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

by

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Abstract

The study, extensively utilizing the official documents of the Holding Company Liquidation Commission (HCLC) possessed by the National Archives of Japan, examines accounting practice adopted by three Japanese mining corporations for their dissolution in the immediate postwar period from 1946 to 1950. By so doing, the study clarifies that (1) the conventional accounting practice of the zaibatsu companies was adequate to enable the implementation of their own dissolution and that (2) the accounting practice adopted in the process of the zaibatsu dissolution provided a foundation for the development of the postwar accounting system through the realization of the provisions in the 'Instruction for the Preparation of Financial Statement of Manufacturing and Trading Companies' issued by the General Headquarters (GHQ) in July 1947. The result of the study contributes to the literature discussing the quality of accounting information provided by the Japanese zaibatsu organizations; early research generally assessed the quality of financial statements submitted as coarse, while more recent research indicates that the accounting practice adopted by the companies was not deficient in its own domestic environment. Since both assertions are not founded on empirical evidence, 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.

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1. Introduction

In research of Japanese accounting history, it is the formation of 'the Investigation Committee for Measures of the Corporate Accounting System' installed in June 1948 within the Financial Bureau of the Economic Stabilization Board and the issue of the Business Accounting Principles in July 1949 that are normally regarded as the origin of the postwar corporate accounting system (Chiba 1998, pp. 105-106; Kubota 2008, p. 238). However, influences of the prewar days and controlled economy during the Second World War were not completely lost with the conclusion of the war in August 1945. Rather they were covertly passed on to the postwar institutions through practical problems such as the issues of postwar compensation and demobilization. The issue of the accounting system was no exception; accounting practice in the prewar days and during the war had a serious impact upon the postwar institutional formation again through practical problems such as liquidation of colonial and/or special companies specified in the immediate postwar period as 'closedown institutions' and loss compensation offered to those specifically designated as special accounting companies.[1] The same applies to the issue of the dissolution of zaibatsu, which determined the competitive framework for the entire postwar Japanese economy.

Immediately after the Second World War, the General Headquarters (GHQ) ordered the submission of financial information from the companies designated as 'holding companies' as part of the data required for the implementation of the dissolution. However, it is alleged that the accounting practices of these companies had many difficulties and therefore the 'Instruction for the Preparation of Financial Statement of Manufacturing and Trading Companies' (generally and hereafter 'Instruction') was released from the GHQ as the guideline to rectify the defects (Uchikawa, 1983, pp. 10-12). It is generally understood that the publication of the Instruction, after twists and turns, promoted the formation of the Investigation Committee for Measures of the Corporate Accounting System (Chiba, 2010). In contrast to the recognized importance of the roles played by zaibatsu companies in forming corporate systems in the prewar days, the significance of accounting practice adopted by these organizations has been

[1] In exchange for breaking off the wartime compensation, a company designated as a special accounting company was permitted to retain property necessary to continue the business to a new account, after having performed revaluation of assets, while splitting off the other property to the old account.

disregarded in relation to postwar developments. As a result, the complete release from zaibatsu’s influence has been stressed and only the formation of the new corporate accounting system, as part of the economic democratization promoted under instruction of the GHQ in the postwar period, comes to be emphasized.

However, it is not totally clear to date what role the dissolution of the zaibatsu and the accounting practice necessitated thereby played in the postwar institutional formation of accounting in Japan. More recent work, as represented by, for example, Miyajima (2004), indicates that the conventional accounting practice of zaibatsu institutions had an essence of innovation outstanding in many respects, such as the treatment of depreciation. Instead of the conventional historical view of accounting stressing the discontinuity from the zaibatsu’s influence on the postwar development of the corporate accounting system, this research, utilizing and examining archives called the official documents of the Holding Company Liquidation Commission (HCLC), located at the National Archives of Japan, aims to clarify that (1) the conventional accounting practice of zaibatsu companies was adequate for the implementation of their own dissolution and that (2) accounting practice adopted in the process of zaibatsu dissolution provided a foundation for the development of the postwar accounting system through the realization of the provisions in the Instruction, the features of which are summarized as: (1) introduction of new-style presentation of financial statements such as current/fixed classification and current-first order and (2) extended use of accounting accruals such as deferred charges and income.

The official documents of the HCLC are a group of archives dealing with the operation of the commission, including, in addition to the dissolution of 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 a holding company through to the liquidation, or the split off, of the companies concerned. Among the archives, this study examines the case of mining enterprises for which the process of dissolution became complicated and to that extent required more detailed financial information. The zaibatsu mining companies examined in this study are Mitsui, Mitsubishi and Seika Mining Corporations.

This study is constructed as follows: the prior literature of the conventional accounting practice adopted by zaibatsu organizations is reviewed in the next section, with the traditional assessment and the findings of the latest research being contrasted. The operations of the HCLC are explained with its background information in section 3. Section 4 provides profiles of the three mining companies emphasizing the factors which led to them being specified as a holding company and with an excessive concentration of economic power, while section 5 examines the subsequent process of their dissolution extending from the designation as a holding company to the final splitting up of the organization. The focus in this section is an analysis of what accounting information was provided to the HCLC and further what was deployed by the three mining enterprises to make counterargument to the policy of organizational division ordered by the HCLC. Section 6 considers the impact of the Instruction upon accounting practice adopted in the process of zaibatsu dissolution. Concluding remarks are provided in the final section.

2. Zaibatsu companies' practice assessed in the prior literature

On 22 September 1945, the US government issued 'United States Initial Post-Surrender Policy for Japan'. Under the 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 policies to realize a wide distribution of income and ownership of the means of production and trade. The Supreme Commander for the Allied Powers was to this end expected '[t]o favor a program for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan's trade and industry' (SWNCC150/4).

