investigating in other places at the same time. They were further told that in May of 1947 a CID team from Kyoto had investigated in Fukui and had reported no violations there. Consequently the special efforts of the Tokyo Procurators in Fukui were considered embarrassing. Colonel Highland continued that he had been informed by the Governor & the Procurator of Fukui-ken that Kato was the only person who could revive the rayon industry in Fukui and that without him that industry could not be rebuilt. (Subsequently Mr. Aoki denied to Mr. Osabe that he had ever made such a statement to Colonel Highland. The Governor of Fukui denied to the Tokyo Procurators that he had ever made such a statement to Colonel Highland.) Colonel Highland concluded that he did not want the investigation called off but that since both the Governor and the Procurator of Fukui had attested to Mr. Kato's value, it was his desire that they should show no prejudice against Kato in the course of their investigation, and, in any event, he wanted Kato to stay on the job in Fukui.

5. Colonel Highland further told the Fukui Chief Procurator that if Kato were to be arrested and prosecuted, he would prosecute the Procurator in Military Court even if the Japanese prosecution were ordered by the Procurator-General in Tokyo.

6. In view of the foregoing Mr. Aoki, the Chief Procurator in Fukui, now does not dare to proceed any further against Kato or against any other of the suspects in the Fukui hoarded goods case although the Procurator's Office has a number of leads which it feels should be followed up and explored if the case is to be broken.

7. At this point Mr. Osabe was asked what it would take to get Kato back to the jurisdiction of the Tokyo Court and he said that if the Court cancelled his bail (which is of indefinite duration) it would then become the duty of the police to arrest him and bring him back to Tokyo. He was then asked whether he could vouch for the accuracy of all the statements he had made and said that before he did that he would like to make a personal trip to Fukui and investigate the situation. He expected that while there he would be summoned by Colonel Highland and he would like to say to Colonel Highland that the Procurator-General's Office was interested in getting to the bottom of hoarded goods cases wherever the trail should lead them; that the Fukui Case was particularly important because so much important evidence was already in hand on that case and he would like to be permitted to continue investigating this case in and around Fukui where most of the records and a number of the important persons involved were available. He would also like to be able to say to Colonel Highland that this project of the Japanese Government had the support of GHQ, SCAP and to show him the statement made by Colonel Kades at the procurator's conference on 24 October 1947 in which the Fukui Case was cited as an important case in the entire hoarded goods scandal which the Procurator-General was trying to correct.

8. Mr. Osabe was told that since he felt it necessary to check personally the conditions reported to him by the Fukui Procurator and the two Tokyo Procurators, it would be well for him to make this check and the Government Section would await the result of his investigation. He was told further that there was no objection to his saying to Colonel Highland (in the event he was summoned by the latter) that the Japanese Government considered the thorough investigation of the hoarded goods cases one of its most important current cases and that in this effort it had the full approval and support of GHQ, SCAP, and that there was no objection to his showing the statement made by Colonel Kades at the conference of procurators. In addition if he considered that the immediate return of Mr. Kato to the jurisdiction of the Tokyo Court and the Tokyo Procurators would be beneficial in the prosecution of the case, he could request cancellation of Kato's bail and order his arrest and return to Tokyo by the police, but if he felt that it would serve the purpose better to leave him in Fukui until he had a chance personally to assess the situation on the spot, that would be satisfactory too.

9. Mr. Osabe thought that it would be better to leave Kato until he had completed his investigation and promised to inform this Section of the result as soon as he gets back which will be about two weeks hence.

10. In the course of the conference Mr. Osabe stated that there is now evidence that Kato is involved in additional fraud involving about 1,500,000 yen value of rayon.

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FRANK RIZZO
Special Advisor

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

30 October 1947

MEMORANDUM

SUBJECT: Seko Affair - Calico Case.

1. The Calico Case involves the following people:

a. SEKO, Koichi - Ex-Vice Minister of Home Affairs, Vice Chairman of Hoarded Goods Committee, and a member of the House of Representatives (Liberal Party).
b. Liberal Party.
c. HARA, Susumu - Member of the House of Representatives, Liberal Party.
d. HOSHIJIMA, Jiro - Ex-Minister of State; Ex-Commerce and Industry Minister, and a member of House of Representatives (Liberal Party).
e. OGAWA, Hiranosuke - President of Kokusai Sangyo Keizai (reported subsidiary of the Yasuda Bank).

2. a. SEKO, Koichi - Reported to have issued three orders granting the holders of hoarded calico material to release the calico to parties involved in this case. This case clarifies the fact that the Seko orders were not intended to expose hoarded goods and put them in the regular channels of distribution, but were issued to parties related. Seko issued these with the full knowledge that the calico would not be sold through regular government channels.

b. Liberal Party - Reported to have received a donation of 1,000,000 yen from HARA. On 29 October, the Liberal Party Executive Board conferred on the probable expulsion of HARA from the party concerning his actions in contributing extorted money to the party chest. Secretary General ONO, Bamboku is stated to favor voluntary withdrawal by HARA rather than expulsion.

c. HARA, Susumu reported to have arranged all negotiations between OGAWA and HOSHIJIMA, Ex-Minister of Commerce and Industry and SEKO, Ex-Vice Minister of Home Affairs, Vice Chairman of the Economic Steel Board Hoarded Goods Committee, and a present member of the House of Representatives (Liberal Party) for the sale of hoarded calico material to the all Japanese Repatriots Association through OGAWA.

d. HOSHIJIMA is reported to have been in accordance with Seko in issuing the permits for the resale of exposed calico material. On three occasions, he met with SEKO, HARA, and OGAWA in his office and tea houses, and discussed this matter. When the SEKO affair was brought to the public eye in April, HARA visited the home of OGAWA and asked if the 2,240,000 yen

Colonel Kades

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he had received in connection with the calico material could not be considered a debt in order to safeguard the possibility of HOSHIJIMA, then Commerce and Industries Minister from being involved in this scandal.

e. OGAWA, President of Kokusai Sangyo Keizai had for a long period of time been somewhat of an advisor to the all Japanese Rep[illegible]ots Association and had ambitions of becoming the Financial Power for the Liberal Party.

3. The above facts were submitted unofficially to Government Section from a member of the Metropolitan Police Board who conducted the investigation. This investigation has just been turned over to the Tokyo District Procurator's Office.

4. In a telephone conversation with TOKUCHI of the Supreme Procurator's Office, it was agreed to have this case considered as one of the major cases for the new Investigation Committee for Hoarded Goods under the Procurator General.

5. At present, a check is being made to determine whether the Liberal Party reported the donation of 1,000,000 yen for election funds in the report submitted to Government Section as necessitated the House of Representative's Election Law.

M. MATSUKATA
National Government Division.

CONFIDENTIAL

Oyabun

Conference in Government Section on 30 October 1947.

Present: Colonel Kades
Mr. Aka (Interpreting for Judge Saito)
representing GS

Judge Saito, Supreme Court
Mr. Higuchi, Liaison Section, Supreme Court
Mr. Kishi, Chief of Criminal Affairs Section, Supreme Court
Mr. Wakao, Court Secretary to Liaison Section, Supreme Court

Col. Kades

Mr. Aka: They have just completed the investigation on the Ozu Case and therefore he drew up a conclusion in the case and he brought that document here this afternoon.

Col. Kades: Thank you very much for coming. May I see your conclusion? Well, I will have to study this. It's a rather lengthy document. Did you merely want to present this to me or did you want to discuss it with me?

Mr. Aka: He wants you to study this document and if you need any explanation, he wants to give you an explanation.

Col. Kades: Is this Moriya the person who was formerly the head of the Prison Bureau of the Ministry of Justice?

Mr. Aka: Yes.

Col. Kades: And Nozaki formerly then had been under his jurisdiction -- the doctor?

Mr. Aka: He believes that Nozaki was not directly under him. Mr. Moriyama is the head of the Prison Administration Bureau whereas Mr. Nozaki was the doctor in the prison.

Col. Kades: Yes, but he was under Mr. Moriya.

Mr. Aka: Yes, the doctor was under the jurisdiction of Mr. Moriyama.

Col. Kades: I don't see that referred to here.

Mr. Aka: Yes, he said they can't give you exactly whether Mr. Nozaki was under the jurisdiction of Mr. Moriyama or not unless they find out whether he was the Prison Doctor when Mr. Moriyama was the Chief of the Prison Administration Bureau.

Col. Kades: Moriya -- I think.

Mr. Aka: Moriyama.

Col. Kades: Well, that isn't necessary, only if it occurred to me as I was reading this I wondered why it wouldn't have occurred to the three judges. I have been informed by foreign correspondents who were present at the trial

Col. Kades

that the judges rendered great deference to Mr. Ozu at all times during the trial. I mention that because I was just reading here about the threat of Ozu against one of the witnesses which caused the presiding judge to "warn" Ozu, and I understand that that warning was very lightly delivered. In a statement which doesn't seem to be referred to here, the doctor in charge of the ward where Ozu was committed in the hospital said that he repeatedly called the attention of Judge Matsumoto to the fact that Ozu was not so sick and that he was leaving the ward and Judge Matsumoto said he would take full responsibility. It is not clear to me how that is overlooked in this statement. So far as I have gone it seems to be omitted. I have a statement -- which I read to the justices of the Supreme Court who came here -- from the doctors at the hospital ward who said that they repeatedly told the judges that Ozu was not so sick and that he was leaving the hospital to go to the Ministry of Communications, and Judge Matsumoto said, "I will take full authority for that." As far as I have read that doesn't seem to be even considered here.

Mr. Aka: They said that when they asked the Imperial University Hospital to take in Ozu, the authority there was reluctant in receiving him because they are afraid that he might go out, but the Judge Matsumoto said, "We will take necessary measures in case he should leave the hospital," and that is what he thinks was referred to when you made that statement.

Col. Kades: He came to the hospital without any police or any guard from the court. Is that customary in Japan?

Mr. Aka: Yes, that is the custom.

Col. Kades: For a dangerous criminal?

Mr. Aka: Yes, he said if they consider the person dangerous then he said they would not release him.

Col. Kades: Do you think that Ozu is properly considered not to be dangerous?

Mr. Aka: Yes, he said that since the defendant said that he would take the full responsibility, the Court gave the responsibility to the defendant.

Col. Kades: How can the court abdicate its responsibility for letting a man loose who has publicly boasted that he has killed eighty men?

Mr. Aka: Mr. Ozu publicly made the statement that he had killed eighty men, is that it?

Col. Kades: He made the statement to American correspondents that have been printed in American newspapers that he thinks he killed eighty -- a few more, a few less. But that is well known in Japan, that he is one of the worst gangsters and that he has killed many men.

Mr. Aka: According to the investigation of this case they couldn't find any facts that he killed eighty persons.

Col. Kades: He wasn't accused of that.

Mr. Aka: And he might have made that statement boastfully but he doesn't know whether he killed that many people.

Col. Kades: I don't either, but three judges abdicated their responsibility to the public by freeing a man who was a known gangster. Whether he killed one man or whether he killed ten men or whether he killed eighty men isn't important. He is a notorious gangster and three judges let him walk out of the court house and go to a hospital without any guard and they assumed the full responsibility for that action.

Mr. Aka: He said that according to the Japanese custom the court can suspend the sentence, but with regard to matters to escorting the prisoner, that is a problem of the procurators office and not of the court.

Col. Kades: The court knew he was not under guard because the court was notified by the doctors at the hospital that he was not under guard, and the court said, "That is all right, we'll take responsibility." Now, the court is attempting to pass the responsibility to the procurators and the procurators to the doctors and the doctors to pass it to the court and so on in a circle.

Mr. Aka: He said he is not trying to give you an excuse for this case but he just mentioned the fact that it has been the custom in Japan not to escort prisoners.

