Discussion Paper Series

RIEB

Kobe University

DP2014-15

Accounting for Dissolution: The Case of Japanese Mining Corporations 1946-1950*

Masayoshi NOGUCHI
Yasuhiro SHIMIZU
Tsunehiko NAKAMURA

March 25, 2014

* The Discussion Papers are a series of research papers in their draft form, circulated to encourage discussion and comment. Citation and use of such a paper should take account of its provisional character. In some cases, a written consent of the author may be required.

Research Institute for Economics and Business Administration
Kobe University
2-1 Rokkodai, Nada, Kobe 657-8501 JAPAN

Accounting for Dissolution: The Case of Japanese Mining Corporations 1946-1950

by

Masayoshi Noguchi
Research Institute for Economics and Business Administration
Kobe University
mynoguchi@rieb.kobe-u.ac.jp

Yasuhiro Shimizu
Graduate School of Business Administration
Kobe University
simizu@kobe-u.ac.jp

and

Tsunehiko Nakamura
Faculty of Business Administration
Momoyama Gukuin University
tunehiko@andrew.ac.jp

very preliminary draft: please do not quote or cite without permission from the authors.

Acknowledgements

We wish to express our sincere gratitude and appreciation to John Richard Edwards (Cardiff), Trevor Boyns (Cardiff), Bernardo Bátiz-Lazo (Bangor), Mark Billings (Nottingham), Roy A. Chandler (Cardiff), Malcolm Anderson (Cardiff) and anonymous referees for their sound and constructive comments made at a draft stage of this paper.

Accounting for Dissolution: The Case of Japanese Mining Corporations 1946-1950

Abstract

The study, which makes extensive use of official Holding Company Liquidation Commission (HCLC) documents possessed by the National Archives of Japan, examines accounting practices adopted by three Japanese mining corporations in their dissolution in the immediate postwar period from 1946 to 1950. The study finds that (1) the conventional accounting practices adopted by the *zaibatsu* companies were adequate to enable them to implement their own dissolution and that (2) forecast balance sheets prepared by the companies, produced after the HCLC decided to split them up, provided an important basis for the development of the postwar corporate accounting system. This was because they supplied a practical precedent, in which features of the new system materialized before it was formally instituted, as the forecast balance sheets make use of provisions in the 'Instruction for the Preparation of Financial Statements of Manufacturing and Trading Companies', issued by the General Headquarters (GHQ) in July 1947. The study's results contribute to the literature on the quality of accounting information provided by the Japanese *zaibatsu* organizations. Early research generally assessed the financial statements submitted to the HCLC as having many defects, while more recent research indicates that the accounting practices adopted by these companies were not deficient in their own domestic environment. Since neither assertion is founded on empirical data, the examination conducted in this study provides important evidence to support the latter view.

Keywords: Holding Company Liquidation Commission, *zaibatsu*, dissolution, excessive concentration of economic power, mining corporations, coal, metal.

1. Introduction

In research on Japanese accounting history, the formation of 'the Investigation Committee for Measures of the Corporate Accounting System' (*Kigyo Kaikei Seido Taisaku Chosakai*) in June 1948 within the Economic Stabilization Board (*Keizai Antei Honbu*) and its issuance of 'Business Accounting Principles' (*Kigyo Kaikei Gensoku*), including the 'Working Rules for Financial Statements' (*Zaimu Shohyo Junsoku*) in July 1949 are normally regarded as the origin of Japan's postwar corporate accounting system (Chiba 1998, pp. 105-106; Kubota 2008, p. 238). However, influences from prewar days and Japan's controlled economy during World War II did not immediately disappear when the war ended in August 1945. They were covertly passed on to postwar institutions through practical problems such as the issues of postwar compensation and demobilization. The accounting system was no exception. Accounting practices before and during the war seriously impacted the formation of postwar institutions, again through practical problems such as the liquidation of colonial and/or special companies specified in the immediate postwar period as 'closedown institutions' and compensation offered to those specifically designated as special accounting companies.[1] The same applies to the issue of dissolving the *zaibatsu*, which determined the competitive framework for the entire postwar Japanese economy.

Immediately after World War II, the General Headquarters (GHQ), the Supreme Commander of the Allied Powers, ordered those companies designated as 'holding companies' to submit financial information as part of the data required to dissolve the

[1] In exchange for breaking off wartime compensation, a company designated as a special accounting company was permitted to retain property necessary to continue its business in a new account after having revalued its assets, separating it from its other property in its old account.

zaibatsu. However, the GHQ saw many problems with these companies' accounting practices so it issued a set of guidelines for rectifying the defects, called the 'Instruction for the Preparation of Financial Statements of Manufacturing and Trading Companies' (hereafter 'Instruction') (Uchikawa 1983, pp. 10-12). It is generally understood that the publication of the Instruction in July 1947 (Chiba 1998, p. 104), after twists and turns, led to the formation of the Investigation Committee for Corporate Accounting System Measures (Chiba 2010). Although the Instructions vary somewhat by year of issue, every version directs current-first order practices and includes extensively recognized accounting accruals. The version released in July 1947 is the most famous, being circulated widely among business enterprises (Chiba 1998, pp. 104-105).

In contrast to the recognition of the important role *zaibatsu* companies played in forming corporate systems in prewar days, the significance of the accounting practices they adopted in the dissolution process has been overlooked in relation to postwar establishment of Japanese accounting systems. As a result, the *zaibatsu*'s loss of influence, compared to the prewar period, has been stressed and only the formation of new corporate accounting systems, as part of the economic democratization promoted under the GHQ's instructions in the postwar period has been emphasized.

It is not yet totally clear what role the accounting practices adopted by the *zaibatsu* organizations in prewar days, including those needed for their breakup in the immediate postwar period, played in forming institutional accounting systems in Japan after World War II. More recent work, as represented by, for example, Miyajima (2004), indicates that the conventional accounting practices of *zaibatsu* institutions included many outstanding innovations such as the treatment of depreciation. The research question to be examined in this study is thus whether the accounting practices adopted by the *zaibatsu* organizations when they faced their own dissolution were indeed so defective that they were totally discontinued and are clearly distinguishable from the new accounting system established after the war, as stressed by the conventional historical view. In contrast to the traditional view, we use official documents of the Holding Company Liquidation Commission (HCLC) (*Mochikabu Kaisha Seiri I-inkai*), located in the National Archives of Japan, to clarify that (1) the conventional accounting practices adopted by *zaibatsu* companies were adequate for carrying out their own dissolution and that (2) forecast balance sheets prepared by the companies, after the HCLC decided to split them up, provided an important basis for postwar accounting system development as exemplars of the practical execution of the provisions prescribed in the Instruction, even before the Business Accounting Principles and attached Working Rules for Financial Statements became legally binding when SEC Rule 18 took effect in September 1950. In this study, we see the common features of the Instruction and the postwar accounting system in Japan as the following: (a) introduction of new styles of financial statements that included current/fixed classifications and presented data in current-first order and (b) extensive use of accounting accruals such as deferred charges and prepaid expenses (see Table 1).

[insert Table 1 around here]

The research method adopted for this study is an explained historical narrative. The official archived HCLC documents deal with the commission's operation. They include, in addition to the dissolution of the *zaibatsu*, the democratization of security possession and the decentralization of excessive economic power. The archives cover a broad range of documents, from the designation of organizations as holding companies through to their liquidation or breakup. From among these archives, we examine the case of mining enterprises for which the process of dissolution became complicated enough that they required more detailed financial and accounting information. The *zaibatsu* mining companies examined in this study are the Mitsui, Mitsubishi and Seika Mining Corporations.

This study is constructed as follows: we review the prior literature on accounting practices adopted by *zaibatsu* organizations when they were about to be dissolved in the next section, contrasting traditional assessments and current research findings. Background information on the HCLC and an explanation of its operation are presented in section 3. Section 4 provides profiles of the three mining companies, emphasizing factors that led to them being specified as holding companies and as having an excessive concentration of economic power. Section 5 examines the process of their dissolution, extending from their designation as holding companies to their final breakup. The focus in this section is an analysis of what accounting information was provided to the HCLC, and what was used by the three mining enterprises to support arguments against HCLC policies that dictated their dissolution. Section 6 considers the impact of the Instruction on accounting practices adopted in the process of *zaibatsu* dissolution. Concluding remarks are provided in the final section.

2. *Zaibatsu* companies' practices as assessed in prior literature

Zaibatsu is the generic term for financial combines closely connected with the economic and political interests of the Japanese government, such as Mitsui, Mitsubishi, Sumitomo and Yasuda. The *zaibatsu*'s influence was undoubtedly important in Japanese society, though it comprised only a few hundred firms (Okazaki 1994, p. 62). The *zaibatsu* organizations grew under the protection of national power as they worked to satisfy the country's demand for the materials and funds required to execute a series of wars, including the First Sino-Japanese War (1894), the Russo-Japanese War (1904) and World War I (1914). In the 1920s and 1930s, they expanded the scale of their operations and strengthened their market power through business combinations during the period of industrial rationalization (HCLC 1973, pp. 2, 5).

Before World War II, there was no effective legislative control of financial reporting in Japan (Yamaguchi 1998, p. 3; Miyajima 2004, pp. 169-170)[2]. The Commercial Code (originally enacted in 1890 and re-enacted in 1899) required publication of balance sheets and presentation of balance sheets and profit and loss accounts to shareholders as a means for them to monitor and check, if necessary, their managers' activities. However, there was no rule dictating what should be disclosed in these statements. This allowed for significant gaps in levels of disclosure (Ministry of Commerce and Industry 1934, p. 1; Kurosawa 1987, p. 10; Chiba 1992, p. 6; 1998, p. 31). In response, the 'Working Rules for Financial Statements' were published by the 'Financial Management Committee' (*Zaimu Kanri I-inkai*) of the 'Temporal Bureau for the

[2] Annual audits of financial statements were required by the Commercial Code, but no qualifications were required for the auditors.

Rationalization of Industry' (*Rinji Sangyo Gouri Kyoku*) of the Ministry of Commerce and Industry (*Syo-ko Sho*). These rules purported to (1) protect the interests of investors by providing standardized financial information on business enterprises (Ministry of Commerce and Industry 1934, p. 1) and (2) provide firms with the means to rationalize their operations.

The 'Working Rules for Financial Statements' issued in 1934 included models of standardized balance sheets, profit and loss accounts and property inventories. The practical impact of these rules, however, is viewed as predominantly negative (Hisano 1987, p. 353; Kawano 1987, p. 27; Chiba 1998, p. 35).[3] The dominant view of the existing literature attributes the rules' lack of impact to their lack of enforceability. Similarly, in 1941, the Planning Bureau (*Kikakuin*)[4] of the wartime regime released 'Draft Working Rules for Financial Statements', intending their application to be compulsory, but again without legal enforcement authority in the end (Kubota 2005, p. i).

When the economy came under the control of the state with the passage of the National Mobilization Act (1938) after the outbreak of the Second Sino-Japanese War in July 1937, industries became even more concentrated and each *zaibatsu* company strengthened its ties to the ammunition industry (HCLC 1973, pp. 156-157). This connection with the military later became an important justification for the Allied Powers' demand for dissolving *zaibatsu* organizations.

Japanese enterprises' profitability had declined late in World War II due to material shortages and production stagnation caused by air raids on the mainland (Cohen 1949, p. 28; Okazaki 1993, pp. 191, 196). They then recorded huge immediate postwar losses. Many firms were rendered insolvent by the termination of war reparations. According to Miyajima (2004, p. 256), the total losses amounted to 91.8 billion *yen*, corresponding to about 20% of Japan's GNP (474 billion *yen*) in 1946. Disposing of the heavy losses and rebuilding a business foundation became important in the government's agenda, particularly for the Ministry of Finance. To this end, it enacted the 'Laws of Temporal Measures for Corporate Accounting' (*Kaisha Keiri Okyusochi Ho*) and the 'Enterprise Reconstruction and Reorganization' act (*Kigyo Saiken Seibi Ho*) in October 1946.

> First, enterprises expected to be bankrupted by the termination of war reparations were designated as 'special accounting companies', whereby they could segregate irrecoverable or lost assets into their 'old accounts' and restart on 'new accounts' comprising only healthy assets necessary to carry out ordinary operation. Second, debts and credits [in the old accounts] were abandoned, the resulting net extraordinary losses were charged to paid-up capital, and the remaining balance was finally integrated into the new accounts.[5] The enterprises were forced, in

---

[3] For an empirical examination of the effect of the rules, see Noguchi and Nakajima (2008).

[4] The Planning Bureau was an organization launched on 25 October 1937, when the Planning Agency was unified with the Cabinet's Resource Bureau. The drafting of important policy plans was borne by the bureau and it also took charge of drafting the plan for materials mobilization after the National Mobilization Act was promulgated in 1938. The bureau thus unified various measures undertaken during the controlled wartime economy and functioned as an integrative organization under which each ministry agency was required to carry out plans it established.

[5] Dividing balance sheet items into the two (old and new) accounts in the way mentioned above made it possible to show ordinary business performance without the influence of the disposal of wartime losses in the new account (Ministry of Finance 1957, p. 390).

> this process, to draw up restructuring plans (concerning continuance, dissolution, increases or decreases in capital and maintenance of debts and equipment) and to have them approved by the government. There were 5,114 firms concerned, and almost all the businesses in Japan were involved in this process. (Miyajima 2004, pp. 256-257)

More importantly, in the case of mining industry, the introduction of a priority production system and the related enforcement of a price support subsidy system worsened the firms' positions.[6] Japanese companies' economic performance began to recover around August 1946 as these systems took effect, but the GHQ announced three business rationalization principles in November 1948. These (1) prohibited increasing wages to influence prices, (2) disallowed deficit finance loans, and (3) banned the price support subsidy system. By so doing the GHQ pushed Japan to abandon its emergency economic reconstruction systems and make its economy independent of government support. The GHQ finally carried out tightened financial and monetary policies, the so-called Dodge Line, on 7 March 1949. Abolishing the price support subsidy system in particular caused serious damage, with the economic deterioration, and significantly expanded mining enterprises' losses (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, pp. 244-245).

On 22 September 1945, after Japan's surrender in August, the 'United States Initial Post-Surrender Policy for Japan' was issued. Under heading '2. Promotion of Democratic Forces', the document stated that '[e]ncouragement shall be given and favor shown to the development of organizations in labor, industry, and agriculture, organized on a democratic basis' (SWNCC, 150/4). The US government then purported to promote widely distributed income and ownership of production and trade means. The Allied Supreme Commander was thus expected '[t]o favor a program for dissolving large industrial and banking combinations that have exercised control of a great part of Japan's trade and industry' (SWNCC150/4).

Taking the US government's intentions into consideration, and under pressure from the GHQ, the Japanese government first proclaimed Imperial Edict No. 657 'Matters concerning Restrictions on Dismissal of Companies', on 23 November 1945, which granted the Minister of Finance the right of approval to (1) dissolve or make business transfers in companies with capital of 5 million yen or more and those specified by the Minister of Finance and (2) dispose of property possessed by the headquarters of the Mitsui, Mitsubishi, Sumitomo and Yasuda families and others designated by the Minister of Finance. Any company specified under the Imperial Edict was called a restricted company. They were required to submit financial statements for the prior ten years and periodically report to the Research and Statistics Department of the GHQ's Economic and Scientific Section.

The Japanese government, after negotiations with representatives of the four major

---

[6] The price support subsidy system set up double prices, a producer price and a consumer price, for important materials such as coal and steel, and supplied the materials to consumers at a cheaper price than the producer price. The difference was covered by treasury funds (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, pp. 178, 194, 243-244). Although the producer's deficit was made up in part by the subsidy, unrestricted assistance could not be provided since the government needed to control inflation. The result was that each mining company was obliged to suffer losses from coal transactions (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 491).

zaibatsu companies and the occupation forces' authorities, also submitted a dissolution plan on 4 November 1945. It proposed that all securities and proof of ownership of the corporations and other types of companies each holding company possessed should be transferred to a Holding Company Liquidation Commission that the Japanese government would establish. In this way, each holding company network would be disassembled. Their shareholders would be repaid by issuing Japanese government public loans that restrained their realization or transfer for ten years in consideration for the transferred property. The GHQ basically approved this proposal on 6 November 1945 and the Japanese government enacted a 'Law for the Holding Company Liquidation Commission' on 20 April 1946. In order to identify holding companies and resolve how to dissolve *zaibatsu* organizations, the designated companies were required to submit various reports, including financial data. Early research generally assessed the financial statements they submitted as being defective. For example, Kurosawa, who strived to establish a new postwar corporate accounting system in Japan, asserted that:

> The history of the business accounting movement of our country goes back to the end of 1946. In those days, the GHQ ordered special accounting companies and zaibatsu companies to submit their financial statements. However, what came out was nonsense. Now, I heard that it was useless and Mr. Hessler[7] took the lead, and created the 'Instruction'. (Zadankai (Roundtable Talk) 1951, pp. 101-102)

Moreover, according to Uchikawa (1983, p. 12),

> The General Headquarters, in executing the occupation policy toward Japan, i.e., implementation of the dissolution of zaibatsu, ordered each company to submit financial statements as part of the data required for the work to be executed. But the accounting practice [conducted by the companies] had many defects and, in order to do that work effectively, this Instruction was drawn up.

Murase, who took charge of translating the Instruction into Japanese in November 1947, described the quality of the submitted financial statements as follows:

> The most unsatisfactory regrettable national trait is that the Japanese do not undertake any action unless they are forced by law. Company practices, except for some banks and others that were regulated by special laws, did not follow the Working Rules at all…Some performed window-dressing; some financial statements were oversimplified; classifications of accounts were random and divergent between companies; and the English translation was hardly intelligible. As a result, submitted financial statements and other documents to the GHQ were totally unreliable (Murase, 1958; Suzuki's translation)' (Suzuki 2007a, p. 284; see also Murase 1954, pp. 111-112).

