth. In spite of the declaration of Mr. Seko, only a few hoarded goods have been exposed."

The following is the fact revealed by statement of Shibayama who was previously taken into custody on the charge of committing violations of the "Regulations for Textiles Distribution".

"According to the statement, in spite of Seko's estimate of hoarded goods at 50-billion yen declared at a cabinet meeting, only a few goods had been disposed of. Thereupon, Seko asked Shibayama several times to send to his office substitutes for hoarded goods with the condition that the substitutes would be given back with some reward. Then, consulting with Masao Katsuma, Shibayama sent some 3,600 tan of calico to the Economic Stabilization Board through the legal channel by which both Shibayama and Katsuma had been taken into custody by the economic police.

In his statement, Shibayama said Seko was responsible to the same degree. At any rate, Seko should share responsibility for the case because of his random issuance of written instructions which swindlers made use of or counterfeited, causing many sufferers throughout the country."

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## Mystery of Hoarded Goods Estimated at ¥50-billion

Seko Stresses the Existence of Hoarded Goods:

Seko declared also at the council of members of parliament that there was a large amount hoarded goods estimated at ¥50-billion. Are the goods amounting ¥50-billion in question buried under the ground? Where on earth are the bases for the ¥50-billion figure?

Seko always carried a bag in which large original copies of the so-called Seko Information were said to be placed. Dates, numbers, items, quantities and other necessary information about the hoarded goods are listed on those copies and his assertion of ¥50-billion is said to be based on them.

"The sum of ¥50-billion yen is," Seko says, "by no means untrustworthy." "According to my memorandum," he went on, "¥1,800,000,000 of diamonds (¥18-billion at blackmarket price), ¥10-billion of precious metals, iron and light metals respectively, and ¥14-billion of textiles are estimated to be hoarded. As a result of my spot investigations at the time of surrender, each munition plant had at least ¥100-million worth of stock, and some plants had stocks up to ¥400-million. The sum total of these goods can be estimated at ¥100-billion and even if half of these goods have been consumed during the two years after the war, there must be still ¥50-billion worth of hoarded goods which are considered illegally stockpiled. This is the generally approved opinion among well-informed circles, said Seko boldly.

Anyhow, it is generally approved that some classes of society have been carrying on a luxurious life by means of goods obtained in the confusion at the termination of the war. It is also a matter of fact that it has been impossible for anyone to get an accurate figure of these goods. In spite of the strong criticism and accusation of the people, the countermeasures of the Government to meet with the situation have been irresolute and temporizing.

Last February, the Government took an emergency measure ordering the people to submit reports on their hoarded goods, but it was entirely in vain. It was indeed a failure for the government not to take any exhaustive measure against it. Laying the matter aside, for a while, let us read the words of the Economic Stabilization Board on the estimation of the hoarded goods.

ESB Denies the Existence of Hoarded Goods:

On July 15, the Seko instructions were sent as a subject of discussion to the standing committee on Public Peace and Local Administration System in the House of Representatives, which summoned the parties concerned in the government, chief of the Metropolitan Police Board, Director of the Public Bureau and others requesting them to interpret the matter.

Replying to questions, the Economic Stabilization Board revealed the following figures of hoarded goods reported from April 22nd to the end of June.

1. Number of Reports Received: 282 cases

2. Number of Exposures: 145 cases

3. Number of Instructions issued to take custody of hoarded goods: 88 cases

Converting these goods into monetary values:

1. Goods taken custody in the Industrial Rehabilitation Board: ¥13,398,393

2. Goods scheduled to be accepted: ¥17,626,451

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Total .....¥31,024,844

Thus, ¥50-billion worth of hoarded goods have been reduced to ¥30-million by the hand of the ESB.

As to the Seko Information, Numa, Chief of the Stock Division, ESB, expressed his opinion saying:

"It is not proper to estimate goods by information only. It was an undeniable fact that Mr. Seko was apt to define all the goods stocked in warehouses as hoarded goods. I'd like to show you an example in which you would well recognize difference between information and actual spot investigation.

"It is a case in a textile warehouse in Kyoto City. Mr. Seko estimated the hoarded goods at ¥3-billion. The goods, however, which were sold from a Mr. Shibayama to Mr. Seko, were previously listed on the official account book of the Government by the Emergency Measures issued on February 17."

Revealing the weak and baseless nature of the Seko Information, Numa explained the complicated circumstances regarding liquidation by the ESB with following statement:

(1) On February 14 this year, according to the decision reached at the Cabinet meeting, the Hoarded Goods Liquidation Committee was set up in the Economic Stabilization Board, with Tanzan Ishibashi, Director of the ESB, and Koichi Seko as Chief and acting-chief of the committee respectively. Committeemen were selected from the governmental officials of the ministries concerned. The actual business of the committee, however, was to be invested in the 2nd Inspection Section, ESB, which was scheduled to be under the direction of the prospective Board of Inspection. As the committee has not been legislated and there are no investigation bodies, the committee has had no legal authority to expose any hoarded goods, and has been nothing but a counsel to the ESB and the ministries concerned which have the actual right to give instruction to purchase and distribute hoarded goods. The work of exposure and liquidation of hoarded goods rested upon officials of the ESB.

(2) The Hoarded Goods Liquidation Committee made no resolutions at its inaugural meeting held on February 24 when addresses of the chief and acting-chief of the committee and exchange of views between committees were made.

The so-called Seko Instructions and work of distributing scheduled hoarded goods were issued and made privately by Seko at his own will. Investigations were made during his tenure of office but no exposure of hoarded goods had been carried out prior to his resignation on April 11.

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(3) The 2nd Inspection Section began its operations at the end of April this year, along with the set-up of the Industrial Rehabilitation Board, and it issued instructions for custody simultaneous with its initial acknowledgment of hoarded goods on April 22.

(4) The ESB decided to transfer hoarded and hidden goods to the Stock Division of the Inspection Section soon after the inauguration, by which the responsibility for exposure rested with the Stock Division of the Inspection Section and Inspectors of the local economic stabilization office. The delivery of hoarded goods had been under the jurisdiction of the Industrial Rehabilitation Board, and its distribution had been carried out by the Board of General Affairs in conformity with temporary plan made by ministries concerned.

However, the one-sided explanations and figures made by ESB seem to have certain limits in the understanding of the case by the general public. The common sense of the people dictates that any large amount of various commodities as shown on the blackmarket would cost far more than ¥30-million.

Meanwhile, Seko, pounding the table in a fit of anger against the defective and retaliatary report of the ESB, expressed his opinion:

"To leave the matter in the hands of the bureaucrats is to wait for the muddy water of a great river to clear. I'd like to see what they would do."

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## The Government is Planning to Cope with the Situation

As the Seko Case developed, the government has been to take necessary steps to sweep away the doubts of the people on the irresponsible and changing attitude of the parties concerned, and after a series of consultations and conferences, the government has decided to set up a Seized Goods Utilization Committee which was scheduled to be directly attached to the cabinet. Taking into consideration the failure of the past, particular emphasis was expected to be placed on the activities of exposure and utilization of hoarded goods under the temporary direction of State ministers. As to the plan, State Minister Hayashi made a suggestion on the true aspects of Seko Case at the Mainichi Shimbunsha on July 27.

According to the statement, the Utilization Committee will be inaugurated in an aim to make full use of all the materials possessed by the Government and by individuals, which, it is expected, will boost production of commodities remarkably. The committee will have a Central General Office under the direction of which will be prefectural and local units of the committee. Along with the aforesaid measure to unite both officials and people, a national census of materials is scheduled to take place as a strong measure in respect to hoarded goods. Although the ESB and the Ministry of Commerce oppose the plan from respective administrative point of view, it is believed that the most important matter is how the inheritances of the former military can be distributed fairly and equally to the general public to realize a big increase in production.

Whatever methods may be used, unless they have a convincing settlement which can fully persuade the people, a 2nd or 3rd Seko Case will inevitably occur in succession causing more confusion to the national morality.

At any rate, the true phase of the Seko Case is about to be revealed in both its political and criminal aspects. The solution of the case will not need much time but the matter is so complicated and so easily probably that unless fundamental and deep measures are taken, another Seko case will necessarily rise.

- END -

PROGRESS REPORTS

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

8 March 1948

SPECIAL PROGRESS REPORT (A-4)

1. On 3 March 1948, representatives of Government Section accompanied a thirty-man investigation team composed of procurators and other judicial officers from the Tokyo District Procurator's Office, in a search of the Miyoshi Chemical Industry Company in Edogawa Ward, Tokyo. The team discovered large quantities of hoarded goods consisting of naphtalene, caustic soda, oil, steel tubing, iron sheeting, electric motors and other miscellaneous iron, textile and rubber goods. Newspaper reports on 5 March indicated that the hoarded goods exposed in the two day search starting 3 March, were worth more than ten million yen.

2. On 4 March 1948, representatives of Government Section accompanied personnel of the Supreme Procurator's Office and the local district procurator's office in an inspection of two of the 150 warehouses of the Fuji Industrial Company (formerly known as the Nakajima Aircraft Company), near Takasaki, Gumma prefecture, which have been sealed by the procurators since they contain stockpiles of hoarded goods valued, according to newspaper reports, at over five billion yen in current black market prices. The two warehouses visited by Government Section representatives contained large stockpiles of asbestos, wire of various types, metal sheeting and ingots of lead, tin and zinc, in addition to miscellaneous aluminum, scrapped airplane engines, and other goods used in the manufacture of aircraft.

3. On 5 March 1948, a representative of Government Section who had accompanied the procurator on the two aforementioned trips, visited Mr. Emerson Ross of Economic and Scientific Section and reported to him the fact that the procurators had in their custody not only the hoarded goods referred to above, but also tremendous quantities of other hoarded goods throughout Japan as a result of a concerted investigation drive by procurators during the past three months. The goods so far uncovered are valued at approximately 1.3 billion yen at official prices and the investigations are continuing.

4. Mr. Ross referred the representative of Government Section to Mr. Theodore Cohen of ESS, whom he said was in charge of the program connected with hoarded goods. The representative of Government Section repeated this information for the benefit of Mr. Cohen and also advised him that although many of these goods had been discovered and held in the custody of the

procurators for several months now, they were still lying in the sealed warehouses and were not being utilized in industry. Furthermore, the procurators had also indicated that according to their understanding these goods were to be eventually turned over to various Kodans for distribution, but that the personnel of these Kodans included persons who had previously been engaged in black market activities. Consequently, the procurators feared that much of the goods would disappear again into black market channels once they had been turned over to the Kodans. The representative of Government Section indicated that the distribution of the goods was a matter outside the jurisdiction of Government Section, but that Government Section was willing to assist ESS in any way possible in planning for their proper distribution so as to avoid a repetition of black market activities in connection with these goods. The Government Section representative also suggested that various alternatives should be explored for distribution of these goods without utilizing the Kodans.

5. Mr. Cohen replied that ESS was completely familiar with the situation and knew that the personnel of the Kodans did include dishonest persons, but that the Kodans were their only possible means of distributing these goods. He stated that although the top layer of the directors and the key officers of the Kodans screened first for political activities by the Government Section Purge Division, and this top layer was later screened by ESS for technical qualifications and general competency, ESS did not have the personnel necessary to make a thorough check on the honesty of all the employees of the Kodans. He stated that ESS was engaged in working out further details of a hoarded goods program, including the proper implementation of SCAPIN 1863 through the use of Military Government Teams to check inventories and also the use of the CIC to search for hoarded goods, and the establishment of a system of rewards for informants who reported the location of hoarded goods. He stated that ESS had considered the possibility of using troops in collecting the hoarded goods and guarding them in warehouses, but that the transportation problems and the shortage of troop personnel made this impossible. He stated that G-3 had made an application to Washington for additional troops in this theater, justifying it, in part, by stating that they were needed in connection with the hoarded goods program, but that no further troops had been authorized. Mr. Cohen further stated that although he was in charge of the general planning of the program for hoarded goods, the Price Control and Rationing Division of ESS would be in charge of their allocation and distribution, so that the Government Section representative should contact Mr. Goodman of Price Control and Rationing Division.

6. The representative of Government Section reiterated that he felt that this was a problem outside the Government Section's jurisdiction, although he would be glad to cooperate in any way with ESS in this matter, and he would call Mr. Goodman and inform him about the conversation with Mr. Cohen. On 7 March 1948, the Government Section representative did discuss this matter with Mr. Goodman who stated that ESS realized that there were

dishonest personnel in the Kodans but that the Kodans were the only feasible method of distribution of the goods. The Government Section representative reported the result of his conversation with Mr. Cohen, on 5 March 1948, to Mr. Emerson Ross of ESS, and Mr. Ross thanked the Government Section representative and said he would see that the matter was followed up.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

8 March 1948

SPECIAL PROGRESS REPORT (M-11)

Based on the report submitted by Mr. FUTAKI, editor of Seikai Jeep, the Supreme Procurator's Office was informed of a large quantity of hoarded goods being held at Miyoshi Chemical Industry Company, Edogawa Ward, Tokyo. On 3 March 1948, the Tokyo district procurators made the raid and impounded the hoarded goods, which Kyodo press reported on 5 March as follows:

"Hoarded goods worth more than ¥10,000,000 were exposed by procurators today at a chemical industry company in Edogawa Ward, Tokyo.

"In a two-day search from March 3, a 30-man investigation team composed of procurators and other judicial officers found the suspected goods, which consisted of 10 tons of naphthalene, 26 tons of caustic soda, 45 tons of lubrication oil, 150 tons of edible oil, 16 tons of industrial salt, 50 tons of steel tube, 50 tons of steel bar, 30 tons of iron sheet, 45 electric motors and other miscellaneous iron, textile, and rubber goods.

"These goods were found stored in 13 warehouses of the Miyoshi Chemical Industry Company (President, Yoshio Hirai), Higashi-Sasazaki-cho, Edogawa Ward.

"Further investigations are now carried out by the procurator's office."

Mr. APPLETON and Mr. MATSUKATA accompanied the procurators to observe the manner in which this raid and similar raids were carried out by the procurators. Mr. FUTAKI had stated that the Police Chief in the Edogawa Ward had been bribed with 200,000 yen and on the morning of 4 March, the Economic Stabilization Board, Economic Inspectors had planned to expose these hoarded goods but had been negotiating with the executives of the company for over a week. This raid was carried out without notifying the local police and caught the company completely by surprise. It was obvious that the procurators are in great need of transportation facilities such as trucks and cars, and technicians.

On 4 March, Mr. APPLETON and Mr. MATSUKATA accompanied Mr. BRANDES of CPC to the Nakajima Aircraft Company in Gumma prefecture. Looted property was found among the goods impounded by the procurators. The procurators who

were working on this case expressed great concern over turning all these goods over to the Sangyo Fukko Kodan. The local procurators and representatives from the Supreme Procurator's Office stated that they were working on a plan to require a report from the Sangyo Fukko Kodan on the disposition of all goods turned over to them, yet with the shortage of procurators and assistants, this will cause a considerable burden on the procurators, and it is questionable whether this comes within the functions of the procurators. In the case of the Nakajima Aircraft Company, the warehouses are so scattered that the supervision of distribution from the scattered places would necessitate an army of inspectors. The procurators felt that although the cost of transportation would be tremendous, these goods should be stockpiled in a certain area and allocated through the supervision of Military Government for essential industries, f.o.b. stockpile. Without such a system, it is very probable that all these goods will be returned to the blackmarket through the Sangyo Fukko Kodan.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

25 February 1948

SPECIAL PROGRESS REPORT (M-10)

1. To date, Mr. YAMANISHI, liaison man for the Diet investigation committee, has reported that Mr. UNO, komon (adviser) to the committee, has not participated actively since his last courtesy call on Colonel KADES and Colonel HAYS, accompanied by Mr. KATO and Mrs. KATO. Mr. HASEGAWA has been appointed Chief Secretariat. He has not employed the personnel for the Secretariat as yet.

The Diet committee had intended to have TSUJI appear before the committee, but due to his health Mr. KATO decided to send a letter to Mr. TSUJI requesting information on his contributions. It has been reported that the first time Mr. KATO visited Mr. TSUJI, he presented him with ceremonial rice. The implications of this, in accordance with Japanese customs, is that Mr. KATO fully respects the position of Mr. TSUJI and although he is supposed to be investigating Mr. TSUJI, he is doing it reluctantly. Relative to this, it is interesting to note Koichi SEKO is leading an opposition group within the Liberal Party demanding the resignation of the present officers of the party. This is an indication that with Mr. TSUJI's dislike for Shigeru YOSHIDA, some agreement has been reached between Mr. KATO and TSUJI recognizing the necessity to reorganize the present Liberal Party, as the interest of GHQ in this investigation has been fairly strong and will necessitate some results in the investigation. It is very probable that Mr. TSUJI has decided that as under the present Japanese laws it is impossible to indict him criminally, he will take this opportunity to implicate a few leading members of the Liberal Party who have not altogether been in accord with his objectives. The fact that Koichi SEKO is leading this group, should be watched with great care as he has always been a kobun of TSUJI and Mannosuke YAMAOKA.

It was reported that Kanju KATO and Mosaburu SUZUKI went to Nagoya presumably to make preparations for a possible election, but it is more probable that these two Social Democrats went for a conference with Gishin TOKUGAWA. This may be an indication that although KATO is considered a left-wing Socialist, his relation to Giichi TANAKA, the first Army officer to join the Seiyukai party and become its president, still puts KATO in a position where he cannot openly defy TSUJI. It is further reported that KATO has had contributions along with SUZUKI from the dissolved Dobo Engokai (Repatriates Association).