Col. Kades: Well, Judge Saito may not be trying to give me an excuse in this case personally, but when the Supreme Court says "We can not find any fact to the effect that the judges made improper examinations, political oppression or other unlawful profit.." the Supreme Court completely evades the real issue. The real issue is whether these three judges are fit to sit on the bench, in view not of corruption but of a complete lack of judicial discretion.

Mr. Aka: He says this is all a difference of opinion.

Col. Kades: Well, since the Supreme Court simply looks at this from the standpoint of whether or not there was bribery of the judges and not from the standpoint of whether they served the public interest, we will consider the case in GHQ.

Mr. Aka: They gave you the frank report on the investigation they conducted within the power given to them, and however they have no objection for GHQ in handling this case.

Col. Kades: Let me say this. The Supreme Court had all the power conferred upon it by the Constitution to make an example of judges who show favoritism to a hardened desperate criminal. Instead of that it has written an apology for the action which has dragged the judiciary of Japan into disrepute. When do these judges come up for reappointment -- Matsumoto, Hitotsumatsu and Ito.

Mr. Aka: Under the new system they haven't been appointed yet, he says.

Col. Kades: They have not been appointed yet?

Mr. Aka: Not under the new system. According to the 130th Article of the Constitution they will hold the position until judges are officially appointed.

Col. Kades: Judge Saito, I am sure that you and your colleagues have acted in good faith in drafting this report. About that I have no question whatever. But, here was a case of a well-known, notorious gorotsuki, powerful enough to have buildings erected on land that does not belong to him which he still has possession of, which the court has still not thrown him off. He is charged with a serious crime and then is permitted to be released on what is certainly not a serious illness in view of the fact that he is now not in the hospital. He is released by three judges on their responsibility, and the three judges who permit him to walk out of the court room unguarded and practically a free man are excused by the Supreme Court, in the face of those facts, on the theory that the judges were not bribed. Yet it was not GHQ but the press and the people of Japan who were shocked to read in the papers that Ozu had been freed. Now, if that doesn't constitute abuse of judicial discretion and show the incompetence of those judges to sit on the bench -- what does? They treated Ozu the same way as they might have treated a petty thief. I have never said that they were corrupt or that they were influenced by purely political considerations, but I do say that they demonstrated clearly their incompetence.

This puts us in a very difficult position because we have been trying, as you know, to build up the judiciary of Japan, to put it in a position of prestige where it is respected by the people as an independent institution and not as some group of men who are servile to and under the thumb of the Ministry of Justice. If we take action against these three judges directly -- if we, for example, were to remove them from the bench -- as we did a judge of the Kyoto District Court about a year and a half ago -- it would very much appear as though judges even under the new Constitution were not independent in the exercise of their conscience.

On the other hand, if we don't take action in this case, Judge Saito, it looks to the people of Japan as though judges can be completely irresponsible in the exercise of their discretion in release of gangsters, and that such a condition can be allowed to continue while the responsibility for the exercise of sovereignty in Japan still rested with SCAP. Now, I fully realize the difficult situation in which the Supreme Court is placed because it takes pride in the judiciary and in its new position under the Constitution. I fully understand the reluctance of the Supreme Court to place blame for any irresponsibility upon any particular group of judges.

In other words, we are torn between two objectives -- on the one hand we want to support and strengthen and improve in every way the position, in the minds of the people, of the Supreme Court and the lower courts of Japan. On the other hand, we also want to make it clear as crystal to the people of Japan that all men are equal before the law, and that no one, whether he is a Ozu or a Sekine or any other notorious criminal however powerful he may be, can get any better treatment than the most common, ordinary petty criminal in Japan. It is a fact of history that no important person has ever gone to jail in Japan for a long period of time, except when he was thinking thoughts or making speeches contrary to the policies of the government. There is one rule for the poor and the weak and those without political

friends, and there is another rule for the rich and the strong and powerful in Japan. That is the problem. How can we have democracy in Japan when such a situation is allowed to exist.

I have just casually glanced through this document and I have given you my off-hand reaction to it. I will take it and I will study it. I will refer it to the Courts and Law Division under Judge Oppler to study and then we will come to some determination as to what should be done or what should not be done.

Mr. Aka: When they drafted this report they had no intention of defending the three judges but after a detailed study and investigation the result is this report and according to the charge made against Ozu, he doesn't think it was a very serious crime.

Col. Kades: Well, Judge Saito, I'll bet that if you had been sitting on that court you wouldn't have let Ozu walk out of the court to the hospital.

Mr. Aka: He says, "My attitude toward Mr. Ozu might have been different." However he believes that the three judges were not influenced by any other factors.

Col. Kades: I have said that -- that so far as your report concludes that there is no evidence of corruption on the part of the judges, it is substantiated as far as I could tell by glancing through it by the evidence but more is involved than corruption. It is a question of the application of the law equally to all people. Now, I don't think that if anyone else than Ozu had insomnia and a nervous stomach that the could would have been so willing to have let him out of the jail. That is my only point.

Mr. Aka: His idea on this is just the opposite, if it were the ordinary people he would have been released more readily than Mr. Ozu. Just the opposite view.

Col. Kades: How many people get examinations repeatedly because the counsel for the defense asks for them. I think he had six different medical examinations. And if what you say is the fact why is he in jail now.

Mr. Aka: Since Ozu is considered to be a dangerous person, therefore, he believes that the law was more strictly applied to him.

Col. Kades: Wasn't he considered to be a dangerous person at the time of these events.

Mr. Aka: Yes, he believes he was.

Col. Kades: Then why was he released?

Mr. Aka: He says they have detailed information as to why he was released on that report, so therefore, he wishes that you would read that carefully.

Col. Kades: I will read it carefully but I want to clear up what I think is a misunderstanding perhaps as a result of interpretation in two different languages.

I agree with you that Ozu was treated just like an ordinary criminal would have been treated, but he wasn't treated like dangerous criminals are treated.

Mr. Aka: Yes, he sees. Mr. Ozu was not sued for something very dangerous and the nature of this case is slightly different, he thinks.

Col. Kades: I think the charge should have been a more serious charge then was involved in this case. On that point I also agree with you, but certainly the judges could take judicial notice of the fact that whatever he might have been charged with, he was a dangerous man, and once they had him in a cage where a man of his type belongs, they should have been very reluctant to have released him in the free and easy manner in which they did.

I'm not so smart and if I can guess that the counsel for the defendant, Ozu, was formerly the head of the prison administration bureau -- if I can guess that as a result of that he would have influence over the prison doctor, then this court which is much more aware of those relationships than I am, could have made the same guess. The fact of the matter is that the common, ordinary people in the city of Tokyo were shocked and surprised when they saw that Ozu was allowed to go to the hospital. They knew who he was and yet the judges treated him just as though he had been arrested for pickpocketing. I think by that act they dragged the reputation of the judges in Japan for fairness and equity into disrepute. Now, in doing that they may have been honest, Judge Saito, but whether a fool is honest or dishonest is immaterial. He still shouldn't be a judge.

Mr. Aka: He said you have to consider the case that he was charged for and also the person accused. In this case, the case that he was accused for was not very serious.

Col. Kades: I don't know whether in Japan they ever had horse-blinders, but in the United States when automobiles first came into fashion, the horses used to wear blinders so that they couldn't see to the right and they couldn't see to the left. All they could see was in front of them, so they couldn't see the automobiles which might frighten them. The three judges put on blinders too. They looked only at the case. They didn't look to the left or right. If they had looked to the right they would have seen a notorious gangster and oyabun, and if they had looked to the left they would have seen a very dangerous criminal that all the people wanted put in jail, but they looked neither way and saw only the case. Now, what I hoped was that the Supreme Court would take off those blinders.

Mr. Aka: He says in Japanese judicial custom the judges are not supposed to look into the matter that is not charged for.

Col. Kades: But in judicial custom isn't it possible for judges to take judicial notice of notorious facts?

Mr. Aka: They are not permitted to have this judicial notice of facts,

except those involved in the case.

Col. Kades: But Ozu was in the case. If I'm a defendant before the court and I don't have my legs, does it have to be proved to the court that I don't have my legs. Can't the court take judicial notice of the fact that I don't have two legs.

Mr. Aka: Yes, he says, the fact that you don't have the legs proves that you don't have them.

Col. Kades: That is right. Well, the fact that this was Ozu who was the defendant before the court certainly is noticeto the court that he is the Shinjuku boss.

Mr. Aka: He said they don't know whether he was a criminal or not but the fact that he was Shinjuku boss was known.

Col. Kades: Well, Judge Saito, you know who Ozu is?

Mr. Aka: He doesn't know who Ozu is.

Col. Kades: Before this case you never heard of Ozu?

Mr. Aka: No, he didn't since he was in Kansei Area, he wouldn't know.

Col. Kades: But a Tokyo judge would know who he was. These three judges are not from Kansei.

Mr. Aka: He says probably so.

Col. Kades: You know who Ho is?

Mr. Aka: No, he doesn't.

Col. Kades: You don't know your own Oyabuns in Kansei?

Mr. Aka: He says, "Probably I have blinders."

Col. Kades: Now, I know why you're a Supreme Court Judge. Thank you very much and we will examine these papers and let you know our decision.

Government Section

27 October 1947

MEMORANDUM FOR THE RECORD:

SUBJECT: Oyabun-Kobun System; Hoarded Goods Investigation;
A. Bill for Partial Amendment of the Diet Law. - Art. 106
B. Bill for Partial Amendment of the Local Autonomy Law, Art. 100.

The attached drafts of amendments to the Diet Law and Local Autonomy Law were drafted by the undersigned in order to provide adequate powers of investigation in the Diet and in local assemblies, with respect to matters of legislation or of questions within the scope of legislative bodies. The undersigned submitted background material and other reference data to the Diet in order to stimulate the Diet's revision of these laws, but the drafts received from the Diet were inadequate.

A. Bill for Partial Amendment of the Diet Law - Art. 106.

1. The proposed amendments provide for the following:

a. Any person may be summoned as a witness by the Diet or any sub-committee thereof, to give testimony or to produce papers on any matter under inquiry. Wilful failure to appear, or to produce the required papers, or to answer questions after having appeared, if these questions are pertinent to the question under inquiry, are punishable by imprisonment for not less than one month or more than one year, or by find not more than ten thousand yen, or both.

b. Witnesses are privileged to refuse to testify in the following cases:

(1) If the witness is the spouse, a blood relation within the fourth degree, or a relation by affinity within the third degree of relationship of a person who is being investigated. The same applies if the witness has been in any of such relationships to the person being investigated.

(2) If the person being investigated is the guardian, supervisor of guardianship or curator of the witness; or if the witness stands in these relationships to the person being investigated.

(3) If the witness is, or was, a doctor, dentist, pharmacist, druggist, mid-wife, advocate, counsel, patent agent, notary public or functionary of religion or worship, then the witness may refuse evidence in respect to facts of which he has obtained knowledge in the course of his professional duties--unless his client waives this privilege.

(4) If a witness believes he will incriminate himself or a person to whom he stands in the relationships enumerated in (1) above, then he may refuse to testify.

Note: In the cases of items (1) through (4) above, the witness who refuses to give testimony must give prima facie evidence of the reason why he refused to do so; but in the case of item (4) above, a declaration or oath to the effect that the possibility of self incrimination really exists may be substituted for such prima facie evidence. Should the witness refuse to or be unable to furnish prima facie evidence or omit to give an oath instead, he must furnish the evidence demanded.