It seems that these assessments relied disproportionately on the following description of the purpose for issuing the Instruction, which was drafted by Hessler. He assumed that Japanese companies' accounting practices had so far been left to the idiosyncrasies of each company, which seriously handicapped the implementation of the occupation policy to dissolve *zaibatsu* organizations:

> The primary purpose of this manual of instruction is to assist Japanese companies in the preparation of the type of clear, intelligible financial reports required by SCAP authorities from time to time in connection with SCAP's efforts to establish in Japan a sound, democratic, industrial economy. The second purpose is to lay the foundation for *improving* and *standardizing* Japanese commercial and industrial accounting practices. Statements furnished to

[7] William G. Hessler was Chief of the Research and Statistics Division of GHQ and formerly an Illinois CPA.

the SCAP (Supreme Commander for the Allied Powers) in the past have disclosed *deplorable shortcomings* in accounting practices and procedures. (GHQ of Allied Powers 1947, p. 188, Suzuki 2007a, p. 285) (*Emphasis added*)[8]

The Instruction, referring to differing charges and prepaid expenses, stated that:

Japanese practice has also been loose with respect to capitalizing items which in fact are ordinary operating expenses, and vice versa. Such practices result in rendering the company's financial statements incorrect, deceptive, and meaningless. Expenditures made which constitute a part of the costs of operation to be absorbed in the current period are ordinary operating expenses and must not be set up as assets, and must not appear as assets on the balance sheet. Any expenditure which gives rise to something of asset value on hand at the balance sheet date, or any expenditure the burden of which should properly be borne by a future period, are proper items to show among assets. (GHQ of Allied Powers 1947, p. 191)

In contrast, more recent research on the accounting practices *zaibatsu* companies employed in those days takes a more balanced view. For example, Suzuki (2007a, p. 283), referring to an accusation made by Michel Sapir, a member of the First Statistical Mission led by Stuart A. Rice, that 'standards of accounting are notably lax in Japan' (Suzuki 2007a, p. 264), indicates that:

This does not necessarily mean, however, that original Japanese accounting was wrong or deficient in its own domestic environment and context. The [Rice] Mission found that there was no tradition of 'accountability of Japanese corporations to the stockholders or the government' (Sapir, July 1947, p. 14), which was stated perhaps with a little exaggeration…Therefore, the 'deficiencies' of Japanese accounting should be understood to mean that existing accounting, or lack of it, was not suited to providing the macroeconomic data that the Mission required to manage the economy in *their preferred* manner. (*Emphasis added*)

Kubota (2002, p. 30) responded to the criticism made by the Mission led by Carl S. Shoup[9] that 'accounting standards [in Japan] have suffered a severe deterioration, partly as a consequence of the war period and the lack of access to current developments and progress in other countries' (Shoup Mission 1949, p. 50) in the following way:

The 'deterioration' the Shoup Recommendations pointed out was based on the viewpoint of the market-oriented type of financial disclosure requirement pervasive in the United States having already been incorporated into the audit system undertaken by professional accountants. Therefore, it cannot necessarily be said that accounting standards in Japan had 'deteriorated'. It is also possible to evaluate them as the 'Japanese type' of accounting system…reflecting the situation of the country.

In this recent research, the Instruction is interpreted differently. It is positioned as having been an important political tool for 'transforming' the conventional accounting practices of the *zaibatsu* organizations into a US-type standardized system under the influence of the GHQ in the immediate postwar period,[10] rather than simply 'rectifying' the defects traditionally inherent in the idiosyncratic practices of *zaibatsu* companies. According to Kubota (2002, pp. 41-42),

The 'Instruction' itself was the special accounting standards that applied only to 'restricted

8

9 The Shoup mission, by request of the GHQ, recommended reforms in Japan's tax system in general and the expansion of direct taxes and the introduction of a self-assessment system in particular.

10 For a similar interpretation, see Asaba (1956, pp. 42-43) and Shima (2000, p. 64). For a different interpretation, see Kurosawa (1979).

> companies' as part of the General Headquarters' occupation policy. However, it brought such companies prior experience through which conventional Japanese and non-US types of financial statements were [subsequently] transformed into US-style ones through the realization of the regulations in the 'Instruction' and then through the establishment of unified forms of financial statements [in September 1950] under Rule 18 of the Securities and Exchange Commission modeled after the US System. In that sense the 'Instruction' can be positioned in the unification of the forms of financial statements in postwar Japan at least as having contributed to laying a foundation for the process.

Nevertheless, these recent assertions are not founded on sufficient empirical evidence and simply suggest a possible re-interpretation. This study, utilizing official documents of the HCLC not previously examined in detail in the context of Japanese accounting history, reinforces the recent view by providing tangible evidence that the conventional accounting practices of the three *zaibatsu* mining companies were adequate for them to implement their own dissolution, and that forecast balance sheets prepared by the companies after the HCLC had decided to split them up embodied characteristics prescribed in the Instruction. The results suggest a need to reexamine the level and quality of Japanese *zaibatsu* organizations' accounting practices before and after their dissolution.

3. Holding Company Liquidation Commission (HCLC)

In order to secure democratic ownership and management of business organizations, the HCLC was established to (1) inherit negotiable securities and other properties owned by companies designated as holding companies, (2) carry out custody and disposal of the properties, (3) promote dissolution of the holding companies, (4) distribute the power of corporate governance and (5) eliminate excessive concentration of economic power. By so doing, it purported to provide a foundation for the democratic reconstruction of Japan's national economy (HCLC 1973, p. 159).[11] At the beginning, five companies were targeted for demolition. These were the head offices of four major *zaibatsu* groups and Fuji Industries, which originated as Nakajima Aircraft, a military firm. 78 companies were further specified as holding companies by subsequent orders of the commission over the period from December 1946 to September 1947 (Okazaki 1998).

The first five were specified on 6 September 1946. The second group of 40 companies was specified on 7 December 1946. They were mainly companies that not only had invested heavily in the affiliated companies but also had important production sections. A third group of 20 companies was specified on 28 December 1946. They were mostly leading subsidiaries of previously specified companies, but also had characteristics of holding companies. The three mining enterprises examined in this study were included in this group. The final 18 companies, including 'local' *zaibatsu*, were designated in the fourth and fifth rounds of specification on 25 March 1947 and 26 September 1947.

---

[11] At the time of its establishment, the business of the commission was restricted to the inheritance, custody and disposal of negotiable securities possessed by holding companies and the instruction and supervision of normal operations and liquidation until the holding companies were dismissed. However, several revisions of the commission's law added the distribution of corporate governance power, the use of voting right to the subsidiary and affiliated companies, and the approval of a plan to dispose of the shares and the implementation of the Law for Elimination of Excessive Concentration of Economic Power (HCLC 1973, pp. 159-160).

Until the proposal for organizational rearrangement that would order liquidation or breakup was finalized, the holding companies had to follow the HCLC's instructions and supervision not only for any actions that would bring about significant changes to their asset position but also for normal operations. Therefore, holding companies had to apply to the commission in advance and obtain approval for the following matters: (1) holding a general shareholders' meeting to discuss issues that would lead to a change in the amount of capital, besides issuing corporate debentures and dismissing, merging, transferring or inheriting businesses;[12] (2) officers' inauguration and retirement; (3) making important changes to a company's bylaws; (4) borrowing funds from, or offering security for a debt to, financial institutions; (5) undertaking and/or guaranteeing debts; (6) all judicial acts (HCLC 1973, p. 260).

In addition, specified companies were required to submit budgets to the HCLC for operating income and expenditures, and funding plans for normal operations for each month. Enforcement of the regulation was monitored by comparing the budgets with reported performance, specifically to prevent the shareholders and creditors of the specified companies from suffering due to misappropriation of funds obtained from disposing of assets or collecting loans. The formats for budgets and performance reports were generally unified in the following manner: (1) normal income and expenses were arranged into normal operation and 'other' categorizations; (2) operating expenses were subdivided into costs for materials, labour and expenses; (3) lists of particulars specifying the details of each cost item were attached; (4) income and expenses outside normal operations were adjusted; (5) total monthly excesses and deficiencies were calculated; (6) a cash flow statement showing how the excess or deficiency was financially used or provided was attached (HCLC, Mitsui Mining, BOIE; HCLC, Mitsubishi Mining, BOIE; BS; HCLC, Seika Mining, UT; DNO). It is interesting to note that not only was the same form used for each business specified as a holding company, the enterprises in the mining industry voluntarily classified items listed in these statements by section, location and product line where possible.

More importantly in the context of this study, the three mining companies were placed under the jurisdiction of the 'Law for Elimination of Excessive Concentration of Economic Power' (LEECEP), which was promulgated as a part of the policy to 'provide a foundation for reconstruction of a sound, democratic national economy' (HCLC 1973, p. 310; Hosoya 1998).[13] Under the LEECEP, it was considered necessary to eliminate excessive individual concentration of economic power in a forceful manner and split it up into separate business units. All individual companies or combinations that had the following general traits were regarded as having excessively concentrated power: (a) a large scale as represented by (1) production amounts, production capacity, gross sales or total assets, (2) a large number of work sites (including locations of mines) and employees or (3) business expansion through mergers and acquisitions; (b) engagement

[12] In addition to these matters, debts for business extension and improvement of equipment were included in matters that should be brought up in general shareholders' meetings.

[13] The LEECEP was, however, criticized as it was doubtful whether the elimination of economic concentration was useful for the Japanese economy needing revival first of all because, in the immediate postwar period, most means of production had been destroyed by the war and the economy was troubled with a fall of productive capacity. It was thought that if concentration of economic power was eliminated, productive capacity would stagnate and decline (HCLC 1973, p. 311).

in a number of related (or combined) or unrelated industries, (c) control over other organizations and (d) monopolistic restriction of the supply of important products and materials (HCLC 1973, pp. 316, 342-343).

On 8 February 1948, the HCLC publicly announced its ‘standards for the excessive concentration of economic power in industrial fields’ and simultaneously designated 257 companies as falling under its authority. This was followed by the announcement of ‘standards for the excessive concentration of economic power in distribution and service sections’ on 22 February 1948 and the specification of 68 more companies.

However, the US occupation policy for Japan was transformed as the US-Soviet confrontation came to the fore. The US government now needed to promote and assist the independence of the Japanese economy and ‘to make Japan a barrier to the threat of intrusive and undemocratic totalitarianism’ (HCLC 1973, p. 317). Under these conditions, the strict enforcement of the *zaibatsu* dissolution initially envisaged in the LEECEP had to be dropped (Muto 1952, p. 247; Shima 2000, pp. 55-56).[14] In September 1948, the five-person commission presided over by Roy S. Campbell, who visited Japan to reexamine the administration of the LEECEP, clarified the principle that unless there was clear proof that a company restricted competition and barred the opportunity for others to engage in a business, the HCLC must cancel its specification of the firm (HCLC, Mitsui Mining, DNO, part 2).

In the end, there were only 18 companies who were recognized as having excessive concentrations of economic power by the end of March 1950 and who received instructions to rearrange their organizations. These included Mitsui, Mitsubishi and Seika Mining. Mining in particular, along with chemistry and machinery, aircraft and spinning, was an industry for which the HCLC stressed the necessity of separating business units. Specifically, the basic stance of the HCLC was that the coal and metal sections of the *zaibatsu* needed to be separated and geographically dissociated, at least if there were excessive concentrations in the same area (HCLC 1973, p. 318).

4. Three mining companies

Mitsui Mining

Mitsui Mining Co., Ltd. had been established in 1911 with 20 million yen of equity capital by splitting off the mining section of the Mitsui unlimited partnership. After being established as an incorporated company, World War I brought prosperity like Mitsui Mining had never before seen. Gross assets increased from 74 million yen to 286 million yen during the period from 1912 to 1920 and possession of negotiable securities grew from 49 million yen to 265 million yen during the same period (Mitsui Mining 1990, p. 75). The level of net income also grew from 2.5 million yen per year to 87 million yen (Mitsui Mining 1990, p. 77). It was during this time that the company

[14] Of the 325 designated companies, the specifications of 50, including Chugai Mining, were cancelled in May 1948 (HCLC 1973, p. 315). Minor measures such as the disposal of shareholdings without any reorganization, were ordered for another 144 companies, including Ajinomoto Co. Inc. This was followed by another 31 companies in July (HCLC 1973, p. 315). For the specification process and the cancellation of Toyota Motor Co., see Kasai (2010). For the case of Nissan, see Yoshida (2012).

expanded to overseas mining enterprises (Mitsui Mining 1990, p. 77).

However, a deep postwar slump began with the sudden fall of stock prices listed on the Tokyo Stock Exchange in 1920. The Great Kanto Earthquake in 1923 aggravated the depression. The Japanese economy was further confused by the financial crisis of 1927 and then burdened by the Great Depression that started in 1929. During that period, the performance of the metal section of Mitsui Mining stagnated, while the coal section managed to secure a minimum level of profit, preventing sudden price drops by controlling production via reorganization and consolidation of operating zones and by increasingly rationalizing their operations by mechanizing labour and enlarging their equipment (Mitsui Mining 1990, pp. 105-106).

On the other hand, there was a war boom after the Manchurian Incident in 1931. When the State of Manchuria, called Manchukuo, was founded in 1932, investment and export to the new country increased significantly, focusing on heavy and chemical industries. This resulted in rapidly increasing coal demand (Mitsui Mining 1990, p. 144). When the Second Sino-Japanese War broke out in 1937, increased production, especially in the metal section, was needed to respond to increased demand for munitions (Mitsui Mining 1990, pp. 149-150, 155-156). Then, the start of the Pacific War in December 1941 brought more production increases, price controls and distribution controls over important mineral products including coal (Mitsui Mining 1990, pp. 150-151, 157-158). An original price support subsidy system was formulated as part of this strengthened control (Mitsui Mining 1990, pp. 193-194). Although the level of net income of the company never dropped below 10 million yen (for an accounting period of half a year) under this government control, its performance plummeted after the war, when the company recorded huge deficits (Mitsui Mining, Business Report, vols. 62-70).

On the date it was specified as a holding company (28 December 1946), the Mitsui headquarters held 59.8% of the company's shares, with the Mitsui family and other related companies holding 7.4% (HCLC 1973, p. 322). At that time, Mitsui Mining owned shares in 42 domestic and 23 overseas companies, possessing more than 10% of the total equities of 15 domestic and 11 overseas companies (HCLC 1973, p. 322). Of its total of 225,953,000 yen in negotiable securities held at the time Mitsui was specified, the HCLC inherited 164,278,000 yen from the company by the end of March 1950, 72.7% of the inheritance being in shares (HCLC 1973, p. 322).

Mitsui had 400 million yen in equity capital when it was specified under the LEECEP on 8 February 1948, while total assets were 12 billion yen and gross sales amounted to more than 5,500 million yen for the year ending on 31 March 1948 (HCLC 1973, p. 322). Besides 7 coal mines (3 in Kyushu and 4 in Hokkaido), the company had 14 metal mines, including lead and zinc. Its production capacity was ranked first in the country, having 16.4% of the nation's coal production, (26.8% if production by subsidiaries was included), 40.8% of crude lead output and 52.6% of crude zinc (HCLC 1973, p. 322).

Mitsui Mining had been performing asset management and profit calculations for each of these product lines and locations since soon after its establishment. In fact, the origin of the practice of sectional profit calculation for both coal and metal dated at least back to Mitsui Mining's adoption of a divisional system in 1918 and the establishment of its related independent accountability system (Mitsui Mining 1990, p. 102). The cost calculation practices of the Kawakami and Kushiro coal mines Mitsui Mining owned in

Sakhalin and in the Hokkaido area dated back to 1917, when Mitsui Mining adopted a common form for all its coal mines. This form had a list of 47 operating expense items, which were further classified by operating functions such as mining, delivering and so on (COAL@C@2757; COAL@C@2758).[15]

Mitsubishi Mining

Mitsubishi Mining was established in 1918 with an equity capital of 50 million yen. It initially took over the assets of the mining business of the Mitsubishi limited partnership. Its coal section performed extremely well, especially at the commencement of the business, reflecting the boom during World War I. But it underwent a sudden downturn after the war, and performance remained depresses for a period of years (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 455). Profits gradually recovered as the company changed its method of selling coal from having arrangements through its affiliated trading company, Mitsubishi Trading, to direct sales by the company itself, but performance was again affected when the Great Depression struck in 1929 and when the gold export ban was lifted in 1930 (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 456).

Mitsubishi Mining's performance recovered remarkably when metal prices jumped and demand for coal rose in response to the outbreak of the Manchurian Incident and the re-imposition of the gold embargo in 1931 (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 456). When the Second Sino-Japanese War broke out in July 1937, the coal industry occupied an important position as an energy source for munitions industries, which also galvanized the metal mining industry with increased demand for materials needed for munitions production (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 457). On the other hand, when the Pacific War started in December 1941, governmental control over the production, distribution and prices of coal and metal was strengthened and the company's performance began to fall (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 457). Finally, immediately after the war ended in August 1945, it fell steeply, recording large deficits (Mitsubishi Mining, Business Report, vols. 56-58).

Mitsubishi Mining, during the entire period described above, was a direct subsidiary of the Mitsubishi *zaibatsu*. The Mitsubishi head office held 42.6% of its shares by the end of the war, while the company continued to maintain close affiliations with Mitsubishi Bank, Mitsubishi Electric, Mitsubishi Heavy Industries and the Mitsubishi trading company (HCLC 1973, p. 323).

Mitsubishi Mining was deemed as having actively performed the role of a holding company since it owned shares in 68 domestic and 8 overseas companies when it was listed as such on 28 December 1946. It owned more than 10% of the total equities of 17 domestic and 4 overseas companies (HCLC 1973, p. 323). Of the total 193,535,000 yen in negotiable securities held when the company was listed as a holding company, the company transferred 142,468,000 yen to the HCLC by the end of March 1950 (HCLC

[15] If only coal mines in the Kyushu area are considered, the same cost calculation practice could possibly date back to the 1905 establishment of the Kyushu Coal Section of the Mitsui Mining unlimited partnership, which was the antecedent of the company (Mitsui Mining 1990, pp. 40-41, 101).

1973, p. 323), 73.6% of the inheritance being shares.

Mitsubishi Mining had 407,400,000 yen of equity capital when it was listed under the LEECEP on 8 February 1948. It had 8,493,861,000 yen of total assets, including 20 metal and 17 coal mines and 9 refining factories, and 4,419,168,000 yen of annual turnover in the year ending March 1948 (HCLC 1973, p. 323). The company's capacity made up 11.8% of national coal production (13.9% if subsidiaries are included) and ranked second next to Mitsui Mining. It produced 28.6% of Japan's lead and had 91.9% of the country's tin-smelting capacity (HCLC 1973, p. 323).

Sectional profit calculations for both coal and metal, subdivided by location, had been carried out since the time the company was still part of the Mitsubishi partnership. The earliest of such records date to 1894 (Mitsubishi Mining and Cement Co., Ltd. 1976, pp. 188-189, 206-207, 208-209, 210-211), and the 1894 balance sheet and income statement for each coal and metal mine, classified by function, still exist (COAL@C@6379; COAL@C@6380; COAL@C@6381; COAL@C@6382). A list of particulars was attached to the documents with a half-year cost calculation, classified by function. This practice was established more firmly when the accounting systems of Mitsubishi's head office and its local section operations were unified in 1911 (Mitsubishi Mining and Cement Co., Ltd. 1976, pp. 198-199). The sectional calculations succeeded to Mitsubishi Mining when it became independent in 1918.

