

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS  
APO 500

AG 602 (17 Nov 48)CPC/FP  
SCAPIN 1965/2

1 June 1949

MEMORANDUM FOR: JAPANESE GOVERNMENT

SUBJECT: Disposition of Property in Japan of Companies or Persons with Head Offices in Areas Formerly Occupied by the Japanese

1. Reference is made to the following memoranda to the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers:

a. File AG 130 (22 Sep 45)ESS, SCAPIN 45, 22 September 1945, subject, "Control of Financial Transactions," together with the definitions of terms used in that memorandum as set forth in Appendix A attached thereto

b. File AG 602 (17 Nov 48)CPC/FP, SCAPIN 1965, 18 January 1949, subject, "Liquidation of Property in Japan of Branches of Companies with Head Offices Outside Japan"

c. File AG 602 (17 Nov 48)CPC/FP, SCAPIN 1965/1, 8 March 1949, subject, "Property in Japan of Companies with Head Offices Abroad."

2. Assets in Japan of subject companies shall be liquidated (including the collection of all outstanding claims in Japan in favor of the company) either by transfer to new companies formed to acquire such assets in case of reorganization, or by public sale in the manner set forth herein. The Japanese Government will certify that all legal efforts have been made to collect outstanding claims in favor of the company and will submit a complete statement regarding each uncollectible item to General Headquarters, Supreme Commander for the Allied Powers.

3. In the event that liquidation involves transfer of assets to a new company, shareholders and debenture holders should be accorded prior right (as compared with other investors) to participate in the new company by the acquisition of shares or other securities of such company. Payment for such acquisition should be made either by investment of new capital or by relinquishment of claim to and transfer to new

AG 602 (17 Nov 48)CPC/FP,SCAPIN 1965/2

Subj: Disposition of Property in Japan of Companies or  
Persons with Head Offices in Areas Formerly  
Occupied by the Japanese

company of such portion of proceeds of liquidation as would otherwise be payable to such shareholders or debenture holders after payment of claims as hereinafter set forth. Reorganization plans will be presented to General Headquarters, Supreme Commander for the Allied Powers, for analysis and approval.

4. The following principles will govern the disposition of proceeds of liquidation referred to above:

a. Creditors in Japan and from abroad whose claims arose out of business of branches in Japan and creditors secured by liens on assets of such branches in Japan should be paid in accordance with the customary legal priority.

b. Any residual amounts which are proceeds of liquidation of assets in Japan remaining after payment of creditors specified in subparagraph a above will be retained by the Japanese Government to which shareholders, debenture holders and other unsatisfied creditors or foreign claimants (as specified below) will look for compensation, such compensation to be paid only from and to the extent of such residual amounts. The establishment of a special account for residual proceeds will be made the subject of a separate memorandum.

c. Creditors outside Japan (excluding those specified in subparagraph a above) will look to assets of the company located in the country of which the creditor is a national, or to such other assets located outside Japan as may be available for such payment. Creditors claiming debts or obligations incurred by the company in Japan for the benefit of the head office or branch outside Japan will look to assets abroad for payment. In the event the assets left abroad at the end of the war were inadequate to satisfy the liabilities of concerns or persons in those countries, creditors' claims for excess should be transmitted, when conditions permit, through governments of countries of which they are nationals to the Japanese Government. The Japanese Government will attempt, from funds available to it after payments made under subparagraph a above, to pay off all creditors in Japan and all claims transmitted to it as before by other governments. If funds available are not enough for complete payment, the Japanese Government will then accord creditors abroad such treatment that the total of their collections abroad and in

AG 602 (17 Nov 48)CPC/FP, SCAPIN 1965/2

Subj: Disposition of Property in Japan of Companies or  
Persons with Head Offices in Areas Formerly  
Occupied by the Japanese

Japan equal what Japanese creditors of similar status receive. Any amount available for distribution after complete payment of foreign and Japanese creditors will, on being approved by General Headquarters, Supreme Commander for the Allied Powers, be made available for distribution to shareholders in Japan and abroad on a pro rata basis.