(5) If the witness is or was a public functionary (other than a member of the Diet who is not a Cabinet Minister) and either the witness or the public office to which he belongs or belonged declares that the information requested relates to official secrets, he may be examined only upon consent of the head of the Ministry or Agency of the Government of which he is or was an employee. Refusal of consent by the head of the Ministry or Agency of the Government must be accompanied by explanation of the reasons for such refusal. If these reasons are unacceptable, the Diet or the Committee of the Diet which has summoned the witness may request a Cabinet statement that such testimony would adversely affect vital national interests. Unless this statement is issued by the Cabinet within ten days after the request, the witness must testify. The purpose of this provision is to provide a strong compulsion to testify, since the government official called as witness will refuse to testify only if the matter has been decided upon the highest level and the Cabinet is willing to risk a vote of non-confidence with possible overthrow of the Cabinet. Thus, only on matters of crucial political import will testimony be refused, if at all.

2. In order to insure truthful testimony, once the witness appears and answers questions, it has been provided that the Head of the respective House, the Chairman of the particular Committee which calls a witness, or any member of the Legislature or of a Committee of the Legislature may administer oaths to witnesses in any matter under examination. If a witness, after the oath has been administered, has given false testimony he will be punished with penal servitude for not less than three months or more than ten years. Punishment may be mitigated or remitted for this offense if the

witness made a statement confessing his false testimony prior to the conclusion of the trial or investigation and prior to the discovery of the commission of this crime.

3. All cases save one of violations of these provisions must be referred to the Public Procurators Office for indictment, and trial must take place in the District Court of the area in which the offense is committed. The one exception is the case of confession of false testimony made by a witness before conclusion of the deliberation or investigation of the House of Committee before which he was called, and before discovery of the fact that the testimony was false. In this case, a majority vote of the House or Houses, before whom or before whose Committees the testimony was taken, may decide not to refer such matter to the Public Procurators for prosecution.

With this one exception, it was believed advisable by the undersigned to have the cases of crime of this type tried before a court, rather than by the Legislature, as in the United States, on the basis of the probability of a more objective trial.

4. The undersigned has discussed this matter with Mr. Kades, Dr. Oppler, Dr. Williams, Mr. Marcum and Mr. Blakemore of this Section and the attached draft represents the concensus of these individuals. The draft will be presented to the Diet.

2. <u>Bill for Partial Amendment of the Local Autonomy Law - Art. 100.</u>

1. The proposed amendments give the assemblies of ordinary local public bodies the same powers as described for the Diet in part "A" of this Memorandum,with the following exceptions:

a. False testimony is punishable by penal servitude for not less than three months nor more than five years. Wilful failure of a witness to appear or produce papers required, or to answer pertinent questions is punishable by imprisonment for not less than one month nor more than six months, or fine not more than five thousand yen, or both. Thus these penalties are one-half as severe as those provided for commission of such crimes before the Diet. The reason for this is the far greater necessity for insuring prompt and truthful testimony before the Diet, which is concerned with questions of much greater importance for the welfare of the Japanese people.

b. With respect to privilege of a witness to refuse to testify or produce papers, if any person is in possession of information or documents as a result of a joint undertaking of a department or agency of any ordinary local public body and a Ministry or Agency of the National Government, or as a result of any undertakingof any Ministry or agency of the National Government, the assembly of the local public body must request in writing the consent of the Head of the National Government Ministry or agency to disclosure of the facts. If a statement in writing that disclosure of such facts will be contrary to the public interest is not forthcoming in twenty-one days from the date of request, then

testimony must be given or papers produced regarding such facts.

The reason for this special privilege against testifying is the need to protect operations of the National Government carried on with or without the aid of local agencies. For instance, on investigation of local conditions may be made, premature disclosal of which would seriously prejudice attainment of the objectives sought. In this case, the Head of the National Government Ministry or Agency concerned has the right to refuse disclosure of the facts. If the matter is regarded seriously by the local assembly, it can be brought up in the Diet, where the provisions discussed in Part A, Paragraph 1, b (5) of this Memorandum will make it easier for the legislature to obtain the information on a national level.

2. The undersigned has discussed this matter with Mr. Tilton, Mr. Porter and Dr. Oppler, and the attached draft represents their ideas as well as the undersigned's. The draft will be presented to the Diet as part of the other amendments to this law.

HOWARD MEYERS
Courts & Law Division

Bill For Partial Amendment of the Diet Law (Draft)

Article 106-2. The President of the House of Councillors, the Speaker of the House of Representatives, a chairman of any joint committee established by a joint or concurrent resolution of both Houses, a chairman of any committee of either or both Houses of the Diet may administer oaths to witnesses in any case or matter under their examination.

Any member of either House may administer oaths to witnesses in any matter pending in either House, of which he is a member, or pending in any committee of which he is a member.

Article 106-3. When a witness sworn in compliance with the provisions of Article 106-2 has given false testimony, he shall be punished with penal servitude for not less than three months nor more than ten years.

When the person who has committed the crime provided for in the preceding paragraph makes a confession prior to the conclusion of the deliberation or investigation of the House or committee before which he has appeared, and prior to discovery of the commission of the crime, his punishment can either be mitigated or remitted.

Article 106-4. Every person who has been summoned as a witness by the authority of either House to give testimony or to produce papers upon any matter under inquiry before either House, or any joint committee established by a joint or concurrent resolution of both Houses, or any committee of either House, and who wilfully fails to appear, or to produce the required papers, or who having appeared refuses to answer any question pertinent to the question under inquiry, shall be punished by

imprisonment for not less than one month nor more than one year, or fine not more than ten thousand yen, or both.

Article 106-5. The provisions of the following articles of the Code of Criminal Procedure shall apply regarding privilege of witnesses to refuse to testify to any fact, or produce any paper as required under the provisions of Articles 106-3 and 106-4 of this Law; Articles 186, 187, 188, 189. Provided further that if, in respect to facts of which a person who is, or was, a public functionary (other than a member of the Diet who is not a Cabinet Minister) has obtained knowledge, either such person himself, or the public office to which he belongs or belonged, declares that they relate to official secrets, he may be examined only upon the consent of the Head of the Ministry or Agency of the Government of which he is or was an employee. A refusal of such consent by the Head of Ministry or Agency must be accompanied by an explanation of the reasons therefore. If these reasons are acceptable to the Diet or Committee thereof, the witness need not testify. In event these reasons are unacceptable, the Diet, or committee thereof which has summoned the witness, may further request a Cabinet statement to the effect that such testimony or production of such papers would adversely affect vital national interests. Unless such a statement is issued within ten days of the request, the witness must testify as previously required.

The provisions of this Article shall apply notwithstanding the provisions of any other Article of this law.

Article 106-6. The House or committee thereof which has required testimony must refer for prosecution all cases of violations of the

provisions of Articles 106-3 and 106-4 of this law to the Chief Procurator of the District Public Procurator's Office of the area in which such violations occur, Provided, however, that in the case of a confession of false testimony made prior to conclusion of the deliberation or investigation of the House or committee thereof before which the witness appeared and prior to discovery of the Commission of the crime, the House before whom such testimony was taken, or the House of the Committee before whom such testimony was taken, or both Houses of the Diet in the case of testimony taken before a joint committee of both Houses, upon a majority vote in open session may decide not to refer such case to the District public Procurators Office for prosecution.

Article 106-7. Resolutions of either or both Houses providing for inquiries and investigations shall contain a limit of cost of such inquiries and investigations, which limit shall not be exceeded except by vote of the House which authorized the original amount.

Partial Amendment of the Local Autonomy Law. (Draft)

Article 100, paragraph 2 shall be deleted.

After Article 100, paragraph 1, the following shall be added;

Article 100-2. The Presiding Officer of the assembly of an ordinary local public body, or chairman of any committee established by a resolution of such assembly may administer oaths to witnesses in any case or matter under the examination of, concerning the affairs of, within the scope of powers of, and within the area of jurisdiction of such ordinary local public body.

Any member of the assembly of an ordinary local public body may administer oaths to witnesses in any matter pending in the assembly of such local public body of which he is a member, or pending in any committee of such assembly of which he is a member, if the matter is one concerning which the presiding officer of the assembly of such ordinary local public body may administer oaths.

Article 100-3. When a witness sworn in compliance with the provisions of Article 100-2 has given false testimony, he shall be punished with penal servitude for not less than three months nor more than five years.

When the person who has committed the crime provided for in the preceding paragraph makes a confession prior to the conclusion of the deliberation of the assembly of the ordinary local public body or committee of such assembly before which he has appeared, and prior to discovery of the commission of the crime, his punishment can either be mitigated or remitted.

Article 100-4. Every person who has been summoned as a witness by the authority of the assembly of an ordinary local public body

to give testimony or to produce papers upon any matter under inquiry before such assembly or any committee thereof, and who wilfully fails to appear, or to produce the required papers, or who having appeared refused to answer any question pertinent to the question under inquiry, shall be punished by imprisonment, for not less than one month nor more than six months, or fine not more than five thousand yen, or both.

Article 100-5. The provisions of the following articles of the Code of Criminal Procedure shall apply regarding privilege of witnesses to refuse to testify to any fact or produce any paper, as required under the provisions of Articles 100-3 and 100-4 of this law; Articles 186, 187, 188, 189. Provided further that if any person has obtained knowledge or is in possession of any papers as a result of a joint undertaking of a department or agency of any ordinary local public body and a Ministry or Agency of the National Government, or as a result of any undertaking of any Ministry or Agency of the National Government, the assembly of the ordinary local public body must request in writing the consent of the Head of such National Government Ministry or Agency to disclosure of such facts. If the Head of such Ministry or Agency of the National Government does not declare in writing within twenty-one days from the date this request was made that disclosure of such facts will be contrary to the public interest, then testimony must be given or papers produced regarding such facts.

The provisions of this Article shall apply notwithstanding the provisions of other articles of this law or other laws.

Article 100-6. The Assembly of the ordinary local public body, or committee thereof which has required testimony, must refer for pro-

secution all cases of violation of the provisions of Articles 100-3 and 100-4 of this law to the Chief Procurator of the District Procurator's Office of the area in which such violations occur. Provided, however, that in the case of a confession of false testimony made prior to conclusion of the deliberation or investigation of the Assembly of the ordinary local public body or committee of such assembly before which the witness appeared and prior to discovery of the commission of the crime, the assembly of the ordinary local public body, upon a majority vote in open session, may decide not to refer such case to the District Procurator's Office for prosecution.

Article 100-7. Resolutions of an assembly of an ordinary local public body providing for inquiries and investigations shall contain a limit of cost of such inquiries and investigations, which limit shall not be exceeded except by vote of the assembly which authorized the original amount.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

24 October 1947

MEMORANDUM ON THE FUKUI SILK CASE

Through the Shirokiya Department Store and Hokuso Company incidents, an investigation was started by the Tokyo Procurators Office. Upon investigation, it was determined that the silk originated in Fukui, and, with close coordination with the Fukui District Procurator's Office, it became apparent that this matter was of concern to the Procurator's Office in that district too.

By July there had already been a misplacement of 27,000 tan of silk. Further, it became apparent that 400,000 tan of silk had been lost. As there is a silk world which consists of 949 silk companies, there was a question as to whether this incident should be fully investigated. The District Procurator brought this to the Supreme Procurator's Office for consultation, and on 13 September 1947 it was decided in Tokyo to conduct a thorough investigation.

The procurators assigned to this case were as follows: two from Tokyo, two from Fukui and one from Toyama. Approximately 22 police officials were also assigned to the case. They ordered a complete investigation of all warehouses and books by the end of September. They simultaneously checked the books of the Japan Silk Products Stock Company and other related companies and also their branch companies in Fukui. The following facts were disclosed:

1. The silk industry is centered in 26 prefectures.

2. 5,184,108 tan of silk thread was supposedly allotted in 1946 alone to the weavers, but since the termination of the war to the date of the investigation a total of only 1,084,386 tan had been placed in regular channels.