Mitsubishi Mining further refined its original procedures to carry out monthly cost calculations classified by section (coal or metal) and by location starting in March 1918 (MM-00147). The cost classification was further elaborated starting in June 1922 to distinguish between expenses for work site-operations and general costs (MM-00148). From May 1924, the calculations were extended to cover profits by making links with monthly sales information (MM-00150). From April 1926, cost calculations were elaborated further when items were classified in more detail by function including items such as mining pits, coal handling, machine tooling and personnel management (MM-00152). This final form of practice continued up until 1943, as far as can be confirmed (MM-00153; 00154; 00155; 00156; 00157; 00158; 00159; 00160; 00161; 00162; 00163; 00164; 00165; 00756; 00757).

Seika Mining

Seika Mining was established as Sumitomo Besshi Mining with 15 million yen of equity capital in 1927. It specialized in metal mining in general and copper mining in particular. The coal business was performed by another company, the Sumitomo Coal Mine, which itself had been created through a merger between the Sumitomo Kyushu Coal Mine and the Sumitomo Ban Coal Mine in 1930. During the Great Depression, the performance of both companies initially slumped, but improved after 1932 with the recovery of the Japanese economy overall, especially with growing demand for coal. The companies merged in June 1937 and Sumitomo Mining Corporation was created.

The company name changed to Seika Mining in 1945, after its management was integrated with affiliated enterprises specializing in gold mining, for example. Although the government requested production increases in wartime and the company performed favourably during that period, performance suffered after the war, and the company recorded large deficits due to wartime over-mining and resultant halts in production (Seika Mining, Business Report, vols. 37-40).

At the conclusion of World War II in 1945, the Sumitomo headquarters possessed 26.5% of the company's shares, while the Sumitomo family and affiliated companies owned 72.9% (HCLC 1973, p. 324). Besides being a direct subsidiary of the Sumitomo *zaibatsu*, the company owned shares in 47 companies as of 28 December 1946. It held more than 10% of the total equity of 17 companies, including 2 overseas firms (HCLC 1973, p. 325). Of the total 43,072,000 yen in negotiable securities held at the time of the specification, the HCLC inherited 33,453,000 yen from the company by the end of March 1950 (a much smaller total than the other two mining corporations), 75.3% being shares (HCLC 1973, p. 325).

It had 80 million yen of capital registered when it was specified under the LEECEP on 8 February 1948. On 31 March 1948, it had total assets of 3,800 million yen and annual turnover of 2,145,412,000 yen. It operated 13 coal mines (4 in Kyushu, 8 in Hokkaido and 1 in Hyogo prefecture), 9 metal mines (1 in Shikoku, 4 in the Tohoku area and 4 in Hokkaido), 2 refineries (1 in Shikoku and 1 in Hokkaido) and 1 electronic refinement factory (in Shikoku) (HCLC 1973, p. 325). The company's capacity was about 4.1% (ranked fourth) of national coal production, while it had 17.8% of the refining capacity for crude copper and 20.9% for electrolytic copper (HCLC 1973, p. 325).

It is clear that Sumitomo had carried out sectional profit calculations before the outbreak of World War II because, as seen above, Seika Mining and its antecedent, Sumitomo Mining, were originally founded in 1937 as an integration of the Sumitomo Coal Mine and the Sumitomo Besshi Mine (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, pp. 178, 194, 235). Prior to that, each had performed its own separate accounting calculations. In particular, cost calculations for copper refining using direct costs (subdivided into mining, refinement and other expenses) and overheads had been done since at least 1902 at Sumitomo Besshi Mining (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, p. 39). Moreover, cost calculation practices with functional classifications can be traced back to 1918 at the Ban coal mine, which was one of Sumitomo's original coal mining operations in Hokkaido (Ban Coal Mining, Business Reports, vols. 2-16; Sumitomo Ban Coal Mining, Business Reports, vols. 17-25).

5. Accounting information submitted by the mining companies

Mitsui Mining

In August 1946, Mitsui Mining submitted a document to the HCLC summarizing the company's profile, including information on its locations, officers, shareholders and the number of employees. Attachments submitted with this document detailed its work places, sales for the most recent month classified by product line and location, tangible assets classified by location and long-term investments. The attachments also included a balance sheet as of 10 August 1946 that listed 17 assets and 17 equity items with no accounting accruals, ordered with fixed items listed first, as shown in Table 2 (HCLC, Mitsui Mining, DNO, part 1). Under long-term investments, the details of shares and equities it held in affiliated firms were indicated by company, listing book values, paid-up amounts and the number of shares specified (HCLC, Mitsui Mining, DNO, part

1). The HCLC analysed this information and specified Mitsui Mining as a holding company, subject to its instruction and supervision. The company thus had to hand over most of its negotiable securities to the HCLC.

[Insert Table 2 around here]

For pure holding companies such as the headquarters of the four major *zaibatsu* groups, delivering their negotiable securities to the HCLC eliminated their principal function. It was a more complicated issue for organizations like Mitsui Mining that acted not only as holding companies but also had important production arms. How should their organizational structure be rearranged when the country needed to produce more important resources, such as coal, than ever to reconstruct its economy in the immediate postwar period? The initial plan was to transfer the production sections to separate companies to be established under the Enterprise Reconstruction and Reorganization Law and dissolve the holding companies. For Mitsui Mining, whose size brought it under the LEECEP's jurisdiction, it was thought that the production sections should be split, possibly into three parts: coal, metal and whetstone. The coal section could be further subdivided geographically into at least the Kyushu and Hokkaido areas.

In opposing this kind of proposal, Mitsui Mining first emphasized that the company actually suffered a net loss of about 6.5 million yen in the first half of 1946. The coal and factory sections had net incomes of about 19.5 million and 2 million yen, but the metal section and headquarters recorded net losses of about 9 million and 19 million yen. In addition, the company stressed the close connection between the coal mines in the two areas, citing human, technical, machine and material availability issues in a document submitted to the HCLC dated 30 May 1947 (HCLC, Mitsui Mining, DNO, part 1). It made the following counterargument, based on a managerial viewpoint of the enterprise, with a detailed income statement for the first half (April to September) of 1946, classified by both product line and location (see Table 3):

> The coal mines located in Hokkaido are younger than those in Kyushu. They are shallow, having few floods and low costs, resulting in easy operation. The coal mines in the Tagawa and Yamano areas in Kyushu are in their twilight years. Pit conditions are bad and they are difficult to operate. Therefore, it seems that managing both areas as a single unit is necessary [to maintain the management stability of the enterprise]. (HCLC, Mitsui Mining, DNO, part 1)

[Insert Table 3 around here]

Mitsui vehemently opposed subdividing its Kyushu coal section, arguing that:

> In Miike, the coal field has already reached the seabed level, so there is danger of unexpected floods, while the coal fields at Tagawa and Yamano have also been deepened gradually and there is fear of gas explosions. Moreover, there is a risk that flooding will increase greatly in the Yamano area as mining operations in adjoining coal mines end. From these special conditions, it seems that independent operation is quite dangerous and we think that it is appropriate to manage the three mountains [in the Kyushu area] as one integrated unit…Due to restraints imposed by natural conditions, production costs at Tagawa and Yamano, compared with those at Miike, tend to be remarkably high. They are also comparatively higher than the national average…If Tagawa and Yamano, suffering such high operating costs, are separated, their management will become impossible in the future. (HCLC, Mitsui Mining, DNO, part 1)

In spite of this, on 6 October 1947 the HCLC temporarily agreed to the proposal not only to split Mitsui Mining into three parts but also to subdivide the coal operations at least into two companies, one in Kyushu and the other in Hokkaido. The company was not in a position to oppose the plan (HCLC, Mitsui Mining, DNO, parts 1 and 2).

After being specified as having an excessive concentration of economic power on 8 February 1948, Mitsui Mining was required to submit a detailed balance sheet and income statement for the first half of 1948 (see Table 4). Itemized details of sales of principal products and fixed assets by location were also attached to the documents (HCLC, Mitsui Mining, DNO, part 2). Despite the fact that the Instruction had already been issued, balance sheets for this submission followed the company's conventional style, rather than current-first order, and no accrual was recognized. This, however, did not seem to present an obstacle to the HCLC and GHQ's plan for Mitsui's reorganization. In fact both concepts of current-first order and accounting accruals assumed business continuity, which was inconsistent with the idea of business separation.

[Insert Table 4 around here]

Based on information that Mitsui Mining obtained from HCLC and GHQ authorities, it had to prepare for a worst case scenario where separation of its coal and metal businesses was unavoidable (Mitsui Mining 1990, p. 211). Aiming to eliminate excessive concentrations of economic power, the HCLC stressed Mitsui's size. In particular, the commission judged that 'the company concerned is the largest producer of coal, zinc and lead' and that it 'had a business scale and production capacity that restricted competition in the mining industry in Japan and that could eliminate the opportunity for other persons to independently engage in the business' (HCLC 1973, p. 356). Given the company's market position, the HCLC also paid close attention to the number, scale and deposits in the mines it possessed as sources of production.

However, as the US government's occupation policy towards Japan changed, especially when application of the LEECEP regulations were relaxed in May 1948, the company's stance changed, and it began to oppose any separation of its business. In fact, in contesting the HCLC's assessment, Mitsui Mining argued in a document dated 10 February 1949 that its coal production capacity was only 16.4% of national production and it could not restrict competition with this proportion (HCLC, Mitsui Mining, DNO, part 2). The company also argued that there was no restrictive power for zinc and lead since they were international commodities (HCLC, Mitsui Mining, DNO, part 2). On the other hand, stressing the mutual relationship and technological exchange between the coal and metal sections by pointing out that coal was used as fuel in refining metals, the company, again with detailed income statement information for the first half of 1948 showing that the metal section lost more than 9 million yen during this period (see Table 5), claimed that dividing the sections as proposed would not be the best policy in terms of cost efficiency (HCLC, Mitsui Mining, DNO, part 2).

[Insert Table 5 around here]

In the same submitted document, Mitsui Mining argued that 'for the revival and independence of the Japanese economy, raising efficiency and reducing operating costs in the mining section are imperative. From this point of view, no matter how the company may be divided, the division would be contrary to these purposes' (HCLC, Mitsui Mining, DNO, part 2). The company specifically stressed the financial stability and risk diversification created by operating both the coal and metal sections. For example, since coal storage was difficult with contemporary technology due to oxidization and spontaneous combustion, coal prices tended to fluctuate in unstable market conditions. Metal, on the other hand, was suitable for storage. This created a pattern between the two sections, in which the metal section covered losses of the coal section when it was in a slump. The company, with information on the percentage of net income each section had produced since 1921, claimed that it was desirable to simultaneously operate different types of mines to disperse the risks inherent in the mining business (HCLC, Mitsui Mining, DNO, part 2).

The HCLC, however, viewed production shares as important indications of excessive concentration of economic power (HCLC 1973, pp. 472, 474). Mitsui's domestic coal production share grew from 14.2% in 1931 to 24.0% in 1945, and it produced 39.4% of Japan's lead and 61.9% of its zinc in 1940. On 23 February 1949, the HCLC was still seeking not only to split up its coal and metal sections but to subdivide the coal section into the Kyushu and Hokkaido areas. It planned (as indicated in Table 6) for assets and income (including itemized details) to devolve to the separate companies based on data available at the end of September 1948 (HCLC, Mitsui Mining, DNO, part 2).

[Insert Table 6 around here]

Opposing the HCLC's plan, Mitsui Mining pointed to the losses both coal sections had suffered from 11 August 1946 to 31 December 1948 because of the 1946 adoption of the priority production system, which increased coal production and required, as a national policy, that it be sold cheaply to the steel industry. Mitsui provided itemized details by location (1,865 million yen (255 yen per ton) for the Kyushu area and 1,324 million yen (420 yen per ton) for the Hokkaido area) (HCLC, Mitsui Mining, DNO, part 3) and claimed that, if the fields were separated, operating Hokkaido would become very difficult (HCLC, Mitsui Mining, DNO, part 3). Cost data for every product line was attached, with total production costs classified on the forms. Even efficiency calculations using standard wages were incorporated in totaling labor costs. In the cost accounting for lead, zinc and copper, a departmental calculation was implemented and how common costs were allocated was specified (see Table 7). The same cost data were provided for each location (HCLC, Mitsui Mining, DNO, part 3).

[Insert Table 7 around here]

In addition, a five-year plan was provided, with detailed cost information such as estimated expenditures for restoring wartime devastation[16] and exploiting new pits to increase production. This showed that it would be difficult for Mitsui Mining's Hokkaido area to raise the funds necessary for investment on its own, despite its needing more funds for developing new pits in the near future (HCLC, Mitsui Mining, DNO, part 3).

In spite of its vehement counterarguments, Mitsui Mining finally admitted defeat in a document dated 9 July 1949, stating that if it was still supposed, for a variety of reasons, that splitting the company up into coal and metal sections was unavoidable, it was desirable, not only from an economic point of view, but also for administrative purposes, that the company be retained as a coal producer and a secondary company be

[16] The need to repair pits due to excessive mining in wartime and large future expenditures were also indicated by Mitsubishi Mining (HCLC, Mitsubishi Mining, MSM).

established to succeed to the metal business (HCLC, Mitsui Mining, DNO, part 3). Through its determined opposition, the company nevertheless managed to avoid adopting the original plan to subdivide the coal section geographically (HCLC, Mitsui Mining, DNO, part 3). Acknowledging this concession, the HCLC, on 30 July 1949, formally released an instruction to split up Mitsui Mining into two sections and determined to hold a public hearing for the proposal on 24 August 1949. Although the officers of Mitsui Mining, who were invited to attend the public hearing, were still opposed to dividing the company, the HCLC stated that '[s]ince it [the result of the hearing] confirmed what the commission had already examined when this proposed instruction was issued and no new exceptional facts were discovered, no change in the instruction is necessary' (HCLC, Mitsui Mining, DNO, part 3).

Mitsubishi Mining

When Mitsubishi mining was specified as a holding company, the company planned to voluntarily propose splitting its business into coal and metal enterprises. The GHQ's original plan, however, went beyond the company's expectation: the commission's plan was to divide the company's business into three parts, coal, mining and metalworking, and, more importantly, further subdivide these three enterprises geographically (Mitsubishi Mining and Cement Co., Ltd. 1976, pp. 468-469). In July 1946, Mitsubishi Mining submitted the exact same information as Mitsui Mining did in August 1946, i.e. the company profile and sales details, tangible assets classified by product line and location (see Table 8) and long-term investments, in addition to the balance sheet as of August 10, again with no accounting accruals and ordered with fixed items first (HCLC, Mitsubishi Mining, MSM). Then, the company was specified as a holding company on 28 December 1946 and as one that could restrict competition under the LEECEP for its large business scale and production capacity (HCLC, Mitsubishi Mining, MSM; part 2).

[Insert Table 8 around here]

Being subject to the LEECEP, Mitsubishi Mining judged that dividing the company's business into coal, mine and metalworking sections was unavoidable, and started planning an organizational rearrangement (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 472). But when the US government's Japanese occupation policy shifted and some relief from the LEECEP's regulations began to emerge in May 1948, the company abandoned its original plan and developed a strategy to resist any separation of its operating sections (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 473).

Mitsubishi Mining, however, still faced a proposal by the GHQ, through the HCLC, to split up the company into two sections, coal and metal, each subdivided geographically into separate enterprises. The HCLC was concerned about Mitsubishi Mining's share of domestic coal production, which had increased from 11.1% in 1931 to 16.9% in 1945, and its shares of the production of copper (18.4%), silver (16.3%), lead (38.7%) and zinc (22.1%) in 1940 (HCLC 1973, pp. 472-474).

Nevertheless, responding to this proposal by the HCLC in a document dated 9 February 1949, the company stressed that its sections needed to be operated together for the sake of reconstructing the Japanese economy and increasing the production of important materials. It is interesting that, as with Mitsui Mining, Mitsubishi Mining based its argument on factors such as financial stability, diffusion of disaster risks, cost efficiency created through the mutual supply of products, joint use of facilities, technological exchange and joint purchase of materials (HCLC, Mitsubishi Mining, part 2). To prove that the coal and metal sections' profitability was complementary, the company also submitted details of their financial performance since the company's formation in 1918, as indicated in Table 9 and Figure 1 (HCLC, Mitsubishi Mining, part 2).

[Insert Table 9 and Figure 1 around here]

Based on the data in Table 9, we calculated period-to-period variations in both sections' net income for the period from 1918 to 1943. Figure 2 displays (1) the extent to which the variations cancel each other when their changes in net income were in opposite directions and (2) the extent of duplication when they moved the same direction. By comparing the frequency and magnitude of cancellation and duplication in these net income variations, Fig. 2 attempts to confirm that the sections offered a degree of net income complementarity that would act as a buffer against volatility risk for the entire company. Figure 2 indicates that there are 30 cases where variations in the two sections' net income cancelled each other out, while there were 21 times when they moved in the same direction, though there is no important difference in magnitude. The result of frequency is not supported as statistically significant in Pearson's chi-square test, but the result at least indicates that variations in both sections' net income were independent each other. In this sense, the simultaneous operation of both sections contributed to risk dispersion of the entire mining enterprise.

[Insert Figure 2 around here]

In spite of the company's efforts, however, the HCLC issued instructions to Mitsubishi Mining on 30 July 1949 requiring it to establish a separate firm to handle its metals section (HCLC, Mitsubishi Mining, part 2). A public hearing was held on 24 August 1949, but it did not change the HCLC's view (HCLC, Mitsubishi Mining, part 2).

Seika Mining

The GHQ initially urged Seika Mining to split its business into coal and metal firms and, further, to subdivide each geographically (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, p. 268). The company intended to oppose the geographic segmentation due to concerns that segmentation would risk its managerial foundation, though it saw the separation of the coal and metal sections itself as tolerable, if the GHQ's plan could not be avoided (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, p. 269).