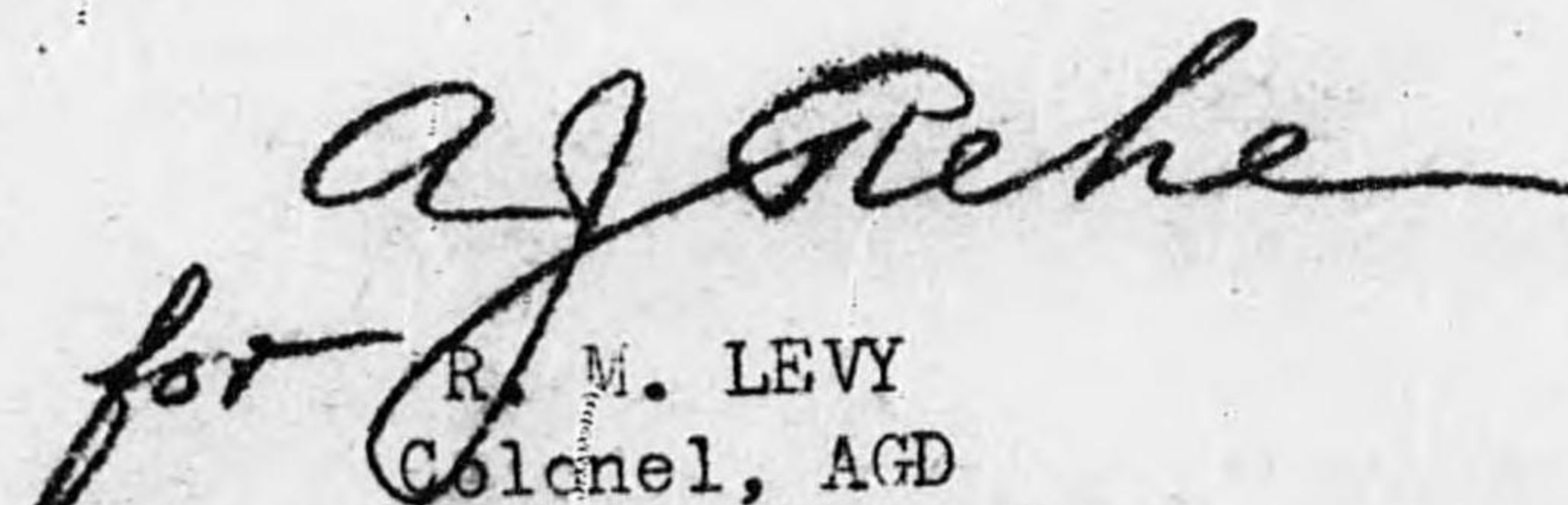
d. In cases where the Japanese Government is satisfied that assets left abroad at the end of the war were sufficient to satisfy creditors indicated in subparagraph c above, the Japanese Government after securing approval by General Headquarters, Supreme Commander for the Allied Powers, will proceed with the payment of these creditors in Japan and the distribution of any residual proceeds to shareholders and debenture holders in Japan and abroad on a pro rata basis.

e. In liquidation proceedings, inter-branch and head office accounts will be disregarded.

5. Nothing in the foregoing shall be construed as conveying authority to or committing the Japanese Government to provide foreign exchange in settlement of any claim.

6. The only payments authorized at this time are liquidators' expenses, operating expenses of licensed business and current taxes. No payment of other claims may be made nor can any property be sold or transferred until further instructions are received from General Headquarters, Supreme Commander for the Allied Powers, to whom any plan for creation of a new company or reorganization must be submitted for approval before the plans can be effectuated.

FOR THE SUPREME COMMANDER:

  
for R. M. LEVY  
Colonel, AGD  
Adjutant General