Taking the intention of the US government into consideration, the Japanese government first proclaimed Imperial Edict No. 657 'Matters concerning Restriction of Dismissal of a Company', on 23 November 1945, by which the right of approval was granted to the Minister of Finance (1) for companies with capital of 5 million yen or more and those so specified by the Minister of Finance to be dissolved or to make business transfer, and (2) for the property possessed by the headquarters of the Mitsui, Mitsubishi, Sumitomo and Yasuda families and those so designated by the Minister of Finance to be disposed of. Any company specified under the Imperial Edict was called a restricted company and was required to submit financial statements for the past ten years and subsequent to the specification periodically to the Research and Statistics Department, Economic and Scientific Section of the GHQ.

The Japanese government, after negotiations with the representatives of the above four major zaibatsu companies and the authorities of the occupation forces, submitted on 4

November 1945 a proposed demolition plan, the main components of which were that all the securities and the proof of ownership of corporations and other types of companies that each holding company possessed should be transferred to the Holding Company Liquidation Commission which the Japanese government would establish; in this way, each holding company would be subjected to demolition and their shareholders would be repaid by the issue of a Japanese government public loan with restraints on the realization and transfer of such loan for ten years as the consideration of the transferred property. This proposal was basically approved by the GHQ on 6 November 1945 and, accordingly, the Japanese government proclaimed on 20 April 1946 'the Law for the Holding Company Liquidation Commission'.

In order to identify a holding company and further resolve how to dissolve zaibatsu organizations, various reports including financial ones were required from those companies. However, it was the general assessment of early research that the financial statements submitted by the applicable companies were coarse in quality. For example, Kurosawa, who strived for the establishment of the new corporate accounting system in Japan after the war, 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[2] took the lead, and created the 'Instruction'. (Zadankai (Roundtable Talk) (1951) 'Kaikei Seido no Evolution to Revolution (Evolution and Revolution of Accounting System)', Sangyo Keiri (Zadankai, 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, 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[3] at all…Some performed window-dressing; some financial statements were oversimplified; classifications of accounts

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

[3] Working Rules for Financial Statements, the first official guideline in Japan for financial reporting, was published in 1934 by the Financial Management Committee (*Zaimu Kanri I-inkai*) of the Ministry of Commerce and Industry (*Shokosho*). The rules purported to protect the interest of investors by providing standardized forms of financial information, for an empirical examination of which, *see* Noguchi and Nakajima (2008).

> 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).

It seems that these descriptions disproportionately relied on the following description of the purpose of the issue of the Instruction, which was, as asserted, drafted by Hessler himself who assumed that accounting practice adopted by Japanese companies had so far been left to the idiosyncracies of each company and this caused serious handicaps when carrying out the occupation policy to dissolve zaibatsu organizations:

> To lay the foundation for *improving* and *standardizing* Japanese commercial and industrial accounting practices...Statements furnished to the SCAP (Supreme Commander for the Allied Powers) in the past have disclosed *deplorable shortcomings* in accounting practices and procedures. (anon, probably Hessler and Murase, 1947, Suzuki, 2007a, p. 285) (*emphasis added*)

In contrast, more recent research on the accounting practice conducted by zaibatsu companies of those days shows more balanced views. For example, Suzuki (2007a, p. 283), referring to a similar 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.

Also Kubota (2002, p. 30), referring to the criticism made by the Mission led by Carl S. Shoup that standards of business accounting of Japan degenerated as a result of the onset of war (Shoup Mission, 1949, p. 50), points out that:

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

In this recent research, the issue of the Instruction comes to be differently interpreted; it is positioned as having been an important tool to 'transform' the conventional accounting practice of the zaibatsu organizations into a US-type standardized system under the influence of US government in the immediate postwar period[4] rather than simply to 'rectify' the defects inherent in the idiosyncratic practice. According to

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

Kubota (2002, pp. 41-42),

> The 'Instruction' itself was that the special accounting standards only applied to the 'restricted company' as part of the occupation policy of the General Headquarters. However, in the sense that it brought to such companies experience of which the conventional Japanese and non-US type of financial statements were transformed into the US styled ones through the 'Instruction' and then the unified forms of financial statements under Rule 18 of the Securities and Exchange Commission modeled by the US. System, the 'Instruction' can be positioned in the process of the unification of forms of financial statements in postwar Japan at least by contributing to laying the foundation for this purpose.

Nevertheless, these assertions of recent research are not founded on any sufficient empirical evidence and simply suggest a possible re-interpretation. This study purports to reinforce the result of recent research by providing evidence verifying the cases of the three zaibatsu mining companies.

3. Holding Company Liquidation Commission (HCLC)

In order to secure democratic ownership and management of a business organization, the HCLC was established aiming at (1) inheriting negotiable securities and other properties owned by a company designated as a holding company; (2) carrying out custody and disposal of the properties; (3) promoting dissolution of the holding company; (4) distributing the power of corporate governance and (5) eliminating excessive concentration of economic power. By so doing it purported to provide a foundation for the democratic reconstruction of the national economy in Japan (HCLC, 1973, p. 159).[5] At the beginning, the targets of the demolition were five companies, consisting of each head office of four major zaibatsu groups and Fuji Industry, i.e. transformation of Nakajima Aircraft, a military firm. However, 78 companies were additionally specified as holding companies by the commission's subsequent orders over the period December, 1946 to September, 1947 (Okazaki, 1998).

The first five were specified on 6 September 1946, while the second group of 40 companies was specified on 7 December 1946 and mainly consisted of those that not only undertook heavy investment into the affiliated companies but also had important production sections. The third group of 20 companies was specified on 28 December 1946, these being mainly leading subsidiaries of those previously specified businesses

[5] At the time of the establishment, the business of the commission was restricted to the inheritance, custody and disposal of the negotiable securities which a holding company possessed and the instruction and supervision of the execution of normal operation and liquidation until the dismissal of the holding company. However, after several revisions of the commission's law, the distribution of the power of corporate governance, 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 were added to the business (HCLC, 1973, pp. 159-160).

but themselves also having the character of a holding company. It is in this group that the three mining enterprises to be examined in this study were included. The other 18 companies including 'local' zaibatsu were so designated in the fourth and fifth specifications on 25 March 1947 and 26 September 1947 respectively.