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In talking with the Procurator General on 3 March 1948, he stated that he was conducting a secret investigation on KATO and all the various figures in the political world such as ONO, HOSHIJIMA, TSUJI, etc., but that he could not report anything at the present time as nothing definite had been found. He promised that if any concrete evidence was found in any of these cases he would report it to Government Section himself. He expressed little hope in the Diet investigation committee, as he was not too sure whether Mr. KATO was in the clear.

Regarding Mr. UNO, he stated that he was a very close friend of Kanju KATO, and that he was sure no investigation would be made of anything Mr. KATO did not desire.

On 29 February 1948, Mr. KATO called on the Procurator General to confer with him on the Arms Disposal Committee. The Diet committee has set up a sub-committee to investigate the Arms Disposal Committee, but due to lack of personnel, find it impossible to go very much further in this investigation. Upon hearing that the Procurator General was planning a thorough investigation of the Arms Disposal Committee, Mr. KATO stated that he would leave it completely up to the procurators.

2. It has been reported that prior to the payment by the Japanese Government to the construction contractors in December, Finance Minister KURUSU had visited Mr. YAMAGIWA of the Finance Ministry, who is responsible for all government payments. On every occasion Mr. KURUSU had requested payment by the government to the contractors in order that he could count on their support of the Democratic Party. On four occasions Mr. YAMAGIWA refused, but on the fifth occasion Mr. YAMAGIWA told Mr. KURUSU that if he would sign the necessary papers first, then Mr. YAMAGIWA would sign. Mr. KURUSU did sign first, followed by Mr. YAMAGIWA, making it possible to pay the contractors. This is a very unusual procedure in the Japanese government bureaus.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

19 February 1948

SPECIAL PROGRESS REPORT (M-8)

1. Mr. TAKEUCHI of the Supreme Procurator's Office reported on 18 February, 1948 that members of the Liberal party approached the Procurator General to ask whether anything could be done to stop the investigation of party contributions. Mr. TAKEUCHI was asked to furnish the names of the members of the Liberal party, but upon returning to his office, he found that the Procurator General had left for a conference. He contacted the Procurator General by telephone, but the Procurator General stated that it was not advisable to repeat the names over the telephone and that he would report this matter himself to Colonel KADES and Colonel HAYS on the morning of 20 February 1948.

2. The members of the Liberal party told the Procurator General that ONO, Banboku, Secretary General of the Liberal party, will resign due to this present investigation. The Procurator General told the representatives of the Liberal party that his job was to enforce the law of the land and there could be no deviation from this. The representatives informed the Procurator General that the formation of a Cabinet, or the holding of a general election was out of the question as this investigation had such grave implications, some of which are already apparent to the investigating bodies, that no person dared to contribute to the Liberal party, thus making it impossible to raise funds.

3. Mr. KATO, chairman of the Special Committee for Investigating Improper Property Dealings, requested a conference with Colonel HAYS and Mr. MATSUKATA, on 18 February 1948. At this conference, the reason for having such a committee and the objectives of such a committee were discussed in detail. Mr. KATO had drawn the assumption that a Diet investigating committee only had the responsibility of bringing to light the unethical activities in politics. The necessity for having a Chief Counsel and a competent investigating staff was reiterated, and Mr. KATO expressed the opinion that through this conference he now fully realized the duties and objectives of such a committee.

General Whitney

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4. Mr. YAMANISHI, the liaison man between Government Section and the Special Committee, reported on 19 February, 1948 that a meeting of the directors of the Diet Investigation Committee was to be held to discuss the procedure and questions to be asked TSUJI, Karoku, ex-secretary to SUZUKI, Kizaburo, boss of the ex-Seiyukai party, who in the course of the Seko Army Uniform Case, received two and one-half million yen of the extorted money, and upon questioning by the procurators submitted a list of thirty names, including Liberal and Democratic Diet members to whom he contributed this money for political purposes. The Special Investigating Committee had reached a decision to consider the case of TSUJI, Karoku as one of their first major cases. Mr. YAMANISHI was advised to tell Mr. KATO that in view of the conference held with Mr. KATO on 18 February, 1948, all available evidence should be compiled by the Chief Counsel prior to TSUJI's appearance before the committee. This was conveyed to Mr. KATO by Mr. YAMANISHI, but Mr. KATO flatly stated that they were proceeding as previously planned regardless of Government Section's advice.

5. In view of the information furnished by Mr. TAKEUCHI, it is recommended that Mr. KATO be allowed to continue the investigation of TSUJI in the manner he proposes.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

12 February 1948

SPECIAL PROGRESS REPORT (M-7)

1. The Procurator General's report on hoarded goods investigation dated 12 February, 1948 shows goods valued at approximately one billion yen, ceiling price, presently being impounded by district procurators' offices throughout Japan (Appendix A). The blackmarket value is approximately fifteen times that of the ceiling price. The majority have been found in Yokohama, Maebashi, Nagoya, Osaka, Kyoto, and Kyushu. At the present moment it would be incorrect to construe all these goods as hoarded goods, but it can be assumed that ninety per cent will be hoarded goods in the eyes of the law.

2. A conference of all district procurators was held in Tokyo at the Supreme Procurator's Office on 5 and 6 February, 1948. Colonel KADES, Government Section, addressed this conference with a lecture entitled, "Equality Under the Law - The Root of Democracy". Each district procurator reported on the present status of investigations being carried out under the new program for investigating hoarded goods. The Procurator General and his staff instructed the district procurators on the methods and procedures to be followed in future investigations.

3. A special conference was called on 7 February, 1948 by the Procurator General which included the members of the special committee investigating hoarded goods in the Supreme Procurator's Office and the district procurators of Nagoya, Osaka, Kyoto, and Kyushu. According to the district reports, these areas are conducting the largest investigations. The procurators stated that in all their experience they have never handled cases that covered such vast areas and immense quantity of goods. It has been a custom of the procurators in Japan to be over-cautious in initiating an investigation. They realize although caution is necessary, it is important that they broaden their outlook if they are to attain any satisfactory results from these investigations. Due to their shortage in personnel and lack of trained investigators, who previously came from the police force, they have found it necessary to have the fullest cooperation of government workers and private company employees in order to disseminate the vast number of documents and inventory the goods. This is entirely new to them as they have always stayed away from the social life of the community with the feeling that mingling with the general populace would bias their investigations. They decided to approach hoarded goods by first

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acting speedily on reports submitted to them from various sources, and upon locating the goods, to impound them, and at the same time, to impound any books and documents related to these goods, thus working from both ends. This method has proven very satisfactory in Yokohama and Nagoya.

a. The Arms Disposal Committee.

This committee of zaibatsu companies is presently being investigated by the Diet Improper Property Transactions Investigation Committee. The procurators for over a month have been studying the methods through which they may legally impound all the documents and goods of this committee. At the outset, it was anticipated that the charge of fraud brought against the Osaka Arms Disposal Branch Committee would be due cause for conducting a nation-wide investigation. Yet, the legal procedure necessary to obtain a warrant to impound the goods and documents throughout Japan necessitated further inquiry into how this could be done. Recently, a conference was called in Tokyo of all district procurators presently investigating any cases relative to the Arms Disposal Committee and its branches. They concluded it would be necessary to officially ask the Arms Disposal Committee for a final report on their disposition of the goods turned over to this committee from the Home Ministry and various governors of the prefectures. When this report is received, on the basis of the cases presently being investigated, a warrant will be requested of the court to impound the necessary documents and materials of the committee throughout Japan.

In a conference with Mr. Allison, Liquidation Branch, ESS, Mr. Allison stated the Arms Disposal Committee had employed a great number of ex-Army and Navy personnel and some offices were being run exactly like a military organization. He further stated the Liquidation Branch of ESS may possibly take over jurisdiction of this committee in the near future.

b. Osaka Arsenal Case.

On 3 December, 1947, acting on a report submitted to them by the Executive Committee of the Asahi newspaper, the procurators impounded the books of the Osaka Railway Bureau, Finance Bureau, and prefectural government, relative to the Osaka Arsenal. Eleven procurators, twenty-five assistants and twenty police investigators have been mobilized for this case. They further impounded approximately 39,000 tons of steel, iron, and other metal products valued at 547,000,000 yen, ceiling price. This metal has been impounded in ninety-nine different places, including twenty-two companies, the majority being part of the Sumitomo, Asano, and Mitsui zaibatsu combines. The documents show the probability of seven hundred more companies being involved. The extent to which this investigation is going to progress laterally and vertically is extremely hard to determine at this stage of the investigation. The employees of the companies under

investigation have fully cooperated with the procurators and if it were not for this, the investigation would not have progressed this far.

On 28 January, 1948 the chief procurator for Osaka district was summoned by the 25th Division, J. A. Section, and ordered not to indict any person charged with illegal disposition of hoarded goods in the Osaka Arsenal Case during the period it was under the custody of the Allied forces ( 2 Sep 45 - 21 Nov 45 ). This was presented to the procurator as a direct order from the Eighth Army. Although a request was made to have this order in writing, the J.A. Section stated that an explanation would be given at a future date, but a written order could not be given at this time. This has caused considerable complications in the investigation as the violations of the law regarding hoarded goods extend from the time of the surrender. The Procurator General requested of Government Section that this situation be clarified if it is desired that this investigation be continued.

c. Fuji Sangyo Industrial Co.

This company was known as the Nakajima Airplane Factory during the war. Ninety-eight per cent of the stock is held by the Nakajima family. During the war, the Japanese Government operated the fifteen units of this company and returned it to the owners on 18 August, 1945. At that time, the name was changed to Fuji Sangyo Industrial Co. Regardless of the fact that the occupation forces took possession of all the warehouses and plants in 1945 as part of the war machine, when the goods held by the occupation forces were returned to the Japanese Government in 1946, the Japanese Government returned intact the plant and all the war materials to the original owners, without compensation. Reports that this vast quantity of goods had gradually been infiltrating the blackmarket, led to investigation in Nagoya and Maebashi.

On 20 January, 1948 seven procurators and fifteen assistants impounded thirty warehouses, 100 meters in width and 30 meters in depth, containing oil products, textiles, rubber, leather, chrome, nickel, copper and electrical equipment. The exact value of these goods has not yet been determined owing to the shortage in personnel. It is expected that the great majority of goods in these warehouses may be construed as hoarded goods for the reason that the company falsified its March, 1947 report to the Commerce and Industry Ministry on essential raw materials. For example: They reported 38,980 bearings; a check on the company books showed 246,000 bearings at the time of the surrender, and a check on the bearings on hand at present shows 260,000. Further, they reported only 6,000 tons of iron when the company books show 80,000 tons of iron at the time of the surrender. A very similar investigation is being conducted in Maebashi, Gumma prefecture, the home office. The quantity of goods seized in this area is larger

than Nagoya. The Economic Stabilization Board Economic Inspectors spent two weeks at this plant ostensibly for investigation. The procurators found that during the two weeks they had spent at this factory, they had been entertained lavishly and had not checked any books of the company, or a single warehouse. With this information, the case was completely taken over by the procurators from the Economic Stabilization Board Economic Inspectors.

4. The above three cases have been designated as the priority cases, and with the exception of the Osaka Arsenal case, a special team is being set up in the Supreme Procurator's Office to supervise this investigation.

5. Nagasaki, with its various ex-naval bases, may prove to be an important area. At present, due to the difficulties encountered with the police, it has been almost impossible to conduct any investigation. The police in that area have done everything within their power to hamper the activities of the procurators. For this reason it has been impossible for the procurators to recruit the new personnel authorized in the budget for investigating hoarded goods. At present, the food situation in Japan necessitates an individual to buy foodstuffs on the blackmarket to supplement his rations, as in many areas the ration of rice or staple food is being diverted into the blackmarket. With the police checking on the procurators, not as ordinary citizens, but because they are procurators, many procurators and their assistants find it impossible to carry on a day's work with their present ration and would rather quit their jobs. The Procurator General has requested support from SCAP in order that he may thoroughly investigate the tremendous hoard of goods presently flowing into blackmarket in the Kyushu area.

6. Kyoto-fu has two large Army and Navy installations. The investigation of these installations and the disposition of the goods formerly located in these installations is presently being investigated. The Kyoto Increase Production case, which implicates the present governor, KIMURA, is being further investigated as the procurator in Kyoto feels the governor is involved, and if any evidence is available, it should be uncovered and the guilty brought to account as a necessary step for democratic local government to succeed in Japan. Kyoto and Kyushu districts are considered as priority No. 2 cases.

APPENDIX "A"

Hoarded Goods Presently Being Impounded
by the Supreme Procurator's Office
January 31, 1948

1. This chart is a compilation of all goods presently impounded by the district procurators' offices throughout Japan.

2. The chief district procurators were instructed to list all goods at the prevailing price. (This price cannot be construed as the black-market price as in some cases the prevailing price is below the official government price.) The reports submitted by these procurators vary due to lack of information on the prevailing prices and ceiling prices (official government prices), in the districts. Some areas were able to list both the prevailing price and ceiling price. Others were able to list just the prevailing price or the ceiling price. The totals shown below represent forty per cent of the value of the total goods presently impounded. In cases such as Nagoya and Osaka, the inventory of goods presently held has been so complicated that the prices, ceiling or prevailing, were not listed.

3. (a) Total value of goods listed at ceiling price (60% listed no ceiling price or prevailing price). 594,268,667 yen

(b) Total value of goods listed at prevailing price (60% listed no ceiling price or prevailing price). 1,124,277,202 yen

Percentages as shown below are taken from the ceiling price total:

| | |
|---|---|
| Iron and steel | 68% |
| Clothing | 8% |
| Fabrics | 8% |
| Lead copper | 6% |
| Papers | 3% |

Percentages as shown below are taken from the prevailing price total:

| | |
|---|---|
| Iron and steel | 63% |
| Papers | 9% |
| Rubber | 3% |
| Fabrics | 13% |
| Clothing | 8% |

| Classification | Confiscated Goods | | | | Remarks |
|---|---|---|---|---|---|
| | Name of Goods | Amount | Ceiling Price | Prevailing Price | |
| IRON ORE | Iron Material | 44,263 ton | 8,918,000 | 97,537,160 | |
| | Pig Iron | 305 " | 522,400 | 1,800,000 | |
| | Iron Plate | 828 pcs. | 62,350 | Under investigation | |
| | Scrap Iron | 64 ton | 587,400 | 867,000 | |
| | Iron Pipe | 168 " or 239 pcs. | under invest. | Under invest. | |
| | Steel material | 49,166 ton | 392,151,921 | 607,729,427 | |
| | Steel scrap | 3 " | 3,000 | 3,000 | |
| | TOTAL | | 402,245,071 | 707,936,587 | |
| NON-METALS | Copper (including brass) | 27,405 ton | 26,244,642 | 18,395,093 | |
| | Copper scrap | 77 " | 2,960,020 | 3,114,171 | |
| | | 97 " | 3,390,000 | 5,500,000 | |
| | Lead | 210 " | 100,000 | 34,012 | |
| | Tin | 815 " | 614,100 | 355,429 | |
| | Zinc | 43 " | 168,700 | Under invest. | |
| | Duralumin | 98 " | Under invest. | Under invest. | |
| | Duralumin scrap | 203 " | Under invest. | Under invest. | |
| | Silver | 196 kg. | 118,973 | 3,315,200 | |
| | Brass | 1 ton | 75,000 | Under invest. | |
| | Aluminum | 68 " | 77,000 | Under invest. | |
| | Antimony | 180 kg. | Under invest. | Under invest. | |
| | Tungsten | 35 ton | 850,000 | Under invest. | |
| | Nickel | 7 " | 150,000 | Under invest. | |
| | Manganese | 60 kg. | 20,000 | Under invest. | |
| | Mercury | 1.7 ton | Under invest. | Under invest. | |
| | Solder | 1.5 " | Under invest. | Under invest. | |
| | White metal | 4.2 " | Under invest. | Under invest. | |
| | TOTAL | | 34,678,436 | 30,713,905 | |

| Classification | Confiscated Goods | | | | Remarks |
|---|---|---|---|---|---|
| | Name of Goods | Amount | Ceiling Price | Prevailing Price | |
| METAL GOODS | Nails | 44 tons or 168 bars. | 2,167,080 | 20,000 | Prevailing prices listed are only for those known |
| | Wire Rope | 29 tons or 244 rolls | 1,410,000 | 1,000,000 | " |
| | Iron Wire | 7 ton | 31,200 | Under invest. | |
| | Electric Wire | 3,700 M or 9 tons | 15,000 | " " | |
| | Gold ore | 1,620 M | 81,750 | " " | |
| | Needles | 87 pkg or 1,150 pcs. | 20,000 | " " | |
| | Miscellaneous | 36,720 points | 1,202,561 | " " | |
| | TOTAL | | 5,120,716 | 1,020,000 | |
| MACHINE GOODS | Motor | 1,141 | 2,465,000 | Under invest. | |
| | Transformer | 5 | 300,000 | " " | |
| | Machines | 129 | 426,200 | 400,000 | |
| | Automobiles | 2 | Under invest. | Under invest. | |
| | Ships | 6 | 8,000,000 | " " | |
| | Misc. Machines | 292 | 260,479 | 20,000 | |
| | Machine parts | 129 points | 20,000 | Under invest. | |
| | TOTAL | | 11,471,679 | 420,000 | |
| TOOLS | Tools | 1,073,379 points or 10 tons | 3,764,023 | 151,200 | |
| | Miscellaneous | 1,310 points | 349,318 | Under invest. | |
| | TOTAL | | 4,113,341 | 151,200 | |