With that strategy in mind, Seika Mining presented the same information to the HCLC that all the other mining companies were required to submit: balance sheet information classified into coal and metal sections, details of operating sites, with no accounting accruals, presented in order with fixed items first as in the company's traditional forms, and income statement information classified by principal product line and business location (see Table 10) (HCLC, Seika Mining, DHD). However, when the US government's occupation policy toward Japan was altered and application of the LEECEP was relaxed starting in May 1948, Seika Mining came to expect that the even the separation of the coal and metal sections might be avoidable (Sumitomo Metal Mining, Co., Ltd. 1991, vol. 2, pp. 270-271). From that point on, Seika Mining actively compared itself with other companies and tried to establish that its scale was small, making it unnecessary to separate the sections. For example, the company compared itself to Mitsubishi Mining in communications with the HCLC, claiming to be much smaller, having only 44.7% of Mitsubishi's total assets, 38.2% of its fixed assets and 48.5% of its gross sales (HCLC, Seika Mining, DHD).

[Insert Table 10 around here]

The HCLC stressed Seika Mining's domestic shares of production of copper, gold and silver, which were 18.3%, 19.3% and 23.8%, respectively, in 1940 (HCLC 1973, pp. 473). Seika Mining, like the other mining companies examined in this study, argued in a document dated 7 February 1949 that it had less than 20% of national production capacity and thus could not restrict competition (HCLC, Seika Mining, DHD). The company added that its soundness and financial stability had been maintained by operating the two sections simultaneously (HCLC, Seika Mining, DHD). To provide evidence, the company submitted balance sheet information for both sections (further classified by location) on 28 February 1949, based on data for the first half (April to September) of 1948, though the form still followed the company's traditional style, rather than the one prescribed in the Instruction (see Table 11). Detailed cost and income statement information for every product line and location was attached and the total production cost was classified by form. Process cost calculations were also presented for metals such as gold, copper, sulfide ore and lead.

[Insert Table 11 around here]

In spite of the counterargument made by the company, the HCLC proposed reorganizing the organization to separate the coal and metal sections. A public hearing for Seika Mining was held on 20 July 1949, at which the officers of the company pointed out that the specification under the LEECEP of other companies with larger production capacities or production records, such as Nihon Mining and Furukawa Mining,[17] had had been cancelled. But the HCLC viewed this as 'akin to concealing unfavorable facts and is unjustifiable...it does not have any basis for suggesting a need to change the original proposal' (HCLC, Seika Mining, DHD).[18]

---

[17] For the specification and cancellation processes followed in the Nihon and Furukawa Mining cases and the accounting practices they followed see HCLC, Nihon Mining, RD, Part 1; RD, Part 2; DNO, BOIE; DCBOIE, Part 1; DCBOIE, Part 2; HCLC, Furukawa Mining, DSO; DNO, Part 2; BOIE.

[18] Furukawa Mining's rates of domestic production of coal and metals occupied were indeed small except for copper, which was declining, having reached 13.0% by 1940 (HCLC 1973, pp. 472-474). Nihon Mining had already handed the HCLC the shares of Nihon Coal Mine, its wholly owned subsidiary that separately operated its coal mining business (HCLC 1973, p. 484). Moreover, in the cases of Mitsui, Mitsubishi and Seika, shareholding was concentrated in the *zaibatsu* organizations, with 70.4% for Mitsui, 48.6% for Mitsubishi and an extreme 99.5% for Seika at the end of World War II (HCLC 1973, pp. 482-483), while it was only 37.6% in the case of Nihon Mining. More importantly, it had 66,592 stockholders (HCLC 1973, pp. 482-483), which indicates it had already achieved one objective of *zaibatsu* dissolution, to establish democratic ownership of business organizations. However, it is still possible to view the instruction to split up the Seika Mining business as being based on the political view that the company was a core company representing one of Japan's *zaibatsu* groups, rather than its actual concentration of economic power (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 474).

The final directions were issued on 3 August 1949, ordering the company to submit a concrete plan to the HCLC to implement its instructions. Accordingly, Seika Mining forwarded a plan to establish another company called Besshi Mining to take over its metal business. The HCLC approved the proposal on 9 December 1949.

6. Significance of the Instruction

As already noted, the Shoup recommendation indicated that Japanese companies' accounting practices were generally 'in a deplorable state' (Shoup Mission 1949, p. 50). But the same report predicted that in remedying the practices of large enterprises '[t]he problem should not be too difficult' (Shoup Mission 1949, p. 50). It continued that '[t]hey generally have staffs adequate to the keeping of proper books and accounts', adding that '[t]he recommendations previously made with respect to accounting standards and independent audits should produce accuracy and overall standardization' (Shoup Mission 1949, p. 50). However, as demonstrated in the previous section, the forms prescribed in the Instruction were not utilized at all in the financial statements of the three mining enterprises studied here submitted to the HCLC when they were required to rearrange their organizations. Nevertheless, the content of accounting information submitted by the three companies to the HCLC before the decision to dissolve was made was very similar, as were the reasons they used to argue against the division. This is rather assessed as the result of the mining companies' projected effort since February 1949 to jointly resist the HCLC's continued push to separate the coal and metal sections even after the strict application of the LEECEP's regulations was eased (Mitsubishi Mining and Cement Co., Ltd. 1976, p. 474).

In fact, it appears that the purpose of the Instruction was transformed with the evolution of the US government's occupation policy towards Japan starting in May 1948. According to recent research by Yamada (2012, pp. 207, 212), the new version of the Instruction released by the GHQ in 1949 differed from the previous version issued in July 1947. It specifically directed that '[t]hese reports [submitted by each enterprise] will not be used by the [Japanese] Finance Ministry, but will be delivered to SCAP for statistical and analytical purposes'. In particular, the phrase 'for statistical and analytical purposes' was stressed in the 1949 version, while it was not mentioned at all in versions published before June 1948. This implies that the aim of the Instruction changed from a means to promote dissolution of the *zaibatsu* organizations to standardize financial statistics provided by private enterprises for analyzing and managing the Japanese economy as part of its anti-communism policy against the Soviet Union.

Interestingly, a change in the use of the Instruction also arose among the mining enterprises obliged to rearrange their organizations under the HCLC's supervision. The proposal to split up Mitsui Mining into two companies, coal and metal, was finalized by the HCLC and instructions were issued on 28 August 1949 that ordered the company to prepare and submit a tangible plan to the HCLC on how to execute the reorganization (HCLC, Mitsui Mining, DNO, part 3). Accordingly, Mitsui Mining submitted a document to the HCLC on 21 February 1950 in which the establishment of a new company to undertake the metal business, called Kamioka Mining, was proposed. The plan included a forecast balance sheet for each separate company, as indicated in Table 12, for the time of the proposed separation, 1 May 1950.

[Insert Table 12 around here]

The plan submitted by Mitsui Mining was approved by the HCLC on 2 March 1950 and, as planned, Kamioka Mining was established on 1 May 1950. There were some features in its forecast balance sheet that were not identified in those the company had ever submitted to the HCLC or to a general shareholders meeting. They included (1) presentation of assets and liabilities classified into current/fixed items, (2) adoption of a current-first order, (3) positioning of investment items between current and fixed assets, (4) recognition of deferred charges and (5) independent presentation of deferred incomes (HCLC, Mitsui Mining, BOIE). On the other hand, these features were clearly recognized in the Instruction as indicated in Table 1.

Mitsubishi Mining was in the same position. Following the HCLC's final instructions issued on 28 August 1949 ordering the business to be split into two units, the company, in a document dated 24 December 1949, laid out a plan to form a new company called Taihei Mining to take over the metal business. As with Mitsui Mining, the document contained a forecast balance sheet listing assets and liabilities each separate company would hold as of 31 December 1949 (see Table 13) (HCLC, Mitsubishi Mining, part 2).

[Insert Table 13 around here]

The exact same features identified in Mitsui Mining's forecast balance sheet are recognizable in Mitsubishi Mining's forecast balance sheet (HCLC, Mitsubishi Mining, BOIE; BS; HCLC, DCDNS 2, Mitsubishi Mining). Again, these were not included in balance sheets the company had so far drawn up and submitted to the HCLC or to their shareholders.[19] This offers more evidence of the impact of the Instruction on accounting practices adopted by the mining enterprises. The proposal submitted by Mitsubishi Mining was finally approved by the HCLC on 31 January 1950 and, as planned, Taihei Mining was established on 1 April 1950. The financial basis of each company after division was formed using the forecast balance sheets and the features recognized above, except for part of deferred income, were all utilized in the financial statements of each company when they were established (see Tables 14 and 15).

[Insert Tables 14 and 15 around here]

Significant differences between balance sheets created before and after the decisions to break up the Mitsui and Mitsubishi Mining companies were made was not restricted to form, such as the current/fixed classification and current-first order, but also substance, as represented by the introduction of deferred charges, though the Instruction itself was model form of financial statements.

The three mining enterprises examined in this study, in the process of planning to split up the coal and metal sections, had planned to increase the amount of capital of the

[19] Although it was not a forecast balance sheet, Seika Mining, on 4 October 1950 after the establishment of the separate metal mining company, Besshi Mining, on 1 March 1950, submitted to HCLC a balance sheet in order to acquire permission for the issue of new corporate bonds, in which the company transformed the original balance sheet provided to the shareholders dated 31 January 1950, clearly distinguishing the metal section and coal sections. More importantly, in the revised balance sheet, the same features as the forecast balance sheets which Mitsui Mining and the Mitsubishi Mining submitted to the HCLC, i.e. pattern of current-first order and recognition of deferred charges and prepaid expenses, were identified (HCLC, Seika Mining, DHD).

surviving companies. Mitsui Mining increased its amount of capital by 800 million yen in December 1949, making a total of 1.2 billion yen (Mitsui Mining, Business Report, vol. 71). Mitsubishi raised about 500 million yen in September 1949, making its total 900 million yen (Mitsubishi Mining, Business Report, vol. 58), and Seika Mining increased its capital by 210 million yen in November 1949, making its total 290 million yen (Seika Mining, Business Report, vol. 40). In the mining industry in general, and in the case of Mitsui Mining in particular, the purpose of the capital increase in the process of organizational rearrangement was, unlike other industries and enterprises, more for correcting its capital composition, which had come to rely much too heavily on debt provided by financial institutions arranged under the special war conditions. For example, Mitsui's debt/equity ratio was 2.27, Mitsubishi's was 1.42 and Seika's was 4.49 in August 1946. (See Table 2, Mitsubishi Mining, Business Report, vol. 57; Seika Mining, Business Report, vol. 39) They were also providing funds needed for equipment renewal and expansion, rather than for compensating losses suffered in the immediate postwar period, because they could compensate the losses sufficiently using profit that arose from disposing negotiable securities through the HCLC (HCLC, Mitsui Mining, DNO, part 3; Mitsubishi Mining, part 2; Seika Mining, DHD).[20]

Regardless, dividends had to be paid by the surviving companies for new equities they issued. In order to secure net income that could be used as the financial source for necessary dividend payments, it became necessary to recognize an important amount of deferred charges and prepaid expenses. That is, conformance to the provisions of the Instruction was used to justify the recognition of deferred charges and prepaid expenses in the new accounts to help rebuild their financial position and pay dividends. In fact, in the financial statements issued for the shareholders of Mitsui Mining dated 30 September 1950 (illustrated in Table 14), deferred charges (development costs) of more than 50 million yen and prepaid expenses of 447 million were added up, as originally planned in the forecast balance sheet issued earlier (Mitsui Mining, Business Report, vol. 72). In the half-year accounting period ending on 30 September 1950, Mitsui Mining recorded a net income of 214 million yen and paid dividends of 90 million yen (7.5% for the half-year) therefrom (Mitsui Mining, Business Report, vol. 72). If there had been no recognition of deferred charges or prepaid expenses, it would not have been possible to secure both net income and dividends of this scale.

In the financial statements released for shareholders dated 30 September 1950 (see Table 15), Mitsubishi Mining, as originally planned in its forecast balance sheet, recognized a total of about 147 million yen of deferred charges, consisting of development costs, initial expenses and initial interest expenses, and about 190 million yen of prepaid expenses (Mitsubishi Mining, Business Report, vol. 59). The net income of this accounting period from 1 February to 30 September 1950 was 398 million yen, while dividends were 90 million yen (Mitsubishi Mining, Business Report, vol. 59). In this case as well, if there had been no recognition of deferred charges or prepaid expenses, the required amount of net income would not have been securable.

Although the statements did not yet use the current-first order, Seika Mining's financial

[20] Although in hindsight, the large accumulated losses were largely covered later by the appraisal surplus of depreciable assets implemented based on the Asset Revaluation Law enforced in April 1950.

statements as of 31 January 1950, released for its shareholders just before Besshi Mining was established on 1 March 1950, show a total of about 67 million yen of deferred charges, comprising development costs, initial expenses and initial interest expenses, and about 303 million yen of prepaid expenses (Seika Mining, Business Report, vol. 40). With the price support subsidy system still exerting some influence, the coal section of Seika Mining recorded large losses of more than 350 million yen. Recognizing the deferred charges and prepaid expenses of more than 370 million yen was useful in compressing the losses to that extent (Seika Mining, Business Report, vol. 40). In the next accounting period over the 8 months ending on 30 September, by adding up about 75 million yen of deferred charges and about 193 million yen of prepaid expenses, Seika Mining secured a net income of 107 million yen and paid dividends of 29 million yen therefrom (Seika Mining, Business Report, vol. 41).

When the form of balance sheets created before and after the HCLC decided to split up the mining companies were compared, it is recognizable that there were a few more items disclosed in the balance sheets submitted after the decision. But the same information was provided in the form of various schedules attached to the financial statements that Mitsui and Mitsubishi Mining submitted to the HCLC in its process of reaching the dissolution decisions. This supports the results of the most recent research, as represented by Kubota (2002, pp. 41-42), who argues that the function of the Instruction was to transform the accounting practice of the conventional *zaibatsu* organizations into a US-style standardized system, rather than the conventional interpretation that the Instruction was issued to rectify defects recognized in the accounting information required for the dissolution of *zaibatsu* organizations.

Also as Kubota (2002, pp. 41-42) argued, the Instruction has been regarded as ‘special accounting standards’ that applied only to specific companies that were subject to regulations in force under the GHQ’s occupation policy. The traditional view thus recognized only a limited importance of the Instruction. Rather the issuance of the ‘Business Accounting Principles’ and the attached ‘Working Rules for Financial Statements’ in July 1949 by the Investigation Committee for Measures of the Corporate Accounting System have been regarded as the origin of the postwar corporate accounting system in Japan. However, they did not come into legal effect until the enactment of SEC Rule 18 in September 1950.

On the other hand, the forecast balance sheets Mitsui Mining and Mitsubishi Mining submitted and the latest balance sheet Seika Mining included in an application regarding the debenture issue were approved by the HCLC between 31 January and 2 March 1950. Therefore, new accounting practices of the large-scale important *zaibatsu* mining enterprises that already embodied the provisions of the Instruction were institutionally established before SEC Rule 18 was finalized, supplying an important practical precedent for the development of the postwar corporate accounting system.

7. Conclusion

Using official HCLC documents and analyzing accounting practices adopted in the breakup of *zaibatsu* mining companies, we aimed to show that (1) *zaibatsu* companies’ conventional accounting practices were adequate to enable their own dissolution and (2) forecast balance sheets prepared by the mining companies after the HCLC decided to split them up provided an important precedent for the development of the postwar accounting system because they put the provisions contained in the Instruction into practice.

Early research regarded the financial statements submitted by *zaibatsu* organizations to the HCLC as deficient in many respects, whereas more recent research, such as Suzuki (2007a, p. 283), finds that the alleged deficiency 'does not necessarily mean…that original Japanese accounting was wrong or deficient in its own domestic environment and context'. This study supports the latter view. In fact, the three mining companies examined in this study were able to satisfactorily provide all the information required by the HCLC. With the information they submitted, the HCLC was able to devise plans to split up the companies. The expected dissatisfaction, based on allegedly poor quality or insufficient information, was not apparent within the HCLC, though some data Seika Mining submitted were criticized because of the company's bias in providing production statistics (rather than financial data) that supported its own interests.

Rather than exhibiting the alleged deficiencies, the mining companies examined in this study, in their attempts to prevent their breakup, emphasized the risk diversion in the income structures of their coal and metal sections and autonomously submitted detailed information on each section with detailed cost calculations. The supply of this type of information was not limited to the immediate postwar period but went back all the way to the when these companies were established. Sectional and locational calculations were also applied to the assets and liabilities of each section. Even after the division of the companies' organizations was finalized by the HCLC, this contributed to the creation of forecast balance sheets listing assets and liabilities for each successor company.

Moreover, this study's analysis suggests that forms prescribed in the Instruction were utilized in preparing the forecast balance sheets for each separate company only after the HCLC decided to split up the original company, rather than being used to remedy alleged defects in the financial statements submitted to the HCLC for its use in determining how to dissolve the *zaibatsu* organizations. Specifically, (1) updated presentation methods such as current/fixed classifications and current-first ordering of information and (2) use of accounting accruals as represented by deferred charges and prepaid expenses were important features in the forecast balance sheets that had not been identified in those having been created by these companies before the division. In particular, the recognition of deferred charges and prepaid expenses was utilized to rebuild the companies' financial position by increasing shareholders' equity and to secure sufficient net income to pay necessary dividends. The financial basis of each company after the division was formed using these forecast balance sheets and the features noted above were succeeded to the companies' subsequent financial statements. These were all implemented before the companies were finally de-listed as holding companies with excessively concentrated economic power in May 1951. The HCLC's approval of the forecast balance sheets was also before the new corporate accounting system, represented by the Investigation Committee for Measures of the Corporate Accounting System's 'Business Accounting Principles' and attached 'Working Rules for Financial Statements', issued in July 1949, became enforceable when SEC Rule 18 was issued in September 1950. In this sense, as Kubota (2002, pp. 41-42) suggests, the forecast balance sheets that already embodied the provisions of the Instruction contributed to providing a basis for postwar development of the corporate accounting system by supplying a leading practical case in which a feature of the new system appeared before it came into effect.

References

Primary source

HCLC, Furukawa Mining, DSO: Gyomu Kantoku Kankei (The document of the Holding Company Liquidation Commission, Furukawa Mining, documents related to the supervision of operations).

HCLC, Furukawa Mining, DNO, Part 2: Jomu Kantoku Sono 2 (The document of the Holding Company Liquidation Commission, Furukawa Mining, documents related to normal operations, Part 2).

HCLC, Furukawa Mining, BOIE: Shushi Yosan Tsuzuri (The document of the Holding Company Liquidation Commission, Furukawa Mining, budgets for operating income and expenses).

HCLC, Mitsui Mining, DNO, Part 1: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsui Kozan, Jomu Kankei Shorui Tsuzuri Sono 1 (The document of the Holding Company Liquidation Commission, Mitsui Mining, documents related to normal operations, Part 1).