Until a proposal for organizational rearrangement was finalized, these holding companies had to obey the instruction and supervision of the HCLC not only for any actions that would bring about significant changes to their asset position but also for normal operation. Therefore, in carrying out the following matters, the holding companies had to submit an application to the commission in advance and obtain the approval: (1) holding a general meeting of shareholders to discuss the issues that led to a change in capital amount, issue of corporate debentures, dismissal, merger or transfer of business, inheritance of business;[6] (2) officers' inauguration and retirement; (3) making important changes in 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 of the judicial acts (HCLC, 1973, p. 260).

In addition, specified companies were required to submit to the HCLC budgets for operating income and expenditures and the funding plans for normal operation for each month. Specifically to prevent the shareholders and the creditors of the specified companies from suffering a disadvantage by misappropriating the funds obtained from the disposition of assets or loan collection, enforcement of the regulation was monitored with a comparison between the budgets and reported performance. The forms of budgets and performance reporting were mostly unified in the following manner: (1) the normal income and expenses were classified into those from normal operation and others; (2) operating expenses were subdivided into the costs of materials, labour and expenses; (3) lists of particulars specifying the details of each cost item were attached; (4) income and expenses outside normal operation were adjusted; (5) total monthly excess and deficiency was calculated; (6) finally 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). Although a similar form was used at each business specified as a holding company, it is interesting to note that in the mining industry the enterprises voluntarily classified items listed in these statements in accordance with sections, locations and product lines where possible.

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[6] In addition to these matters, debts for business extension and improvement of equipment were included in the matters that should be brought up to a general meeting of shareholders.

The three mining companies were also placed under the jurisdiction of the Law for Elimination of Excessive Concentrations of Economic Power (LEECEP), which was promulgated as a part of the policy to ‘provide a foundation for reconstruction of the democratic and sound national economy’ (HCLC, 1973, p. 310; Hosoya, 1998).[7] Under the LEECEP, it was considered necessary to forcefully eliminate excessive individual concentration of economic power and split it off to separate business units unrelated to zaibatsu combinations. Those regarded as having excessive concentration were all individual companies or combinations typically with the following traits: (a) a large scale as represented by (1) the amounts of production, production capacity, gross sales and total assets, (2) the number of work sites (including locations of mines) and employees or (3) extension of business through merger and acquisitions; (b) engagement in a number of related (or combined) or unrelated industries, (c) control over other organizations and (d) monopolistic restriction of supply of important products and materials (HCLC, 1973, p. 316; pp. 342-343).

On 8 February 1948, the HCLC publicly announced ‘the standards for the excessive concentration of economic power in mining and manufacturing industries’ and simultaneously designated 257 companies in its first specification. This was followed by the announcement of ‘the standards for the excessive concentrations of economic power in distribution and service sections’ on 22 February 1948 and the specification of 68 further additional companies.

However, the US occupation policy for Japan was then transformed as the US-Soviet confrontation came to the fore. The US government now needed to promote and assist in 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 regulations envisaged in the LEECEP had to be dropped (Muto, 1952, p. 247; Shima, 2000, p. 55-6).[8] The five-person commission presided over by Roy S. Campbell, who visited Japan to reexamine the administration of LEECEP, announced in

[7] However, the LEECEP was criticized as it was doubtful whether the exclusion 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).

[8] Among the 325 companies having been designated, a specification of 50 companies, including Chugai Mining, was first canceled in May 1948 (HCLC, 1973, p. 315). Minor measures such as disposal of shareholdings, without any reorganization, were ordered for another 144 companies, including Ajinomoto Co. Inc., which was followed by another 31 companies in July (HCLC, 1973, p. 315). For the process of the specification and the cancelation of Toyota Motor Co., *see* Kasai (2010). For the case of Nissan, *see* Yoshida (2012).

September 1948 a principle that, unless there was clear proof that the company concerned restricted competition and barred the opportunity for others to engage in the business concerned, the HCLC must cancel the specification once made (HCLC, Mitsui Mining, DNO, part 2).

In the end, those recognized as having excessive concentration of economic power by the end of March 1950 and receiving the instruction for organizational rearrangement totaled only 18 companies including Mitsui, Mitsubishi and Seika Mining. In particular, mining was one of the industries for which the necessity for separation of business units was stressed, in addition to chemistry and machinery, aircraft and spinning. 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 excessive concentration existed in the same area (HCLC, 1973, p. 318).

4. Three mining companies

Mitsui Mining

Mitsui Mining Co., Ltd. Had been established with a capital of 20 million yen by splitting off the mining section of the Mitsui unlimited partnership in 1911. At the date of the specification as a holding company on 28 December 1946, the Mitsui headquarters held 59.8%, with the Mitsui family, combined with other related companies, holding 7.4% of the shares issued (HCLC, 1973, p. 322). The company owned shares in 42 domestic and 23 overseas companies, owning more than 10% of the total number of equities in 15 domestic and 11 overseas companies (HCLC, 1973, p. 322). The negotiable securities inherited by the HCLC from the company by the end of March 1950 amounted to 164,278,000 yen, 72.7% of which were shares at the time of the specification, of the total possession of 225,953,000 yen (HCLC, 1973, p. 322).

The amount of capital at the time of specification under the LEECEP on 8 February 1948 was 400 million yen, while total assets and gross sales amounted respectively to 12 billion yen and more than 5,500 million yen for the period of one 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, with the result that its production capacity was ranked first in the country, occupying 16.4% of the nation’s coal production, (26.8% when production by subsidiaries was combined), 40.8% of the output of crude lead and 52.6% of crude zinc (HCLC, 1973, p. 322).