| Classification | Confiscated Goods | | | | Remarks |
|---|---|---|---|---|---|
| | Name of Goods | Amount | Ceiling Price | Prevailing Price | |
| LEATHER GOODS | Hide | 205 ton or 7 rolls | 8,086 | 493,000 | Ceiling prices are only for those known |
| | Leather shoes | 12,127 pairs | 268,677 | 383,900 | |
| | Other goods | 6,863 points or 2 ton | 422,740 | Under invest. | |
| | TOTAL | | 699,503 | 876,900 | |

| Classification | Confiscated Goods | | | | |
|---|---|---|---|---|---|
| | Name of Goods | Amount | Ceiling Price | Prevailing Price | Remarks |
| OIL | Gasoline | 94 | 91,000 | 320,000 | |
| | Industry Oil | 8,321,596 | 6,110,567 | 563,570 | only known prices are listed |
| | Vegetable Oil | 17,876 | under invest. | under invest. | |
| | TOTAL | | 6,201,567 | 883,570 | |
| RUBBER | Crude Rubber | 286 tons | 651,000 | 18,970,000 | |
| | Waste Rubber | 23 tons | 15,000 | under invest. | |
| | Rubber Goods | 36,039 | 9,741,146 | 17,265,109 | |
| | TOTAL | | 10,407,146 | 36,235,109 | |
| THREAD | Cotton Thread | 17,000 kan | 79,738 | 965,848 | only known prices are listed |
| | Cotton Thread | 141 141 bdls | 70,000 | under invest. | |
| | Cotton Thread | 4,433 | 246,085 | under invest. | |
| | Silk Thread | 5,012 kan | 347,412 | 66,050 | only known prices are listed |
| | Hemp Thread | 60,746 lbs | under invest. | 25,000 | |
| | Woolen Yarn | 538 lbs | 117,420 | under invest. | |
| | TOTAL | | 860,655 | 1,056,898 | |
| MATERIAL | Cotton Material | 57,578 tan | 17,668,560 | 125,125,450 | |
| | " " | 582,025 | | | |
| | " " | 700 | | | |
| | " " | 1,976 | 9,432,210 | under invest. | |
| | " " | 253 | 3,658,228 | 7,142,221 | |
| | Silk Material | 3,672 tan | | | |
| | " " | 199,122 | 9,545,642 | 15,166,450 | |
| | Rayon Material | 13,033 | | | |
| | " " | 17 packs | 1,500,000 | 3,000,000 | |
| | Woolen Material | 1,248 | | | |
| | " " | 70,853 | 945,763 | 1,366,320 | |
| | Hemp Material | 32 tan | | | |
| | " " | 1,230 | 28,230 | under invest. | |
| | " " | 1,936 | 21,400 | under invest. | |
| | TOTAL | | 45,500,033 | 151,800,441 | |

| Classification | Name of Goods | Confiscated Goods: Amount | Ceiling Price | Prevailing Price | Remarks |
|---|---|---|---|---|---|
| TEXTILE GOODS | Clothing | 20,519 | 1,110,844 | 8,100,063 | |
| | Fatigue-dress | 8,310 | 3,062,510 | Under invest. | |
| | Silk goods (stocking) | 7,330 | | | |
| | " " | 506 | 1,752,642 | " " | |
| | Yardage goods | 321,756 | 4,439,091 | 53,467,911 | |
| | Bedding | 7,749 | 303,000 | Under invest. | |
| | Blankets | 29,186 | 63,000 | " " | Only known ceiling prices |
| | Mosquito net | 39 | 4,600 | " " | |
| | Textile | 93,007 | | | Only known prevailing prices are listed |
| | | 17,825 | | | |
| | | 38 | 23,651,261 | 20,001,830 | |
| | Waste textile | 1,096,028 | 8,163,091 | 1,990,000 | " " " |
| | Tent | 6,353 | 360,322 | Under invest. | |
| | Manilla rope | 38,577 | 2,148,000 | " " | |
| | Others | 496,303 | 3,286,607 | 6,895,507 | |
| | TOTAL | | 49,124,968 | 90,455,311 | |
| PAPERS | Paper | 37,000 | | | Only known prices are listed |
| | | 267,200 | | | |
| | | 249,421 | 17,986,820 | 100,000,000 | |
| | Sliding-screen paper | 27,526 | | | |
| | TOTAL | | 17,986,820 | 100,000,000 | |
| | Cement | 85 tons | | | |
| | | 181 bags | 244,959 | 325,500 | |
| | Glass | 20,865 | 39,450 | 79,420 | |
| | Timber | 28 tons | | | |
| | | 1,923 | 81,500 | 125,000 | |
| | Straw mat | 11,404 | 3,672,094 | 1,300 | Only known prevailing prices listed |
| | Marble | 500 | 50,000 | Under invest. | |
| | Rush | 5,345 | 133,625 | " " | |
| | Asbestos | 2 | 10,000 | " " | |
| | Rubidium | 72 | 7,200 | " " | |
| | TOTAL | | 4,238,828 | 531,200 | |

| Classification | Confiscated Goods | | | |
|---|---|---|---|---|
| | Name of Goods | Amount | Ceiling Price | Prevailing Price |
| FOODS | Staple foods | 42,672 Kg. | 332,940 | 1,362,021 |
| | Food flavors: Salt | 3,495 Kg. | 16,830 | 45,000 |
| | Soy bean | 55,511 Cu. | 61,645 | Under Invest. |
| | Sugar | 58,556 Lbs. | Under Invest. | " " |
| | Others: Sesame | 754 | 142,026 | " " |
| | Strong drinks | 25 | 7,500 | " " |
| | Millet-jelly | 30 | Under Invest. | " " |
| | TOTAL | | 562,941 | 1,407,021 |
| FUEL | Charcoal | 200 | Under Invest. | Under Invest. |
| | Coal | 36 tons | " " | " " |
| | Soap | 13,564 | 547,890 | " " |
| MISC. GOODS | Electric bulbs | 174,384 | 215,000 | " " |
| | Candles, matches, etc | 31,307 | 117,155 | 248,240 |
| | TOTAL | | 880,045 | 248,240 |
| DRUGS | Medicine | 2,640 | 94,650 | Under Invest. |
| | Paints & Glue | 90 | 3,646 | 500,000 |
| | Naphtaline | 105 Kg | 13,622 | 40,800 |
| | Caustic Soda | 247 | 20,000 | Under Invest. |
| | Benzol | 24 bxs. | Under Invest. | " " |
| | Sulphuric Acid & Ethyl | 200 | " " | " " |
| | Tar | 659 kan | 30,000 | " " |
| | Carbide | 4.5 tons | 15,000 | " " |
| | TOTAL | | 176,918 | 540,800 |

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NND # 773012



GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

16 January 1948

SPECIAL PROGRESS REPORT (M-6)

1. The Minister of Justice has conferred with the Prime Minister's office on the arrest of MOTOFUJI, Tsunematsu, House of Representatives Social Democrat. MOTOFUJI has violated the Price Control Law and possesses tea officially belonging to the ex-Japanese Army.

2. The Minister of Justice will present the details to the Prime Minister on 23 January, 1948, and will request the Prime Minister to ask the Speaker of the House to pass a resolution of the Diet consenting to the arrest of MOTOFUJI.

General Whitney

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDB # 775012

SECRET

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

15 January 1948

SPECIAL PROGRESS REPORT (M-5)

1. The following is a list of goods presently held by the procurators' office relative to the Hoarded Goods cases. Only the period from November, 1947 to 31 December, 1947 is included. The investigation of hoarded goods was started during the latter part of November, 1947. This list can in no way be considered as complete as all districts have not submitted a final report to the Attorney General.

| | |
|---|---|
| Aluminum Alloy | 20,860 Hg. |
| Cotton and staple fibre fabrics | 11,093 tan |
| Silk fabric | 182 tan |
| Cotton cloth | 8,400 tan |
| Explosive | 21 boxes |
| Raw silk | 506 kan |
| Silk fabric | 1,312 yds |
| Silk stockings (No. 1) | 620 prs. |
| Silk stockings (No. 2) | 117 kan |
| Silk stockings (No. 3) | 389 kan |
| Silk shirt | 15 |
| Silk drawers | 15 |
| Silk muffler | 25 |
| Silk ladies gloves | 91 prs. |
| Silk fabric | 145 tan |
| Cotton thread | 91 kan |
| Rayon thread | 237 kan |
| Silk woven thread | 2.6 kan |
| Cotton fabric | 149 yds |
| Staple fibre and rayon fabric | 712 yds |
| Rayon fabric | 600 yds |
| Unpolished rice | 2,940 Klg. |
| Polished rice | 1,020 Klg. |
| Starch | 790 Klg. |
| Wheat | 330 Klg. |
| Beans | 44 Klg. |
| Green peas | 90 Klg. |
| Noodles | 66 Klg. |
| Wheat | 109 Klg. |
| Biscuit | 1554.8 Klg. |

SECRET

DECLASSIFIED AUTH: PUBL SEC. 3(E) AND 3(J) OR (E) NNDB # 775012



| | |
|---|---|
| Table salt | 30 Klg. |
| Powdered soy beans | 228 Klg. |
| Corn flour | 2027.5 Klg. |
| Flour | 1,948 Klg. |
| Herring | 349 Klg. |
| Canned salmon | 391 Klg. |
| Other foodstuff | 1,182 Klg. |
| Kitchen utensils | 2,623 |
| Polishing cloth | 20,633 pieces |
| Pick | 110 |
| Working clothes | 3,375 |
| Blankets | 4,967 |
| Sheets | 500 |
| Overcoats | 2,997 |
| Shoes | 1,891 prs. |
| Comforters | 1,510 |
| Tents | 123 |
| Benzol | 17 Klg. |
| Horse oil | 204,211 Klg. |
| Cotton gloves | 1,505 prs. |
| Cotton socks | 980 prs. |
| Gasoline | 2,200 ltrs. |
| Rayon fabric | 41,000 yds. |
| Fabric (for kimonos) | 100 tan |
| Rayon raw fabric | 97 tan |
| Fatigue (bottom) | 1,205 |
| Spindle oil | 44 Kl. ltr. |
| Grease | 61 Drum can |
| Copper | 11.8 Ton |
| Cloth materials | 234 yds |
| Iron pipe | 137 |
| Khaki fabric material | 769 yds |
| Cotton cloth | 6,745 tan |
| Tin | 1.064 tons |
| Lead | 7.440 tons |
| Iron | 42.267 tons |
| Steel scraps | 87.000 tons |
| Nickel | 91.800 tons |
| Raw Silk | 3,400 kan |
| Silk thread | 264 kan |
| Machine thread | large quantity |
| Cotton yarn | 400 |
| Cotton thread | 2,200 yds. |
| Woolen materials | 6,500 meters |
| Rayon goods | 110 tan (approximately) |
| Silk goods | 203 hiki |

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 775012



| | |
|---|---|
| Cotton | 495 yds. |
| Khaki cloth | 8,000 yds. |
| Japanese socks (tabi) | 459 prs. |
| Socks | 2,076 prs. |
| Pure cotton material for working clothes | 4,000 suits |
| Neckband | 2,200 |
| Shelter halves | 504 pieces (enough for 8 freight cars) |
| Coverings | 65 pieces |
| Service bags | 4,000 pieces |
| Drawers | 10,127 pieces |
| Drawers material | 173,333 pieces |
| Blankets | 383 |
| Raw rubber | 22,400 ton |
| Rubber Board 4½ millimeter thick | 548 |
| Rubber board, 6 millimeter thick | 300 |
| Sesame seed | 102 sacks (approximately) |
| Rape-seed | 654 sacks |
| Army winter shoes | 3,847 prs. |
| Electric-heated clothes for pilots | 550 suits |
| Tar paper | 150 pieces |
| Tar felt | 986 pieces |
| Machine tools | About 15 or 16 million yen worth |
| Iron | 5 tons |
| Copper | 20.850 tons |
| Aluminum | 2.360 tons |
| Tin | 21 tons |
| Lead | 4.670 tons (approximately) |
| Zinc | 1 ton (approximately) |
| Nails | 688 kan |
| Wire | 12 rolls (maki) |
| Submarine Cable | 900 to 1500 meters |
| Materials for iron bridge | 50,000 or 60,000 kan |
| Iron floatage | 120 |
| Boiler | 2 |
| Electric Motor | 2 |
| Small-sized Motor | 18 |
| Ship engine | 4 |
| Electric brake | 8 |
| Ventilator | 20 |
| Wool Scraps | 25 kan |
| Rag | 40 kan |
| Textile scraps | 32 kan |

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 775012



| | |
|---|---|
| Wool | 1,248 kan |
| Cotton yarn | 46 bales |
| Rayon | 97 tan |
| Cotton cloth | 3,200 yds. |
| School uniform | 7 packs (about 350 suits) |
| Woolen goods | 4,900 meters (approx.) |
| Gasoline | 9 cans |
| Heavy oil | 48,791 liters |
| Light oil | 8,000 liters |
| Coal tar | 334 cans |
| Ethyl | 36 |
| Sugar | 13,000 kin |
| Starch | 2,172 kan |
| Honey | 6 cans |
| Coal | 36 tons |
| Sheet-glass | 2 cases |
| Sulphuric acid | 160 |

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # 773012



GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

15 January 1948

SPECIAL PROGRESS REPORT (M-4)

1. A recent field trip to Tsu, prefectural capital of Mie prefecture, Yokkaichi, the town in which the Second Navy Supply Depot was located, and Kyoto, constituted an eye-opener regarding the over-all immensity of the task assigned to the Procurator General. It proved beyond a doubt that an investigation of any arsenal requires extremely competent procurators and trained investigators assisted by technicians in various fields. During this trip, an inspection of approximately ten warehouses, presently held by the Japan Fertilizer Co., located within the Second Naval Supply Depot, brought to light the fact that a vast quantity of critical material is being held by a company designated for liquidation, a company in which the advisors and executives are ex-Navy officers. Added to these technical difficulties is the fact that there is at present only one procurator and one investigator assigned to the Yokkaichi area. He has no transportation facilities at his disposal and the telephonic communications are extremely poor. He lacks authority to deal with the local police.

a. The Yokkaichi police have jurisdiction over the Japan Fertilizer Co., and it is only with their permission that anything can be transported out of this area, yet last Sunday when this inspection was made, a train load of iron and other goods was being shipped out of this arsenal, supposedly by the Arms Disposal Committee. No facilities for checking the quantity being transported was apparent. All the materials in the hands of the Japan Fertilizer Co. had been sold to that company by the Mie prefectural government after the goods had been returned to the Japanese Government by the occupation forces. A report submitted on Sunday by the prefectural government included a list of companies to which these goods had been sold, yet the name of the Japan Fertilizer Co. did not appear once on this list.

b. In checking some of the reports made by the Yokkaichi police, it was found that the ex-naval Commander of this depot has ordered machinery returned to the Japan Fertilizer Co. which was originally distributed to various companies before the occupation forces took over the arsenal. From all existing circumstances, it seems apparent that no question has arisen as to the authority of this ex-naval Commander ordering the return of these goods.

DECLASSIFIED E.O. 12032 SEC. 3(E) AND 3(D) OR (E) NNDG # 775012



2. The Kyoto procurators are at present one-fourth under strength. They find it impossible to fill their quota of procurators at the prevailing wage scale. They are handling approximately three times the number of cases they previously handled. Under the Hoarded Goods Investigation Program set up by the Procurator General, they have been given a quota of thirty-three additional investigators. They have done as much publicity work as possible under their present budget to recruit these thirty-three men, but the best they hope to get is twenty. The procurators' office in Kyoto has at present 6,890 cases of all types pending. Of these, 4,000 cases fall under the type of former police court cases. Today, the procurators find it impossible to present to the court the evidence submitted by the police in these minor cases, as in most incidents it is insufficient. This situation requires the assistants or investigators to go out and find their own evidence. The Military Government in Kyoto is very much interested in finding a way to clear these 4,000 minor cases, but feels that some type of machinery has to be set up here in Tokyo and applied in the district before this can be done. There are only 140 cases, of all types, which previously were under the jurisdiction of the provost courts that are presently being handled by the Japanese courts. Of these, only 70 are at present pending. This overwhelming proportion of pending cases makes it almost impossible for such a limited number of procurators and their assistants to do a thorough job in investigating hoarded goods.