3. It was further determined that of the approximate 4,000,000 tan of silk missing, 2,135,327 tan valued at 220,000,000 yen (ceiling price) had definitely been put on the black market.

4. In the areas of Tochigi, Yamanashi, Shizuoka, Kyoto and Okayama, 100,000 tan of silk valued at 80,000,000 yen was diverted to the black market; in Fukushima, Chichibu, Tokyo, Niigata, Oichi and Osaka, 40,000 tan valued at 30,000,000 yen went to the black market.

Because of the evidence available as shown above, the procurators, in their meeting of 23 October, decided to carry out this investigation to the fullest extent in compliance with the plan approved by Government Section.

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The procurators point out that of all government controlled industries it should be especially noted that the silk industry has thrown upwards of 80 per cent of its products to the black market. The silk thread has all been sold at ceiling price. The actual ceiling price of silk yard goods is from 14 to 15 yen per yard, the black market price ranging around 100 yen per yard for finished yardage.

The basic responsibility should rest with the head of the Silk Department in the Ministry of Commerce and Industry, who certainly had knowledge of these facts. Further, there is ample evidence that the people responsible for the distribution of silk material in the districts have issued permits with full knowledge of the above situation and the procurators are planning full prosecution of all government officials concerned.

Captain , in charge of Public Safety, Military Government Headquarters in Fukui, has apparently obstructed this investigation.

One of the incidents in Fukui involved a Mr. KATOSHO. This incident was concerned with 526,000 tan of silk. The procurators had him under arrest in Tokyo but released him on bail. According to the law, he is not allowed to leave the Tokyo area but at the present time he is in Fukui on the order of Captain , who vouches for his character and claims that he is not involved in this incident. It has become imperative that the procurators re-arrest him and bring him to Tokyo, but find it difficult to do so at this time.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

28 October 1947

INTERIM REPORT

SUBJECT: Seko Affair. Re: HATOYAMA, Ichiro, Ex-Minister of Education and Ex-President of the Liberal Party.

REPORTED BY: Chief Procurator of the Tokyo District Office.

1. HATOYAMA was summoned by the procurator's office to determine whether he had knowledge of the 300,000 yen supposedly donated by SHIOTSUKE and FUJIKAWA. According to the confession made by SHIOTSUKE and FUJIKAWA, they had given this money to HATOYAMA's contractor NAITO, Michinosuke. NAITO stated that HATOYAMA had no knowledge of this money as SHIOTSUKI and FUJIKAWA had asked him to build the house for HATOYAMA without the consent of HATOYAMA. HATOYAMA stated that in his meeting with TSUJI, Karoku, TSUJI had asked him if he would not like a house in Tokyo since it was very inconvenient for him not to be able to live in Tokyo. HATOYAMA, thinking that this money for the house was to come out of TSUJI's own finances replied positively.

2. HATOYAMA further stated that in May 1947, he was present at a ceremony for his house (a Japanese custom to hold a ceremony as soon as the framework of the house is constructed). At this time HATOYAMA still believed that TSUJI was financing the house. HATOYAMA was summoned to the procurator's office on Saturday, 25 October. HATOYAMA states that on Friday, NAITO, his contractor, had visited him and told him for the first time who had donated the money for his house, and that SUZUKI, Senpachi, a member of the House of Representatives had handled all the administrative details necessary to construct this house.*

*NOTE: The undersigned questioned the procurator as to the strange circumstances under which the contractor visited HATOYAMA the day before he was summoned to the procurator's office. It seems that the contractor went to HATOYAMA's house in order to negotiate for the further financing of the house. At the outset, the friends of HATOYAMA were going to contribute glass, clay, and all the necessary accessories for the house. It was under this agreement that the contract had undertaken the job at finishing the house for 300,000 yen. When the construction started, these donations never materialized, and to date, the contractor himself is in debt to the bank 150,000 yen. The contractor asked HATOYAMA for 800,000 yen in order to finish his house. At the time, he was told that TSUJI had promised him this house and he full expected TSUJI to carry out his promise and therefore he would talk the situation over with TSUJI.

3. The Chief Procurator further summoned the following people:

a. ISHIBASHI, Tanzan - Former Finance Minister and Chairman of the Hoarded Goods Committee in the Economic Stabilization Board.

b. ISHII, Mitsujiro - Former Minister of Commerce and Industry.

c. UEHARA, Etsujiro - Ex-Home Minister.

d. KIMURA, Kozoemon - Ex-Agricultural Minister and present Home Minister.

4. The reason for summoning these people was to determine and verify the contents of the so called Seko Order No. 1. This order was addressed to YAMATATA Agricultural Association for the release of 500,000 ex-army uniforms and 30,000 blankets if they produced 100% of their rice quota. In this order, it states that Seko was issuing this order on concurrence with the above mentioned four individuals. It was necessary for the procurator's office to determine whether Seko had issued this order on his own or whether there had been actual concurrence regarding this subject.

a. ISHII stated that he recalls such a conversation with Seko.

b. KIMURA stated that he has no knowledge of such a concurrence with Seko.

c. UEHARA stated that he had no knowledge of such a meeting taking place, but that as ISHII had full responsibility for such matters, it was officially approved by him.

d. ISHIBASHI stated that he has no knowledge of such concurrence.

5. The procurator noted here that all four of the above mentioned people do not state definitely that they do or do not have knowledge of this incidence and will not make a definite statement regarding this matter, and so it is necessary to summon Seko himself once more to the procurator's office. It so happens that at this time, Seko is supposedly traveling down South and is sick. ISHIBASHI confirms the fact that Seko is sick. It should be noted that the Agricultural Association never received the uniforms or the blankets, as the supposedly available uniforms and blankets were never found.

M. MATSUKATA
National Government Section

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STATEMENT

Conference of Japanese Economic
Procurators, Office of the
Procurator General, Tokyo.
24 October 1947, 1400 hours.

When the Procurator General first invited me to address this conference I hesitated to accept for two reasons.

My first reason was that I did not want you to feel that this conference had been called at the suggestion of SCAP and thus emphasize that crushing the kuromaku forces was considered an occupation objective but not also a crucial domestic problem. Mr. Fukui, however, assured me that there was no reason for any anxiety on my part on this score because no group among the population of Japan saw more clearly or desired more deeply to clean up the kuromaku than the procurators.

My second reason was that I did not want to take any step or do anything which would in any way directly or indirectly detract from the leadership which Mr. Fukui has demonstrated in this war against the underworld. His courage, his tenacity of purpose, and his sterling honesty have won for him the respect, the admiration and the affection of the people of Japan whom he is determined to liberate from the chains of political gangsterism, and also the hope of SCAP officials that important results will be achieved.

You are engaged in a struggle to establish the supremacy of the law over clannish and clandestine combinations. This morning I was informed of the excellent results which had been achieved by the procurators in the investigation of the illegal disposal of hoarded silk from Fukui Prefecture. By dint of intensive effort, working nights as well as days, five procurators have, I understand, broken a case of paramount importance.

It is safe to predict, however, that you will succeed in this campaign against corruption provided that the able Procurator General has your complete and loyal cooperation and that you pursue with undimished vigor and determination the contemplated investigations and resulting prosecutions.

No gossip, no rumors, no loose talk of a possible dissolution of the Diet or a new general election can be permitted to divert you from destroying the corrupting influences of those enemies of the democratic movement in Japan who use respectable and sanctimonious political, financial and diplomatic fronts to mask kuromaku maneuvers.

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These public enemies have continued to hoard illegally possessed goods. They have thereby not only deprived the masses of the people of the use of those sorely-needed goods; in addition they have used the proceeds from the illicit sale of blackmarket assets to corrupt political parties, to bribe public officials and to demoralize legitimate channels of trade.

Your task is not easy. You are faced with entrenched political and economic power making its last stand against the sovereignty of the people guaranteed by the new Constitution.

You are faced with substantially the same class of oyabun and kobun who, with at least the tacit acquiescence of the police bureaucracy, organized and operated the so-called secret and patriotic societies — which were neither secret nor patriotic — the terroristic activities of which led Japan successively through government by intimidation and by assassinatio into totalitarianism and finally into a war which brought her to her present unhappy condition.

Already a subtle whispering campaign has been begun in an insidious attempt to delay or discredit your drive against the holders of hoarded goods who are the masters of corruption in Japan.

One whisper is that Cabinet officials are involved and that, if vigorously prosecuted, your investigations will cause the Cabinet to fall. Although it is earnestly hoped that no member of the Cabinet is involved in the hoarded goods cases, if it should develop that any member of the Cabinet is, this fact should not deter you in the slightest from bringing that minister or any other public official involved before the bar of justice.

All people in Japan must stand equal under the law if democracy is to flourish and the people are to have faith in their elected representatives.

Apart from the circumstances of these particular cases, it is manifest that if any government officials become accessories to violations of the law their resignations are in order, in addition to punishment commensurate with the crime. However, the doctrine of collective responsibility does not mean that the Cabinet as a whole stands responsible for the crime of any individual member. This is especially true when the crime was committed even before the individual was a state minister or when the crime has no relationship to official business, such as, for example, receiving a carload of contraband commodities.

As the Constitution itself provides, the Cabinet is collectively responsible to the Diet only "in the exercise of executive power." In no sense is the Cabinet responsible for the personal misdeeds of individual members. Consequently there is not a scintilla of truth in the whisper that the procurators may bring about the downfall of the Cabinet or precipitate a general election if they investigate and prosecute high-ranking officials.

Another canard being whispered among the people is that the revelation of corruption in high places such as the Diet would jeopardize Japan's position at the peace table. Nothing could be further from the truth.

On the contrary, the people of the rest of the world have taken note of the names of Ozu and Sekine and Yamaoke and Tsuji this year, just as they noted the names of Yamagata and Hara and Toyama and Lotsa'hura Shuzui in previous years.

The United Nations are watching to see whether only the words of Japanese society have changed but the melody remains the same. The world is watching to see whether it is true under the new Constitution, as it also was under the Meiji Constitution and as it was actually enforced by the Tokugawa shoguns, that "courtesy should not be extended to the 'commoner' and punishment should not be administered to the 'gentleman'."

For democratic peoples know that true freedom does not exist unless a government rules by law and is itself ruled by law. They know that it is impossible for democracy to exist when laws are not enforced against those who hold political office or exercise political influence or have social position due solely to family connections.

The procurators of Japan now have a golden opportunity to prove that under the new Constitution, in practice as well as in theory, there are no "commoners" and there are no "gentlemen," but that there are only citizens of Japan and that courtesy and punishment are administered to all alike, without fear and without favor, even to those who have hitherto been considered to be beyond the reach of the law.

Japan stands at the crossroads of its destiny. Whether that destiny is to be representative democracy with its way of life — individual dignity, personal liberty and the supremacy of the law — or whether that destiny is again to be feudal oligarchy with its way of life — prodatory privilege, class oppression, and the corruption of the kuromaku — rests with the people. The procurators, as the protectors of the people, will in the final analysis determine which path Japan will choose.

On Direction of the Fukui Military Government

regarding Prohibition of Suspects' Meeting

The Fukui Military Government has concerned itself in a violation of the Price Control Act connected with rayon goods that was committed by the Fukui Textile goods Distribution Co. Ltd. and that is under investigation of the Fukui District Public Prosecution.

1. The said Public Prosectuion arrested some leading suspects upon warrant issued by a competent judge in accordance with the Code of Criminal Procedure.

Toward August 12 when prohibiting the suspects from meeting others by management of a judge, the Public Prosecution was examining them, the Fukui Military Government suddenly directed that as prohibition of suspects' meeting be against the Constitution the Fukui District Public Prosecution should repeal such a step immediately.