HCLC, Mitsui Mining, DNO, Part 2: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsui Kozan, Kankei Shorui Sono 2 (The document of the Holding Company Liquidation Commission, Mitsui Mining, rerated documents, Part 2).

HCLC, Mitsui Mining, DNO, Part 3: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsui Kozan, Jomu Kankei Shorui Tsuzuri Sono 3 (The document of the Holding Company Liquidation Commission, Mitsui Mining, documents related to normal operations, Part 3).

HCLC, Mitsui Mining, BOIE: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsui Kozan, Shushi Yosan (The document of the Holding Company Liquidation Commission, Mitsui Mining, budgets for operating income and expenses).

HCLC, Mitsubishi Mining, MSM: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsubishi Kogyo, Kabunushi Sokai Gijiko (The document of the Holding Company Liquidation Commission, Mitsubishi Mining, matters related to the shareholders' meeting).

HCLC, Mitsubishi Mining, 2: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsubishi Kogyo 2 (The document of the Holding Company Liquidation Commission, Mitsubishi Mining, part 2).

HCLC, Mitsubishi Mining, BOIE: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsubishi Kogyo, Shushi Yosanhyo (The document of the Holding Company Liquidation Commission, Mitsubishi Mining, budget sheets for operating income and expenses).

HCLC, Mitsubishi Mining, BS: Mochikabu Kaisha Seiri Iinkai to Bunsho, Mitsubishi Kogyo, Yosanhyo Tsuzuri (The document of the Holding Company Liquidation Commission, Mitsubishi Mining, budget sheets).

HCLC, DCDNS 2, Mitsubishi Mining: Mochikabu Kaisha Seiri Iinkai to Bunsho, Kanri Yukashoken Shobun Kaigisho 2, Mitsubishi Kogyo Kabushiki Kaisha (The document of the Holding Company Liquidation Commission, the documents of consultation concerning the disposal of negotiable securities under custody, part 2, Mitsubishi Mining Co., Ltd.).

HCLC, Nihon Mining, RD, Part 1: Kankei Shorui Sono 1 (The document of the Holding Company Liquidation Commission, Nihon Mining, related documents, Part 1).

HCLC, Nihon Mining, RD, Part 2: Kankei Shorui Sono 1 (The document of the Holding Company Liquidation Commission, Nihon Mining, related documents, Part 2).
HCLC, Nihon Mining, DNO, BOIE: Jomu Kantoku Shushi Yosan (The document of the Holding Company Liquidation Commission, Nihon Mining, documents related to normal operations, budgets for operating income and expenses).
HCLC, Nihon Mining, DCBOIE, Part 1: Shushi Yosan Kaigisho Sono 1 (The document of the Holding Company Liquidation Commission, Nihon Mining, the documents of consultation concerning budgets for operating income and expenses, Part 1)
HCLC, Nihon Mining, DCBOIE, Part 2: Shushi Yosan Kaigisho Sono 2 (The document of the Holding Company Liquidation Commission, Nihon Mining, the documents of consultation concerning budgets for operating income and expenses, Part 2)
HCLC, Seika Mining, DHD: Mochikabu Kaisha Seiri Iinkai to Bunsho, Seika Kogyo, Bocho Shiryo Tsuzuri (The document of the Holding Company Liquidation Commission, Seika Mining, documents concerning hearing data).
HCLC, Seika Mining, UT: Mochikabu Kaisha Seiri Iinkai to Bunsho, Seika Kogyo (The document of the Holding Company Liquidation Commission, Seika Mining, untitled).
HCLC, Seika Mining, DNO, Mochikabu Kaisha Seiri Iinkai to Bunsho, Seika Kogyo, Jomu Kantoku Kankei (The document of the Holding Company Liquidation Commission, Mitsui Mining, documents related to normal operations).
Mitsubishi Shiryo Kan (The Mitsubishi Archives), Mitsubishi Keizai Kenkyu Jo (The Mitsubishi Economic Research Institute)
MM-00147: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1918.
MM-00148: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1922.
MM-00150: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1924.
MM-00152: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1926.
MM-00153: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1927.
MM-00154: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1928.
MM-00155: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1929.
MM-00156: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1930.
MM-00157: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1931.
MM-00158: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1932.
MM-00159: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1933.
MM-00160: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1934.
MM-00161: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1935.
MM-00162: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1936.
MM-00163: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1937.
MM-00164: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1938.
MM-00165: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1939.
MM-00756: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1940.
MM-00757: Mitsubishi Kogyo Geppo (Monthly Report of Mitsubishi Mining), 1942.
Nihon Sekitan Sangyo Korekusyon (The Japanese Coal Industry Collection), Keio University
COAL@C@2757: Kaku San (Each Mine), Mitsui Mining Co., Ltd., 1917.
COAL@C@2758: Kaku San (Each Mine), Mitsui Mining Co., Ltd., 1918.

COAL@C@6379: Kaku Tanko Kessan Kanjo Sho (Accounts of Each Coal Mine), Mitsubishi Goshi Kaisha Shiryoka (Documentation Section of Mitsubishi Limited Partnership), 1894-1900.

COAL@C@6380: Kaku Kozan Kessan Kanjo Sho (Accounts of Each Mine), Mitsubishi Goshi Kaisha Shiryoka (Documentation Section of Mitsubishi Limited Partnership), 1899-1901.

COAL@C@6381: Kaku Kozan Kessan Kanjo Sho (Accounts of Each Mine), Mitsubishi Goshi Kaisha Shiryoka (Documentation Section of Mitsubishi Limited Partnership), 1906-1908.

COAL@C@6382: Kaku Kozan Kessan Kanjo Sho (Accounts of Each Mine), Mitsubishi Goshi Kaisha Shiryoka (Documentation Section of Mitsubishi Limited Partnership), 1909-1911.

Ban Coal Mining, Business Reports, vols. 2-16.

Mitsui Mining, Business Report, vols. 62-72.

Mitsubishi Mining, Business Report, vols. 56-59.

Seika Mining, Business Report, vols. 37-41.

Sumitomo Ban Coal Mining, Business Reports, vols. 17-25.

SWNCC, 150/4: The State-War-Navy Coordinating Committee, Memorandum for the Secretary of State, Politico-Military Problems in the Far East: United States Initial Post-Defeat Policy Relating to Japan.

Secondary source

Asaba, J. (1956) 'Kigyo Kaikei Gensoku Settei ni itaru Genjitsuteki Katei (The realistic process to establish the Business Accounting Principles', Gendai Keiei Kaikei Koza—*Sengo Nihon no Keiei Kaikei Hihan— Dai 3 Kan* (Contemporary Study on Business Administration and Accounting: a Critic of the Business Administration and Accounting in Postwar Japan, Vol. 3), Toyo Keizai Shimpo, Tokyo, Japan.

Chiba, J. (1992) *'Shokosho Junsoku' no Shakaiteki Rekishiteki Kino* (The social and historical significance of the 'Working Rules for Financial Statements'), *Keizai to Keizaigaku* (*Economy and Economics*), Tokyo Metropolitan University, (71): 1-17.

Chiba, J. (1998) *Nihon Kindai Kaikei Seido—Kigyo Kaikei Taisei no Hensen—* (*Japan's Modern Accounting System: The Development of Business Accounting System*), Chuo Keizai, Tokyo.

Chiba, J. (2010) 'Sengo 'Kigyo Kaikei Kijunho' Koso no Keisei to Hokai (The designing and collapse of Corporate Accounting Law in Japan after the Second World War)', *Keizai Shirin* (*Collection of Articles issued by the Department of Economics, Hosei University*), 78(1): 113-141.

Cohen, J. B. (1949) *Japan's Economy in War and Reconstruction*, University of Minnesota Press, Minneapolis.

The GHQ of Allied Powers (1947) 'Instructions for the Preparation of Financial Statements of Manufacturing and Trading Companies', in Arai, K. (ed.) (1989) *Nihon Kaikei Kansa Kihan Keisei Shiryo* (*Historical Materials on the Formation of the Accounting and Auditing Institutions in Japan*), Chuo Keizai, Tokyo, Japan: 188-219

The Holding Company Liquidation Commission (1973) *Nihon Zaibatsu to sono Kaitai* (*The Japanese zaibatsu and its demolition*), The Holding Company Liquidation Commission, Hara, Tokyo.

Hisano, H. (1987) *Wagakuni Zaimu Shohyo Seido Seiseishi no Kenkyu* (*Historical Research on Practices and Regulations of the Accounts in Japan*), Gakushuin University, Tokyo.
Hosoya, M. (1998) *GHQ Nihon Senryoshi 29 Keizairyoku no Shuchu Haijo* (*The History of Japan Occupation by GHQ 29 Decentralization of Economic Power*), Nihon Tosho Center, Tokyo, Japan.
Kasai, M. (2010) 'Kado Keizairyoku Shuchu Haijoho to Toyota Jidousha Kogyo ni kansuru Shiryo (Law for the Elimination of Excessive Concentration of Economic Power and archives concerning Toyota Motor Corporation)', *Nagoya Gakuin Daigaku Ronshu* (*Collection of Articles issued by Nagoya Gakuin University*), Shakai Kagaku hen (Part of Social Science), 47(1): 157-168.
Kawano, M. (1987) *Zaimu Shohyo Junsoku no Hyoka to Eikyo* (The impact of the Working Rules for Financial Statements: the evaluation), in Kurosawa, K. (ed.) *Wagakuni Zaimu Shohyo Seido no Ayumi* (*The Development of Financial Statement System in Japan*), Yushodo, Tokyo: 23-8.
Kubota, H. (2002) 'So-shireibu 'Shijisho' (1947 nen) ni miru Senzen no Nihon-gata Kaikei (the Japanese styled accounting in the prewar period as seen in the 'Instruction' issued by the General Headquarters), *Hikone Ronso* (*Collection of Articles*) (336): 29-52.
Kubota, H. (2005) *Obei Seido no Ishoku to Nihon-gata Kaikei Seido* (*The Transplantation of the Western Systems and the Japanese styled Accounting System*), Shiga University.
Kubota, H. (2008) *'Nihon-gata' Kaikei Kisei no Hensen* (*Development of the 'Japanese styled' Accounting Regulation*), Chuo-Keizai, Tokyo.
Kurosawa, K. (1979) 'Shiryo—Nihon no Kaikei Seido—(3) (Historical documents: accounting system in Japan (3))', *Kigyo Kaikei* (*Business Accounting*), 31(3): 98-101.
Kurosawa, K. (1987) *Zaimu Shohyo Seido Hattenshi Josetsu* (*Introduction to the development of financial statement system in Japan*), in Kurosawa, K. (ed.) *Wagakuni Zaimu Shohyo Seido no Ayumi* (*The Development of Financial Statement System in Japan*), Yushodo, Tokyo: 7-21.
The Ministry of Commerce and Industry (1934) *Working Rules for Financial Statements*, Ministry of Commerce and Industry.
Ministry of Finance (Fiscal History Division) (ed.) (1957) *Showa Zaisei Shi* (*Fiscal History in Showa-Era*), *vol.11 Kinyu* (*Finance*), Toyo Keizai, Tokyo.
Mitsui Mining Co., Ltd. (1990) *Otokotachi no Seiki—Mitsui Kozan no Hyakunen* (*Men's Century: A Hundred Year of Mitsui Mining*), Mitsui Mining Co., Ltd.
Mitsubishi Mining and Cement Co., Ltd. （1976）*Mitsubishi Kogyo Shashi* (*The History of Mitsubishi Mining Co., Ltd.*), Mitsubishi Mining and Cement Co., Ltd.
Miyajima, H. (2004) *Sangyo Seisaku to Kigyo Tochi no Keizaishi—Nihon Keizai Hatten no Mikuro Bunseki—* (*Economic History from the Viewpoints of Industrial Policy and Corporate Governance: The Micro-based Analysis of the Development of Japanese Economy*), Yuhikaku, Tokyo.
Murase, G. (1954) 'Nichi Ei Bei Sangoku niokeru Kaikei Gensoku Seitei no Yurai (The origin of the establishment of accounting principles in three countries of Japan, Britain and the US), *Kigyo Kaikei* (*Business Accounting*), 6(1): 111-113.

Muto, S. (1952) 'Zaibatsu Kaitai Seisaku no Kiban to sono Hensen – Nihon Keizai no Juzokuka to Gunjika heno Josetsu – (The foundation of the policy to dissolve the zaibatsu combination and its change: an introduction to the subordination and militarization of Japanese economy)', *Ritsumeikan Keizaigaku* (*Collection of Articles issued by the Department of Economics, Ritsumeikan University*), 1(5/6): 222-248.

Noguchi, M. and Nakajima, M. (2008) 'Working rules for financial statements' and pre-Second World War financial reporting of Japanese industrial firms: the case of chemical firms', *Accounting History*, 13(3): 281-311.

Okazaki, T. (1993) The Japanese firm under the wartime planned economy, *Journal of the Japanese and International Economies*, 7: 175-203.

Okazaki, T. (1994) *Nihon ni okeru Corporate Governance no Hatten—Rekishiteki Perspective—* (The development of corporate governance in Japan: a historical perspective), *Research on Finance* (*Kinyu Kenkyu*), Research Institute of Finance, 13(3): 59-95.

Okazaki, T. (1998) *Zaibatsu Kaitai, Shuchu Haijo Kankei Shiryo: Keizai Antei Hombu Sengo Keizai Seisaku Shiryo* (*The Documents concerning Dissolution of Zaibatsu and Elimination of Excessive Concentration: the Documents concerning the Economic Stabilization Board's Postwar Economic Policy*), Nihon Keizai Hyoron, Tokyo Japan.

The Shoup Misslon (1949) *Report on Japanese Taxation by the Shoup Mission, vol. 4 Appendix D – Administration of Individual & Corporate Income Taxes*, General Headquarters, Supreme Commander for the Allied Powers, Tokyo Japan.

Editorial Department of Sangyo Keiri (Industrial Accounting) (1949) '"Kogyo Kaisha oyobi Shoji Kaisha no Zaimu Shohyo Sakusei ni kansuru Shijisho" Kaisetsu (An explanation for the Instruction for the Preparation of Financial Statement of Manufacturing and Trading Companies)', *Sangyo Keiri* (*Industrial Accounting*), 9(6): 58-60.

Shima, K. (2000) 'Sengo Keizai no Anteika to Kaikei no Seidoka – Sengo Nihon no Kaikei Seido Keisei Katei – Sono 2 (Stabilization of postwar economy and institutionalization of accounting: The Formation Process of Japanese Accounting Systems : After World War II, Part 2)', *Keiei Keiri Kenkyu* (*The Journal of the Business Research Institute, Takushoku University*), (64): 47-77.

Sumitomo Metal Mining, Co., Ltd. (1991) *Sumitomo Besshi Kozan Shi* (*The History of Sumitomo Besshi Mine*), vol. 2, Sumitomo Metal Mining, Co., Ltd.

Suzuki, T. (2007a) 'Accountics: impacts of internationally standardized accounting on the Japanese socio-economy', *Accounting, Organizations and Society*, 32(3): 263-301.

Suzuki, T. (2007b) 'A history of Japanese accounting reforms as a microfoundation of the democratic socio-economy: accountics Part II', *Accounting, Organizations and Society*, 32(6): 543-575.

Uchikawa, K. (1983) 'Zaibatsu Kaitai Seisaku no Tenkan to Kigyo Kaikei Gensoku no Setei (Conversion of the policy to dissolve the zaibatsu and the establishment of Business Accounting Principles), *Doshisha Shogaku* (*Collection of Articles issued by the Department of Commerce, Doshisha University*), 34(6): 657-690.

Yamada, H. (2012) GHQ/SCAP niyoru Kaisha Zaimu Hokoku ni kansuru 'Shijisho' no Jikeiretsu Seiri—Keizai Kagakukyoku (ESS) Bunsho no Bunseki wo toshite (A time-series analysis of the 'Instruction' for corporate financial reporting issued by the GHQ/SCAP: focus on the documents by the Economic Scientific Section), *Seigakuin Daigaku Ronso* (*Bulletin of Seigakuin University*), 25(1): 199-219.

Yamaguchi, F. (1998) Nihon Yusen Kaikeishi, Zaimu Kaikei Hen – Kobetsu Kigyo Kaikeishi no Kenkyu – (*Accounting History of Nihon Mail Steamer, Financial Accounting: Research of the Accounting History of an Individual Firm*), Hakuto Shobo, Tokyo.

Yoshida, M. (2012) 'Sengo Shoki niokeru Nissan no Saiken Kiki to Haichi Tenkan (The crisis in reconstruction and personnel reshuffle of Nissan in the immediate postwar period)', *Ritsumeikan Sangyo Shakai Ronshu* (*Collection of Articles issued by the Department of Social Science, Ritsumeikan University*), 48(2): 39-50.

Zadankai (Round table talk) (1951) 'Kaikei Seido no evolution to revolution (The evolution and revolution of accoungting system)', *Sangyo Keiri* (*Industrial Accounting*), 1(1): 101-102.