3. The Kyoto Increase Production Society case involves the present Governor KIMURA, ex-Governor MIYOSHI, and TAGAMI, presently Chief of the Central Procurement Agency, Osaka Branch, and ex-Economic Section Chief, Kyoto Prefecture Government.

a. According to the Kyoto procurator, during the year 1946, a report of ex-Army and Navy goods, not originally listed and reported to the occupation forces, was to be compiled and reported to the Home Ministry. At this time, TAGAMI listed only one-third of the stocks on hand previously unreported, and Governor KIMURA put his "han" to this report. The goods were secretly transferred to the Kyoto Increase Production Society and used for the benefit of the Kyoto prefectural government and certain individuals. It was used like a secret fund for bonuses to employees of the prefectural government and retiring governors and police chiefs.

b. At the time the above report was made, this organization had twenty million yen in cash besides the goods that they held. At present, they have approximately ten million yen in the Sanwa Bank besides the goods listed below that were frozen by the procurators' office in Kyoto.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNUG # 775012



| | | |
|---|---|---|
| 12,300 | kilograms | tin |
| 33,000 | " | lead |
| 2,500 | " | aluminum |
| 3,970 | " | nickel |
| 22,200 | " | bearings |
| 2,800 | " | nails |
| 1,000 | " | ball bearings |
| 330,000 | " | rock wool |
| 8,700 | " | piano wire |
| 2,000 | " | steel wire |
| 9,000 | " | copper wire |
| 28,000 | " | sheet copper and piping |
| 30,000 | " | springs |
| 47,000 | " | zinc |
| 1,000 | " | powdered iron |
| 4,000 | " | special steel |
| 170,500 | " | pig iron |
| 7,000 | " | ordinary iron |
| 1,771 | " | mercury |
| 31,000 | | machine tool bits |
| 32 | | sewing machines |
| 9,000 | sheets | cloth |
| 12,520 | rolls | paper |
| 428,400 | | envelopes |
| 4,860 | | handbags |
| 17,889 | | wrenches |
| 914 | tan | silk material |
| 22,500 | yds | hemp |
| 632 | | Boston bags |
| 2,068 | | leather bags |
| 60,000 | | blankets |
| 600 | articles | bedding |
| 1,000 | tan | silk thread |

c. The implicatcns of this case are that the Central Government did know of some of the dealings that went on in the prefectural government, although only one such case has appeared at the prefectural level. In conversation with the Chief Prosecutor for Nagoya district, he thought if investigated, this would be true of most every prefecture in Japan. When the Tsu procurator was asked approximately how much goods in his opinion could be found in Mie prefecture alone, he stated "If I cannot find three billion yen worth of goods in this prefecture, I should resign".

4. In Tsu, the procurator in charge is an old and incompetent man. His authority and influence seems very limited as a result of his inefficiency and of his long stay in that area, and it is almost incon-

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ceivable that he will have the nerve to impound all the prefectural government books along with the local Arms Disposal Commission books, or those of other agencies that have disposed of government property. The Military Government Teams of Tsu and Kyoto are very interested in seeing that this situation be thoroughly investigated. They feel they have at present no authority to deal with these problems, as the Home Ministry, or its successor, seems to have sole jurisdiction. For example, the area of Tsu has a great housing shortage. Some ex-Army installations there consist of buildings and scrap wood which the Military Government Team could ably use for welfare purposes, yet the officials in charge of these properties state that they either belong to private companies, the Finance Ministry, or the Home Ministry, and that without a sufficient budget in the Welfare Section of the prefectural government, it will be impossible to utilize this land, buildings and supplies without first buying them. In the eyes of the Military Government, this completely violates the spirit of the SCAPIN which returns such property to the Japanese Government for welfare purposes.

5. Recommendations:

In view of present housing and living conditions in Japan, coupled with the extremely low wages being paid procurators and related government officials, it is deemed impossible to recruit competent professional help in outlying districts for even a period of a year. Therefore, if the procurators' program of investigating hoarded goods is to succeed and stop the flood of cases involving fraud, such as those in which politicians promise innocent groups Army uniforms and other goods rumoured to be hoarded, it is recommended that the following steps be taken:

a. The seizure and forwarding of all data and records of ex-Army and Navy goods to the Procurator General's Office in Tokyo.

b. The impounding of all prefectural government books relative to stocks of ex-military goods available at the start of the Occupation.

c. The impounding of all books relative to the Arms Disposal Committee.

d. The impounding of all books of the companies that received allocations from the Home Ministry or the prefectural governments.

e. The impounding of all books in the Home Ministry and the Finance Ministry relative to the subject.

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f. That all the above material be assembled in and disseminated from a central office in Tokyo under the supervision of the Procurator General.

g. That as a result of the data obtained from the records mentioned above, the Procurator General be authorized to communicate directly with the District Procurator concerned and require the impounding of goods followed by speedy prosecution.

h. That technicians and specialists be employed for a period of four to five months as temporary employees of the Attorney General, to be paid from the secret fund included in the budget for the Hoarded Goods Investigation Program.

i. That SCAP give every possible aid in obtaining office space, supplies and otherwise carry out this project.

j. That all goods relative to this case be confiscated by the procurators unless proof can be shown that such goods were legally obtained and paid for, and that these goods be impounded until such time as the investigation is completed and some method of distribution is established.

k. That the Police Chief of the municipality or rural district in which such goods are impounded, be made responsible for their safekeeping with the possibility of criminal indictment in the case such material should disappear.

l. That this procedure of investigation be thoroughly discussed with the Attorney General, and if concurred in by him, carried out as speedily as possible.

6. Action Taken:

The Supreme Procurator's Office was asked whether the above recommendations could actually be carried out. The Attorney General feels that this is the only way that the problem related to ex-Army and Navy goods can be completely solved. The impounding of all necessary books and documents in all prefectures cannot be done without an order from SCAP to the Japanese Government. Unless there is due evidence of a crime, it would be impossible to get a warrant from the court to impound the necessary books and documents from all the prefectures. The Attorney General would like to see the recommendations carried out.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

9 January 1948

SPECIAL PROGRESS REPORT (A-2)

Application of the General Amnesty Law of 3 November, 1946 to the Fukui Case and other Hoarded Goods Cases

1. On 8 January, 1948, Supreme Court Procurator OSABE, who is in charge of the Fukui Case, (involving blackmarket dealings in rayon thread in Fukui-ken), reported as follows concerning the applicability of the General Amnesty Law of 3 November, 1946 to this case:

a. The rayon thread in question was allocated by the Ministry of Commerce and Industry (between August 1945 and August 1947), to the Fukui Prefecture Cooperative Union, which in turn allocated it to individual manufacturers to be made into cloth.

b. After it was made into cloth, the rayon was returned to the Ministry of Commerce and Industry to be distributed to the Japanese people through control companies.

c. In September, 1947, the Ministry of Commerce and Industry reported that 520,000 rolls of rayon thread had disappeared somehow, during this process, between August, 1945 and August, 1947.

d. Of these 520,000 rolls, about 370,000 rolls disappeared before 3 November, 1946, the effective date of the General Amnesty Law.

e. Only about 30,000 rolls of the missing 520,000 rolls have been found. It is believed that these 30,000 rolls, which were found in Kyoto, disappeared after 3 November, 1946, but the facts are still being investigated.

f. Between June, 1947 and December, 1947, twenty men were indicted by the procurator in Fukui-ken in connection with this case. They were charged with violations of price and commodities control regulations with respect to textiles. None of these men have yet been tried, but some trials are expected to start soon in Fukui-ken.

g. The two most important men indicted in this case so far are Ishiro SAKAI, and Sho KATO. Their trial will commence on 18 January, 1948.

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(1) SAKAI was president of the Fukui Textile Distributing Co. He was indicted by the Tokyo District Procurator's Office on 16 August, 1947, charged with unlawfully selling 15,000 rolls of rayon about March 27, 1947, for an unlawful profit of about 8,000,000 yen.

(2) KATO was representative director of the Hokuso Trade Co., and after April, 1947, he became president of the Rayon Industry Association of Fukui-ken. He was also indicted by the Tokyo District Procurator's Office about 2 August, 1947, charged with unlawfully selling 2,500 rolls of rayon, as representative of the Hokuso Trade Co., between about 16 April, 1947 and 16 May, 1947, for an unlawful profit of 3,800,000 yen. In December, 1947, an additional charge was filed against KATO, charging him with unlawfully selling rayon textiles as president of the Rayon Industry Association between April and June, 1947. The amount of rayon involved in this charge is still being investigated.

h. All the offenses charged against the twenty-two men, who have been indicted in the Fukui Case to date, were violations of Price and Commodity Control Ordinances and Textile Products Distribution and Consumption Regulations. The offenses charged occurred after 3 November, 1946, and so are not affected by the General Amnesty Law.

i. Offenses which occurred in connection with the disappearance of the 370,000 rolls, in Fukui-ken, prior to 3 November, 1946, have not been investigated thoroughly. Since only one procurator was available in Fukui-ken for work on this case, the scope of his investigation had to be limited in order for him to achieve results within a reasonable time. Moreover, facts about the more recent offenses were obviously easier to obtain than those concerning offenses committed prior to 3 November, 1946.

j. Prior to 1 March, 1946, the Price Control Ordinance in effect was Ordinance 703 of 1939. Prior to September 30, 1946, the Commodities Control Ordinance in effect was Ordinance 1130 of 16 December, 1941, and the Textile Products Distribution and Consumption Control Regulation in effect was Ministry of Commerce and Industry Regulation No. 4 of 2 January, 1942, which was based upon said Commodities Control Ordinance. Both of the aforementioned Ordinances were based upon Articles 8 and 19 of the National Mobilization Law, and offenders against their provisions were punishable under Article 31-2 of said law.

Since Article 1, Item 48 of the General Amnesty Ordinance 511 of 3 November, 1946, amnesties offenses punishable under Article 31-2 of the National Mobilization Law, the right of public prosecution of said offenses in the Fukui Case, committed prior to 3 November, 1946, was believed to be extinct.

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2. The attention of procurator OSABE was directed to the exclusion clause in the first sentence of Article 1 of General Amnesty Ordinance 511 of 1946. This clause states that the amnesty shall not apply to "acts against the Allied Occupation, particularly those mentioned in Imperial Ordinance 311 (1946), Article 1, Items 2 to 8, and Article 2, paragraph 3". In particular, it was pointed out that (among other things), this clause excludes from the amnesty all offenses where the acts constituting such offenses violated a SCAP directive, or a Japanese Government order implementing the SCAP directive. Procurator OSABE replied as follows concerning the application of this exclusion clause to the Fukui Case:

a. To the best of his knowledge, there is no SCAP directive concerning rayon.

b. The Price and Commodities Control Laws mentioned in paragraph 1 (j) above, did not implement any SCAP directive.

c. Even if some of the offenses committed in the Fukui Case prior to November 3, 1946 might be found to be "acts against the Allied Occupation", and therefore excluded from the amnesty, he believed that all the important men who committed offenses before 3 November, 1946 also committed offenses during 1947. Since the maximum penalty against such offenders would be ten years imprisonment, whether they were convicted of one or more offenses, there was no need to charge a man with offenses committed during 1946 if you could convict the same man for one or more offenses committed during 1947. The penalty would be no greater if additional offenses committed during 1946 were proved, and charging such offenses would always involve the possible legal defense of the amnesty.

d. Procurator OSABE admitted that there might be some men who had committed offenses in the Fukui Case prior to 3 November, 1946, but had committed no offenses after that date. The application of the amnesty would be important with respect to such men, but so far as he knew, all the important men involved in the Fukui Case had committed offenses after 3 November, 1946. He admitted, however, that his knowledge was incomplete, since the investigation of offenses before 3 November, 1946 had been very limited.

3. Procurator OSABE was told that although application of General Amnesty Law might have limited importance in the Fukui Case (if his conclusions were correct), it might be extremely important in other Hoarded Goods cases. The following points were made in this connection:

a. Under SCAPIN 53, dated 25 September, 1945, any arms, munitions, military equipment, or supplies surrendered by the Japanese military forces, were returned to the Japanese Government for use only for

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purposes of civil relief and restoration of the economy of Japan. Use of such supplies for any other purpose was strictly forbidden.

b. Any blackmarketing of such supplies would be a violation of SCAPIN 53, and therefore, an "act against the Allied Occupation", which would be excluded from the amnesty even if committed prior to 3 November, 1946.

c. There are other SCAP directives which may have been violated in Hoarded Goods cases, and other offenses in these cases where the acts, even if committed before 3 November, 1946, might be excluded from the amnesty as "acts against the Allied Occupation".

d. Consequently, all procurators working on Hoarded Goods cases, should be instructed not to arbitrarily limit their investigation to the period after 3 November, 1946, on the assumption that all acts committed before that date would necessarily be amnestied. Procurators should realize that the Occupation is strongly interested in the energetic prosecution and just punishment of the criminals involved in the Hoarded Goods cases, even when their acts were committed prior to 3 November, 1946. The Amnesty Law of 1946 should not be indiscriminately applied to shield these men.

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

23 December 1947

For General Whitney

SPECIAL PROGRESS REPORT

1. Rubber Check Incident.

a. According to Mr. TAKEUCHI, the Japanese who approached Military Government for the release of HAYASHI is TODA, Toyotaro, a member of the Marunouchi Kogyo Kurabu (Marunouchi Industrial Club), a graduate of the Peers School, Kyoto Imperial University, and Cambridge University in England. His wife is a TOKUGUGAWA. TODA is a very good friend of HASHIMOTO and since 1945 has been an acquaintance of HAYASHI.

2. Osaka Arsenal.

a. The procurators have just started investigation on various phases of the Osaka Arsenal. So far, they have checked all the receipts and disbursements concerning goods that have been sold to five companies. The following goods were sold for 23,441,145 yen:

| | |
|---|---|
| Lumber | 522,113 koku |
| Sheet Metal | 5,988 tons |
| Fats | 22,224 tons |
| Fuel | 69 tons |
| Linen goods | 42,720 meters |
| Diamonds | 80 carats |
| Miscellaneous | Several thousand tons. |

b. The war-time factory known as Koju Jukogyo, presently known as Koyo Kogyo K. K., had transported from the arsenal a huge quantity of metals previous to the termination of the war. So far, they have sold a part of these metals for 8,167,652 yen. The president, YAMADA, Seibei, and YOSHIDA, Yukio have been indicted.

c. IWASA, Jiro, a former Brigadier General, is reported to have a list of materials that have never been turned over to the Occupation authorities. The procurators are at present investigating IWASA to determine the whereabouts of these goods.

d. The Osaka Kiko K. K. is presently under investigation for having connived with the heads of the Osaka Arsenal in the sale of automobile parts. Nitto Seisaku Sho and ten other companies are also under investigation for having sold automobile parts.

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e. The Transportation Ministry is presently under investigation to determine the exact quantity of goods returned to them by the Occupation authorities and to determine the total amount of goods sold. So far, the procurators have been able to check 248 companies which received the following from the Railroad Ministry:

| | |
|---|---|
| Non-Metals | 47,395 tans |
| Wire | 119,620 meters |
| Iron | 95,436 tans |

f. The Japan Railway Car Company is also under investigation. This company had a legal allotment of 2,000 tans of iron, and presently has a stock pile of 5,000 tans. The company is in full operation.

g. KINOSHITA, Hideo, 75, ex-Lieutenant Colonel, the ex-arsenal engineer, was arrested on 24 November, 1947 and indicted on two counts on 11 December, 1947 in connection with the Osaka Kiko K.K. in Kashima. He removed 225 tons of automobile parts of machineries, and 80 tons of coal from the arsenal when he formed this company after the surrender.

h. KUBOTA, Togamatsu, 49, was also indicted on 11 December, 1947 as an accomplice of KINOSHITA.

i. KASAMAI, Morinobu, 40, an employee of the All Japan Agricultural Association, Kansai branch, was indicted on 13 December, 1947 for having taken 5,000 metal files from the Osaka Arsenal.

j. YOSHIDA, Yukio, 34, manager of the Koyo Kogyo K.K., was indicted on 16 December, 1947 for taking the following metals from the Osaka Arsenal:

1,000 tons of high grade steel
950 tons of tin plate
100 tons of special steel

k. As an accomplice of YOSHIDA, YAMADA, Subei, 54, president of Koyo Kogyo was also indicted on 22 December, 1947. SHIMODA, Go, 46, ex-Army Colonel, president of Shimoda Gumi Construction Co., was arrested on 12 December, 1947 for having stolen several hundred tons of construction material from the Osaka Arsenal.

3. Fukui Case.

a. As a part of the Fukui Case, the procurators have been working on a case in Utsunomiya. The case revolves around the Chukajitsugyo Konsu, Ashikaga City. The president of this company is CHO TO RIN, 71, a Chinese national. During the war, CHO sold textiles. Soon after the surrender, his wealth suddenly grew and at present he is valued at 100,000,000 yen. He has long been known to be a close friend of the

deceased TOYAMA, Mitsuru, and SON, Bon. He is further known to be in close touch with the Chinese mission. The Military Government Team of Tochiji has fully cooperated, and through their help the procurators have been able to locate 41,000 yards of rayon. During the search for this material, they came across a transportation permit. The permit was written by UEDA, Tokuro, president of the Osaka Higashi Sangyo K.K. The permit stated that through the request of the Second Demobilization Board, 1,000 tans of yardage goods was to be sent to the Ashikaga Kohi Kogyo on 10 December, 1947. This was signed by the Chief of the Economic Section in Iishikawa prefecture. The procurators have checked the Second Demobilization Board and found that on 10 March, 1947, they had requested the Hagashi Sangyo K.K. for this material but had cancelled the order in August.

b. Although all the support possible is being given by the Military Government Team, the procurators find it impossible to conduct a thorough investigation on any cases involving Chinese nationals. At present, the Tokyo procurators' office estimates that between one-third and two-thirds of all illegal transactions in goods is being carried out by the Chinese. Although a great number of Japanese are being employed, it is almost impossible to stop these transactions so long as these cases involve Chinese nationals and very often members of the Chinese mission.

4. Seko Case.

a. At the request of CPC, the procurators have been investigating the case involving five trucks of gold that were reportedly stolen from the Osaka mint. This case appeared in the 16 September, 1947 issue of the Nippon Times. So far, the procurators have found nothing confirming this report as originally given by SEKO.