Mitsubishi Mining

Mitsubishi Mining was established in 1918 with a capital of 50 million yen and started its business taking over the assets of the mining business of the Mitsubishi limited partnership. It developed as a direct subsidiary of the Mitsubishi zaibatsu and shareholdings of the Mitsubishi head office reached 42.6%, while the company maintained close affiliations with Mitsubishi Bank, Mitsubishi Electric, Mitsubishi Heavy Industries and the Mitsubishi trading company (HCLC, 1973, p. 323).

Mitsubishi Mining was regarded as having actively performed the role as a holding company by owned shares in 68 domestic and 8 overseas companies at the time of specification on 28 December 1946, owning more than 10% of the total number of equities in 17 domestic and 4 overseas companies (HCLC, 1973, p. 323). Negotiable securities which the company transferred to the HCLC by the end of March 1950 amounted to 142,468,000 yen, 73.6% of which were shares at the time of the specification, of the total possession of 193,535,000 yen (HCLC, 1973, p. 323).

Mitsubishi Mining had 407,400,000 yen of capital at the time when specification was made under the LEECEP on 8 February 1948, with 8,493,861,000 yen in its total assets, including 20 metal and 17 coal mines and 9 refinement factories, and 4,419,168,000 yen of annual turnover in the year ending March 1948 (HCLC, 1973, p. 323). The company's production capacity occupied 11.8% of national coal production and it ranked second next to Mitsui Mining (13.9% when the output of subsidiaries is included), with 28.6% of lead production and 91.9% of tin-smelting capacity (HCLC, 1973, p. 323).

Seika Mining

Seika Mining was established as Sumitomo Besshi Mining with a capital amount of 15 million yen in 1927 and changed its name in 1946 subsequent to a sequence of mergers with its affiliated companies. At the end of the Pacific War in 1945, the Sumitomo headquarters possessed 26.5% of the company's shares, while the Sumitomo family, combined with its affiliated companies, owned 72.9% of the shares (HCLC, 1973, p. 324). Besides being a direct subsidiary of the Sumitomo zaibatsu, the company also owned shares in 47 companies as of 28 December 1946, owning more than 10% of the total number of equities in 17 companies, including 2 overseas companies (HCLC, 1973, p. 325). Negotiable securities which the HCLC inherited from the company by the end of March 1950 amounted to 33,453,000 yen, a share occupying 75.3%, of the total amount of 43,072,000 yen (HCLC, 1973, p. 325), relatively small total when compared with the other two mining corporations.

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

5. Accounting information submitted by the mining companies

Mitsui Mining

In August 1946, Mitsui Mining submitted to the HCLC a document summarizing the company's profile including information on locations, officers, shareholders and number of employees. Further documents explaining the details of work places, sales for the most recent month classified into product lines and locations, tangible assets classified into locations and long-term investments, besides the balance sheet as of 10 August 1946, were attached to the initial document (HCLC, Mitsui Mining, DNO, part 1). Under long-term investments, the details of shares and equities that the company held in affiliated firms were indicated for each company, describing the book values, paid-up amounts and the number of shares specified (HCLC, Mitsui Mining, DNO, part 1). Analysis was then conducted based on the information and the HCLC specified Mitsui Mining as a holding company to be subjected to its instruction and supervision, by which the company had to hand over the most negotiable securities to the HCLC.

In the case of a pure holding company, such as the headquarters of the four major zaibatsu groups, the principal function of the holding company was lost by the delivery of the negotiable securities possessed by the HCLC. But it was a more complicated issue for the organizations, like Mitsui Mining, having not only played the role of a holding company but also having important production sections, how their organizational structure should be rearranged, under the situation where increases in the production of important resources was called for more than ever to reconstruct the Japanese economy in the immediate postwar period. Initially it was planned to transfer the production sections to a separate company to be established under the Enterprise Reconstruction and Reorganization Law and dissolve the holding company itself. For Mitsui Mining having also been regarded as a target of the LEECEP for its large business scale, it was further thought that the production sections should possibly be split into three parts consisting of coal, metal and whetstone, with the coal section being further subdivided geographically into the Kyushu and Hokkaido areas.

In opposition to such a proposal, Mitsui Mining stressed the close connection between the coal mines located in both areas in terms of human, technical, machine and material availability relations in a document dated 30 May 1947 submitted to the HCLC (HCLC, Mitsui Mining, DNO, part 1) and brought forth the following counterargument from the viewpoint of the managerial prospect of the enterprise, with income statement information for the first half (from April to September) of 1946 classified both into product lines and locations:

> The coal mines located in the Hokkaido area are young when compared with each mine in the Kyushu area. They are shallow, having few floods and low costs, with the result that operation is easy. The coal mines in Tagawa and Yamano areas in Kyushu have already entered their twilight years and the conditions inside the pits are bad and they are difficult to operate. Therefore, it seems that managing both areas as a single unit is appropriate [to maintain the stability of the enterprise]. (HCLC, Mitsui Mining, DNO, part 1)

Furthermore, in relation to the proposed subdivision of the coal section in the Kyushu area into several parts, the company strictly opposed, arguing that:

> In Miike, the coal field has already reached a seabed level with the danger of unexpected floods, while coal fields at Tagawa and Yamano have also been deepened gradually and there is fear of gas explosion. Moreover, there is a risk of flood going up in large quantities in the area of Yamano with the end of the mining operation of adjoining coal mines. From the special conditions of such coal mines, it seems that independent operation is quite dangerous and it is thought appropriate that three mountains [in the Kyushu area] should be managed as one integrated unit...Due to the restraints imposed by the natural conditions, production costs at Tagawa and Yamano, as compared with Miike, tend to reach a remarkably high level and they are also comparatively high when compared with the national average...If Tagawa and Yamano suffering such high operating costs are separated, management will become impossible in the future (HCLC, Mitsui Mining, DNO, part 1).

In spite of the opposition, the proposal to not only split Mitsui Mining into 3 parts but also to subdivide the coal parts into 2 companies, one located in Kyushu and the other in Hokkaido, was temporarily agreed within the HCLC on 6 October 1947, the company not being in a position to oppose the plan (HCLC, Mitsui Mining, DNO, parts 1 and 2).