Table 1. Form of the balance sheet prescribed in the Instruction

Assets		Liabilities and net worth	
I. Current assets in Japan	1. free cash on hand and in banks	VIII. Current liabilities in Japan	1. demand loans payable
	…		2. bank overdrafts
	4. notes and bills receivable, customers		3. notes and acceptances
	5. accounts receivable, customers		a. for money borrowed
	6. accounts receivable and notes receivable, officers and employees		b. for merchandise purchased
	7. advances to vendors and affiliated companies		c. for other trade purposes
	…		4. accounts payable, trade creditors
	12. manufacturing inventories		…
	a. finished goods		8. advances from trade customers
	b. partly finished goods		9. employee deposits
	c. raw materials and supplies		10. dividends declared but unpaid
	d. work in progress		11. current accounts - officers and employees
	e. by-product and waste		…
	13. mercantile inventories		13. other taxes payable
	a. merchandise in in stock		14. accrued salaries and wages
	b. merchandise in transit		ble15. accrued rent
	c. consignments-out		16. accrued interest
	14. total inventories		17. other accrued expenses
	15. other current assets		…
	16. total current assets		21 total current liabilities
II. Investments in Japan	1. Japanese national securities	IX. Long term liabilities in Japan	1. long term bank loans
	2. Japanese local government securities		2. long term borrowing from suppliers other than affiliated customers
	3. shares in Japanese companies		3. long term borrowing from affiliated companies
	a. shares in companies where holdings exceed 10% of total issue		4. mortgages and debentures outstanding
	b. shares in companies where holdings do not exceed 10% of total issue		5. long term borrowing from officers and employees
	c. total shares in Japanese companies		6. other long term liabilities in Japan
	…		7. total fixed or long term liabilities in Japan
	7. mortgages and debentures	X. Deferred income	1. rent received in advance
	8. long term loans		2. interest received in advance
	a. to customers other than affiliated companies		3. service fees received in advance
	b. to affiliated companies		4. other deferred income
	9. other investments in Japan		…
	10. total investments in Japan		7. total deferred income
III. Fixed assets in Japan	1. land, at cost	XI.Liability reserves	1. reserve for taxes
	2. less reserve for depletion		2. reserve for workmen’s retirement allowance

	3. land (net book values)		3. reserve for officers’ retirement allowance	
	4. buildings, at cost		4. other liability reserves	
	5. other structures, at cost		…	
	6. machinery, tools, and equipment, at cost		7. total liability reserves	
	7. office furniture and fixtures, at cost	XII. Other liabilities in Japan	1. guaranty money	
	8. delivery equipment, at cost		…	
	…		4. total other liabilities in Japan	
	11. total depreciable assets, at cost	XIII. Overseas liabilities	1. mortgages and debentures held by foreign creditors	
	12. less reserves for depreciation		2. other obligations to foreign creditors	
	13. depreciable assets, net book value		3. total liabilitiesto foreign creditors	
	14. construction in process, at cost	Total liabilities		
	15. total fixed assets in Japan, net	XIV. Net worth	1. capital stock paid in	
IV. Deferred charges and prepaid expenses	1. unamortized discount on debentures			a. capital stock authorized
	2. unamortized interest during construction			b. deduct uncalled capital
	3. unamortized organization expense			c. capital stock paid in
	4. unamortized experimental and research expense		2. surplus reserves	
	5. unamortized development expense			a. reserves for expansion
	6. prepaid rent			b. reserved for equalizing dividends
	7. prepaid insurance premiums			c. legal reserve
	8. prepaid interest			d. other surplus reserves
	…			…
	11. total deferred charges and prepaid expenses			f. total surplus reserves
V. Intangible assets	1. patent rights and trademarks		3. accumulated undivided profits	
	2. surface rights	Total net worth		
	3. leaseholds	Total liabilities and equity capital		
	4. goodwill			
	…			
	7. total intangible assets			
VI. Other assets in Japan	1. long term loans to officers and employees			
	2. balance due company on war indemnities claims			
	…			
	6. total other assets			
VII. Overseas assets	1. foreign government securities			
	2. foreign corporation securities			
	3. fixed assets (cost less depreciation)			
	4. cash			
	5. inventories			
	6. accounts and notes receivable			
	7. other operating assets			
	8. all other assets located outside Japan			
	9. total foreign assets			

Total assets			

Source: GHQ of Allied Powers 1947, pp. 207-213.

Table 2. Balance sheet of Mitsui Mining dated 10 August 1946

Unpaid capital			100,000,000.00	Shareholders' equity			433,267,245.77
Fixed assets			223,389,697.39		paid-in capital	400,000,000.00	
Construction in progress			34,836,449.29		legal reserves	27,315,000.00	
Long term investments			231,635,385.03		special reserves	34,912.80	
	negotiable securities and investments	216,600,161.42			pension reserves	341,714.16	
	long term loans	15,035,223.61			employee welfare reserves	5,575,618.81	
Inventories			224,888,920.48	Long term liabilities			484,041,368.62
	raw materials	129,929,505.44			debentures	99,200,000.00	
	products	94,959,415.04			long term debts	384,841,368.62	
Quick assets			388,466,890.88	Short term liabilities			446,427,991.49
	advances to affiliated companies	82,063,689.22			loans from affiliated companies	16,106,748.04	
	short term loans	240,098,622.74			short term debts	430,321,243.45	
	cash in hand and deposits	66,304,578.92		Provisions			54,734,922.07
Special assets			13,237,758.33		provisions for employee pensions	29,895,197.45	
Temporary advances			186,840,826.74		provisions for taxes	1,273,045.84	
Losses brought forward from the previous term			8,718,300.63		provisions for special purposes	21,721,208.48	
Net loss for the current term			6,457,299.18		provisions for damage compensation	1,845,470.30	
Total			1,418,471,527.95	Total			1,418,471,527.95

Source: HCLC, Mitsui Mining, DNO, part 1.

Table 3. Detailed income statement information for the first half of 1946 of Mitsui Mining

			Sales								Miscellaneous income	Interest income	Total income	Total production cost	Non-operating expenses	Interest payment	Total expenses	Net income
Location	Product	Production	Sales for the current term			Coal sold in the production place				total								
			volume	unit price	amount	volume	unit price	amount	sales made from the previous production									
Coal		ton																
Miike mining	coal	525,589.93	499,388.50	251.639	125,665,622.75	22,023.93	214.872	4,732,335.90	10,952,298.57	141,350,257.22	704,610.48	104,176.97	142,159,044.67	129,750,346.62	3,591,720.74	868,681.56	134,210,748.92	7,948,295.75
Aso mining	limonite	20,512.00	18,692.00	89.819	1,678,905.20					1,678,905.20	42.56		1,678,947.76	1,586,995.45	1,025.60	95.96	1,588,117.01	90,830.75
Miike mining											13,921,070.85	126.79	13,921,197.64	11,631,601.77		53,060.21	11,684,661.98	2,236,535.66
total					127,344,527.95			4,732,335.90	10,952,298.57	143,029,162.42	14,625,723.89	104,303.76	157,759,190.07	142,968,943.84	3,592,746.34	921,837.73	147,483,527.91	10,275,662.16
Tagawa mining	coal	760,363.00	216,530.00	406.655	88,052,931.15	41,932.00	224.998	9,434,650.50	3,524,409.44	101,011,991.09	475,869.72			95,749,771.24	1,874,976.56	411,423.92		
	charcoal	6,555.00	6,555.00	265.530	1,740,352.50					1,740,352.50				1,551,406.74				
	by-product				814,187.48					814,187.48				1,095,290.60				
total					90,607,471.13			9,434,650.50	3,524,409.44	103,566,531.07	475,869.72		104,042,400.79	98,396,468.58	1,874,976.56	411,423.92	100,682,869.06	3,359,531.73
Yamano mining	coal	89,632.00	71,035.00	483.918	34,375,142.13	17,327.00	211.555	3,665,608.50	1,494,066.76	39,534,817.39	66,799.23	2,760.60	39,604,377.22	37,154,404.94		146,602.27	37,301,007.21	2,303,370.01
total					34,375,142.13			3,665,608.50	1,494,066.76	39,534,817.39	66,799.23	2,760.60	39,604,377.22	37,154,404.94		146,602.27	37,301,007.21	2,303,370.01
Sunagawa mining	coal	162,416.00	141,044.10	366.840	51,740,580.96	33,199.00	217.000	7,204,183.00	983,680.77	59,928,444.73	1,612,833.49	829.93		59,332,918.10	1,195,132.35	100,363.07		
	coke	2,179.10	2,500.10	688.959	1,722,466.60					1,722,466.60				1,196,085.05				
	iron ore										318.50			125,756.75				
total					53,463,047.56			7,204,183.00	983,680.77	61,650,911.33	1,613,151.99	829.93	63,264,893.25	60,654,759.90	1,195,132.35	100,363.07	61,950,255.32	1,314,637.93
Ashibetsu minig	coal	69,614.00	56,879.00	380.535	21,644,450.27	13,234.75	226.000	2,991,053.50	395,167.37	25,030,671.14	999,029.94	566.66	26,030,267.74	23,926,368.65	157,141.48	29,576.81	24,113,086.94	1,917,180.80
total					21,644,450.27			2,991,053.50	395,167.37	25,030,671.14	999,029.94	566.66	26,030,267.74	23,926,368.65	157,141.48	29,576.81	24,113,086.94	1,917,180.80
Shinbibai mining	coal	20,784.00	22,939.00	227.205	5,211,855.50	964.00	193.000	186,052.00	341,508.51	5,739,416.01	18,495.02		5,757,911.03	5,360,682.44	87,749.92	3,787.54	5,452,219.90	305,691.13
total					5,211,855.50			186,052.00	341,508.51	5,739,416.01	18,495.02		5,757,911.03	5,360,682.44	87,749.92	3,787.54	5,452,219.90	305,691.13
Total of coal section					332,646,494.54			28,213,883.40	17,691,131.42	378,551,509.36	17,799,069.79	108,460.95	396,459,040.10	368,461,628.35	6,907,746.65	1,613,591.34	376,982,966.34	19,476,073.76
Mital		ton																
Kamioka mining	gold	9,212.920 (monme)			70,758.66													
	silver	3,002.795 (kin)	5,805.255	310.000	1,799,629.05													
	electric lead	756.170	737.484	5,977.183	4,408,076.96													
	lead	849.900	1,192.000	2,304.252	2,746,668.75													

	zinc	6,297.200	7,379.738	1,295.970	9,563,918.51													
	pure zinc	3,100.050	1,569.000	43.475	68,211.92													
	others				996,827.77													
total					19,654,091.62					19,654,091.62	618,989.21	10,241.50	20,283,322.33	21,619,443.69	3,694,993.44	68,866.64	25,383,303.77	-5,099,981.44
Miike smelter	molten zinc	1,076.740	1,413.680	7,067.514	9,991,203.01													
	electrolytic zinc	898.640	1,566.683	5,606.498	8,783,604.72													
	electric lead	340.800	355.760	2,675.807	951,945.00													
	galvanized iron	946.566	1,347.631	7,741.988	10,433,343.03													
	other iron		40.400	5,775.248	233,320.00													
	98% sulfuric acid	819.605	2,019.064	480.903	970,974.11													
	phosphoric ore	609.346	651.392	1,217.076	792,793.82													
	others				3,152,204.39													
total					35,309,388.08					35,309,388.08	340,777.48		35,650,165.56	25,386,523.60	6,441,258.30	41,620.97	31,869,402.87	3,780,762.69
Hikoshima smelter	distillated zinc	738.366	137.574	1,169.684	160,918.04													
	98% sulfuric acid	4,417.421	4,780.672	501.384	2,396,951.80													
	zinc sulfate	790.659	933.169	3,502.652	3,268,566.50													
	brick	68.548	362.549	715.040	259,236.90													
	others				5,140.00													
total					6,090,813.24					6,090,813.24	787,464.03	912.89	6,879,190.16	6,897,686.36	698,145.89	20,073.18	7,615,905.43	-736,715.27
Hibi smelter	consignment		794.654	26.710	21,225.21													
	electrolytic copper	185.256	199.345	10,607.000	2,114,463.02													
	copper sulfate	156.040	76.000	2,400.000	182,400.00													
	98% sulfuric acid		462.906	494.000	228,675.56													
	56% sulfuric acid				12,235.08													
total					2,558,998.87					2,558,998.87	136,366.44	1.02	2,695,366.33	7,303,085.32	329,938.57	4,203.08	7,637,226.97	-4,941,860.64
Takehara smelter	silver	5009.385 (kin)	7,930.810	309.001	2,450,632.36													
	electrolytic copper		794.654	78.000	61,983.21													

	electric lead	185.256	199.346	588.000	117,215.45													
	gunmetal	464.120	1,671.204	65.000	112,201.31													
	others	74.346	41.950	7,500.000	314,625.00													
total					3,056,657.33					3,056,657.33	36,440.45		3,093,097.78	2,345,983.46	2,920,721.51	1,923.43	5,268,628.40	-2,175,530.62
Total of metal section					66,669,949.14					66,669,949.14	1,920,037.61	11,155.41	68,601,142.16	63,552,722.43	14,085,057.71	136,687.30	77,774,467.44	-9,173,325.28
Factory																		
Miike factory	machinery for mining				9,129,825.98					9,129,825.98	422,359.17		9,552,185.15	6,730,902.98	765,883.49	8,218.74	7,505,005.21	2,047,179.94
total					9,129,825.98					9,129,825.98	422,359.17		9,552,185.15	6,730,902.98	765,883.49	8,218.74	7,505,005.21	2,047,179.94
Hioki factory	grindling stone	27.667	19.957	37,387.650	746,141.19					746,141.19	635.00		746,776.19	548,985.52		1,549.58	550,535.10	196,241.09
total					746,141.19					746,141.19	635.00		746,776.19	548,985.52		1,549.58	550,535.10	196,241.09
Total of factory section					9,875,967.17					9,875,967.17	422,994.17		10,298,961.34	7,279,888.50	765,883.49	9,768.32	8,055,540.31	2,243,421.03
Headquarters	investment related										263,929.52	82,068.24	345,997.76	70,041.09			70,041.09	275,956.67
	finance related											664,338.10	664,338.10	84,399.14		7,404,388.19	7,488,787.33	-6,824,449.23
	expenses										868,220.20		868,220.20	13,323,196.33			13,323,196.33	-12,454,976.13
total											1,132,149.72	746,406.34	1,878,556.06	13,477,636.56		7,404,388.19	20,882,024.75	-19,003,468.69
Total of headquarters											1,132,149.72	746,406.34	1,878,556.06	13,477,636.56		7,404,388.19	20,882,024.75	-19,003,468.69
Grand Total					409,192,410.85			28,213,883.40	17,691,131.42	455,097,425.67	21,274,251.29	866,022.70	477,237,699.66	452,771,875.84	21,758,687.85	9,164,435.15	483,694,998.84	-6,457,299.18

Source: HCLC, Mitsui Mining, DNO, part 1.

Table 4. Detailed form of balance sheet of Mitsui Mining dated 30 September 1948

Unpaid capital			100,000,000.00	Shareholders' equity	paid-in capital	400,000,000.00	
Fixed assets			3,002,700,538.11		legal reserves	27,315,000.00	
Construction in progress			1,625,306,743.00		special reserves	34,912.80	
Long term investments	negotiable securities	4,933,070.70			pension reserves	341,714.16	
	investments	6,358,000.00			employee welfare reserves	5,575,618.81	433,267,245.77
	long term loans	3,370,000.00	14,661,070.70				
Claims to the HCLC			137,256,456.30	Long term liabilities	debentures	99,200,000.00	
Inventories	ores	102,642,044.44			long term debts	7,611,068,940.54	7,710,268,940.54
	warehouses	1,157,716,088.90		Short term liabilities	short term debts	100,881,809.06	
	mountain and forest	14,431,131.74			loans from affiliated companies	7,623,613.77	
	products	379,006,881.90			note payables	2,098,021,292.76	
	semi-finished goods	113,573,314.84			bank overdrafts	41,297,787.45	
	work in progress	254,864,921.13			deposits received	89,844,498.79	
	by-products	20,574,743.84	2,042,809,126.79		account payables	1,297,752,281.91	
Quick assets	advances to affiliated companies	726,643,214.29			amounts in arrear	2,562,979,942.28	
	short term loans	202,868,160.48			unpaid dividends	843,737.29	
	account receivables	2,546,767,187.98			advances received	13,864,400.02	
	prepaid expenses	49,945,551.43			suspenses received	333,456,151.42	6,546,565,514.75
	note receivables	3,626,710.00		Provisions	provisions for employee pensions	41,712,543.03	
	deposits	433,090,815.95			provisions for taxes	695,427.76	
	cash in hand	13,859,135.57	3,976,800,775.70		provisions for special purposes	17,409,956.20	

Special assets			779,739.71		provisions for damage compensation	1,843,190.30	61,661,117.29
Overseas assets			197,637,543.52	Income brought forward from the special account			118,022,864.72
Temporary advances			1,232,069,907.22	Net income in the special account for the current term			33,617,163.63
Losses brought forward from the previous term			15,175,599.81				
Losses brought forward from the new account			1,662,518,378.36				
Net loss in the new account for the current term			733,989,519.94				
Losses brought forward from the special account			131,651,476.96				
Net loss in the special account for the current term			30,045,970.58				
Total			14,903,402,846.70	Total			14,903,402,846.70

Source: HCLC, Mitsui Mining, DNO, part 2.

Table 5. Detailed form of income statement of Mitsui Mining for the period from 1 April to 30 September 1948

New account		Coal	Metal	Other factories	Headquarters	Total
Income						
	Sales	4,618,167,504.90	951,656,523.38	194,357,808.95	0.00	5,764,181,837.23
	Non-operating income	297,611,672.37	115,490,460.44	104,431.44	3,127,029.95	416,333,594.20
	Total	4,915,779,177.27	1,067,146,983.82	194,462,240.39	3,127,029.95	6,180,515,431.43
Expenses						
	Costs of goods sold	5,771,589,334.98	983,055,465.39	178,156,588.53	0.00	6,932,801,388.90
	Cost variances	-119,368,679.20	42,709,585.62	-2,039,072.27	0.00	-78,698,165.85
	Non-operating expenses	36,644,151.35	22,027,511.44	7,968.06	1,722,097.47	60,401,728.32
	Total	5,688,864,807.13	1,047,792,562.45	176,125,484.32	1,722,097.47	6,914,504,951.37
Net income		-773,085,629.86	19,354,421.37	18,336,756.07	1,404,932.48	-733,989,519.94
Old account						
Income		24,982,596.02	5,355,208.64	1,619,058.75	1,660,300.22	33,617,163.63
Expenses		2,815,092.33	842,389.47	5,386,901.44	21,001,587.34	30,045,970.58
Net income		22,167,503.69	4,512,819.17	-3,767,842.69	-19,341,287.12	3,571,193.05

Source: HCLC, Mitsui Mining, DNO, part 2.

Table 6. HCLC's plan to split off Mitsui Mining into three companies each undertaking the coal in the Kyushu area, coal in the Hokkaido area and metal business respectively

(1) assets attributable to each company based on the information at the end of September 1948

assets	A company	B company	C company	Headquarter and intersection	old accounts	total
fixed assets	1294626391.55	1786081104.49	77716670.10	36562342.11		3194986508.25
construction in progress	803859094.83	850910278.79	53339332.89	5089059.51		1713197766.02
long-term investments				5342584.70	4600357.71	9942942.41
owes to the HCLC					86805476.04	86805476.04
inventories	807725671.58	672671772.05	657773922.13	12467923.95		2150639289.71
monetary assets	1291731847.65	1362102511.42	259635513.51	396968602.14	41799800.50	3352238275.22
specified assets	30208.29	454058.07	242692.76	13700.97	144290.80	884950.89
temporary advances	490168114.76	559065285.83	115892117.54	137954306.86	9105484.97	1312185309.96
total	4688141328.66	5231285010.65	1164660248.93	594398520.24	142455410.02	11820880518.50
unpaid capital						100000000.00
overseas assets						197637543.52
extraordinary losses						2940829215.19
provisions for extraordinary losses						90444350.55
total						15149791627.76

(2) income attributable to each coal company based on the information for the first half of the period ending on 30 September 1948

	A company	B company	total
quantity of coal sales	1170374	1395889	2566263
sales	2409934122.08	2290676986.79	4700611108.87
sales per ton	2059.12	1641.01	1831.69
volume of production	1172000	1345119	2517119
total production cost	2787975921.30	3269411903.18	6057307824.48
cost per ton	2378.82	2430.57	2406.48
net loss	378041799.22	978734906.39	1356776705.61
net loss per ton	319.70	789.56	574.79

Source: HCLC, Mitsui Mining, DNO, part 2.