5. Yokkaichi Case.

a. The ex-Japanese Navy is reported to have shipped five drums of gold coins from Singapore through Hong Kong to Yokkaichi. An ex-Navy Captain, YAMAKAWA, has recently taken over the Ishiwara Sangyo K.K. and formed the Nippon Hiryo K.K. (Japan Fertilizer Co.), with a capital of 10,000,000 yen in Yokkaichi. The procurators are at present investigating the Yokkaichi Naval Base to determine whether or not these gold coins were or are in the possession of the ex-Navy Captain, and further to determine where the ex-Navy Captain was able to obtain the capital for the company.

6. Sendai Case.

a. The following hoarded goods have been frozen by the procurators formerly held by the Railway Bureau at Sendai:

3,847 pairs former Japanese Army Air Corps winter proof shoes
560 electric flying jackets
91 tons of nickel (1 ton equals 1,000 kilograms)
27 tons Filo Tungsten
290 tons of lead
26 tons of special metals

b. All the metal goods had been moved from the Tokyo No. 1 Military Arsenal and had been sold to the Sendai Railway Bureau. At the time the police, ESB inspectors, and the procurators investigated this case, all the metal had been sold. No proof exists at present, but according to the story circulated, the military police in that area had been instrumental in the sale of the goods. The ex-Japanese Army Air Corps uniforms were given to the Railway Bureau by the Air Corps at the time of the surrender.

7. Fuji Sangyo Case.

a. The procurators have made no official report concerning this case, but expect to investigate this as soon as possible. In the meantime, the ESB inspectors have started the investigation of the ex-Nakajima Airplane Factory for hoarded goods reportedly through pressure by some GHQ section. The procurators' office at Maebashi is in constant touch with ESB inspectors and is supervising this investigation until they are ready to take it over in full.

b. The Mainichi, 22 December, 1947.

"Maebashi, Dec. 21. - An exposure of roughly ¥10-billion worth of hoarded goods is under way at the plants of the Fuji Industrial Co. (former Nakajima Aircraft Co.).

"An inspection team dispatched by the Economic Stabilization Board has been undertaking the investigations since December 3, while a six-man group of procurators of the local public procurator's office conducted a two-day study on December 13 and 14.

"They found iron sheets and other important materials amounting to ¥50-million buried in the compound of the Otacho plant and a few others."

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

12 December 1947

SECRET

# SPECIAL PROGRESS REPORT

## Corrupt Influences in Politics:

1. Recent investigations by the Procurator General have lent substance to previous persistent rumors and reports that great quantities of goods dispersed by the Japanese Government at the termination of the war have since been a main source of large-scale blackmarket transactions, the proceeds of which have contributed to the creation of a "new yen" class, the exercise of sinister influences on political parties, the corruption of public officials, and the strengthening of the system of bossism which for many years has infested Japanese political economy and social life.

2. Both during and after the elections of 1946 and 1947 there were numerous unofficial reports that large sums of money had been received and used by major political parties and candidates. This money was reputed to come from clandestine sources such as large-scale blackmarketeers and "new yen" rich always ready to pay with money for political influence, favors, or protection, and usually involved was some prominent political manipulator or broker, always of questionable background and reputation, sometimes an actual purgee. Recognizing the behind-the-stage influence of such undesirables on Japanese political life as a standing threat to the progress toward democracy which the Japanese under SCAP leadership have already achieved, the Japanese authorities with SCAP encouragement enacted various anti-fraud provisions in their election laws, and measures designed to prevent the continued exercise of influence by purgees over public officials. But these measures proved insufficient. Powerful political bosses and brokers evidently well supplied with funds continued their behind-the-scenes manipulations. The political house was being cleaned but the dark corners and recesses were not being reached.

3. Reports continued to reach this Headquarters of large-scale transactions for political purposes which were not reflected in the official reports which political parties and candidates are required to file under Japanese law. Figuring in these reported transactions were such prominent political figures as Tanzan ISHIBASHI, former Minister of Finance; Ichiro HATOYAMA, former president of the Liberal Party; Jiro HOSHIJIMA, former Minister of Commerce and Industry; Koichi SEKO, former Vice Minister of Home Affairs and now a member of the House of Representatives; Susumu HARA, member of the House of Representatives; Karoku TSUJI, political boss without official position but reputed financial patron of, and advisor to, the Liberal Party; Rikizo HIRANO, former Minister of Agriculture, and Fusanosuke KUHARA, former Minister of Commerce and Industry. Some direct

efforts were made by the government to uncover these money transactions but they proved futile, and no major prosecutions took place under the election laws. Nor was the government able to prove association of public officials with purgees with sufficient definiteness to warrant prosecution under the anti-purgee influence ordinance.

4. Most of the persons named are former members of the leading political party before the war (Seiyukai). Hatoyama, before he joined the IRAPS in 1942, was for many years the second man in the party under his brother-in-law, Keisaburo Suzuki, who was also president of the ultranationalistic Kokuhonsha (an affiliate of the Black Dragon and Dark Ocean Societies). Hatoyama was also a member of the Kokuhonsha. Manosuke Yamaoka, who succeeded Suzuki in the Kokuhonsha and who, after a career in the Justice Ministry and police bureaucracy, became president of Nippon University but after the surrender was ousted from that position as a result of protests from the students, is another old political associate of Hatoyama and Seko's political boss. But the real life-long backer and supporter of Hatoyama is Tsuji, the Boss Tweed of Japanese politics, an old colleague of the late Toyama (of Genyosha and Black Dragon Society fame) who, after a number of years' experience in Japanese ultranationalistic political activites in China and Formosa, established himself in Japan as leader of gangster and strong-arm groups which, among other nefarious activites, swung into action at election time to deliver the vote to the Tammany Hall of Tokyo. Another close associate of these persons is former Commerce and Industry Minister, Jiro HOSHIJIMA, now member of the House of Representatives. Hoshijima is the man who, according to the testimony of a war criminal suspect, put Hatoyama's name up for membership in the IRAPS, and when the latter expressed qualms about it, advised him to let the matter stand. Kuhara, another political figure, war criminal suspect and profiteering contractor, is another old associate of Hatoyama and Ishibashi. Seko, although fairly new in the high councils of the Liberal Party, has a background of fraud in business as well as the academic career which has been featured in recent press articles. Although not one of the former Seiyukai members, Hirano is an ultranationalist in his own right, having been leader of the Kodokai, an "Imperial Way" association with a thoroughly Fascistic charter and mission sponsored by high Army and Navy officers. Somewhere in the background of all this cabal is former Prime Minister, Higashikuni, who is known to have attended meetings of the Black Dragon Society in the 1920's, and who was the highest responsible person in government in August 1945 when the Japanese executed the plan to disperse the vast wartime stockpiles of government supplies which became the principal source of blackmarket operations and provided a financial war chest for the corrupters of politics and government. With access to this huge war chest, these persons have been able to maintain power and to exercise influence, dealing on the one side with political parties, Diet members and government officials and on the other with contractors, blackmarketeers, gamblers, gangsters, and the racketeering associations of various kinds which prey on legitimate business with relative impunity.

5. A direct attack on some of these sources of financial power was made through (1) the SCAP order to the Japanese Government directing that only legal ceiling prices be recognized in government contracts, (2) the repeal or amendment of tax laws under which trade associations and other non-governmental bodies have been authorized to collect taxes from their members, only a fraction of which ever reached the public treasury, (3) the repeal of ordinances which appointed associations as the agencies to issue licenses to members (such as street stall keepers), without which they could neither acquire a site nor conduct business, (4) enactment of a law under which Diet investigating and other government agencies may put witnesses under oath and the giving of false testimony in official investigations is punishable.

Hoarded Goods:

6. While these measures are tremendously helpful, they do not remove the biggest source of financial power, namely, the blackmarket in goods diverted from legitimate channels. Hoarded goods as a main source of finance for corrupt politics originated in a decision of the Japanese Government coincident with the surrender to dispose of its stockpiles of Army and Navy supplies before the Occupation troops arrived by dispersing them to local governments, control associations, etc. On 14 August 1945 the Cabinet, then headed by Suzuki, met to accept the Potsdam Declaration. Toward the end of this meeting the Cabinet adopted a resolution offered by the Army to release for civilian consumption the huge stockpiles of equipment, materials, and food then held by the Army and Navy, for the stated purpose of contributing "to the stabilization of the nation's living, the securing of popular confidence, and the positive prevention of alienation between the Forces and the civilians." Execution of the plan was entrusted to the Army and Navy. The following morning the Suzuki Cabinet resigned, to be followed by the Higashikuni Cabinet. The Cabinet's decision of 14 August was implemented by secret Army Orders dated 17 and 23 August and secret Navy Orders dated 15 August.

7. On 20 August, 1945, General Instruction No. 1 of the Supreme Commander for the Allied Powers was issued to the Japanese Government. This Order made it clear that the Japanese Armed Forces were to preserve intact not only arms and munitions but all other supplies of the Japanese Armed Forces. Yet the Japanese Cabinet's decision of 14 August was not rescinded until 28 August. Implementing orders were issued by the War and Navy Ministers on 28 August and 29 August respectively. By that time, however, it has been estimated by Japanese sources that approximately 80 percent of the supplies formerly held by the Army and Navy had been dispersed. Those which had not been disposed of were turned over to the Occupation Forces shortly after the arrival of the troops.

8. On 24 September 1945, GHQ, SCAP instructed the Japanese Government to turn over on demand to the Commanders of the Allied Occupation Troops all equipment, supplies and property of the Japanese Armed Forces; informed that government that equipment and supplies not essentially for war or warlike exercises, including scrap iron from destroyed implements of war, would be re-

turned to the Japanese Government for the purpose of civilian relief and the restoration of the Japanese economy; designated the Home Ministry as the agency of the Japanese Government to handle the supplies, and directed that Ministry to "maintain records of all property so received and account for this property in such form that the disposition of all supplies, materials and equipment may be traced to the ultimate consumer," and that such records "be made available on call to the Supreme Commander for the Allied Powers, the United States Occupational Force Commanders." /Memo AG 402.5 (24 Sept. 45) GD-SCAPIN 53, originated by G-4/.

9. On 16 October 1945, in a memorandum concerning the disposition of materials and supplies to be returned to the Japanese Government, /Memo AG 388.3 (16 Oct. 45) GD-SCAPIN 151/ GHQ, SCAP instructed the Japanese Government to keep "detail records....which will clearly indicate not only the disposition of all items turned over to the Imperial Japanese Government but also disposition of funds which accrue from the sale of any of these items" (para. 4) and to "take the necessary steps to provide adequate protection and maintenance for all stocks of supplies, materials and equipment received under the provisions of this program until final disposition of such stocks is made." (para. 5). The materials and goods returned to the Japanese Government under this program have been estimated to have had a value of one hundred billion yen.

10. On 11 January 1946 GHQ, SCAP in a Memorandum to the Japanese Government /File AG 386.3 (11 Jan 46) GD/ stated that evidence had come to the attention of General Headquarters that a large-scale attempt had been made to dispose of the supplies and equipment of the Japanese Armed Forces between the dates of 14 August 1945 and 2 September 1945 and that such actions were "not considered to fall within the spirit of the Potsdam Declaration." This memorandum directed the Japanese Government to furnish:

a. A complete list of equipment, supplies and materials transferred between 14 August and 2 September 1945 and its present location.

b. Copies of pertinent orders issued between those dates.

c. Names of Japanese officials responsible for these actions.

The Japanese Government was instructed to forward a preliminary report within ten days from receipt of the Memorandum and a final complete report on or before 10 February 1947.

11. Replying to the above in a memorandum dated 25 January 1946 /CLO 391 (1.1)/, the Japanese Government stated that it would do its best to furnish the desired final report, including information on unauthorized disposal, but stated that the time authorized was insufficient, pleading that the previous hasty scattering of supplies had made rigid control and accurate statistical accounting difficult. The preliminary report listed equipment and materials on hand at the termination of the war, amounts sold after 14 August 1945 and

the balance turned over to the Occupation Forces. It is noteworthy that equipment such as trucks, cars, tents, steel and lumber were actually turned over to the Allied Forces in substantial quantities, while the more readily concealable or moveable materials such as fuel, clothing, cloth, leather, fibers, yarns and foods were reported to have been entirely sold or otherwise disposed of to prefectural offices, control associations, control companies, etc. The report named the Minister and Vice-Minister of War and the Minister and Vice-Minister of the Navy and a number of Navy Bureau and Department Chiefs as the persons responsible for the promulgation of the orders under which the goods were dispersed. Following this interim report the Japanese Government has submitted to GHQ, SCAP a number of additional reports but since they relay in fragmentary form data derived from the various local agencies and have not been consolidated into one comprehensive report, analysis of the overall situation is not available in GHQ.

12. This inability of the Japanese Government to render a complete accounting is not surprising in view of the methods which that Government from the very beginning has employed in handling the former stockpiles of its Armed Forces, methods characterized by hasty dispersal to local entities, quasi-public bodies and private concerns and by loose delegation of responsibility all along the line. One of the most questionable transactions in this entire affair was the sale under conditions which lead to a strong presumption of irregularity and fraud, to a syndicate of five Zaibatsu companies, of all the arms and other war materials returned by the Allied Forces to the Japanese Government in November 1945. The agreement of sale, concluded on 16 May 1946 (following negotiations begun in November 1945) was between the Chief of the Investigation Bureau of the Home Ministry, for the government, and a so-called "Arms Disposal Commission" headed by Takashi, KOMATSU, which was so constituted as to appear like an official government body. There was no open bidding, no contract price, no advance payment, not even payment on delivery, provided for. Instead, the "Commission" would pay the government the net proceeds of sales of the materials--after deducting its expenses. The Board of Audit's preliminary audit of the accounts of this Commission so far received through the Home Ministry indicates vast discrepancies between the amounts of goods reported sold and on hand and those believed to have been turned over by the Allied Forces.

Diet Investigation:

13. This so-called Hoarded Goods Affair, after simmering for months in newspaper and other reports, finally broke into open scandal in July 1947 when Koichi SEKO, himself under suspicion of having been instrumental in the illegal diversion of large quantities of hoarded goods while he was Vice-Chairman (under Tanzan ISHIBASHI) of the ESB committee to investigate such hoarded goods, openly charged that there were still billions of yen in goods concealed throughout Japan and that even present Cabinet members were involved in the scandal. Following these accusations the Diet formed a special inter-party committee under the chairmanship of Kanjo KATO, Social Democrat, to investigate the affair.

In an interim report to the Speaker of the House of Representatives, the Chairman and Directors of the House Investigating Committee found as follows:

(1) That vast quantities of goods formerly owned by the Japanese Army and Navy were disposed of to local authorities, business-men and brokers, and that the black markets have been flooded with these goods to the detriment of honest business.

(2) All attempts to channel these goods into legitimate channels had been frustrated by a combination of fraud and technical legal barriers, the local authorities proving particularly uncooperative.

(3) Existing legislation empowering the government to investigate hoarded goods is insufficiently broad.

(4) The authority to investigate is scattered and ineffectual being divided among the Ministry of Commerce and Industry, the Ministry of Agriculture and Forestry, and the ESB.

(5) Insufficient investigative authority granted economic inspectors.

(6) Failure on the part of responsible officials to keep adequate records. This applies specifically to the war goods which were returned to the Japanese by the Allied Forces.

14. In this interim report, the Committee reached the following conclusions:

(1) The Suzuki Cabinet's resolution of 14 August 1945 authorizing the secret disposal of government property was an act of bad faith; the Higashikuni Cabinet did nothing to rescind this decision but instead actively carried it out until 28 August (eight days after it had received General Instruction Number 1 which made it clear that the equipment and supplies of the Japanese Armed Forces were to be held intact); subsequently no effective measures were taken to recover the assets thus dissipated.

(2) The disposal of war materials after the surrender was tainted with favoritism and shady deals.

(3) Local government and police officials have interfered with investigations initiated by the government and have conspired to legalize fraudulent transactions; even the "special goods" returned to the Japanese Government by the Allied Forces have been improperly distributed and no accounting has ever been rendered.

(4) Goods still in concealment, possibly including arms and munitions, are held on the theory that the holders may escape detection until after the Occupation.

(5) Legislation for uncovering hoarded goods is inadequate.

(6) Whatever agency assumes the task of uncovering goods still hidden should be granted adequate authority.

(7) The Diet should confine itself to making the necessary legislative investigations and providing the legislative basis, but the executive branch of the government should enforce the laws.

Based on these conclusions, the Speaker and the House Investigating Committee sponsored a formal resolution which was approved by the House of Representatives by a viva voce vote on 11 December 1947. This resolution provides for the establishment of a Non-Partisan Special Committee on Irregular Property Transactions, with sweeping powers to subpena persons and records, take sworn testimony and employ a chief counsel and staff to assist the Committee. An appropriation of ¥250,000 is made in the resolution to meet the expenses of the Committee.

According to the Speaker of the House of Representatives, the passage of the resolution has stunned certain Zaibatsu business interests and leading politicians, both Diet members and lobbyists, associated in furthering the activities of these business interests. The Speaker expects to appoint the new Committee when the Diet reconvenes on January 21, 1948, after consultation with representatives of all the major political parties, and he has stated that he will try to appoint a committee which will not serve party interests and will be above suspicion in the hope that the era of corruption in government-business relationships can be ended and the guilty brought to justice by the procurators. Meanwhile, he expects to give to the press and the radio within the next week or ten days the interim report referred to above of the present Committee, many of the members of which will be reappointed to the new Non-Partisan Special Committee.