After the specification as an excessive concentration of economic power on 8 February 1948, Mitsui Mining was required to report their recent sales of principal products, to which the company submitted the information shown in Table 1 to the HCLC:

[insert Table 1 around here]

In addition, Mitsui Mining was required to submit the balance sheet and income statement for the first half of 1948. The details of sales itemized for principal products and fixed assets for locations were attached to the documents (HCLC, Mitsui Mining, DNO, part 2).

In aiming at the elimination of excessive concentration of economic power, the HCLC attached importance to the large scale of the company's business. Indeed, the commission judged that 'the company concerned is the first placed producer of coal, zinc and lead' and that it 'had a business scale and production capacity by which competition is restricted in the mining industry in Japan and the opportunity for other persons to independently engage in the business could be eliminated' (HCLC, 1973, p. 356). Given the market position of the company, the HCLC paid close attention to the number, scale and deposit of mines possessed as the source of production.

In contesting the HCLC's assessment, Mitsui Mining argued 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). Stressing the mutual relationship and technological exchange between the coal and metal sections by pointing out that the former was used as fuel in the refinement process of the latter, the company, again with detailed income statement information for the first half of 1948, claimed that the proposed division of both sections would not be the best policy from the viewpoint of cost efficiency (HCLC, Mitsui Mining, DNO, part 2).

With the changes in the US government's occupation policy towards Japan, Mitsui Mining in another document submitted to the HCLC argued that 'for revival and independence of the Japanese economy, raising efficiency and reducing operating costs in the mining section are pressingly needed and, from this point of view, no matter what grade of division of the company may be made, it would be contrary to the purpose' (HCLC, Mitsui Mining, DNO, part 2). The company further pointed to financial stability brought about from simultaneous operation of both sections of coal and metal; since storage was difficult for coal in the contemporary technology, the coal price tended to fluctuate in line with fluctuating market conditions, while metal was suitable for storage, with the result that income from both sections had so far produced complementarities. The company, with the information about the rate of net income that both sections had produced since 1921, claimed that it was desirable to simultaneously operate different types of mines for diffusion of risks inherent in the mining business

(HCLC, Mitsui Mining, DNO, part 2).

However, on 23 February 1949, the HCLC was still seeking not only to split off the coal and metal sections of Mitsui Mining but also subdivide the coal section into the Kyushu and Hokkaido areas, with the plan (as indicated in Table 2) for assets and income (including itemized details) to be seceded to each separate company based on the information at the end of September 1948 (HCLC, Mitsui Mining, DNO, part 2).

[insert Table 2 around here]

Opposing the HCLC's plan, Mitsui Mining pointed to the amounts of losses which the coal mine section for both areas in Kyushu and Hokkaido had suffered for the period from 11 August 1946 to 31 December 1948 with itemized details classified by locations (565 million yen (255 yen per ton) for the Kyushu area and 2,624 million yen (505 yen per ton) for the Hokkaido area) (HCLC, Mitsui Mining, DNO, part 3) and claimed that, if the separation of both fields was executed, the operation in the Hokkaido area would become difficult (HCLC, Mitsui Mining, DNO, part 3). Cost data for every product line was attached, in which total production cost was classified according to forms and even a calculation of efficiency using a standard amount of wages was incorporated in totaling labor costs. In cost accounting for lead, zinc and copper, a departmental calculation was implemented and allocation of common costs was specified. The same cost data was provided for each location (HCLC, Mitsui Mining, DNO, part 3). The case of Mitsui Mining proves that the company had already carried out minute cost accounting.

Furthermore, a future plan over five years, as indicated in Table 3, was provided, together with detailed cost information, such as estimated expenditures for restoration from desolation in wartime[9] and exploiting new pits aimed at increasing production. By so doing Mitsui Mining added that it was difficult for the Hokkaido area alone to raise the necessary funds for investment, in spite of it needing a larger amount for future development of new pits (HCLC, Mitsui Mining, DNO, part 3).

[insert Table 3 around here]

In spite of the vehement counterargument, Mitsui Mining finally could not help admitting its defeat in a document dated 9 July 1949 by stating that if it was still supposed, for a variety of reasons, that the splitting up of the company into coal and metal sections was unavoidable, it was desirable not only from an economic but also

[9] The necessity for repair of pits caused by excessive mining in wartime and a large amount of future expenditures was also indicated by Mitsubishi Mining (HCLC, Mitsubishi Mining, MSM).

from administrative point of view that the company be retained as a coal producer and a secondary company be established to succeed to the metal business (HCLC, Mitsui Mining, DNO, part 3). However, through its strict opposition, the company managed to avoid adopting the original plan to geographically subdivide the coal section (HCLC, Mitsui Mining, DNO, part 3). Based on this concession, the HCLC on 30 July 1949 formally prepared 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 invited to attend the public hearing were still opposed to the division of the company, the view of the HCLC was that '[s]ince it [the result of the hearing] was what the commission had already examined when this proposed instruction was notified and no exceptional new fact was discovered, no change in the instruction is necessary' (HCLC, Mitsui Mining, DNO, part 3).

Mitsubishi Mining

In July 1946 Mitsubishi Mining submitted to the HCLC exactly the same information as did Mitsui Mining in August 1946, i.e. the essence of the company's profile and details of sales, tangible assets and long-term investments, in addition to the balance sheet as of August 10 (HCLC, Mitsubishi Mining, MSM). The company was then successively specified as a holding company on 28 December 1946 and as one of those able to restrict competition under the regulation of the LEECEP for its large business scale and production capacity (HCLC, Mitsubishi Mining, MSM; part 2).