Accordingly after consultation with the Court, the said Prosecution was compelled to do so.

2. At the prison to which the suspects are committed a prisoner meets others in the presence of a jailer and he enters its details in a book in accordance with the Prison Law and with the Regulation relative to the Application of the Prison Law.

The Fukui Military Government directed to give up taking such a step as mentioned above and officers of the prison obeyed the direction.

As things go it is difficult for the Public Prosecution to investigate the case and for the officers of the prison to protect prisoners. And so the Nagoya Higher Public Prosecution was deeply concerned at the state of things and instructed the Fukui District Public Prosectuion to ask of the Fukui M.G. to repeal above direction.

As Ishiro Sakai, one of suspects, is on intimate terms with the Fukui M.G., this area, they think, has become unsuitable for making a investigation of the case. Consequently the Tokyo District Public Prosecution was forced to receive and examine him. After that Sakai was accused at the Tokyo District Court and he is left free.

PUBLIC PROCURATOR'GENERAL'S OFFICE

From: FUKUI Seita, Public Procurator General.

date: 20 Oct 47
Daily Order No. 530
(Secret)

To: Superintending Public Procurators & Chief Public Procurators.

The following points pertaining to the disposition of hoarded goods are drawing deep domestic and foreign interest:

1. Existence and exposure of hoarded goods.
2. Justness of distribution.
3. Disposition of goods by the authorities.
4. Disposition of crimes by the public procurators' office relating to hoarded goods.

I believe that the only mean to clear away public suspicion on this question of hoarded goods is to conduct systematic and thorough investigations on similar cases. This is truly the important duty which the public procurators' office is charged with at present. Therefore, by following the outline prescribed in the appendix, the activities of the public procurators' office is to be strongly pushed by means of special organizations and by adopting drastic methods as provided in accordance with the said outline. It is my earnest desire that you will pay special heed in supervising and encouraging your subordinates so that no errors will be committed in the administration of the said outline and also in bringing about a successful fruition of the same.

1. The new organizations and administration mentioned above does not mean that the present machinery of the public procurators' office will be revised, but it is a mean whereby this machinery will be utilized to the utmost and whereby its function to quickly and forcefully mobilize

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and concentrate police power to cope with the disposition of similar cases will be realized.

2. In order to realize the absolute enforcement of this outline, not only will it be necessary to increase the number of public procurators and secretaries in the public procurators' office, to expand and construct facilities, and to increase the budget, but some legislative measures will also be required. The details of these legislations and the particulars which lead to the formulation of this outline shall be explained in the forthcoming conference of chief public procurators (kenjicho) and superintending public procurators (kenjisei).

3. Follow the procedure mentioned below for the time being and submit reports containing names, and in cases of persons holding position concurrently, submit their job descriptions.

A. In reference to question concerning the appointments of committee members of the local public procurators' committee and the employees of the committee's office, the competent chief public procurator shall:

(1) Appoint all the committee members of the local public procurators committee.

(2) Appoint not less than one procurator from the higher procurators office and not less than three secretaries from the same office as employees of the committee's office.

B. In reference to the question concerning the appointments of members of the investigation unit, the superintending public procurators (kenjisei) shall:

(1) Appoint and organize not less than ten public procurators and thirty secretaries of the public procurators' office for the public procurators' office in the Tokyo and Osaka areas.

(2) Appoint and organize not less than two public procurators and ten secretaries of the public procurators' office for public procurators' offices in Nagoya, Hiroshima, Fukuoka, Sendai, and Takamatsu areas.

(3) Appoint and organize not less than one public procurator (shall be able to hold another position concurrently) and not less than two secretaries of the public procurators' office for local public procurators' office other than those mentioned above.

C. The appointee shall be selected from among public procurators who are recognized as being competent to administer this outline without questions as to their present positions.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

17 October 1947

MEMORANDUM

SUBJECT: Hoarded Goods Committee (First Meeting)

Members of the Hoarded Goods Committee held a conference in the Government Section at 1400 on 17 October 1947, attended by the following:

Lt. Col. H. W. Ebel, G-4
I. C. Hill, ESS/PC&R
Wm. E. Bradford, ESS/FT
Celin Kaber, ESS/FT
Wm. G. Fritz, PSC/CIS
A. P. Gerardi, 8th Army Procurement Div.
E. G. Leigh, CPC/CIPI
J. T. Stapleton, CPC/FP
John M. Capron, ESS/CCC
Capt. Nash, ESS/Ind.
Makoto Matsukata, Govt. Sec.

In the absence of Mr. Swope, the meeting was presided over by Mr. Matsukata. The meeting opened with the presentation by each member present of his story on hoarded goods in relation to his particular office.

Mr. Gerardi of 8th Army Procurement stated that one of the basic faulty practices was that in many instances the Ordinance did not include items they considered critical--for example, cork and paper. Another observation was that after they had located hoarded goods necessary for construction, oftentimes they would be placed on Procurement Demand but by the time the Procurement Demand came through the regular channels, the supplied would disappear. His office has a very direct and important interest in hoarded goods but until they had a representative at meetings of the Hoarded Goods Committee, they did not know that the issuance of SCAP directives.

Mr. Fritz, PSC/CIS, said his office hadn't had any investigation on hoarded goods. This wasan entirely new subject.

Col. Ebel, G-4, informed the Committee that G-4 was interested primarily in hoarded goods which were formerly property of the Japanese Army and Navy. Mr. Matsukata recounted the making of a Cabinet decision on 14 August 1945, before the Occupation, which advised the Army and Navy to dispose of everything but arms and ordered the selling of all Army and Navy materials or materials owned by control associations. Col. Ebel expressed the opinion that the Home Ministry were really sincere in trying to straighten things out but that the prefectural officials were the offenders.

Mr. Hill, ESS/PC&R, quoted figures indicating that there was a sharp decrease in the yen value of hoarded goods recovered the first eight months of this year and the first eight months of last year, which might be accounted for by exhaustion of commodities rather than a letdown of effort. He concurred with Col. Ebel in his condemnation of the prefectural authorities who would issue back-dated orders to a holder authorizing the possession of certain goods.

Mr. Bradford, ESS/FT, stated that the interest of Foreign Trade Division is to minimize imports and maximuze exports and they were interested in hoarded goods--principally textiles--from the point of view of available materials for export or of materials for domestic use.

Mr. Leigh, CPC/GIPI, advised that the most important type of hoarded goods under their observation was precious metals and stones. He is convinced many precious metals and stones are not reported and commented on the non-compliance of the Japanese government with the regulations. He stated there were no grounds for expecting much cooperation in asking the Japanese to take materials out of their economy and giving it to the Occupation. He did not think there was a chance of establishing more stringent controls now because at this late stage of the Occupation it is desired to shift emphasis to rehabilitation economy.

Mr. Stapleton, CPC/FP, declared that their definite interest is looted property. They have no figures as to how much there is, but are interested in investigations concerning it.

Mr. Capron, ESS/CCC, had no special interest but was seeking information about the methods used.

Capt. Nash, ESS/Ind, reported that his Division was parallel to Foreign Trade and they would like to find out if they were able to get the materials and when they could get them.

A general discussion then ensured on the hoarded goods problem. There is a distinction between hoarded goods which formerly belonged to the Army and Navy which were considered to have been surrendered to SCAP for distribution to the eleven nations. Former Army and Navy material is not available for export. Clothing, for instance, would go right back to the Japanese. Plain material might be required by Occupation Forces. In answer to Mr. Matsukata's question as to why everything couldn't be sent through one channel, Col. Ebel asserted that Eighth Army is the one channel. Eighth Army is the agency which picks them up and allots them. There was related the case at Nagano where silk and ivory was held for a year for disposition orders. Eventually, the Occupation authorities got the materials, and CPC got the ivory as looted property. Mr. Stapleton informed the Committee that CPC was turning back to SCAP all this ivory which is to be converted into carvings by the Japanese and sold for money. The money will then be put back into the vaults in place of the ivory and the dollar value would be kept intact.

Mr. Capron briefly described the activities of ESB, the basic Ordinance and the policy law under which they have operated for the last year. Stock piles in excess of a certain defined amount is required to be sold to any person holding an allocation certificate. There are eight regions. The field inspectors have no direct powers but have coordinating powers with local officials. Laws issued according to policy instruction are put into effect.

Mr. Bradford brought up the fact that there was no way of checking material accumulated by manufacturers because of inaccurate bills of material made out in the allocation period. Hoarded goods were acquired in excess of requirements allocations and even a 10% overage, for instance, would eventually mean a large accumulation of material. Mr. Capron stated that there is a hole in the regulation as it now stands. It was decided that Mr. Capron and Mr. Matsukata would get together and make a study of the channels which exist today.

Col. Ebel outlined the operations of Eighth Army. They find a warehouse on their own, the people report the goods, Eighth Army gets representatives of the Home Ministry to sign receipts and use warehouse inventories, and they then distribute it just like any other stock or sell it through regular channels. In the case of silk, they have run into much confusion and conflict between instructions from the Silk Section of ESS and the Textile Bureau of the Home Ministry. SCAPIN 53 issued December 5, 1946, sets forth what the Japanese will do with stuff returned to them.

The dissolution of the Army Disposal Committee was next considered. There seems to be a general area of confusion because it might be harmful if they were allowed to dissolve too quickly. The Research Bureau had reported to Col. Ebel that the Committee had handled the job and were rid of about everything now except ferrous scrap which at the present time hardly pays for itself. It was brought out that the five companies represented on the Committee are also the largest purchasers so they can afford to conduct it on a non-profit basis. This fact is highly subject to attack. Mr. Capron stated we would like to have inventories and that it would probably take about three months for a dissolution of the Committee.

With respect to the Materials Utilization Committee, Mr. Matsukata put the Government Section on record as recommending that the Ordinance establishing the Committee be withdrawn. Mr. Capron stated that the established of the Committee had been approved under some pressure and because of the fact that the powers were to be investigatory only. The administrative functions it hopes to take over in spite of the Ordinance would make it a dangerous organization.

The Diet Committee on Hoarded Goods was then discussed. The Diet Committee on Hoarded Goods have held up to date about twenty-six sessions and have found nothing. They claim the Ministry of Justice, the Home Ministry, and the Ministry of Commerce and Industry are not cooperative. Mr. Hill and Mr. Stapleton both expressed great faith in the Home Ministry. One of the difficulties in the Diet investigation in Japan is that a man cannot be forced to take an oath in the Diet. The whole hoarded goods picture is so involved in politics that it is impossible for the Diet Committee to get anywhere. Mr. Matsukata stated that the Government Section felt the Procurators offices should be the proper authorities to handle the matter as it has now been made a criminal offense to hoard goods.

The clarification of the duties of the Economic Inspectors was the last item on the agenda. According to the opinion of Courts and Law Division of the Government Section, the Economic Inspectors, having no definite position under existing laws, would properly come under the police system at the present time.

Mr. Hill of ESS/PC&R stated that the study of Economic Inspectors was to be discussed at a meeting on Monday, October 20, in conjunction with the Police Reorganization Program.

The meeting adjourned.

M. MATSUKATA
National Government Division

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

16 October, 1947

MEMORANDUM TO: National Government Division
Courts and Law Division
Special Projects Division
Public Service Qualifications Division
Local Government Division
Political Parties Division

SUBJECT: Operation Upstairs.

1. The following assignments to divisions are made:

(a) National Government Division--Approval of transfers of Japanese Government Section Chiefs and higher, review of Military Government team reports and liaison with other staff sections including chairmanship of the GHQ Hoarded Goods Committee.

(b) Courts and Law Division--Handling all legislation required for rounding of the operation.