15. The progress of the Diet Investigating Committee's work has been closely watched by the Government Section and encouragement has been given to it to do a thorough and effective job. But the time necessarily required for an investigation of this kind and for the resulting recommendations to be translated first into legislation and then into effective action dictated a simultaneous attack from other sources, for any delay in bringing to account the persons responsible for these operations would allow them not only to conceal or destroy the evidence of their past deeds, but actually anable them to dispose of goods still hidden, and acquire more money with which to continue their power and influence. If the Japanese Government could promptly investigate reported cases and prosecute a number of the ringleaders under existing laws, it was believed that the influence of corrupt politicians would at once be curtailed because (1) a major source of their financial strength would be dried up and (2) the arrest and prosecution of a number of big political figures who heretofore have acted as if they were above the law would deter their imitators and followers from continuing their operations in cynical defiance of the law and public morality.

Procurator General's Special Campaign:

16. With this in mind, the Minister of Justice in August 1947 instructed the Procurator General to undertake a vigorous, systematic and aggressive campaign to investigate all known hoarded goods cases of any importance and to bring swiftly to justice all persons involved irrespective of influence or position. A special plan prepared by the Procurator General calling for the assignment of special personnel, facilities and funds for this task was approved by the Government Section with the concurrence of the Economic and Scientific Section. The Government Section has given advice and encouragement to the Procurator General, but the full responsibility for the prosecution of the task has been left in his hands. The campaign is well under way and significant results have already been realized. A number of important persons have been arrested, others are under active investigation and large quantities of hoarded goods have been uncovered and impounded. It has been reported that this drive by the Procurator General has so impressed the persons involved that in a number of cases holders of substantial amounts of hoarded goods not yet under investigation have voluntarily offered to return such goods to the authorities at ceiling prices which represent but a fraction of current black market quotations.

17. These developments are, indeed, encouraging. But in terms of the overall objectives of extirpating from the Japanese body politic the cancerous ganglion of corrupt and sinister influences, the actual net results of two months of intensified efforts by the Procurator General are not such as to presage the swift and complete success of the operation. True, the four Diet candidates who swindled millions of yen from hundreds of associations of farmers and miners for non-existent army uniforms have been arrested, but the man Tsuji, to whom these swindlers gave two and one half million yen for political purposes, is not. Hatoyama, enjoying possession of a new house in Tokyo paid for with money contributed, at Tsuji's behest, by these same swindlers, still evades justice. The Diet member, Hara, principal negotiator in the second biggest swindle, is under active investigation and may soon be arrested, but Liberal Party Secretary Ohno, who received at least one million yen of the proceeds (which he never included in the Party's official reports) appears to be immune. Seko, the man who, exceeding his authority, issued the orders releasing to blackmarketeers the very property his committee was created to protect, appears to have committed no crime under Japanese law. Nor has Yamaoka, Seko's boss and reputed beneficiary of released hoarded goods. Ishibashi, chairman of the same committee, appears to be equally untouchable. The members of the Cabinet which decided to bury army and navy supplies beyond the reach of the Allied Forces have not been brought to account, nor has Higashikuni, responsible for the actual dispersal after his government had received the SCAP's specific instructions to preserve all property of the Japanese armed forces, been brought into the case. To date, the drive has netted actual or probable prosecution of persons who at most can be regarded as only tools or perhaps lieutenants of the real bosses. For one reason or another the Procurator's net has caught only small and medium-size fish, the big ones are still at large.

18. Such a situation can be explained by one or a number of the following circumstances:

a. The normally slow pace of Japanese bureaucratic procedures and the cumbersome trial procedure of the Japanese courts

b. The low quality of procuratorial and judicial personnel

c. Defective legal prohibition against fraud, malfeasance and misfeasance

d. Lack of a real will to reach the heart of the scandal and destroy the inner core of corruption.

Conclusions:

19. It is believed that the Minister of Justice and the Procurator General are honest and sincere in their efforts, and are not deliberately protecting the guilty. It is not certain, however, that their subordinates are equally zealous or able. Japanese laws applicable to the kinds of crimes involved in these cases are defective. A long tradition of privileged treatment for the powerful and influential, contrasted with rigid enforcement against the small and friendless, renders these laws even less effective than they would be if energetically and impartially administered.

20. One aspect of these scandals which this report has not emphasized but which newspaper stories both in Japan and abroad have featured in sensational terms is the "Black Curtain" or "Hidden Government," a conspirational organization of secret ultranationalistic elements bound together by the feudalistic Japanese ties of Oyabun and Kobun (master and follower), arranged and articulated in neat hierarchical layers descending from some one mysterious super-boss down to the last follower in the ward gangs, which secretly dominates and controls the visible government at all levels and which is prepared to take over open control when the Occupation is ended. It can be categorically stated that no such organization exists. But that here and there groups of persons with such backgrounds and such sympathies do exist, and that among the ultranationalists and the corrupt political bosses there exist bonds of mutual support, old association, and sympathy, and that in some cases the two elements are actually one and the same--this is not a reporter's pipe dream. These groups are nuclei of resistance to Occupation objectives. It is not far-fetched to say that some of the recent crimes against Occupation personnel may be laid at the door of organized gangs headed by bosses who are inspired by sinister political leaders hostile to Occupation objectives. Unless eradicated now, they may some day coalesce into something like the organization pictured in the news stories and then their return to power would no longer be a remote possibility but a real threat. Their removal is essential to the successful completion of the Occupation. If the Japanese government is unable to cope with them, there are ample grounds for direct intervention by the SCAP for violations of Occupation policies and specific directives of the SCAP and of Japanese laws and ordinances issued thereunder.

Recommendations:

21. In these circumstances, the interests of the Occupation demand that:

a. Every effort be made at once through the existing Japanese legislative, judicial and executive machinery to complete swiftly the investigation of all important Hoarded Goods cases and attendant political frauds and offenses, and the prosecution of all persons involved.

b. If, within the next thirty to sixty days, cases have not been made against the real ringleaders: Tsuji, Yamaoka, Ohno, Ishibashi, Hatoyama, Seko, Hirano, Kuhara, et al, these men be brought into the Military Courts and tried for crimes against the Occupation.

SECRET

## HOARDED GOODS AND OTHER CASES INVOLVING OFFICIAL GROUPS

### SEKO ARMY UNIFORM CASE

TAB "A"

By far the most notorious and, from the point of view of the personalities implicated and political forces represented, important case is the Seko Army Uniform Case in which it is reported that twenty million yen were collected from three hundred and forty-five Agricultural and Mining Associations throughout Japan for the purchase of some six hundred thousand army uniforms. The uniforms were never delivered and most of the money was eventually refunded but a considerable portion disappeared. Four unsuccessful candidates for the House of Representatives, Ikutaro Nakasone, Gaku Shiotsuki, Bunroku Fujikawa and Yoshiyuki Hazama, were arrested in October 1947 and charged with fraud amounting to ¥6,450,000, the amount received from the Associations which was not returned. Nakasone gave two and a half million yen to Karoku Tsuji, the Liberal Party "wire-puller", with ultra-nationalist and underworld backgrounds. Under questioning Tsuji has listed numerous contributions made by him to campaign funds for individual Diet candidates and to the Liberal Party itself (for the Liberal Party Headquarters Building Fund and to meetings and parties held by the Liberal Party). A contractor by the name of Naito received about six hundred thousand yen from two of the four persons arrested and used this money to build a house for Ichiro Hatoyama. When questioned about this in October 1947, Hatoyama claimed that he did not know the real source of these funds but thought that Tsuji was paying for the house out of his own pocket. So far the Procurator has not found sufficient ground to prosecute either Hatoyama or Tsuji.

The part Koichi Seko played in this scandal is not creditable. While Vice-chairman of the ESB Committee to investigate hoarded goods of which Tanzan Ishibashi was chairman, Seko issued a number of "Seko Instructions For Exposure" which were used as orders for the release of hoarded goods. The first of these orders promised the release of army uniforms to the agricultural associations of Akita if the rice collection quota for that Ken was met. Other orders followed. Since the release of goods under these orders has been questioned it has been alleged that so-called brokers forged these orders and used the forgeries to extract money from the associations for uniforms which were never delivered. The Diet investigating committee in its interim report of October 1947 concluded that the Seko Orders had no legal validity or justification, and the Public Procurator's Office believes that Seko had no authority to issue such orders, yet Procurator has stated that there is not sufficient legal basis for prosecuting Seko, this notwithstanding the fact that the orders, both real and forged, through which the money was extorted from the associations and through which some goods were actually released into black market channels invariably found their way into the hands of "brokers" politically connected with Tsuji, Hatoyama, Ishibashi and Seko. This clique is the surviving nucleus of the old Seiyukai, the president of which was Kisaburo Suzuki, brother-in-law of Hatoyama and president of the ultra-nationalistic Kokuhonsha, affiliate of the Black Dragon and the Dark Oceans Societies.

SEKO CALICO CASE

The other case in which Seko is directly involved is the Calico Case. Others involved in this case are Susumu Hara, member of the House of Representatives, Jiro Hoshijima, former Minister of Commerce, and Ogawa, president of the Kokusai Sangyo K.K., a subsidiary of the Yasuda Bank, and advisor to the All-Japan Repatriates Society. Ogawa was interested in obtaining the release of calico. Hara acted as negotiator. Hoshijima and Seko reached an accord to authorize the release of the goods. Seko issued three orders to release the hoarded calico to the parties involved, with full knowledge that the material would not be sold in government channels. The Liberal Party is reported to have received a donation of one million yen out of the proceeds from the sale of this material. The Tokyo District Procurator's Office took this case over from the Metropolitan Police in December 1947 and as a result of its investigation is preparing to arrest Hara. In the report which the Metropolitan Police turned over to the Procurators, there is a chart on which Hara's name is connected by lines to four circles and in the circles are the names of Hoshijima, Seko, Hatoyama and ex-prime minister, Yoshida. The relationships signified by this chart are under study by the Procurator's Office.

OSAKA ARSENAL CASE

The third important case is that of the Osaka Arsenal which, according to investigation so far completed, involves the bribery of local officials and representatives of the Ministries of Finance, Commerce and Industry, and Agriculture and Forestry and the Osaka Railway Bureau. The materials concerned here consist of textiles, metals, lumber and oils which were turned over to the local authorities in August of 1945 for distribution to civilian consumption channels but which have been finding their way into the black market. Also involved is the "Arms Disposal Commission" a body with an official-sounding name but actually a syndicate of five Zaibatsu firms headed by Takeshi Komatsu which in May, 1946 received a contract from the Chief of the Investigation Bureau of the Home Ministry to dispose of destroyed arms and "accessories". The manager of the Osaka Arsenal has been arrested and large quantities of goods have been impounded by the procurator. The investigation is still under way.

FUKUI CASE

This case concerns the illegal diversion into black market channels of vast quantities of silk derived from thread allotted to weavers over a period of years. Of 5 million tan silk allotted in 1946 alone, 4 million tan, valued at 220 million yen (at legal ceiling prices) went into the black market. The basic responsibility appears to be in the Ministry of Commerce and Industry. A Mr. Sho Kato, president of the Rayon Industry Association of Fukui Ken, Ishiro Sakai, also prominent in the rayon and silk industry have been arrested.

Some difficulty has been experienced in completing the necessary investigations in this case because the Military Governor of Fukui Ken has intervened on behalf of the suspects on the ground that they are needed to revive the rayon industry in his ken, also that there was no black market in that province.

The incident was reported to 8th Army MGS and the Procurator's Office was told by Government Section to proceed with his investigation. The cases will be tried in Tokyo.

Besides the principals, this case involves representatives of the Ministry of Commerce and Industry, the Ministry of Finance, the Ministry of Agriculture and officials of the provincial government.

KYOTO CASE

In Kyoto the Procurator has sealed twenty-six warehouses pending completion of his investigation of misappropriation and illegal disposal of former army stockpiles by the Increased Production Association, members of the prefectural government and the Iino Industrial Company of Maizuru. The director and secretary of the Association and officials of the prefectural Commerce Section have been arrested.

HOKKAIDO STARCH INCIDENT

This case involves the illegal disposal of starch valued at 10 million yen. The president and the general manager of the Hokkaido Grape Sugar Company and three other persons have been arrested. Evidence already uncovered points to:

bribery of the police chief of Obihiro

implication of former Commerce and Industry Minister Hoshijima through receipts of carload of grape sweetening

bribery of Tanaka, governor of Hokkaido

The procurators are studying the case to determine under what charges these persons can be prosecuted.

KOBE CASE

In Kobe the procurator has impounded an estimated two hundred million yen of lumber, machinery, tools, metals and other goods at the Kawanishi Airplane Factory pending completion of his investigation.

TOCHIGI CASE

In Tochigi the records have been seized in order to complete an investigation of the illegal disposal of an estimated five hundred million yen of naval medical supplies by prefectural officials to black marketeers.

TOKYO CASE

In Tokyo, where the supplies of the Japanese Armed Forces which GHQ returned to the Japanese Government were not handed to the Home Ministry representatives but were kept under control of the Tokyo-Kanagawa Military Government team and distributed to the Japanese upon clearance of applications by

the Tokyo Prefectural authorities, arrests have been made of prefectural officials who disposed of government goods to black market dealers. Here again there was interference by a member of the local MG team but that was overcome.

KURE CASE

Investigations have also been started at the Kure Naval Base and at the Maizuru ex-naval base. The Second Demobilization Bureau is reportedly involved in the latter.

OTHERS

In Tokyo, Kanishiro Kamei, former member of the House of Representatives has been arrested on the charge of extorting six million yen from the District Farm Association.

In Osaka a certain Shinji Hayashi, armed with introductions from Tanzan Ishibashi to various banks in the Osaka area, passed a number of rubber checks ostensibly for the purpose of developing some mines, but the procurator has found no evidence that any of the proceeds ever were used for mining. Tied up in this affair is a society called Shiunso of which the so-called owner is Tetsuma Hashimoto, a protegee of Fusanosuke Kuhara, ex-minister of Commerce and Industry under Kisaburo Suzuki when the latter was prime minister. Hayashi, the man who cashed the bad checks, is an intimate friend of Hashimoto and the procurators are interested in this case from the point of view of corrupt politics.

TAB "B" To Special Progress Report dated 12 December 1947

SECRET

## PERSONS IMPLICATED IN CORRUPT POLITICS, HOARDED GOODS CASES AND BLACK MARKETS

Ichiro HATOYAMA, purged ex-president of the Liberal Party, is believed to be still taking an active (although behind-the-scenes) part in Japanese politics. During the 1946 campaign, large sums of money were reported to have been paid to him as contributions to the Liberal Party which never appeared in the Party's official reports; and there were reports that he met periodically with Karoku TSUJI (Liberal Party boss), Etsujiro UEHARA (then State Minister) and Banboku OHNO, secretary-general of the Liberal Party. Karoku TSUJI in listing contributions made by him to candidates in the 1947 election, has stated that he contributed to candidates on the recommendation of HATOYAMA.

The contractor who built a house in Tokyo for HATOYAMA has admitted receiving ¥600,000 from two of the four Diet candidates charged with fraud in the Seko Military Uniform Case. Since HATOYAMA claims he did not know the real source of the money but thought TSUJI was paying for the house, the Procurators' office has not made a case against him.

HATOYAMA is a brother-in-law of the late Kisaburo SUZUKI, who succeeded General Giichi TANAKA as president of the Seiyukai in 1928, and served in both the TANAKA and SUZUKI cabinets. He was a member of the Ultra-Nationalistic society Kokuhonsha while SUZUKI was president. In his background are previous scandals involving the receipt and expenditure of political slush funds.

Tanzan ISHIBASHI, purged former Minister of Finance, was chairman of the Hoarded Goods Investigation Committee of the Economic Stabilization Board during February 1947 when Koichi SEKO, as vice-chairman, started the exposure of hoarded goods. When questioned by the Diet Investigating Committee about the disposition of the "special" goods returned to the Japanese Government by the Allied Forces, ISHIBASHI admitted that he had no knowledge of the amounts received and how they were diposed of. At present he is under investigation as a probably accomplice to HAYASHI in the Rubber Check incident. It was on ISHIBASHI's recommendation that HAYASHI was able to pass a great number of checks in the Kansai district. It is also alleged that he is connected with the Ultra Nationalistic organization, Shiunso.

Rikizo HIRANO, ex-Minister of Agriculture in the Katoyama Cabinet, presently under investigation by the Procurators' office for having violated construction regulations, is also being re-screened by the Central Screening Committee for the article published in the magazine Kodo (Imperial Way) of which he is editor. He was born in 1898 in Gifu Prefecture, and graduated from the Colonization University and Waseda University. He has long been associated with the Socialist movement in Japan and with the Labor Farmer Party movement. Although in many circles he is considered a Liberal from his association with the Labor movement, he has always applied the Ultra-Nationalist point of view to all his activities. Just prior to his resignation from the Cabinet, it is alleged that he planned to leave the Social

Democratic Party, and in cooperation with Banboku OHNO of the Liberal Party, had planned to form a new Right Wing Party. The future of HIRANO will depend largely on the decision of the Screening Committee.