Mitsubishi Mining faced a proposal by the HCLC to split up the company into coal and metal sections and, against this proposal, in a document dated 9 February 1949 the company stressed that both sections needed to be simultaneously operated for reconstruction of the Japanese economy and increasing the production of important materials and, as in the case of Mitsui Mining, pointed out, as the reasons for their argument, financial stability, diffusion of risks of disaster, cost efficiency created through the mutual supply of products, joint use of facilities, technological exchanges and joint purchase of materials (HCLC, Mitsubishi Mining, part 2). To prove the complementarity of both sections, the company also submitted to the HCLC details of the financial performance of both sections since the company's formation in 1918, as indicated in Table 4 (HCLC, Mitsubishi Mining, part 2).

[insert Table 4 and Figure 1 around here]

Figure 1 also shows that the complementarity of both sections had been gradually enhanced. More importantly, the accounting information submitted by Mitsubishi Mining suggests that the company had been carrying out profit calculation for sections since some time before.

In spite of the company's efforts, however, an instruction was issued to Mitsubishi Mining on 30 July 1949, by which the company was required to establish two independent companies to succeed its coal and metal sections respectively (HCLC, Mitsubishi Mining, part 2). The public hearing for the proposal was held on 24 August 1949, but the view of the HCLC remained unchanged (HCLC, Mitsubishi Mining, part 2).

Seika Mining

Seika Mining submitted to the HCLC the same information that all of the other mining companies were required to: balance sheet information classified into coal and metal sections, details of operating sites and income statement information classified into principal product lines and business locations (HCLC, Seika Mining, DHD). After the specification under the LEECEP, Seika Mining actively engaged in making a comparison with other companies and tried to establish how its scale was small. For example, in comparison to Mitsubishi Mining, the company claimed to the HCLC that it was much smaller, having only 44.7% of Mitsubishi's total assets, 38.2% of the fixed assets and 48.5% of its gross sales (HCLC, Seika Mining, DHD).

In opposition to the HCLC aiming to split up the company into coal and metal sections, Seika Mining, as did the other mining companies examined in this study, argued that both sections had less than 20% of national production capacity and thus could not restrict competition in these markets (HCLC, Seika Mining, DHD). The company added that the soundness and financial stability of the company had been maintained by the simultaneous operation of both sections (HCLC, Seika Mining, DHD). To provide evidence, the company on 28 February 1949 submitted accounting information for both sections (further classified by locations) based on the data for the first half (from April to September) of 1948. Detailed cost accounting information for every product line was attached and the total production cost was classified according to forms. Departmental calculation was also executed for metals such as gold, copper, sulfide ore and lead.

In spite of the counterargument made by the company, the HCLC proposed an organizational rearrangement to divide the coal and metal sections. The public hearing for Seika mining was held on 20 July 1949, at which the officers of the company pointed to the fact that other companies having a larger production capacity or production records, such as Nihon Mining and Furukawa Mining,[10] had had their specification under the LEECEP cancelled. But this action was regarded by the HCLC as 'what is alike concealing unfavorable facts and unjustifiable...it does not have any basis to suggest necessity for change in the original proposal' (HCLC, Seika Mining, DHD). The final instruction was emitted on 3 August 1949, by which the company was ordered to submit to the HCLC a concrete plan to realize the instruction. Accordingly, Seika Mining forwarded a plan to establish another company to undertake its metal business, called Besshi Mining. The proposal was approved on 9 December 1949 by the HCLC.

6. Impact of the Instruction

The proposal to split off Mitsui Mining into two companies for coal and metal was finalized and the instruction was emitted on 28 August 1949, by which the company was ordered to prepare and submit to the HCLC a concrete plan to execute the instruction (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, with a forecast balance sheet for each separate company, as indicated in Table 5, at the time of the proposed separation, 1 May 1950.

[insert Table 5 around here]

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

[insert Table 6 around here]

[10] For the process of the specification and the cancelation of Nihon and Furukawa Mining and the accounting practice adopted by these companies in the process, *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.

When the forecast balance sheet of Mitsui Mining is compared with the form prescribed in the Instruction, it is recognizable that the company was clearly conscious of the form of the Instruction as a balance sheet to be created after the separation.

The same scenario can also be applied to Mitsubishi Mining. Following the HCLC's finalized instruction emitted on 28 August 1949 to split up the business into two units, the company in a document dated 24 December 1949 clarified an execution plan to form a new company to succeed the metal business, called Taiheiyo Mining. As in the case of Mitsui Mining, the document contained a forecast balance sheet listing assets and liabilities that each separate company would hold as of 31 December 1949, as indicated in Table 6 (HCLC, Mitsubishi Mining, part 2).

[insert Table 7 around here]

The exact same features as identified in the forecast balance sheet of Mitsui Mining are recognizable in the balance sheet prepared by Mitsubishi Mining (HCLC, Mitsubishi Mining, BOIE; BS; HCLC, DCDNS 2, Mitsubishi Mining). Again, these were not identified in the balance sheet the company had so far drawn up and submitted to the HCLC or a general meeting of shareholders. Being commonly recognizable meant that the features were not peculiar to a specific company but formed on a prescribed indication common to both companies. This offers an extent of evidence to infer the impact of the Instruction upon the accounting practice adopted by the mining enterprises. Finally, the proposal submitted by Mitsubishi Mining was approved on 31 January 1950 at the HCLC and, as planned, Taiheiyo Mining was established on 1 April 1950.

7. Discussion and Conclusion

Utilizing the official documents of the HCLC and analyzing the accounting practice adopted for the dissolution of zaibatsu companies, this study aimed to clarify that (1) the conventional accounting practice of zaibatsu companies was adequate to enable the implementation of their own dissolution and that (2) the accounting practice adopted for the zaibatsu dissolution provided a foundation for the development of the postwar accounting system through the realization of the provisions in the Instruction.

It was the general assessment by early research that the quality of financial statements submitted by zaibatsu organizations was coarse, whereas more recent research on their accounting practice, as represented by Suzuki (2007a, p. 283), indicates that the alleged deficiency 'does not necessarily mean…that original Japanese accounting was wrong or deficient in its own domestic environment and context'. The examination conducted in this study supports the latter's view.