Table 7. Sectional cost calculation executed at Mitsui Mining in October 1948
cost accounting table for the lead melting and working section
amount of lead wrought 612 ton

					direct departmental costs		quantum wrought per ton	
			unit	unit price	quantum	amount	quantum wrought per ton	amount
materials	coal		kg	4.40	57,750.00	254,100.00	94.363	
	coke		kg	6.13	225,980.00	1,385,234.91	369.248	
	kindling		ken (length)	1,800.00	7.00	12,600.00	0.0114	
	limestone		kg	0.33	112,680.00	37,184.40	184.118	
	scrap iron		kg	1.85	130,810.00	241,998.50	213.742	
	slaked lime		kg	3.60	4,920.00	17,712.00	8.039	
	steel material		kg	44.55		2,183.00	0.08	
	metal		kg			16,376.40		
	wood		koku (volume)	1,396.48	12.20	17,037.05	0.0199	
	electric power		kwh	0.50	131,231.00	65,615.50	214.43	
	others					159,883.20	0.00	
	total					2,209,924.96		3,610.99
labour costs	workers	standard wage	person	239.28	4,385.90	1,049,460.00		
		extra wage				17,055.00		
	staff	standard wage	person	10,588.30	9.00	95,295.00		
		extra wage				2,411.00		
	miscellaneous salaries		person	160.29	141.00	22,600.00		

	total					1,186,821.00		1,939.25
welfare costs	legal welfare expenses					52,489.00		
	social welfare					33,737.00		
	employee pension					33,982.00		
	total					120,208.00		196.42
expenses	depreciation					7,893.00		
	freight due					37,852.00		
	travel expenses					16,573.00		
	repair costs					222,107.87		
	other expenses					1,843.00		
	total					286,268.87		467.76
service department costs apportioned						1,323,268.00		2,162.20
production costs						5,126,490.83		8,376.62

Source: HCLC, Mitsui Mining, DNO, part 3.

Table 8. Details of balance sheet items (classified by locations) of Mitsubishi Mining dated 10 August 1946

Locations	Main pits	Land	Buildings	Structures	Machinery	Vessels	Vehicles	Tools, appliances and fixtures	Total	Intangibles	Construction in progress	Grand Total
Miike mining	9,617,516.58	6,116,799.50	9,032,851.75	7,625,000.26	13,131,641.16		1,764,373.17	437,820.55	47,726,002.97		1,278,377.45	49,004,380.42
Aso mining		16,384.44	270,704.94	491,025.03	158,401.60		169,855.71	5,583.65	1,111,955.37	17,637.89		1,129,593.26
Miike mining		648,406.20	451,644.72	1,380,327.19	397,860.28	384,091.40	594,505.72	5,807.80	3,862,643.31		1,083,989.01	4,946,632.32
Tagawa mining	2,543,509.39	1,370,445.95	5,671,299.96	2,080,880.61	8,767,717.74		1,027,194.58	384,970.21	21,846,018.44	524,556.25	967,266.51	23,337,841.20
Yamano mining	1,620,862.36	398,899.05	2,324,940.11	576,270.34	2,815,940.78		369,403.80	174,479.27	8,280,795.71	205,910.84	1,324,626.02	9,811,332.57
Sunagawa mining	2,095,427.23	495,940.09	5,321,693.53	2,061,371.30	3,630,645.65		1,567,132.15	182,976.19	15,355,186.14	36,945.67	1,699,548.04	17,091,679.85
Ashibetsu minig	2,233,471.15	3,316,823.71	9,311,825.82	9,447,711.87	3,574,441.19		1,382,488.90	170,198.69	29,436,961.33	2,437,213.14	49,604.00	31,923,778.47
Shinbibai mining	43,924.38	84,815.02	753,224.84	229,722.93	203,137.64		529.00	16,432.77	1,331,786.58	221,977.09	1,059,825.18	2,613,588.85
Kamioka mining	650,202.19	365,659.57	6,664,506.24	3,760,938.47	13,334,623.70		850,434.15	230,629.89	25,856,994.21	473,425.74	2,312,823.42	28,643,243.37
Miike smelter		172,364.53	2,559,258.58	151,834.45	3,631,577.49			59,807.65	6,574,842.70		305,085.46	6,879,928.16
Totoro factory		200,000.00	21,244.46		19,526.54				240,771.00		1,409.70	242,180.70
Hikoshima smelter		1,221,291.12	2,447,440.47	405,510.93	3,906,390.32	258,504.50		102,701.27	8,341,838.61		130,406.62	8,472,245.23
Hibi smelter	77,458.54	3,903,019.90	2,818,427.25	1,416,300.10	2,785,796.72	164,465.92	357,642.60	109,212.69	11,632,323.72	16,237.00	275,648.49	11,924,209.21
Takehara smelter		843,769.25	2,070,184.13	186,176.26	3,826,352.30			90,645.54	7,017,127.48		108,996.04	7,126,123.52
Osawa mining											360,864.52	360,864.52
Miike factory		646,732.67	2,505,716.83	191,613.87	4,751,035.35		23,286.00	135,253.19	8,253,637.91	233,902.83	394,461.25	8,882,001.99
Meguro factory		67,095.77	140,331.96	45,362.82	149,181.54		32,434.80	14,418.99	448,825.88		153,867.70	602,693.58
Kushinoki mining		8,233.60	7,636.00		11,586.80		32,635.60	581.00	60,673.00			60,673.00
Headquarters		548,394.61	3,007,704.38						3,556,098.99		3,273,153.53	6,829,252.52
Osaka branch		47,597.00	30,358.23						77,955.23			77,955.23
Fukuoka branch			36,571.75						36,571.75		150,565.08	187,136.83

Sapporo branch		92,700.00	485,023.70					80,334.00	658,057.70		79,480.00	737,537.70
Total of headquarters		688,691.61	3,559,658.06					80,334.00	4,328,683.67		3,503,198.61	7,831,882.28
Overseas assets		1,298,685.61	10,289,822.04		2,617,841.37	124,699.18	717,080.22	349,880.52	15,398,008.94	2,116,813.97	19,826,451.27	37,341,274.18
Grand total	18,882,371.82	21,864,057.59	66,222,411.69	30,050,046.43	67,713,698.17	931,761.00	8,888,996.40	2,551,733.87	217,105,076.97	6,284,620.42	34,836,449.29	258,226,146.68

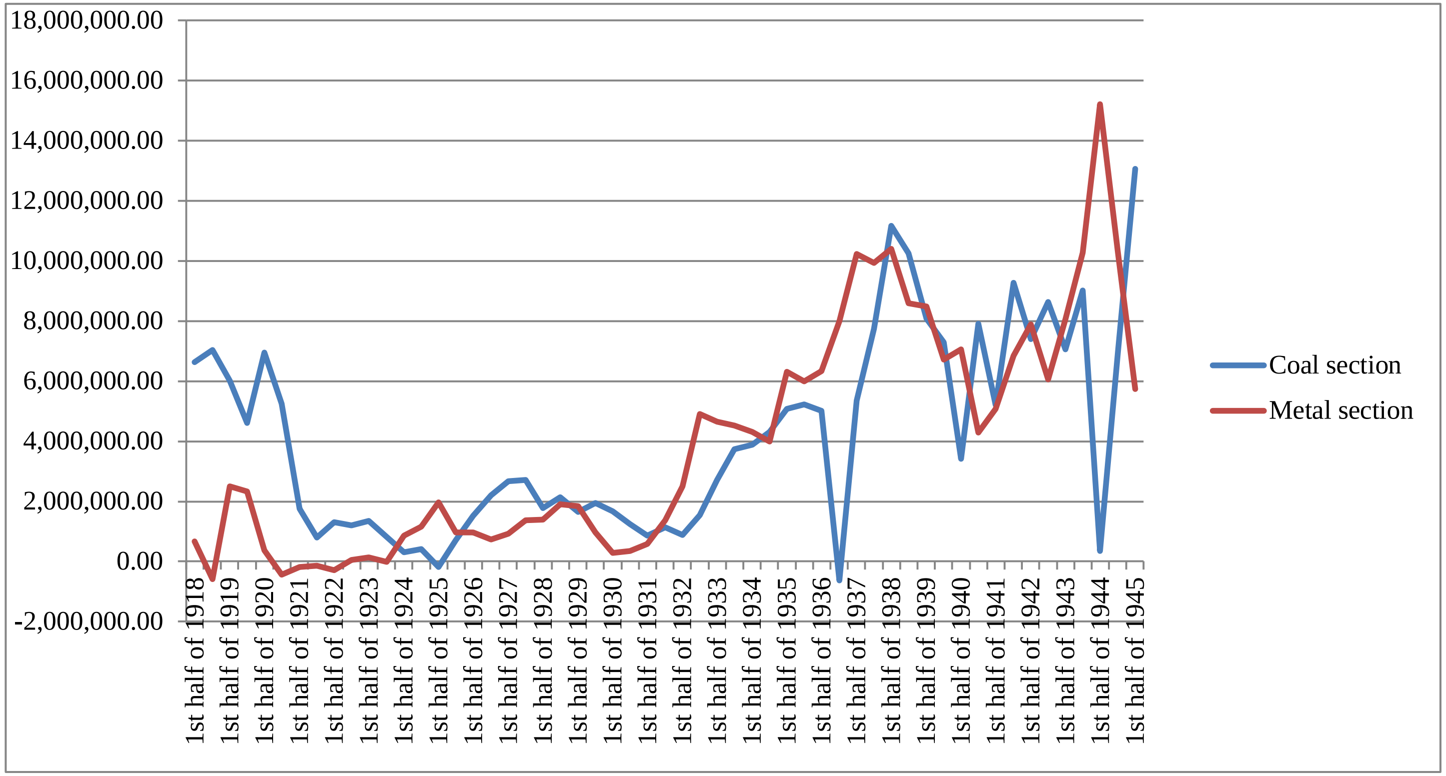
Source: HCLC, Mitsubishi Mining, MSM.

Table 9. Amount and percentage of net income from both sections of coal and metal, Mitsubishi Mining 1918-1948

Period	Coal section (yen)	Percent	Metal section (yen)	Percent	Period	Coal section (yen)	Percent	Metal section (yen)	Percent
1st half of 1918	6,641,000.00	90.87%	667,000.00	9.13%	1st half of 1934	3,884,000.00	47.37%	4,315,000.00	52.63%
2nd half of 1918	7,048,000.00	108.92%	-577,000.00	-8.92%	2nd half of 1934	4,322,000.00	51.92%	4,002,000.00	48.08%
1st half of 1919	6,011,000.00	70.64%	2,498,000.00	29.36%	1st half of 1935	5,082,000.00	44.59%	6,314,000.00	55.41%
2nd half of 1919	4,618,000.00	66.42%	2,335,000.00	33.58%	2nd half of 1935	5,233,000.00	46.60%	5,996,000.00	53.40%
1st half of 1920	6,950,000.00	94.92%	372,000.00	5.08%	1st half of 1936	5,019,000.00	44.22%	6,331,000.00	55.78%
2nd half of 1920	5,249,000.00	109.26%	-445,000.00	-9.26%	2nd half of 1936	-635,000.00	-8.62%	7,998,000.00	108.62%
1st half of 1921	1,748,000.00	112.20%	-190,000.00	-12.20%	1st half of 1937	5,364,000.00	34.39%	10,234,000.00	65.61%
2nd half of 1921	799,000.00	121.61%	-142,000.00	-21.61%	2nd half of 1937	7,747,000.00	43.79%	9,945,000.00	56.21%
1st half of 1922	1,306,000.00	128.42%	-289,000.00	-28.42%	1st half of 1938	11,163,000.00	51.76%	10,403,000.00	48.24%
2nd half of 1922	1,197,000.00	95.76%	53,000.00	4.24%	2nd half of 1938	10,258,000.00	54.45%	8,583,000.00	45.55%
1st half of 1923	1,356,000.00	90.88%	136,000.00	9.12%	1st half of 1939	8,072,000.00	48.77%	8,479,000.00	51.23%
2nd half of 1923	813,000.00	102.14%	-17,000.00	-2.14%	2nd half of 1939	7,289,000.00	52.00%	6,729,000.00	48.00%
1st half of 1924	306,000.00	26.06%	868,000.00	73.94%	1st half of 1940	3,427,000.00	32.67%	7,064,000.00	67.33%
2nd half of 1924	422,000.00	26.54%	1,168,000.00	73.46%	2nd half of 1940	7,904,000.00	64.80%	4,293,000.00	35.20%
1st half of 1925	-191,000.00	-10.71%	1,974,000.00	110.71%	1st half of 1941	5,205,000.00	50.62%	5,078,000.00	49.38%
2nd half of 1925	715,000.00	42.46%	969,000.00	57.54%	2nd half of 1941	9,268,000.00	57.50%	6,850,000.00	42.50%
1st half of 1926	1,516,000.00	60.98%	970,000.00	39.02%	1st half of 1942	7,402,000.00	48.39%	7,895,000.00	51.61%
2nd half of 1926	2,200,000.00	74.98%	734,000.00	25.02%	2nd half of 1942	8,643,000.00	58.75%	6,069,000.00	41.25%
1st half of 1927	2,680,000.00	74.20%	932,000.00	25.80%	1st half of 1943	7,056,000.00	46.65%	8,070,000.00	53.35%
2nd half of 1927	2,705,000.00	66.23%	1,379,000.00	33.77%	2nd half of 1943	9,020,000.00	46.76%	10,270,000.00	53.24%
1st half of 1928	1,780,000.00	56.22%	1,386,000.00	43.78%	1st half of 1944	356,000.00	2.28%	15,226,000.00	97.72%
2nd half of 1928	2,130,000.00	52.78%	1,906,000.00	47.22%	2nd half of 1944	6,977,000.00	40.46%	10,267,000.00	59.54%
1st half of 1929	1,658,000.00	47.32%	1,846,000.00	52.68%	1st half of 1945	13,072,000.00	69.48%	5,742,000.00	30.52%
2nd half of 1929	1,953,000.00	66.79%	971,000.00	33.21%	2nd half of 1945	-23,170,000.00	38.46%	-37,077,000.00	61.54%
1st half of 1930	1,662,000.00	85.54%	281,000.00	14.46%	1st half of 1946	-21,458,000.00	-441.25%	26,321,000.00	541.25%
2nd half of 1930	1,245,000.00	77.76%	356,000.00	22.24%	2nd half of 1946	-346,400,000.00	94.82%	-18,920,000.00	5.18%
1st half of 1931	864,000.00	59.88%	579,000.00	40.12%	1st half of 1947	-239,556,000.00	102.48%	5,789,000.00	-2.48%
2nd half of 1931	1,130,000.00	44.95%	1,384,000.00	55.05%	2nd half of 1947	-800,364,000.00	104.34%	33,302,000.00	-4.34%
1st half of 1932	883,000.00	26.13%	2,496,000.00	73.87%	1st half of 1948	-1,182,903,000.00	102.94%	33,735,000.00	-2.94%
2nd half of 1932	1,542,000.00	23.93%	4,901,000.00	76.07%					
1st half of 1933	2,720,000.00	36.86%	4,660,000.00	63.14%					
2nd half of 1933	3,734,000.00	45.19%	4,528,000.00	54.81%					

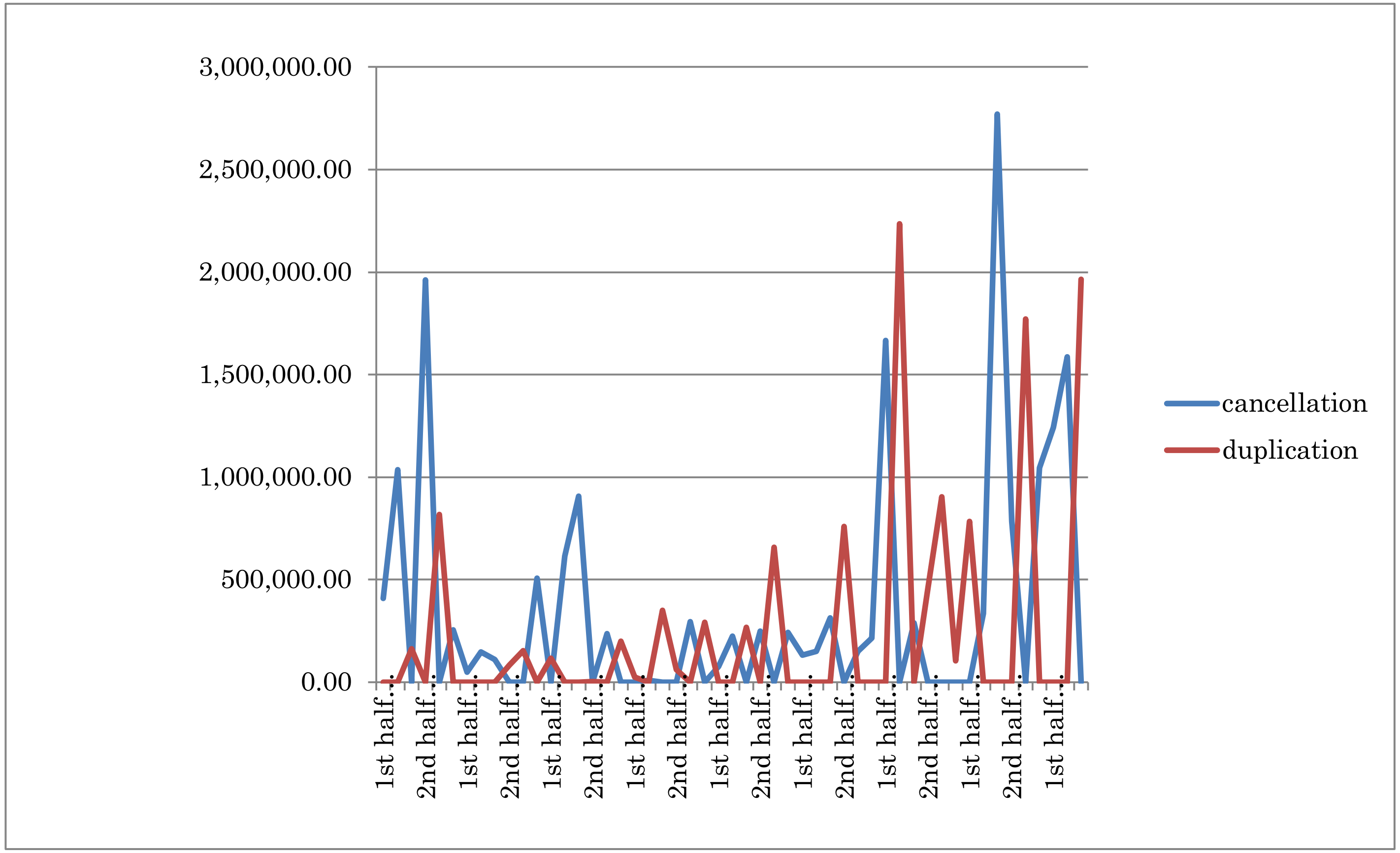
Source: HCLC, Mitsubishi Mining, part 2.