Jiro HOSHIJIMA is presently under investigation by the procurators for having a carload of grape sweetening shipped to him from Hokkaido. HOSHIJIMA was Minister of Commerce and Industry in the YOSHIDA cabinet and was elected to the Diet in 1946. He has long been a member of the Seiyukai. He was appointed Parliamentary Councillor in the War Ministry in the TANAKA cabinet. HOSHIJIMA is also implicated in the case of Susumu HARA, Liberal Party member of the House of Representatives. It is alleged that HARA conferred with SEKO and HOSHIJIMA, and as a result of this consultation, the first SEKO order was issued by SEKO.

FUSANOSUKE KUHARA, an extreme Ultra-Nationalist, was recently released by IPS as a War Crimes suspect. KUHARA has long been associated with the Seiyukai. He was subject to court martial in connection with the 2.26 incident for having furnished five million yen to TANAKA, president of the Seiyukai Party just prior to the incident. He was acquitted on 15 December 1936. He has long been an advocate of the Single Party system and took an active part in establishing the IRAA.

KUHARA's name appears in connection with the Rubber Check incident and the Shiunso incident. It is alleged that HAYASHI, who on the recommendation of ISHIBASHI, passed rubber checks for the purpose of developing some mines, was ordered by KUHARA (long associated with the mining industry), to do this. In Japanese political circles, KUHARA is openly recognized as one of the more active purgees in the field of Japanese politics today.

Banboku OHNO, known to be a boss of the underworld, is today secretary-general of the Liberal Party. Since 1913 he has been a lobbyist and active member of Seiyukai, predecessor to the present Liberal Party. Today, it is because of OHNO that it was necessary for ASHIDA to move to the Democratic Party. OHNO's seniority over ASHIDA would place ASHIDA in a secondary position in the Liberal Party, and therefore ASHIDA, with the consent of HATOYAMA, formed the Democratic Party. As a friend of Tanzan ISHIBASHI, OHNO strongly supported the retention of Tanzan ISHIBASHI as Minister of Finance in the YOSHIDA cabinet.

Mannosuke YAMAOKA, a purgee, the boss of Koichi SEKO, has long been a member of the Seiyukai Party. When the SEKO affair broke out into the open, it is believed that through his influence it was made possible to start further investigation into the hoarded goods by the Diet committee. As a member of the Kokuhonsha, he has long been known as an extreme Ultra-Nationalist being the close friend of Mitsuru TOYAMA, advisor and sponsor of the Black Dragon Society. He is considered as the able successor to Kisaburo SUZUKI. During the war, as president of Nippon University in Tokyo, he arranged for SEKO to be appointed director of Osaka College, and acting-president and chief director of Osaka Science and Engineering University.

Koichi SEKO, a Liberal Party member of the House of Representatives, was vice-chairman of the Hoarded Goods Investigation Committee, Economic

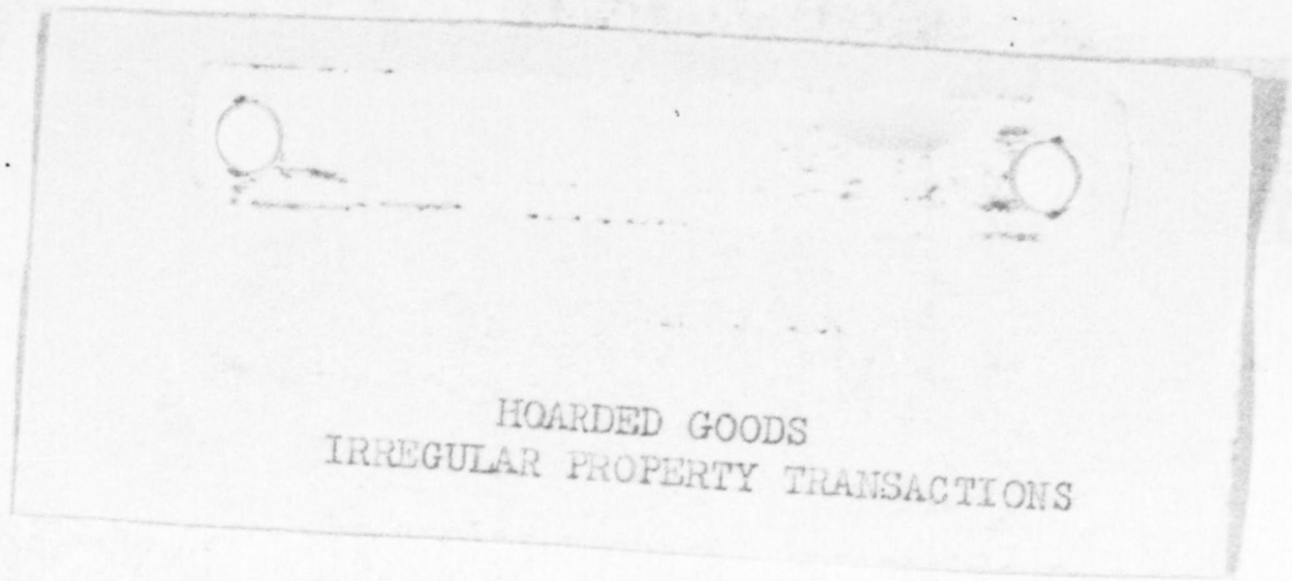
Stabilization Board, and concurrently vice-Minister of Home Affairs during the YOSHIDA cabinet. It was during this time that he issued the so-called Seko Orders, instructing various prefectural government police chiefs and individuals to release hoarded goods to the parties designated on his orders. SEKO is a new-comer to Japanese political work, having been elected to the House of Representatives in 1946 on the Liberal Party ticket. Previous to that, he was a lawyer, a businessman, and scholar. In 1944 he was appointed director of Osaka College, and acting-president and chief director of Osaka Science and Engineering University. The question as to whether or not SEKO had the jurisdiction to issue the Seko Orders has been thoroughly studied by the Procurators' office, and the decision as to whether SEKO may be charged with any violation of law will have to be delayed until the full investigation of all Seko cases is completed.

Karoku TSUJI is allegedly a member of the Black Dragon Society, and all during his long years in Japanese political life has never been active on the surface. As a personal secretary to Kisaburo SUZUKI of the Seiyukai Party, and Kokuhonsha, an Ultra-Nationalistic organization, he has long been an advisor for the Ultra-Nationalistic movement in Japan. Today, as one of the oldest men in Japanese political circles, he has vast influence over members of the Liberal Party, Democratic Party, and Right Wing Social Democratic Party. The attached list of contributions by TSUJI to various people were made possible from the SEKO scandal. NAKOSONE, presently indicted on the charge of fraud in the Seko Uniform case, gave TSUJI two and one-half million yen.

TSUJI is a very close friend of HATOYAMA, purged ex-president of the Liberal Party, and with his background of long experience in China, he is today still working for the same goal as Mitsuru TOYAMA, chief advisor of the Black Dragon Society (Asia for the Asiatics).

Contribution by TSUJI, Karoku from the ¥2,500,000 received in Seko case.

| Name | Amount | Position |
|---|---|---|
| OZEKI, Gichi | 110,000 | |
| OKADA, Soshi | 20,000 | H.C. |
| NISHIDA, Togen | 10,000 | |
| TAKAHARA, Masataka | 30,000 | |
| KURAISHI, Tadao | 200,000 | H.R. (L) |
| UDA, Kunei | 20,000 | |
| MIYAKE, Noriyoshi | 10,000 | |
| KIMURA, Kohei | 30,000 | H.R. (L) |
| ISHIDA, Sakon | 10,000 | |
| GAZENBO for L.P. parties | 170,000 | |
| KATSURA | 200,000 | |
| OKAMURA, Goiche | 100,000 | |
| ISOZAKI, Teijo | 20,000 | H.R. (L) |
| WATANABE, Jiko | 20,000 | |
| MIURA, Takanosuke | 30,000 | H.R. (L) |
| KAWANO, Ichiro | 20,000 | |
| NAKANO, Torakichi | 20,000 | H.R. (L) |
| BANDO, Kotaro | 30,000 | H.R. (D) |
| TACHIBANA, Fujimatsu | 20,000 | |
| HARA, Tamashige | 80,000 | |
| NAKAJIMA, Shosuke | 30,000 | |
| HORI, Shigeru | 10,000 | |
| MATSUBA, Takeshi | 10,000 | |
| ASABA, Ippei | 40,000 | |
| OZAWA, Saegi | 20,000 | H.R. (D) |
| OTSUKA, Keizo | 20,000 | |
| KATO, Mutsunosuke | 20,000 | |
| ASAOKA, Nobue | 330,000 | H.C. (L) |
| YAMAMOTO, Kisuke | 20,000 | |
| SUGITA, Keiko | 30,000 | |
| SUZUKI, Yagoro | 20,000 | H.R. (D) |
| YAMAGUCHI, Kyukichi | 10,000 | |
| YANO, Shinya | 20,000 | |
| SHIRAISHI, Kintaro | 20,000 | |
| TAKAGI, Matsukichi | 50,000 | |
| INOUE, Takeuchi | 10,000 | |
| TAKATANAGI, Taiju | | |
| MORI, Kimio | 20,000 | |
| SAKUMA, Tokutaro | 30,000 | |
| KANEKO, Rikizo | 80,000 | |
| SHIMOZAWA, Hideo | 200,000 | |
| L.P. Building Fund | 200,000 | |



HOARDED GOODS
IRREGULAR PROPERTY TRANSACTIONS

Report on Committee Investigation.

December 20, 1947

Komakichi Matsuoka, Esq.,

~~President~~ Speaker of the House of Representatives.

Sir;

Re: Report on the Course of Action taken by the Special Committee concerning Hoarded and Concealed Materials as a preliminary measure for establishing a Special Committee for the ~~Purpose of~~ Investigation on Transactions of ~~irregal Properties~~ Irregular Property.

I have the honor to report on the above Bill as follows:-

Part. 1. Introductory Remarks.

Our economy has met with great difficulty after the end of the war. Especially, the shortage of food and raw materials has become the question of most pressing importance which rocks the foundation of our whole industries.

It is, therefore, up to the Government and the National Diet to establish a policy of promoting the stabilization of our industry and to execute it. We must, for the time being, depend on the importation of part of it, if we wish to secure food enough to sustain

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the health of the nation. The import is in excess of the export by several hundred million dollars up to the present time. As we can not continue to import on credit indefinitely, it is quite clear that increased production is imminently necessary in order to produce the materials in return for the imported food. The object of the present Report is pointing to the emergency measures as to how to increase the production in our country, to prevent inflation and to increase the export of the materials in return for the imported food.

In the first place, the Committee has proposed to mobilize all the materials which had been in possession of the Army or the Government at the time of the end of the war, especially those which was illegally or through nearly illegal channel transferred to various bodies or to individuals, while they should have belonged to public property. It seems such materials, some of which are in circulation on the black market and others are still hidden or hoarded, might well amount to more than 5 billion yen in value, even if we estimate them reservedly. It is also clear by the testimony given by Mr. Ishibashi, Tanzan, ex-Minister of Finance, before the Committee on August, this year.

According to the directive sent to the Japanese Government by the Supreme Commander of the Allied Powers on the 11th of January, 1946, it is directed that, with regard to all the materials transferred by the Japanese Army during the period from August

August 14 to September 2, 1945, whatever the method of their transfer may be, a complete inventory of them, in which the locality of the materials at the time of their transfer, the name of the organ or individuals that had taken over the materials should be written together, shall be compiled. Nevertheless, the fact that the ex-Minister of Finance, who was a responsible person in the Government has admitted that he does not know anything about the real circumstances shows how the disposal of these materials was clouded with suspicion.

Needless to say that it is also up to the Government to endeavor to restore all these materials which contribute greatly to the stabilization of economic condition in our country and dispose of them through regular channel.

There was, unfortunately, no clear legal grounds on which to deal legally with the cases that had arisen out of such extremely lawless acts as had been committed under the cover of post-war confusions. It is for those reasons that the Committee earnestly has demanded the establishment of a powerful legal organization for the purpose of making these materials which should have belonged to the Government available for the maintenance of circulating order. Moreover, it was believed that, in doing so, it may stimulate the Government to be more aggressive on the question and to be contributing to the benefit of the people who are suffering heavily from the pains of defeat.

Owing to lack of clear legal grounds as above-mentioned as to investigations to be made on the hidden or hoarded goods, the Committee encountered a formidable opposition in various quarters. The experiences it had in pursuing the investigations clearly underlines the preceding fact. For instance, some persons are opposed to the investigations, as they are afraid of their route of supply of goods being out off, on account of the circumstances that they are themselves interested in the dealing on the black-market. There are others who had close cooperation with the army during the war, taking advantage of the confusions at the time of the surrender, have accumulated a great deal of wealth by disposing of materials which belonged to the military plants they were interested in. Some of them, in order to set their stand firm in political circles also, became candidates in the elections themselves or made a proxy who was closed chained to them run in the elections. Such persons, although they wear a mask of democracy, if stripped of it, expose themselves as ugly monsters who are willing to see the economic conditions in the country in perpetual confusion. There were not only those persons who were aggressively opposed to the investigations, but also there were some officials of part of the central and local government offices who had been bribed by the illegal owners of military commodities, being afraid of the disclosing of their wrong doings, were not cooperating with us in the investigations.

Opposition against the ruthless and thorough investigations on the improper transactions of war materials in the post-war time is, as mentioned above, deeply rooted in the various classes of society, whatever they may be government officials or civilians.

Part 2. In the back-ground.

The Allied Powers demanded that following acceptance by the Japanese Government of the Potsdam Declaration, the Emperor should order suspension of hostilities to all military and naval units, and direct them to disarm, subject to the order of the Allied Powers.

On the other hand, the Suzuki Cabinet, interpreting the purport of the directive of the Allied Powers in the strained meaning that it allows a free disposal of other was materials than the arms and ammunitions that should be delivered to the Allied Powers, decided, at the Cabinet meeting of August 14, to dispose of materials possessed by the army immediately before the landing of the Occupation Army. The decision was made as a strategical measure for preventing the growing tendency of the people to alienate the army. War materials were, consequently, to be distributed among the Government agencies, public bodies, factories in general and individuals. In accordance with the decision, the naval and military authorities directed the respective commanders to release immediately the materials in possession of the command. The War office sent the order in accordance with the preding decision by the War Office's Confidential Document No.363, dated August 15 to each army unit.

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One article of the order, for instance, reads as follows:

Sale of munitions of war as well as materials on hand and the equipment of military production shall be in principle with compensation, provided, however, that sales to local government shall be done in the form of transfer and without compensation and, further, that the money due to sales need not be paid in full at once.

On the 16th August, following the preceding order, the War Office ordered each unit of the army to destroy the papers relating to the war materials during the 17th and 18th of August, provided, however, that the papers concerning the munitions of war, contracts and property rights should be preserved. It is doubtful whether the preceding order has been carried out to the letter or not. According to later investigations it has been made clear that the papers clarifying the ownership of war materials were also, in most cases, destroyed.

On the 20th of August, directive No. 1 of the Supreme Commander of the Allied Powers was handed over to the Japanese Mission which had been sent to Manila in preliminary preparation for the Surrender in Tokyo Bay. The directive made clear that the Japanese Government should keep in good condition all the war materials of arms, ammunitions and combustibles. It was made clear also that the Allied Powers did not allow the Japanese Government to release and dispose of the war materials.

~~Accordingly, despite the fact that the decision of the Cabinet meeting on August 14 was actually null and void, the Higashi-kuni Cabinet~~

Even after the cancellation of the Cabinet Order of August 14, the Higashikuni Cabinet did not make any real efforts for the collection of materials unlawfully released, which resulted in the passage, free or practically free, into the hands of a portion of people of an enormous amount of munition goods, into which the blood and sweat of the people have crystallized. Thus, these goods, alienating themselves from regular rationing channels, have become the cancer threatening the economy of this country.

On January 11, 1946, General MacArthur's General Headquarters sent a memorandum to the Japanese Government, inviting its attention to the illegitimate disposal of munition goods carried out during the period from August 14, 1945 to September 2 of the same year. Bluntly pointing out that such disposal at the time of surrender was in contravention of the spirit of the Potsdam Declaration, this memorandum demanded the Japanese Government to present a detailed table showing released materials, a copy of the order concerned, and a list of persons responsible for the order. On receipt of this memorandum, the Government presented the report made on the basis of records possessed by the former War and Navy Ministries.

In an attempt at collecting the materials which were seized upon or illegitimately disposed of amidst the confusion following the termination of the war, the Shidehara Cabinet resorted for the first time to a concrete measure, in the form of the enforcement of the Imperial Ordinance relative to Emergency Measures for Concealed and Hoarded Materials

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on February 17, 1946. In accordance with this Imperial ordinance, owners of materials designated thereby were required to present three copies of their list to the Commerce and Industry Minister through the prefectural government concerned by March 10, 1946. At the same time, owners of these materials were forbidden to move them until April 20 of the same year. Moreover, to ensure the effectiveness of this Imperial ordinance, Article 8 thereof provides:

> "....The competent Minister or the prefectural governor concerned may demand the persons concerned all necessary reports on the materials under investigation or designated materials. He may despatch Government officials to workshops, stores, warehouses or any other places, for the investigation of the condition of business and the materials concerned and for the inspection of the books and records of the companies concerned. In this case the Government officials concerned shall carry their identification cards."

On May 16, 1946, when the political situation was extremely unstable following the General Election conducted in April and pending the formation of the Yoshida Cabinet on May 22, an agreement was concluded between the Director of the Investigation Department of the Home Ministry and Mr. Takashi Komatsu, which resulted in the organization of a Commission for the Disposal of Arms. This Commission was composed of representatives of companies acting for the interests of the five Zaibatsu.