(c) Special Projects Division--Deglorifying the system.

(d) Public Service Qualifications Division--Dissolution of ultranationalist societies and purging invisible leadership.

(e) Local Government Division--Prohibition against local public entities delegating to private organizations power to assess, levy or collect taxes, issue licenses, or perform other governmental functions.

(f) Political Parties Division--Survey of political parties' contributions and enforcement of CHAPTER 5A6 relating to reports; development of a tie-in file on political party members showing previous affiliations, present associations, and connections with cyclone; effective sanctions against receipt from illegal sources by political parties of campaign funds; list of members of Imperium.

2. Wherever possible written interdivisional memoranda will be dispensed with and coordination will be effected informally and expeditiously.

3. In addition to his other duties, Major Pinto will be in charge of the operations.

Chas L. Kades
Deputy Chief

Chas. Kades' file

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

16 October 1947

Col Kades

MEMORANDUM:

SUBJECT : Elimination of Feudal Politics.

1. Seko Case:

Chief Procurator Manichi Tanaka, of the Tokyo-to District Procurator's Office, has caused the arrest of four leading politicians, all unsuccessful Liberal candidates of the party at the last Diet election, (Bunroku Fujikawa, Manabu Shiotsuki, Ikutaro Nakasone, and S. Hazama) who have been charged with fraud amounting to 4,150,000 yen extorted from 345 agricultural and mining associations throughout Japan. This case is the so-called Seko Affair which involves so-called brokers throughout Japan and the collection by "brokers" of advance payment for Japanese Army uniforms which were not produced. At the time of the fraud Kochi Seko, presently a Liberal Party member of the Diet, was Vice Chairman of the Hoarded Goods Disposal Committee in the Economic Stabilization Board (the Chairman being Tanzan Ishibashi) and concurrently Vice Minister of Home Affairs. In this capacity he was alleged to have issued authority for the release of the uniforms.

The procurators have determined, however, that the document used in this case was a forgery of many similar certificates issued by Seko in the so-called uncovering of hoarded goods. At the present time the procurators have taken to the Supreme Court the question of whether Seko was within his limits of jurisdiction in issuing such certificates. Further investigation by the procurators has revealed the granting of 2,500,000 yen to Karoku Tsuji, one of the most influential friends of the Black Dragon leader, Toyama. Tsuji is well known as a great political power in Japan. Moreover, the procurators have determined that Hatoyama's contractor, Saito, received about 600,000 yen from two of the four arrested persons to build a house for Hatoyama who for many years has been a close associate of the sinister Tsuji.

The so-called Dark Curtain is composed of the secret, ultra-nationalistic core of the leading political party previous to the war (Seiyukai). International Military Tribunal files show the attendance of Prince Higashi-kuni at a Black Dragon Society meeting in the 1920's. It is not only coincidental that Hatoyama's sister is the wife of Keisaburo Suzuki, President of the ultra-nationalistic society, Kokuhonsha, and for many years leader of the Seiyukai.

Kokuhonsha was established in 1934 as an auxiliary society to the Black Dragon Society and the Dark Ocean Society. Further, Manosuke Yamaoka, a purgee who is known to have succeeded Keisaburo Suzuki, is another important

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member of the Hatoyama-Tsuji group. Hatoyama's influence is carried to all three major parties in Japan. Further, Ichiro Kono, a strong underling of Hatoyama, and a purged Diet member, is known to tie the connections between the Dark Curtain and the underworld, namely, the controlled street stall vendors (Tekiya), gamblers (Bakuto), and gangsters (Gurentai). These groups have managed to control black market on a very large scale.

2. <u>The Hoarded Goods Problem</u>:

The hoarded goods problem originated with the Cabinet decision made on 18 August 1945 at which Prime Minister Higashi-kuni presided. It was on this Cabinet decision that plans were laid to dispose by burial and similar clandestine hiding of all goods in possession of the Army, Navy and other governmental and control agencies. Although this decision was repealed on 28 August 1945, in actuality the plan had been carried out successfully before the Supreme Commander landed at Atsugi.

Since the surrender, there have been only three sources of substantial income readily available: (1) hoarded goods; (2) contracting; and (3) black-market disposal of goods derived from various sources. The hoarded goods and the contracting have been so closely related that it is safe to consider them as one problem. With the beginning of the Occupation it became impossible for secret, ultra-nationalistic groups to finance their activities without these hoarded goods because their previous source of revenue (Cabinet funds) was no longer available to them. Consequently, these groups planned and have since been attempting to effect the disposal of these hoarded goods in the black market. Funds derived from these sources have been used to finance corrupt elements in the newly organized political parties and societies.

3. <u>Conclusions</u>:

The hoarded goods cases are revealing the great political power exercised even today in Japan by a fairly small group of behind-the-scenes political manipulators, who in the past were ring-leaders in sabotaging the nascent parliamentarian democracy in Japan and turning the country over to the ultra-nationalists and militarists.

The current rebirth of democratic tendencies in Japan can and will be sabotaged by this same group and their numerous allies and servants if this political power is not taken from them once and for all, and thereby they can make a mockery of the Occupation and its democratic reforms within a short while after the Peace Treaty.

Since, in the exercise of this power the sinews of war of these hitherto invisible governors consist of a large cache of capital in the form of hoarded goods and a huge income derived from large black market activities, and the various forms of tribute exacted from Japanese businessmen, any effort to eliminate from Japanese political and economic life this truly evil influence must have as its first point of attack the immobilization

and removal of these economic sources of power. Therefore, the current attack on this group by the Procurator General's vigorous investigation and prosecution of hoarded goods cases and all persons, however powerful, involved in them, is clearly entitled to the full support of the Supreme Commander as a campaign which will not only rid Japanese political life of the influence of corrupt bossism but also encourage the emergence and the growth of a democratic movement really representative of the people.

In this way, and this way only, can the blueprint of democracy be transformed into a structure of representative government. The enforcement of the laws of the land against this predatory and privileged clique of entrenched political power is the third step indispensable to the elimination of feudal politics. The first two steps, (a) the purge, and (b) the making of local executives (in office since before the Occupation) ineligible to succeed themselves, have made it possible to mount this mopping up operation through the regularly constituted Japanese authorities.

4. Progress to Date:

a. Finance Minister Kurusu has been instructed to prepare for submission to the Diet an amendment to the Finance Laws which will repeal the provision under which private agencies such as commercial associations are authorized to collect taxes on behalf of the national government.

b. There is under preparation an amendment to the Local Autonomy Law which will prevent prefectural and local governments from delegating tax collection functions to private associations within their areas of jurisdiction.

c. The Procurator General, having been informed of the serious concern with which GHQ views the present situation, has presented a comprehensive acceptable plan for the complete investigation and vigorous prosecution of hoarded goods cases in the quickest possible time.

d. To facilitate investigations and to enable the prosecution of perjury in connection with official investigations, legislation is being prepared for introduction in the Diet which will make it a crime to falsify documents or statements submitted to governmental agencies in the course of official investigations.

16 October 1947

MEMORANDUM:

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The hoarded goods cases are revealing the great political power exercised even today in Japan by a fairly small group of behind-the-scenes political manipulators, who in the past were ring-leaders in sabotaging the nascent parliamentarian democracy in Japan and turning the country over to the ultra-nationalists and militarists.

The current rebirth of democratic tendencies in Japan can and will be sabotaged by this same group and their numerous allies and servants if this political power is not taken from them once and for all, and thereby they can make a mockery of the Occupation and its democratic reforms within a short while after the Peace Treaty.

Since, in the exercise of this power the sinews of war of these hitherto invisible governors consist of a large cache of capital in the form of hoarded goods and a huge income derived from large black market activities, and the various forms of tribute exacted from Japanese businessmen, any effort to eliminate from Japanese political and economic life this truly evil influence must have as its first point of attack the immobilization

and removal of these economic sources of power. Therefore, the current attack on this group by the Procurator General's vigorous investigation and prosecution of hoarded goods cases and all persons, however powerful, involved in them, is clearly entitled to the full support of the Supreme Commander as a campaign which will not only rid Japanese political life of the influence of corrupt bossism but also encourage the emergence and the growth of a democratic movement really representative of the people.

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4. Progress to Date:

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b. There is under preparation an amendment to the Local Autonomy Law which will prevent prefectural and local governments from delegating tax collection functions to private associations within their areas of jurisdiction.

c. The Procurator General, having been informed of the serious concern with which GHQ views the present situation, has presented a comprehensive acceptable plan for the complete investigation and vigorous prosecution of hoarded goods cases in the quickest possible time.

d. To facilitate investigations and to enable the prosecution of perjury in connection with official investigations, legislation is being prepared for introduction in the Diet which will make it a crime to falsify documents or statements submitted to governmental agencies in the course of official investigations.

MEMORANDUM

SUBJECT: Hoarded Goods Cases

1. Seko Case

This case, one of the most important among the various hoarded goods cases, has been under investigation since April by the Tokyo-To Metropolitan Police and the Tokyo-To District Procurator's Office.

On 10 October 1947, Chief Procurator TANAKA, Manichi, of the Tokyo-To District Procurator's Office, arrested the following political figures: FUJIKAWA, Bunroku, SHIOTSUKI, Manabu, NAKASONE, Ikutaro, HAZANA, These have been charged with fraud amounting to 4,150,000 yen extorted from 345 agricultural and mining associations throughout Japan. This was accomplished by the use of a great number of so-called brokers throughout Japan who collected this money as advance payment for Japanese Army uniforms which were to be distributed through regular channels. The authority for the release of these Army uniforms was reported as SEKO, Kochi. At the time, SEKO was concurrently Vice Chairman of the Hoarded Goods Disposal Committee in the Economic Stabilization Board and Vice Minister of Home Affairs.

The procurators have determined that the document used in this case was a forgery of many similar certificates issued by SEKO in the so-called uncovering of hoarded goods. At the present time, the procurators have taken to the Supreme Court the question as to whether SEKO was within his limits of jurisdiction to issue such certificates. Further investigation by the procurators has revealed the granting of 2,500,000 yen to TSUJI, Karoku, one of the most influential figures behind the Dark Curtain, known to have great political power. Moreover, they have determined the receipt

by NAITO, HATOYAMA's contractor, of 600,000 yen from two of the above persons to build a house for HATOYAMA. HATOYAMA, who was President of the Liberal Party until he was purged in 1946, is a close associate of TSUJI and was a political power behind the Dark Curtain.

The Dark Curtain is composed of the core of the leading political party previous to the war (Seiyukai). International Military Tribunal files show the attendance of Prince HIGASHI, Kuni at a Black Dragon Society meeting in the 1920's. It is not coincidental that HATOYAMA's sister is the wife of SUZUKI, Keisaburo, President of the ultra-nationalistic society Kokuhonsha, and for many years leader of the Seiyukai.

Kokuhonsha was established in 1924 as a brother society to the Black Dragon Society and the Dark Ocean Society. Further, YAMAOKA, Manosuke, a purgee, who is known to have succeeded SUZUKI, Keisaburo, is another important member of the HATOYAMA-TSUJI group. HATOYAMA's influence is carried to all three major parties in Japan. Further, KONO, Ichiro, a strong underling of HATOYAMA, and a purged Diet member, is known to tie the connections between the Dark Curtain and the underworld, namely, the controlled street stall vendors (Tekiya), gamblers (Bakuto), gangsters (Gurentai). These groups have managed to control black market on a very large scale.

2. <u>The Hoarded Goods Case</u>

The hoarded goods case originates with the Cabinet decision made on 14 August 1945 at which Prime Minister SUZUKI presided. It was on this Cabinet decision that plans were laid to dispose, namely, bury, all goods in possession of the Army and Navy and other government control associations and factories. Although this decision was repealed on 28 August 1945, in actuality the plan had been carried out successfully.