Figure 1. Amount of net income from both sections of coal and metal, Mitsubishi Mining 1918-1945



Source: HCLC, Mitsubishi Mining, part 2.

Figure 2. Comparisons on the frequency and magnitude of cancellation and duplication in the variations of net income from both sections of coal and metal, 1918-1943



Source: HCLC, Mitsubishi Mining, part 2.

Table 10. Detailed income information for both sections (classified by locations) of Seika Mining for the first half

Income information of the Metal Section

Location		Sales	Cost of goods sold	Profit on sales	Operating income and expenses	Income from operation
Tokyo					-1,453,000.00	-1,453,000.00
Osaka					178,000.00	178,000.00
Besshi mining	copper, gold, silver, sulfuric acid	991,511,000.00	1,020,363,000.00	-28,851,000.00	6,615,000.00	-22,235,000.00
Kunitomi mining	copper	81,989,000.00	47,188,000.00	34,800,000.00	-584,000.00	34,216,000.00
Konomai mining	gold, silver, silicic acid	13,297,000.00	8,131,000.00	5,166,000.00	-457,000.00	4,709,000.00
Inaushi mine	copper concentrates, iron sulphide concentrates, lead concentrates	34,900,000.00	30,510,000.00	4,389,000.00	-8,150,000.00	-3,760,000.00
Omiya mine	copper concentrates, iron sulphide concentrates	3,146,000.00	7,662,000.00	-4,516,000.00	-705,000.00	-5,221,000.00
Tosawa mine	gold, silver, silicic acid	408,000.00	1,177,000.00	-769,000.00	-1,218,000.00	-1,988,000.00
Yoichi mine	copper concentrates	1,907,000.00	3,151,000.00	-1,244,000.00	-23,000.00	-1,267,000.00
Besshi construction	wood works, public works	51,639,000.00	46,220,000.00	5,419,000.00	-3,652,000.00	1,766,000.00
Besshi furnishing	sales of daily necessities and miscellaneous items	9,309,000.00	11,939,000.00	-2,629,000.00	1,786,000.00	-843,000.00
Besshi batteries	battery production	919,000.00	2,304,000.00	-1,385,000.00	-2,121,000.00	-3,506,000.00
Total		1,189,030,000.00	1,178,649,000.00	10,380,000.00	-9,785,000.00	595,000.00

Income information of the Coal Section

Tokyo					-3,012,000.00	-3,012,000.00
Osaka					57,000.00	57,000.00
Kyushu branch						
Hokkaido branch					38,000.00	38,000.00

Tadakuma mining	coal	167,195,000.00	237,621,000.00	-70,426,000.00	-64,372,000.00	-134,798,000.00
Senryu mining	coal	189,044,000.00	289,516,000.00	-100,473,000.00	-91,726,000.00	-192,199,000.00
Karatsu minig	coal	45,291,000.00	84,960,000.00	-39,669,000.00	-36,385,000.00	-76,054,000.00
Akabira mining	coal	500,200,000.00	582,991,000.00	-82,790,000.00	-72,000,000.00	-154,790,000.00
Ponbetsu mining	coal	265,390,000.00	406,610,000.00	-141,220,000.00	-150,217,000.00	-291,437,000.00
Total		1,167,122,000.00	1,601,702,000.00	-434,579,000.00	-417,617,000.00	-852,196,000.00

Source: HCLC, Seika Mining, DHD.

Table 11. Detailed form of balance sheet of Seika Mining dated 30 September 1948 (new account)

	debit					credit			
		metal	coal	total			metal	coal	total
Fixed assets		40,997,437.23	617,244,923.96	658,242,361.19	Long term liabilities		41,000.00		41,000.00
	land	4,308,099.14	8,663,865.26	12,971,964.40		long term debts	41,000.00		41,000.00
	stumpage	19,156.20		19,156.20	Short term liabilities		1,057,934,826.34	3,254,199,298.12	4,312,134,124.46
	buildings	14,582,886.57	360,837,662.56	375,420,549.13		short term debts	418,399,927.03	2,287,652,235.64	2,706,052,162.67
	structures	5,062,870.12	52,281,585.15	57,344,455.27		account payables	79,040,967.23	165,068,814.37	244,109,781.60
	main pits	1,002,703.19	101,979,318.39	102,982,021.58		note payables	33,055,088.50	6,292,546.00	39,347,634.50
	machinery	11,549,331.31	58,945,506.15	70,494,837.46		note receivables discounted	28,053,850.00		28,053,850.00
	vessels	1,877,188.00	993.00	1,878,181.00		advances received	54,733,078.49	61,908.80	54,794,987.29
	vehicles	2,063,946.83	28,989,930.29	31,053,877.12		deposits received	22,119,440.06	159,226,826.01	181,346,266.07
	tools, appliances and fixtures	531,255.87	5,546,063.16	6,077,319.03		amounts in arrear	325,054,435.93	405,866,011.96	730,920,447.89
Intangibles		3,702,906.45	9,837,656.21	13,540,562.66		suspenses received	97,478,039.10	230,030,955.34	327,508,994.44
	mining rights	3,702,906.45	7,100,067.76	10,802,974.21	Provisions		45,360,633.76	76,257,285.63	121,617,919.39
	development costs		2,737,588.45	2,737,588.45		provisions for facility repair	1,308.42		1,308.42
Initial expenses		47,017,264.22	436,240,316.98	483,257,581.20		provisions for retirement benefits	20,301,237.18	42,214,878.39	62,516,115.57
	initial expenses for metal business	47,017,264.22		47,017,264.22		other provisions	25,058,088.16	34,042,407.24	59,100,495.40
	initial expenses for coal business		436,240,316.98	436,240,316.98	Profit and loss account		-595,488.86	165,258,961.65	164,663,472.79
Long term investments		23,689,648.48	7,121,673.52	30,811,322.00		losses brought forward from the previous term		141,635,194.08	141,635,194.08
	capital participation			0.00		net income for the current term	-595,488.86	23,623,767.57	23,028,278.71
	long term investments	253,870.48	1,695,362.80	1,949,233.28	Suspense account		73,669,089.37	-173,144,597.50	-99,475,508.13
	long term loans	23,435,778.00	5,426,310.72	28,862,088.72		Suspense accounts	73,669,089.37	-173,144,597.50	-99,475,508.13

Inventories		433,739,915.46	367,336,789.28	801,076,704.74					
	supplies	235,669,595.27	270,098,652.83	505,768,248.10					
	work in progress	43,967,965.60		43,967,965.60					
	semi-finished goods	11,944,655.57		11,944,655.57					
	by-products	7,760,916.00	33,727.32	7,794,643.32					
	commodities	23,044,024.04	53,635,928.73	76,679,952.77					
	products	95,889,400.76	43,568,480.40	139,457,881.16					
	shipments	15,463,358.22		15,463,358.22					
Quick assets		537,474,669.72	1,781,013,022.02	2,318,487,691.74					
	negotiable securities		72,000.00	72,000.00					
	short term loans	5,288,298.65	16,786,357.45	22,074,656.10					
	advances	128,980,603.94	141,614,749.20	270,595,353.14					
	assets in process of recoinage	5,519,639.47		5,519,639.47					
	account receivables	142,819,322.61	183,222,551.02	326,041,873.63					
	note receivables	58,887,700.00	84,020.00	58,971,720.00					
	accounts due	109,015,256.65	466,774,418.07	575,789,674.72					
	accrued income		828,176,000.00	828,176,000.00					
	prepaid expenses	4,431,801.79	16,330,659.83	20,762,461.62					
	deposits	77,674,777.29	109,646,876.90	187,321,654.19					
	cash in hand	1,494,275.29	1,853,881.58	3,348,156.87					
	assets provided for retirement benefits	3,362,994.03	16,451,507.97	19,814,502.00					
Business assets for special purposes			1,835,132.78	1,835,132.78					
	Kasuga mining		1,835,132.7	1,835,132.7					

			8	8					
Temporary accounts		89,788,219.05	101,941,433.15	191,729,652.20					
	temporary advances	89,788,219.05	101,941,433.15	191,729,652.20					
Total		1,176,410,060.61	3,322,570,947.90	4,498,981,008.51	Total		1,176,410,060.61	3,322,570,947.90	4,498,981,008.51

Source: HCLC, Seika Mining, DHD.

Table 12. Forecast balance sheet at the time of the proposed separation, 1 May 1950, of Mitsui and Kamioka Mining

Assets		Mitsui Mining	Kamioka Mining	Liabilities and Equity capital		Mitsui Mining	Kamioka Mining
current assets	cash in hand and bank deposits	624,459,680	70,731,657	short term liabilities	payable	604,815,790	584,705,175
	advances on various transactions	355,993,908	101,822,815		others	5,190,831,759	536,737,791
	inventories	1,147,809,840	826,476,373		total	5,795,647,549	1,121,442,966
	others	3,153,698,229	338,666,438	long term liabilities		7,601,246,346	165,135,000
	total	5,281,961,657	1,337,697,283	deferred income		26,341	
investments		618,727,071	159,869	provisions		135,019,340	16,544,132
fixed assets	property, plant and equipment	5,812,236,876	163,800,011	other liabilities		126,042,245	41,665,703
	machinery, vessels and vehicles	1,626,386,245	191,799,905	equity capital	nominal capital	1,200,000,000	60,000,000
	construction in progress	1,314,096,844	202,483,747		reserves	32,925,532	
	others	45,245,484	40,128,334		net income	18,469,535	
	total	8,797,965,449	598,211,997		total	1,251,395,067	60,000,000
deferred charges and prepaid expenses		120,635,305	3,929,733				
intangible assets		1,117,970	88,053				
other assets		88,969,436	4,700,866				
total		14,909,376,888	1,944,787,801	total		14,909,376,888	1,944,787,801*

Source: HCLC, Mitsui Mining, DNO, part 3.

* Note: This total amount is not in agreement with the total of all the items listed on the liability and equity side of the balance sheet of Kamioka Mining by 540,000,000.00 yen. It becomes clear that the amount of deferred income was remarkably insufficient in comparison with the balance sheet of Kamioka Mining released on 30 September 1950.

Table 13. Forecast balance sheet as of 31 December 1949 of Mitsubishi and Taihei Mining

Assets		Mitsubishi Mining	Taihei Mining	Liabilities and Equity capital		Mitsubishi Mining	Taihei Mining
current assets	cash in hand and bank deposits	579022974.93	51698663.57	short term liabilities	note payables short term debts	2110168951.66	719670500.00
	short term loans and note receivables	126822338.87	50698767.65		account payables	825043741.12	268719275.96
	advances on business transactions	174673503.16	66284607.40		others	962565149.37	409269878.93
	account receivables	1577751723.70	129114864.79		total	3897777842.15	1397659654.89
	inventories	573830638.50	1338665210.22	long term liabilities	debentures	84100000.00	
	others	640534.49	7425.00		note payables long term debts	5278566950.00	176646000.00
	total	3032741713.65	1636469538.63		total	5362666950.00	176646000.00
investments		714578155.31	3708499.80	deferred income		232332.00	
fixed assets	property, plant and equipment	3283977575.52	167027627.63	provisions		466639680.00	160744196.23
	machinery, vessels and vehicles	1234250734.29	167087334.46	other liabilities		456241.60	2227690.00
	tools, appliances and fixtures	27336586.29	1792875.75	equity capital	nominal capital	900000000.00	700000000.00
	construction in progress	1319872059.33	305371053.90		reserves	434000.00	
	total	5865436955.43	641278891.74		total	900434000.00	700000000.00
deferred charges and prepaid expenses		129315393.95	152529913.61				
intangible assets		9365692.72	2881846.10				
other assets		479500.00	408851.24				
net loss		876289634.69					
total		10628207045.75	2437277541.12	total		10628207045.75	2437277541.12

Source: HCLC, Mitsubishi Mining, part 2.

Table 14. Balance sheet of Mitsui Mining dated 30 September 1950

	debit				credit		
Current assets			8,655,640,972.55	Current liabilities			8,051,969,925.06
	cash in hand and deposits	796,061,707.61			short term debts	3,850,403,286.31	
	negotiable securities	206,710,329.50			loaned securities	12,570,000.00	
	claims to the HCLC	150,550,206.30			claims from the HCLC	150,550,206.30	
	note receivables	651,963,614.82			note payables	11,500,000.00	
	account receivables	2,581,415,242.76			bank overdraft	32,891,224.30	
	accounts due	650,821,544.96			deposits received	194,021,060.88	
	short term loans	91,098,743.52			account payables	1,667,487,199.18	
	advance payments	351,080,797.68			amounts in arrear	2,037,887,649.02	
	coal	1,872,828,039.52			unpaid dividends	608,257.46	
	by-products	7,599,880.10			advances received	94,051,041.61	
	work in progress	287,991,579.72		Long term liabilities			9,175,810,816.64
	supplies	820,813,742.56			debentures	67,491,800.00	
	goods in transit	9,179,264.73			long term debts	9,108,319,016.64	
	rations	138,803,552.59		Provisions			117,436,625.82
	stumpage	38,722,726.18			provisions for retirement benefits	56,194,003.08	
Special assets			25,515,368.82		provisions for damage compensation	56,667,622.74	
	deposits for retirement benefits	15,368.82			provisions for bad debts	4,575,000.00	
	deposits for damage compensation	25,500,000.00		Other liabilities			63,682,923.20
Fixed assets			11,608,417,330.42		deposits accepted	63,682,923.20	
	general purpose sites	21,353,208.04		Shareholders' equity			3,448,748,990.48
	mining sites	412,878,043.94			paid in capital	1,200,000,000.00	
	(less depletion)	-22,966,626.56			revaluation reserves	2,000,000,000.00	

	buildings	3,626,200,460.47			legal reserves	28,715,000.00	
	main pits	2,970,586,361.26			voluntary reserves	5,952,245.77	
	structures	1,540,302,640.41			income brought forward from the previous term	10,180,890.35	
	machinery	2,991,969,714.51			net income for the current term	203,900,854.36	
	vessels	15,859,440.86					
	vehicles	593,309,651.76					
	tools, appliances and fixtures	49,057,569.02					
	(less depreciation)	-1,190,298,009.45					
	construction in progress	600,164,876.16					
Intangibles			4,379,274.20				
	mining rights	4,379,274.20					
Deferred charges			50,377,734.12				
	development costs	50,377,734.12					
Prepaid expenses			446,973,833.74				
	prepaid expenses	446,973,833.74					
Other assets			66,344,767.35				
	guarantee deposits	2,191,359.55					
	deposit money	13,874,877.80					
	guarantee deposited securities	50,278,530.00					
Total			20,857,649,281.20	Total			20,857,649,281.20

Source: Mitsui Mining, Business Report, vol. 72.

Table 15. Balance sheet of Mitsubishi Mining dated 30 September 1950

	debit				credit		
Current assets			7,622,342,159.38	Current liabilities			7,373,935,391.65
	cash in hand	2,882,507.62			short term debts	3,385,814,000.00	
	deposits	733,981,107.31			note payables	34,841,000.00	
	negotiable securities	702,790,454.11			note receivables discounted	1,287,115,026.43	
	note receivables	242,656,998.00			deposits received	226,385,681.79	
	claims arising from note receibables discounted	1,287,115,026.43			deposits received for nation savings association	77,788,733.38	
	account receivables	2,509,366,957.77			account payables	1,033,009,806.09	
	accounts due	200,834,721.40			amounts in arrear	1,225,326,154.03	
	short term loans	181,796,611.58			advances received	78,041,517.30	
	advance payments	139,853,182.49			suspenses received on commission	25,613,472.63	
	coal	968,561,284.24		Long term liabilities			6,825,676,000.00
	by-products	4,760,714.70			debentures	57,000,000.00	
	supplies	481,246,599.38			long term debts	6,768,676,000.00	
	goods in transit	24,223,059.38		Deferred income			2,084,380.89
	work in progress	1,740,883.54			deferred income for coal	1,797,844.19	
	stumpage	4,450,615.16			deferred income for by-products	273,840.00	
	claims to the HCLC	136,081,436.63			other deferred income	12,696.70	
Special assets			89,754.17	Miscellaneous accounts			77,717,315.00
	assets provided for reserves	89,754.17			deposits accepted	77,717,315.00	
Fixed assets			8,619,322,545.92	Provisions			607,189,973.86
	general purpose sites	21,528,174.02			provisions for retirement benefits	37,416,579.88	
	mining sites	28,150,740.53			provisions for facility repair	89,754.17	

	pits	1,180,986,217.92			provisions for depreciation	552,891,282.81	
	buildings	2,869,310,283.83			provisions for bad debts	16,000,000.00	
	structures	1,324,680,137.72			provisions for vessel repair	792,357.00	
	machinery	1,719,884,195.79		Shareholders' equity			1,810,624,517.14
	vessels	104,930,350.40			paid in capital	900,000,000.00	
	vehicles	379,849,641.64			legal reserves	281,400.00	
	tools, appliances and fixtures	49,156,579.77			revaluation reserves	512,170,704.21	
	construction in progress	940,846,224.30			net income for the current term	398,172,412.93	
Intangibles			113,449,247.85				
	mining rights	113,449,247.85					
Deferred charges			147,068,796.78				
	development costs	111,569,903.16					
	initial expenses	34,650,752.62					
	initial interests paid	848,141.00					
Prepaid expenses			189,713,659.97				
	prepaid expenses	189,713,659.97					
Miscellaneous accounts			5,241,414.47				
	guarantee deposits	4,912,425.30					
	deposit money	328,989.17					
Total			16,697,227,578.54	Total			16,697,227,578.54

Source: Mitsubishi Mining, Business Report, vol. 59.