Three mining companies examined in this study were able to provide all the information required by the HCLC satisfactorily. With the information submitted, and additionally conducting its original investigation, the HCLC was able to draw up its own plan to split up the companies. The dissatisfaction toward the applicable companies, based on the alleged poor quality, or the complete lack, of information, was unrecognizable within the HCLC, though a criticism was made to some data that Seika Mining submitted because of the company's bias for its own interest in providing production statistics (rather than financial data).

Rather than the alleged coarse quality, the mining companies examined in this study, in order to prevent their division, emphasized the complementarity in the income structure of coal and metal sections and autonomously submitted the sectionalized information with detailed cost calculations. The supply of this type of information was not limited to the immediate postwar period but went back even to the time of the establishment of these companies. This evidence suggests that these mining companies practiced sectional profit calculation from an early stage uniquely. Sectional and locational calculations were also applied to assets and liabilities belonging to each section and, even after the division of companies' organizations was indeed finalized by the HCLC, this contributed to the creation of a forecast balance sheet listing assets and liabilities for each successor company.

Moreover, the examination of this study suggests that forms prescribed in the Instruction were utilized in preparing the forecast balance sheets. Specifically (1) introduction of new-style presentation such as current/fixed classification and current-first order and (2) extended use of accounting accruals as represented by deferred charges and income were important features in the forecast balance sheets that were not identified in those having been created by these companies. The financial basis of each company after division was formed on the basis of these forecast balance sheets and the above-mentioned features were also naturally taken over to the financial statements of each company. These were all carried out before their final release from the specification as a holding company and an excessive concentration of economic power, i.e., before they were subjected to the new corporate accounting system as represented by the issue of the Business Accounting Principles in July 1949 by the Investigation Committee for Measures of the Corporate Accounting System. In this sense, as Kubota (2002, pp. 41-42) suggests, the Instruction contributed to providing a foundation for the postwar development of the corporate accounting system.

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Table 1. Sales and cost of sales in 1946 and 1947 of Mitsui Mining

Products	Sales in 1946 (yen)	Cost of Sales in 1946 (yen)
Coal	1,170,267,969.68 (79.0%)	1,680,103,915.00 (82.8%)
Lead	17,551,737.80 (1.1%)	22,581,463.74 (1.1%)
Zinc	52,174,194.72 (3.5%)	66,923,543.71 (3.3%)
Total	1,478,715,733.80 (100.0%)	2,029,322,586.33 (100.0%)
Products	Sales in 1947 (yen)	Cost of Sales in 1947 (yen)
Coal	4,498,418,539.87 (76.5%)	6,428,709,057.16 (82.7%)
Lead	27,367,136.21 (2.0%)	91,924,065.84 (1.2%)
Zinc	255,768,591.45 (4.3%)	302,752,222.05 (3.9%)
Total	5,884,129,566.51 (100.0%)	7,776,662,994.71 (100.0%)

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

Table 2. 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 3. Future investment plan for the Kyushu and Hokkaido area of Mitsui Mining 1949-1953

	1949 (yen)	1950 (yen)	1951 (yen)	1952	1953
Kyushu	2,366 million (625 per ton)	1,720 million (418 per ton)	853 million (201 per ton)	917 million (202 per ton)	1,110 million (235 per ton)
Hokkaido	2,803 million (1,337 per ton)	2,594 million (1,118 per ton)	2,922 million (1,117 per ton)	1,983 million (676 per ton)	1,198 million (355 per ton)
Total	5,169 million (879 per ton)	4,314 million (669 per ton)	3,775 million (550 per ton)	2,900 million (388 per ton)	2,308 million (285 per ton)