Since the termination of the war, there have been three sources of income readily available: one, hoarded goods; two, contracting; three, black market. The hoarded goods and the contracting have been so closely related that it would not be wrong to consider them as one problem. With the beginning of the occupation it became impossible for these ultra-nationalistic groups to finance their activities without these hoarded goods. Previously, they had been financed by secret Army, Navy and Cabinet funds. As it was the ultra-nationalistic group which planned the disposal of these goods, it is obvious that they are also the group which has access to information as to where they are buried.

3. Conclusion

These hoarded goods cases have brought to the forefront the most serious problem in Japanese political life today, namely, the exercise of great political power by a fairly small inside group of men who, in the past, were ring leaders in sabotaging the nascent parliamentarian democracy in Japan and turning the country over to the ultra-nationalists and militarists. The current rebirth of democratic tendencies in Japan can and will be sabotaged by this same group and their numerous allies and servants if this political power is not taken from them once and for all. Since, in the exercise of this power their sinews of war consist of a large store of capital in the form of hoarded goods, and a huge income derived from large black market activities and the various forms of tribute exacted from Japanese businessmen, any effort to purge Japanese political life of this evil influence must have as its first point of attack the immobilization and removal of these economic sources of power. Therefore, the current

attack on this group by the Procurator General's vigorous investigation and prosecution of hoarded goods cases and all persons, however powerful, involved in them, is clearly entitled to the full support of the Supreme Commander as a campaign which will not only rid Japanese political life of the influence of corrupt bossism but also encourage the emergence and the growth of democracy.

4. Steps Taken

a. Finance Minister KURUSU has been instructed to prepare for submission to the Diet an amendment to the Finance Laws which will repeal the provision under which private agencies such as street vendors associations are authorized to collect taxes on behalf of the national government.

b. There is under preparation an amendment to the Local Autonomy Law which will prevent prefectural and local governments from delegating tax collection functions to private associations within their areas of jurisdiction.

c. The Procurator General, having been informed of the serious concern with which GHQ views the present situation, has presented a comprehensive plan for the complete investigation and vigorous prosecution of hoarded goods cases in the quickest possible time, and this plan has been approved by Government Section.

d. To facilitate investigations and to enable the prosecution of perjury in connection with official investigations, legislation is being prepared for introduction in the Diet which will make it a crime to falsify documents or statements submitted to governmental agencies in the course of official investigations.

e. Government Section has accepted the chairmanship of a sub-committee of the Controls Coordinating Committee, organized for the purpose of (a) keeping all interested staff sections of GHQ and 8th Army concurrently informed of aspects and manifestations of the hoarded goods and black market problem in the fields of their respective responsibilities and, (b) plan and execute attacks on these various phases and aspects of the problem, each section in its own field being coordinated with the problem as a whole. Thus, G-4, the Office of the Chief of Engineers, and 8th Army General Procurement Office will pursue the subject in the fields effecting procurement by the occupation forces. Finance Division of ESS and G-4 will observe for compliance with the directive instructing the Japanese government that only official prices will be paid on government contracts. The Public Safety Division of CIS has, as its special concern, the breaking up of the alliance between gangster bosses and corrupt politicians on the one hand, and some elements in the police system on the other. In this connection, the arrest of the notorious OZU and SEKINE was brought about largely through the influence of Public Safety Division on the police department.

COPY

13 October 1947

Synopsis of Temporary Measures for the Disposition of Hoarded Goods Cases

(1) Purpose

The purpose of the present Measures is to grasp, on the national level, the condition of exposure and disposition of hoarded goods cases in the country, to pay preferential regard to the prosecution of major cases under a unific principle, and thereby to positively propel the speedy and fair disposition of such cases.

(2) Organization

To attain the above purpose, the following organizations are to be newly set up.

(A) Committees.

(1) Central Prosecution Committee for Hoarded Goods Cases

The Supreme Public Procurator's Office is to organize the Central Prosecution Committee for Hoarded Goods Cases and its Secretariat in its office. The Committee members and the members of the Secretariat follow:

a. Central Committee

Chairman

Assistant Procurator-General
(Toshio WATANABE)

Members

Procurators of Supreme Procurator's Office
(Kingo OSABE)
(Shizuhiko KOSETSU)
(Juhei TAKEUCHI)

Assistant Chief Procurator of Tokyo High Public Procurators Office
(Sataro HOMURA)

Procurator in charge of economic cases in the same office
(Itaru SEKI)

2-3

Assistant Chief Procurator of Tokyo
District Public Procurator's Office
(Yoshitsugu BABA)

Chief Procurator of Economic Division of the
above office
(Yoshimichi SAWADA)

b. Secretariat of the Central Committee

Public Procurators 4
Secretary of P.P. Office 20.

(2) District Prosecution Committee for Hoarded Goods Cases.

Each High Public Procurator's Office (7 in all - Osaka, Nagoya, Hiroshima, Fukuoka, Takamatsu, Sendai and Sapporo except Tokyo is to set up a District Prosecution Committee For Hoarded Goods Cases and its Secretariat. However, Tokyo High Public Procurator's Office will not have a District Committee but only its Secretariat, the duties of Tokyo District Committee being performed by the Central Committee. The Organization follows:

a. District Committee.

Chairman
Assistant Chief Procurator of each High Public
Procurator's Office 1.

Members
Procurator in charge of economic cases
in same 1.

Assistant Chief Procurator of the
District Public Procurator's Office
located at a place where the Said
Office is located 1.

Procurator in charge of economic cases
in the above District P.P. Office 1.

b. Secretariat of District Committee

Public Procurator 2.

Secretary of Public Procurator's Office 10.

(2) Inquiry Squads for Hoarded Goods.

(1) The Tokyo and Osaka District Public Procurator's Offices are to organize an Inquiry Squad for Hoarded Goods consisting of the following members:

Public Procurator	20.
Secretary of P.P. Office	100.

(2) The Nagoya, Hiroshima, Fukuoka, Takamatsu, Sendai and Sapporo District Public Procurator's Offices are respectively to organize an Inquiry Squad For Hoarded Goods composing of the following members:

Public Procurator	10.
Secretary of P.P. Office	50.

(3) All District Public Procurator's Offices excluding those located at places where eight High Public Procurator's Offices are located (40 in all) are respectively to organize an Inquiry Squad For Hoarded Goods consisting of the following members:

Public Procurator	2.
Secretary of P.P. Office	10.

Total -	Public Procurator	200.
	Secretary of P.P. Office	1,000.

(However, the number of procurators who are members of the Committees is not included in the above figures because they execute the duties as a subsidiary business.)

(3) The Power of Committees and Squads.

(1) Public procurators of the Inquiry Squad For Hoarded Goods in each District Public Procurator's Office will, under direction of Chief Procurator of respective Office to which they belong, make an investigation and inquiry into facts suspected of hoarded goods cases.

(2) Each District Committee, which is subject to the direction of Chief Procurator of the High Public Procurator's Office, may, if necessary for carrying out its duties, direct public procurators of the Inquiry Squad For Hoarded Goods, through Chief Procurator of the District P.P. Office under its jurisdiction, under the name of Chief Procurator of the High Public Procurator's Office, to conduct an investigation or inquire into facts suspected of hoarded goods cases or order them to submit reports thereon.

(3) The Central Committee, which is under direction of Procurator-General, may, if necessary for carrying out its duties, direct District Committees or Public Procurators of Inquiry Squads for Hoarded Goods through Chief Procurators of High or District P.P. Offices under the name of Procurator-General, to make an investigation or inquiry into facts suspected of hoarded goods cases or order them to submit reports thereon.

(4) Their Duties.

(1) Duties of Public Procurators of Inquiry Squads for Hoarded Goods.

1. They will try to obtain information concerning hoarded goods and, when they have obtained it, immediately submit the outlines to competent District Committees as well as to the Central Committee. In these cases, public procurators will immediately investigate and inquire into the truth and report the result to the above Committees.

2. In cases other than the foregoing, where public procurators have recognized hoarded goods cases or had such cases complained of or accused, and or have conducted an investigation or inquiry, based upon the directives by the Central or District Committees, they will dispose of such cases in the same manner.

3. Where hoarded goods cases have been exposed by private persons or other state agencies (whether the procedure was valid or not) or in cases any news-agencies have released any news concerning hoarded goods, they will report its outlines and also prospect of its constituency of a crime (regardless of whether it constitutes a crime or not), just in the same manner as in the foregoing.

4. In cases they have made inquiry into the crimes of hoarded goods cases, they will at each time immediately report to the Competent District Committee (1) the result of disposition (indictment or non-indictment, reason for non-indictment, prospect of penalties demanded and siposition of seized goods) and (2) the result of trial, (sentence, appeal or not).

5. Public procurators are required to do with the duties of the present Measures prior to other business, except in urgent cases.

6. With reference to the submitting of reports on the disposition of hoarded goods cases in accordance with the instructions issued before, reports referred to in (4) may be accepted as substitutes therefor during the effective term of the present Measures unless otherwise directed.

(4) Their Duties (cont'd)

(2) Duties of District Committees.

1. The District Committees will collect information concerning hoarded goods cases which has been obtained in areas under their jurisdiction, direct public procurators of Inquiry Squads to conduct an investigation or inquiry thereto, regulate the business of public procurators of Inquiry Squads according to the frequency and density of cases and the strength of prosecution in the areas and thereby promote influential exercise of the force of prosecution according to the priority of importancy of cases.

2. The District Committees will itemize and put in order the information which has been obtained concerning hoarded goods in the jurisdictional areas, facts exposed, cases for which inquiry has been commenced, the result of disposition by public procurators, result of trials and the circumstances as to the disposal of hoarded goods, and prepare a list as of the fifteenth and the last day of each month clearly stating the outlines and progress thereof, which is to be submitted to the Central Committee within ten days after the above-mentioned date respectively.

3. In cases the District Committees have let any of hoarded goods cases be investigated or inquired into under direction of the Central Committee, they will immediately report the result to the Central Committee dispite the preceding paragraph.

(3) Duties of Central Committee.

1. The Central Committee will collect information concerning hoarded goods cases from all part of the country and, if necessary, order the District Committees or public procurators of Inquiry Squads according to the density of cases and strength of prosecution in the country, and thereby propel preferential exercise of prosecutive power over major cases.

2. The Central Committee will arrange information obtained from all parts of the country, cases exposed, cases investigated, the result of disposition by public procurators and of trials, and thereby, with accurate knowledge of the truty of hoarded goods cases, promote and unify the principle of prosecution toward them.

3. The Central Committee will administer a report necessary to be submitted to the General Headquarters for the Supreme Commander of the Allied Powers and also keep contact with the Headquarters.

5. The Regulations for the Temporary Measures on Price and the like. (Ministry of Commerce and Industry Ordinance No. 49, of Nov. 14, 1946)

(4) Duties of the Secretariats of Central and District Committees.

Each Secretariat will be subject to the direction of respective Committee to which it belongs and handle clerical duties under its control.

(5) Scope of Concealed and hoarded goods and definition of hoarded goods cases.

(I) The "hoarded goods" in the present Measures are goods which come under the following items and whose quantity and nature is open to suspicion of the public in general.

(1) Concealed goods.

(A) Goods which were stocked or released under emergency measures by the armed forces at the termination of the war and have later been obtained and kept by unreasonable methods.