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Although this Commission was camouflaged as if it were a Government organ, it was in reality a purely private organization not at all based on law. Although the above-stated agreement was nominally concluded on May 16, previous negotiations for its conclusion were, as is evident by Annexed Paper No. 1, started as early as in November of the previous year. At that time, the Government was expecting that 1,288,-720 tons of materials, valued at ¥1,289,600,000, could be regained into its hands. However, what was actually regained by the Commission was 835,102 tons of materials, valued at ¥95,700,000.

It is a noteworthy fact that against the amount of over ¥100,000,000,000 estimated at by the GHQ as collectable, including the value of the materials above referred to, the Government estimated at the time of the formation of the Commission the amount derived from the disposal of arms by the Commission at about ¥1,200,000,000. (Testimony given by Mr. Ishibashi above referred to) This leaves much room for giving rise to a suspicion of some irregulartities as to the above-referred to agreement.

The organization of the Commission and the way it disposed of arms as well as Mr. Ishibashi's testimony, --- all this testifies how irresponsibily the Government handled those public owned materials, amounting to several scores billions of yen. It is not without reason that many unfavorable rumors are started around the disposal of these materials. Though belated, with a view to regulating the disposal of munitian materials

tian materials and stimulating the economic reconstruction, the Regulations for Adjustment of Stored Designated Production Materials was promulgated on January 25 this year by means of an ordinance of the Commerce and Industry Ministry and the Agriculture and Forestry Ministry. This Ministry ordinance, however, was aimed at bringing concealed and hoarded materials into legitimate rationing channesl rather than exposure of unfair transactions.

Theoretically, there can exist no longer any concealed or hoarded goods after the enforcement of the Imperial-ordinance relating to the disposal of concealed and hoarded materials in February, 1946. Nevertheless, in February, 1947, the then Home Parliamentary Vice-Minister, Mr. Koichi Seko, made it public that there still existed a large amount of concealed and hoarded materials, based on the knowledge which he obtained as a result of investigations conducted while in office as Parliamentary Vice-Minister. He believed that the drift of a large amount of these materials into blackmarkets was obstructing the economic rehabilitation. Before he resigned from the post due to the reorganization of the Yoshida Cabinet, Mr. Seko proposed to Finance Minister Ishibashi, who was concurrently acting Director-General of the Economic Stabilization Board, to take more positive measures for the exposure of concealed and hearded materials. This proposition was taken up for consideration in the Cabinet conference held on February 14, which resulted in the decision to establish a Commission for the Disposal of

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Concealed and Hoarded Materials in the ESB. This Commission was composed of one Chairman, one Vice-chairman and several Commissioners; and on February 24 Mr. Ishibashi and Mr. Seko were respectively appointed Chairman and Vice-chairman.

As this Commission was brought into being according to the decision of the Cabinet conference, but neither to a law nor a Cabinet order, its legal status was obscure. Regarding this point, Mr. Koichiro Kunishio, Director of the Supervision Bureau of the ESB mentioned in the Public Safety and Local Government System Committee of the House of Representatives as follows:

"The Commission for the Disposal of Concealed and Hoarded Materials was established based on the decision of the Cabineet conference of February 14, 1947, and at the time of establishment and even after it claimed to no authority in the light of law. Having, therefore, no authority in regard to the exposure and confiscation of concealed and hoarded materials, this Commission was in nature nothing other than an investigation organ. The exposure of those materials was being carried out on the responsibility of the EBS, with the co-operation of the Ministries concerned. The first meeting of this Commission was held on February 24 at the Premier's Official Residence. But in this meeting and those held later no formal decision was made for strengthening its activities."

Mr. Seko remained in office as Vice-Chairman from February 24 to April 11. During this period abundant information as to concealed and hoareded materials was brought to him. However, as his authority as Vice-Chairman was, as referred to, very obscure, he dogmatically issued the tentative orders for the exposure

exposure of those materials, known as the Seko Orders, altogether 144 in number.

These orders issued by him were passed from a broker to a broker, until at last they became to be abused as the material of fraud. This gave rise to the rumor that Mr. Seko and his associates might have committed some irregularities. On the other hand, a rumor was in circulation that owing to unfair transactions between influential brokers and some corrupt officials, an enormous amount of concealed and hoarded materials would suddenly disappear on the eve of exposure. These rumors seemed to have culminated in rampancy, when Mr. Seko gave a speech on this problem at the meeting of the Lower House members belonging to the Liberal Party on July 10. In this speech he said: "Open-heartedly recognizing that there still exists an enormous amount of concealed and hoarded materials, valued at several scores of billions of yen, throughout the country, the Diet itself should take charge of their investigations." And "it is not to be denied that several among the present Cabinet members may be involved in this problem." This speech of Mr. Seko's gave rise to a heated discussion on the problem in various quarters. As a result, in consideration of the seriousness of the matter, both the Govern - ment and the Diet have decided to have a special committee organized on the initiative of the House of Representatives, for the investi- gation of realities of this problem.

~~Cabinet did not cancel the decision until August 26. During the period, that is to say, during two weeks from August 15 to 26, a great part of the war materials had been carried away from the warehouses, many illegal and improper transactions (including destruction of evidence) were carried on.~~

Part. 3. Special Committee Concerning Concealed and Hoarded Materials.

The Special Committee Concerning Concealed and Hoarded Materials of the House of Representatives was formed on July 25, 1947, and the first meeting of the Committee was held on the following day. The formation of a committee like this had never been known before in the history of our parliament. From the outset, therefore, this Committee had to pave its way onward in the face of numerous difficulties.

It was considered by the public that this Committee was brought into being for the purpose of inquiring into the wrong or illegal doings committed in the confusion of the days directly following Japan's defeat in the late war with respect to the disposal of concealed materials. At the very beginning of its activities however, it was brought to light that members of the Committee greatly different from one another in their views concerning the functions of the Committee. At its second meeting, Member of the Committee Mr. Tokuda demanded that "The then Premier Higashi Kuni should be summoned as a witness concerning the free delivery of war supplies," which gave rise to a hote dispute.

Member of the Committee Mr. Kojima of the Democrats asserted that the first duty of the Committee was to place the concealed and hoarded materials on the right and regular route for reticning, and that the Committee was not expected to make any inquiry into the actions taken by the Government in connection with the disposal of those materials. In the meantime, a few others gave views that the Committee could not execute its duties without bringing to light what role plaid by the Bureaucrats in hoarding and concealing those materials. In this connection, the Nippon Times of July 27 reported as follows in substance:

"This dispute is nothing but a struggle between the parliamentary statesmen and the bureaucrats after their shares of the interests arising from the concealed and hoarded materials. From the viewpoint of an outsider, comes from the request lodged by the parliamentary statesmen to obtain their shares of profit from the rotten bureaucrats who have been making much money through the disposal of those hoarded and concealed materials. These two different camps have come into a total collision with each other, and the bureaucrats have started desperate efforts to check Mr. Seko in laying bare the scandals in which they are involved."

That a matter like this was reported to foreign countries by an English journal is a matter of great dishonor to all the Japanese people who in spite of the miseries of defeated Japan are struggling to effect the revival of their fatherland as a genuine democratic nation. This Committee found itself under the obligation to inquire into the truth of the alleged scandals in a resolute manner and make everything clear to all Japanese citizens,

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both for the honor of the parliamentary statesmen and the bureaucrats whose names were involved in those scandals and to the credit of the Government and political circles. This Committee made an inquiry into all matters concerned with such a sense of responsibility. However, as stated in its interim report, neither the Government nor the Diet could get rid of the feudalistic habits they had acquired when under the old Constitution. During its existence, this Committee has a few score hours' conference, formed five sub-committees to look into all matters concerned. Furthermore, members of the Committee, over twenty in the cumulative number, inquired into various cases visiting the spots, the distance covered by those trips aggregating several thousand kilometers. Owing to the absolute lack of investigation expenses, however, their activities had to be limited to investigations of such cases as had been made public by the Economic Stabilization Board. Nevertheless, as a result of the eleven inquiries made on the spots, this Committee could attain such pruposes which might not have been attained if left to the hands of the bureaucrats alone, and has succeeded in placing substantial quantities of useful materials on the right and legal route for rationing commodities. As a result of several inquiries as stated above, this Committee has ascertained the following facts:

1. Enormous quantities of war supplies which were under the control of the ex-Army and Navy, which have been transferred to the hands of the local Governments, controlling bodies, merchants, and brokers, are now overlodding the black markets, exercising

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heavy pressure on legitimate enterprises.

2. All efforts to place those materials on the right and legitimate route of rationing have always been obstructed by illegal transactions and defects of the laws. In fact, Mr. Seko, in conducting necessary investigations, could not obtain the cooperation of the local Governments concerned. In this respect, he give many instances in his report. It seems that there are some understandings between the owners of those materials and the local Government authorities concerned. In fact, many of the local authorities have been exercising some efforts to legalize the transfer of ownership over those materials.

3. The present laws and regulations are too helpless to cope with the situation. There are cases where some materials that should belong to the State as a matter of course are exempted from objectives to be made public and investigated only because they are in the hands of the central or local Governments.(such as, for instance, any property of the Government not entered in its books, or some special materials not included in the budget of a local government to which they belong).

4. There is a sad lack of unification of the power required in making inquiries. For instance, the power to make public and investigate the hoarded and concealed materials are divided at present among the Commerce and Industry Ministry, Agriculture and Forestry Ministry, and the Economic Stabilization Headquarters, which often disturbs the unified action to be taken in this connection.

5. The Government bill to give a greater and unified authority to the Economic Inspectors could not pass the Diet in its first session this year on account of various circumstances.

6. The inquiries by the Committee members have been considerably obstructed on account of the failure on the part of the Government officials concerned to keep necessary records of the investigations of those war supplies under the supervision of the Allied Forces authorities. In this connection, Ex-Finance Minister Mr. Ishibashi says in his evidence substantially as follows in his evidence referred to above:

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"If memory does not fail me, the Allied Forces Headquarters delivered to the Japanese Government war supplies amounting to an enormous value between ¥100,000,000,000 and ¥200,000,000,000 in accordance with their valuation as on November 15 of last year. Those materials had been under the control of the ex-Army and Navy. The Allied Forces authorities, after seizing them, handed them over to the Japanese Government. In those war supplies, there must have been building materials and machines valued at several hundred million yen, whose present locations I am anxious to trace up. Now, if several million Yen's worth of useful materials were delivered to the Japanese Government, it is certainly worth while ascertaining what offices of the Japanese Government received them. At a meeting of the Cabinet Counsil, I proposed that an inquiry should be made in this connection. Accordingly, an inquiry was made by the Home Ministry and other Government authorities concerned. According to the date in the hands of all Government offices showed that materials valued at twenty or thirty million yen passed the hands of the Home Ministry authorities. But, no trace was to be discovered of the war supplies valued at between ¥100,000,000,000 and ¥200,000,000,000. I thought it necessary that we should trace up those materials at any cost, requested the President of the Board of Rehabilitation to produce necessary records." (Refer to the shorthand record of the proceedings of this Committee's meeting on August 13 last.)

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This Committee requested the Government to produce necessary data for the investigation of the truth of the affairs in view. Prime Minister Katyama promosed at the first meeting of this Committee that the Government would fully cooperate with this Committee to make required inquiries. Nevertheless, he failed to produce the required data by the last day of the first session of the Diet. Especially, the lists of the materials delivered from the Allied Forces to the Japanese Government as referred to in the evidence given by Mr. Ishibashi and the principal portion of the important data concerning the condition of the disposal of those special materials have not been produced. In the meantime, this Committee repeatedly requested the Government to produce the required data. Under the present Law of the Diet, the Government is under the obligation to produce all data requested by the Committee. The Law, however have no provisions to force the Government to execute its duty toward the Committee in case where it fails to fulfil its duty as stated above. Taking advantage of this defect in the Law, the Government fails to produce the required data which are against the interests of the Government. This must be denounced as a serious act of the Government against its own political responsibility.

In consideration of its own experience, this Committee has passed a resolution that the Government should take more vigorous measures concerning the disclosure of the hoarded and concealed materials. The Government, in compliance with the

resolution

resolution of this Committee issued a Government ordinance effecting the establishment of the Hoarded and Concealed Materials Utilization Committee under date of September 14. This Committee, however, consists of only twenty members stationed in the Centre and local districts, and is nothing but a consultative organ in respect of functions. Though, one half of its members are appointed from among the people concerned, it is not in a position to execute its special duties as based on its own authority by making goods the defects as in the past.

REPRODUCED AT THE NATIONAL ARCHIVES PURSUANT TO EXECUTIVE ORDER 13526 SEC. 3(E) AND 3(D) OR (E) NNCP, # 1775012



Part 4. Conclusion.

As a result of four months investigation the Committee has come to the following conclusion.

1. Concerning the letting out of munitions on August 14, 1945, the measures taken by the Suzuki Cabinet were irresponsible and very injurious. Since then the successive cabinets down to the present one have lacked in thoroughness in getting back let-out goods. These acts should be made clear in the Diet in the light of law.

2. There were a number of irregularities concerning disposal of munitions at the end of the war. Many people became parvenus and hot-beds of blackmarket were made.

3. Some of local government officials obstructed the investigation of hoarded and concealed goods, apperently or clandestively. In some cases, colluding with owns of hoarded and concealed goods, people are attempting to wipe out traces of irregularities.

Concerning so-called special goods returned to the Government by the Allied Forces, the disposal of them is not clear.

4. Some owners of hoarded and concealed materials, thinking that the Occupation Forces will withdrew before long, are trying to continue to the last. There is some doubt whether arms were included in the munitions which were let out.

5. Regulations now in force concerning hoarded and concealed materials are very defective.

6. Thorough exposure of concealed materials will be impossible unless sufficient authority is vested in the Government and

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NND # 775012



the Diet.

7. At this juncture, the authority of the Diet and the Government must be clearly defined. The Diet should limit its authority within the scope of pure investigation, while the Goverament must act on the results of such investigation. The Diet should carry out definite investigations and resolutely make good short comings of Regulations now in force.

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NSC # 773012

Col. Kades

SECRET

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

1 December 1947

MEMORANDUM

I. The Procurator General Mr. Fukui and Mr. TAKEUCHI have just returned from an inspection tour of Kyoto, Osaka, Kobe, and Takamatsu (Shikoku). A conference of the Chief District Procurators was called in Takamatsu and Osaka. Here, the details on the investigation of hoarded goods were thoroughly discussed, and complete cooperation was promised by all those attending.

1. There has been ample evidence that the police are doing a good job in cooperating with the procurators.

2. An investigation is being conducted in Kobe of the Kawanishi Airplane Factory, where approximately ¥ 200,000,000 worth of goods, lumber, machine tools, and various metals have been frozen by the Procurators' Office.

3. In kyoto, twenty-six warehouses were sealed by the procurators in an investigation of the Increase Production Association and Local Government.

4. An investigation of the Maezuru ex-Naval Base in connection with the Second Demobilization Bureau is presently being conducted.

5. An investigation has been started of the Kure Naval Base by the Hiroshima Procurators' Office.

6. The Main investigation of the Osaka Arsenal case will be started in about ten days. An arrest was made of the manager of the Osaka Kaiko.

7. Newspaper reporters in an interview with the Chief Procurator in Osaka expressed the opinion that it was rather late to be starting an investigation after two years, but after convincing them that it was not too late, the general opinion was that they were very pleased to see this investigation being conducted in such a thorough manner.

8. The procurators are working on a case in Osaka involving HAYASHI, Shinji. This man has drawn from various banks in the Osaka region

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approximately ¥ 200,000,000. This incident ties in a society by the name of SHIUNSO. The so-called owner of this society is HASHIMOTO, Tetsuma, a Koyabun of Kuhara, FUSANOSUKE, ex-Communication Minister under SUZUKI, Kisaburo. HAYASHI is an intimate friend of HASHIMOTO, and the procurators have been interested in this case from the point that it seems to have a logical connection with the Black Curtain politics.

An interesting point in this investigation is that HAYASHI was given an introduction to the various banks by ex-Finance Minister ISHIBASHI. It was through this introduction that he was able to cash these various rubber checks for the purpose of developing some mines, but as yet the procurators have had no proof that any money was used for mining purposes.

Among the people arrested in connection with this case are the following:

a. IMAI, Shuichi. IMAI's son is presently the head of the Disbursing Section of the Finance Ministry.

b. YOKOIE, Osamu. This man is a very good friend of TANIGAWA, head of the Criminal Investigation Section of the Home Ministry.

II. Tokyo District Procurators' Office reported the arrest of KAMEI, Kanichiro, former member of the House of Representatives, Social Democratic Party, on the charge of extortion of ¥ 6,000,000 from the District Farm Association. A full report on this case will be submitted to this section on 6 December, 1947.

III. KANO, Shumpei, Judge from the Tokyo District Court, in charge of the Seko Military Uniform case, reported the first hearings on the case will be held sometime in the middle of January. The reason for the delay being the report consists of 10,000 pages, and under the present situation, it would be impossible to open the case at an earlier date. He asked for an opinion from Government Section regarding the request for release on bail by the lawyers of the four defendants. It was stated to him that Government Section had no intention of interfering with the jurisdiction of the Japanese courts, and that this matter was for the court to decide, but that GHQ was very interested in the speedy prosecution of this case, as it effected a great number of people and was the first step in uprooting the roots of corrupt government practices.

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