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

Table 4. 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

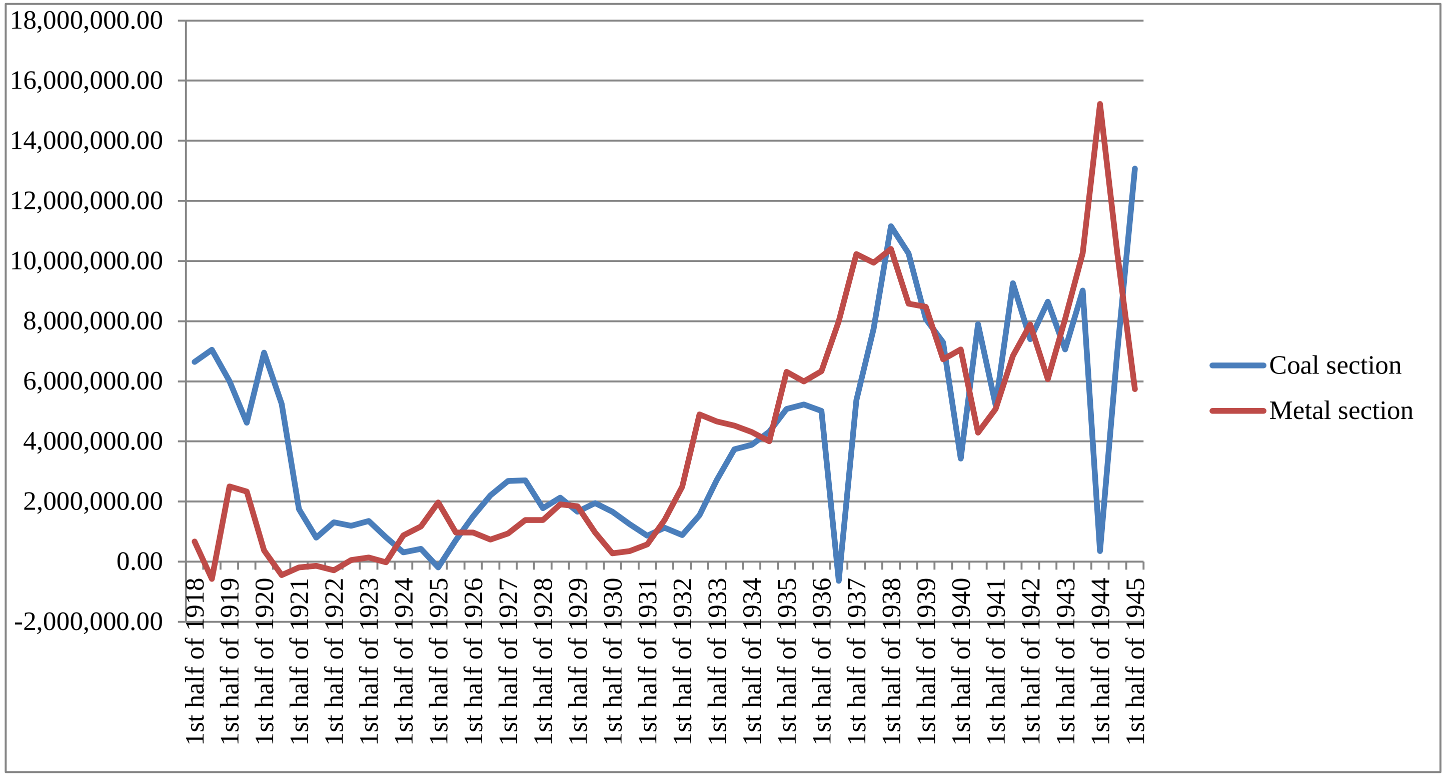

Table 5. Forecast balance sheet at the time of the proposed separation, 1 May 1950, of Mitsui and Kamioka Mining

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	465,135,000
	total	5,281,961,657	1,337,697,283	deferred income		26,341	
investments		618,727,071	159,869	provisions		135,019,340	156,544,132
fixed assets	property, plant and equipment	5,812,236,876	163,800,011	other liabilities		126,042,245	141,665,703
	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.

Table 6. Form of the balance sheet prescribed in the Instruction

Assets			Liabilities and equity capital		
I. Domestic current assets	1. cash in hand and free deposits		VIII. Domestic current liabilities	1. short term debts	
	…			2. bank overdraft	
	4. note receivables			3. notes payable	
	5. account receivables				a. debts on bill
	6. short term loans to officers and employees				b. trade purpose
	7. short term loans and advances to suppliers and affiliated companies				c. other purposes
	…			4. accounts payable	
	12. production inventories			…	
		a. finished goods		8. advances received	
		b. semi-finished goods		9. employee deposits	
		c. materials and work in progress		10. dividends payable	
		d. by-products and wastes		11. arrears to officers and employees	
	13. commercial inventories			…	
		a. goods in hand		13. other taxes payable	
		b. goods in transit		14. wages and salaries payable	
		c. consignments		15. rent payable	
	14. total inventories			16. interests payable	
	15. other current assets			17. other expenses payable	
	16. total of current assets			…	
II. Domestic investments	1. government bonds			21 total of domestic current liabilities	
	2. local government bonds		IX. Domestic long term liabilities	1. long term debts to banks	
	3. shares			2. long term debts to suppliers	
				3. long term debts to affiliated companies	
		a. more than 10% of total equities issued		4. bonds and debentures issued	
		b. less than 10% of total equities issued		5. long term debts to officers and employees	
	…	c. total shares		6. other lon term debts	
	7. bonds and debentures			7. total of domestic long term debts	
	8. long term loans		X. Deferred income	1. deferred rental income	
				2. deferred interests received	
		a. customers		3. deferred service charges	
	9. other domestic investments	b. affiliated companies		4. other deferred income	
	10. total of domestic investments			5. total of deferred income	
III. Domestic fixed assets	1. land (original costs)		XI. Provisions	1. provisions for taxes	

	2. less provisions for depreciation		2. provisions for retirement benefits for employees
	3. land (net book values)		3. provisions for retirement benefits for officers
	4. buildings (original costs)		4. other provisions
	5. other structures (original costs)		5. total of provisions
	6. machinery, tools, appliances and fixtures (original costs)	XII. Other domestic liabilities	1. guarantee deposits
	7. office appliances and fixtures (original costs)		…
	8. vehicles (original costs)		4. total of other domestic liabilities
	…	XIII. Overseas liabilities	1. bonds and debentures issue to overseas holders
	11. total depreciable assets (original costs)		2. debts to overseas creditors
	12. less provisions for depreciation		3. total of overseas liabilities
	13. depreciable assets (net book value)	Total liabilities	
	14. construction in progress	XIV. Equity capital	1. paid in capital
	15. total of domestic fixed assets		a. authorized capital
IV. Deferred charges and prepaid expenses	1. bond discount		b. capital unpaid
	2. interests for construction		c. paid in capital
	3. organizational costs		2. reserves
	4. research and experimental costs		a. reserves for expansion
	5. development costs		b. reserves for dividend payment
	6. prepaid rent		c. legal reserves
	7. prepaid premium		d. other reserves
	8. prepaid interests		e. total reserves
	…		3. current retained earnings
	11. total of deferred charges and prepaid expenses	Total equity capital	
V. Intangibles	1. patent and trademark	Total liabilities and equity capital	
	2. superficies		
	3. lease		
	4. goodwill		
	…		
	7. total of intangibles		
VI. Other domestic assets	1. long term loans to officers and employees		

	2. claims on war compensation				
	…				
	6. total of other assets				
VII. Overseas assets	1. foreign government bonds				
	2. shares and bonds issued by foreign companies				
	3. fixed assets (less depreciation)				
	4. cash and deposits				
	5. inventories				
	6. receivables and loans				
	7. other working assets				
	8. other overseas assets				
	9. total of overseas assets				
Total assets					

Source: Editorial Department of Sangyo Keiri (Industrial Accounting), 1949.

Table 7. Forecast balance sheet as of 31 December 1949 of Mitsubishi and Taiheiyo Mining

Assets		Mitsubishi Mining	Taiheiyo Mining	Liabilities and Equity capital		Mitsubishi Mining	Taiheiyo 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.