(B) Goods which are kept knowingly and wilfully without reporting to the authorities by those who are under obligation to do so in accordance with the following ordinances, or goods which are kept exceeding the quantity reported.

a. The Ordinance on Reports of Quantities, etc., of Raw Silk, etc., (Ministries of Commerce and Industry and of Agriculture and Forestry Ordinance No. 1 of Nov. 27, 1945).

b. The Ordinance on Prohibition of Transaction etc., of Pearl and Pearl Products (Ministry of Commerce and Industry Ordinance No. 4 of Jan. 29, 1946).

c. The Ordinance for Emergency Measures Concerning Hoarded Goods, etc., (Imperial Ordinance No. 88 of Feb. 17, 1946).

d. The Ordinance on Reports of Investigation on Crude Rubber, Nickel, Tin and Antimoney Bullion. (Ministry of Commerce and Industry Ordinance No. 10 of March 30, 1946).

e. The Ordinance on Reports of Quantities, etc., of Precious Metals (Imperial Ordinance No. 275. of May 16, 1946).

f. The Ordinance on Reports of Investigation on Lead (Ministry of Commerce and Industry Ordinance No. 24 of June 17, 1946).

g. The Ordinance on Prohibition of Use of Crude Rubber (Ministry of Commerce and Industry Ordinance No. 31. of July 1 . 1946).

h. The Regulations for the Temporary Measures on Pipes and the Like. (Ministry of Commerce and Industry Ordinance No. 49. of Nov. 14, 1946)

i. The Regulations for the Adjustment of Stocks of Designated Productive Materials. (Ministries of Commerce and Industry and of Agriculture and Forestry Ordinance No. 2, of Jan. 25, 1947).

j. The Ordinance on Reports of Investigation on Copper (Ministry of Commerce and Industry Ordinance No. 32, of July 6, 1946).

k. The Ordinance on the Inspection and Collection of Silk Fabrics and Knitted Silk Fabrics. (Ministry of Commerce and Industry Ordinance No. 17, of May 14, 1946).

(C) Rationed or controlled goods which have been obtained and kept, not through authorized channels.

(D) Buried or other concealed goods whose owners or custodians are unknown.

(E) Goods which nominally belong to authorized agencies but actually belong to nobody.

(2) Hoarded goods

(A) Goods which have been kept by authorized agencies but not yet distributed without due reason although over six months have elapsed after the destinations to which such goods are distributed have been determined.

(B) Goods kept by enterprising persons which exceed the amount necessary for use within six months in their enterprises.

(C) Goods kept by resting or closed factories or enterprising agencies, the use of which has not yet been determined without proper reason.

(D) Goods which were released for emergency use soon after the war and accordingly are in lawful possession but whose quantitities are considered too large.

(E) Other unused goods whose keepers have no prospect of using them for the present.

(II) The "hoarded goods cases" in the present Measures involve all cases which come under the following items and are admitted proper to report in view of their scale and other circumstances.

(1) Proper Crimes of having hoarded goods. (Refer to (1)B of (I).

(2) Black marketing cases of hoarded goods.

(3) Theft, robbery and embezzlement of hoarded goods.

(4) Fraud, intimidation, forgery of documents, etc., connecting with hoarded goods.

(5) What is called "exposed cases" (including the cases wherein possession of goods exposed does not constitute a crime).

(6) Cases wherein public officials or noted personalities have participated in the exposure or dispensation of hoarded goods and their way of disposition has aroused public criticism.

(7) Other peculiar happenings connecting with hoarded goods.

(6) Requisites for the enforcement of the present Measures.

(I) As stated above, to enforce the proposed Measures:

(1) An increase in number of public procurators by 200 and secretaries by 1000 is needed. Budget total, ¥11,644,000.

(2) With regard to offices to be allotted to newly-instituted procurators and secretaries, it is necessary to build new offices or rent them for public procurators of Inquiry Squads and secretaries, at the locations of eight District Committees, because they have no office to work in. Rent fee for wooden buildings, total ¥1,200,000.

(3) It is necessary for Inquiry Squads to have automobiles in order to speed up their activities. However, as they have almost no facilities of transportation, it is necessary to furnish Tokyo and Osaka Offices with 10 vehicles for each, other (6) locations of High P.P. Offices with 5 for each and other (41) locations of District P.P. Offices with 1 for each, totalling 91 vehicles. Budget total, ¥9,100,000.

(4) In view of the inadequacy of means of communication, it is necessary to have wireless installations both in the Central and District Committees. Budget total, ¥60,000,000.

(5) A certain amount of expenditure is needed for the activities of the Committees and Inquiry Squads. Budget total, ¥10,000,000.

(6) When the members of Inquiry Squads are dispatched, on official activities in the jurisdictional areas, it may be difficult for them as for anybody to get railway tickets or express tickets. Accordingly it is desirable for them to have a free pass issued.

(II) With reference to the budget necessary for the strengthening of the staff and the furnishing of more equipments, we have asked the Personnel Section and Accounting Section of Justice Ministry for approximate estimate, which will later be reported.

Now, in connection with the aforesaid supplement of manpower and equipments, we have the following difficulties:

(1) With reference to the increase of public procurators, there are restrictions on the qualification for their appointment. That is, only those who have graduated from the Law Department of a University, passed the Exam for Higher Civil Service and studied as a Judicial Apprentice for two years in the Supreme Court can be appointed public procurators. Accordingly, we cannot expect their increase in very near future.

Speaking of assistant procurators who can be substitutes for them, their qualifications involve three years' experience of a 2nd class official, which makes us feel difficult to get them. Accordingly, it would be necessary, just fot the present purpose, to alleviate the above requisites to one year's office of a 2nd class official until enough procurators are supplied with the revision of the Public Procurator's Office Law.

Since there is a tendency that treatment is being bettered for judges rather than for public procurators, there might not be so many applying for procurators as for judges. Unless as better treatment is given to procurators as to judges, we cannot but anticipate much more decrease in the number of procurators. Even at present, 5 to 10 of them resign per month on an average.

(2) As to the presentation of the budget plan, it is necessary to have the approval of the Finance Ministry beforehand.

(3) With reference to vehicles and railway pass, we must ask for the cooperation of the Ministry of Transportation and as to wireless, that of the Ministry of Communication.

10 October 1947

MEMORANDUM TO: Members of the Hoarded Goods Committee.

1. The following issues brought to the attention of the Controls Coordinating Committee bear on the problem of unearthing and redistributing hoarded goods:

a. It is apparent that the blackmarket in stocks of hoarded goods has been an important source of income to support the oyabun-kobun system and to provide a basis for political domination by dark curtain groups. It is the purpose of the Sub-Committee to investigate these aspects of hoarded goods problems in an effort to eliminate this source of income to the greatest extent possible.

b. The Japanese Government proposes to disband the Arms Disposal Committee established in the fall of 1945 as an agency to comply with the SCAP directive requiring the Home Ministry of the Japanese Government to destroy certain implements of war and to redistribute within the Japanese economy certain industrial raw materials. The Arms Disposal Committee is a private organization performing a governmental function to be a corrupt organization. Because of the ramifications of the operations of the Committee and the uncertainty as to the volume of work remaining to be done, it was concluded by the Controls Coordinating Committee that careful analysis should be made of the entire situation before approving any proposal of the Japanese with respect to the dissolution of the Arms Disposal Committee.

c. Within recent months the Japanese Government has organized a Materials Utilization Committee under the Prime Minister for the avowed purpose of investigating the hoarded goods problem and making recommendations to the appropriate Japanese governmental agency. Reports have been received at Headquarters indicating that the Committee intends to engage in the administration of the redistribution program, thus supplanting to a certain extent the Economic Stabilization Board and the Ministry of Commerce & Industry in this field. Dossiers of the personnel proposed as principal officials of the Materials Utilization Committee indicate that it is to be run by persons most interested in the blackmarket of hoarded materials assisted by certain non-entities. The Controls Coordinating Committee recommends that the purpose and functions of this Committee be analyzed with a view to the possibility of disbanding the Materials Utilization Committee.

d. Similar study should be made of the Diet Committee on Hoarded Goods, which was established for the same purpose as the Materials Utilization Committee but which has been prevented from functioning.

e. Although the Sangyo Fukko Kodan has been given the responsibility for redistributing industrial raw materials, it is apparent that insufficient efforts have been made to expand the Raw Materials Department of the Sangyo Fukko Kodan in order to handle the job. A definite recommendation to the Japanese Government for positive action in this regard is to be worked out by the Hoarded Goods Sub-Committee.

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f. No distinct lines of responsibility have been spelled out by the Japanese Government in the field over hoarded goods and redistribution. Clarification of the responsibilities of the ESB inspectors at the regional offices, Ministry of Commerce & Industry inspectors at the regional and prefectural level, prefectural economic police and prefectural judicial administrative police are to be considered by the Sub-Committee and an ESB Instruction issued clarifying the responsibilities and duties of Japanese governmental officials.

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G-4 (PAG)
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Government Section

2 October 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Oyabun-Kobun System: Seko Case.

1. A conference was held in Government Section on 1 October 1947 on the above-captioned subject. Representing the Japanese Government were Mr. Fukui, Procurator General: and Mr. Sato, Vice Minister of Justice. Representing Government Section were Dr. Oppler, Chief of Courts and Law Division: Mr. Swope, Chief of National Government Division; Mr. Matsukata; Mr. Aka; and the undersigned.

2. Mr. Fukui and Mr. Sato were informed of the great interest which this Headquarters had in securing a full and efficiently prosecuted investigation into the hoarded goods cases now being investigated by both the Diet Committee and the Procurators Office. It was emphasized that the failure to prosecute individuals who had violated laws concerning improper retention and disposal of Japanese Government goods, because of their financial and political power was a scandal which was on the front page of every newspaper in Japan and which had been brought forcibly to the attention of the Allied Press as well as GHQ. Mr. Sato and Mr. Fukui were informed that this Section required that the Procurator General act to insure investigation and prosecution by an adequate staff of procurators, without regard for the wealth or the political influence of the violators of the laws involved. It was stated that this Section was fully aware of the existence of a "Kuromaku" or "Black Curtain" Government which operated outside of the frame-work of the legally-constituted democratic governmental institutions of Japan; that this "Black Curtain" Government was able to exercise its political and financial pressure because it was financed by the possession and sale of hoarded goods.

The Procurator General was asked to increase the staff of procurators concerned with the investigation of these matters; to act independently and without regard for any other information furnished to them by such agencies as the Economic Stabilization Board; to furnish a report containing the names of the procurators and the over-all plan of investigation; to furnish periodic reports on action taken and progress made.

3. Mr. Fukui and Mr. Sato both said that they would see to it that the instructions received were complied with wholeheartedly.

HOWARD MEYERS
Courts and Law Division

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

25 September 1947

MEMORANDUM FOR THE CONTROLS COORDINATING COMMITTEE, ESS.

SUBJECT: Report of Oyabun-Kobun Sub-Committee.

I. Historical Background of Oyabun-Kobun System.

A. About three hundred years ago during the Tokugawa Era, gambling groups were formed under a leader called an Oyabun, his henchmen being called Kobuns. The term "Oyabun" is a general name for a boss but literally translated means "parent substitute" and "Kobun" means "small person" or "child". The Oyabuns controlled all of the gambling houses in a designated area and exacted tribute from the houses, acted as a tax collector through the use of the Kobuns and utilized the Kobuns as a strong arm group to counteract the terrorist activities of the Tokagawa police. The common people were protected--for a price. In those days, as today, the relationship between the Oyabun and the Kobuns was one of fear and economic necessity, with a relationship of extreme loyalty and responsibility on the part of the Kobuns and of protection and granting of money, goods and advice on the part of the Oyabun. Since this Oyabun-Kobun relationship was essentially an extension of the traditional Japanese Family System, it expanded from its origin into the fields of politics, economics, the police system and the Army and Navy. The System is not just one of corrupt or illegal activities but its essential characteristic lies in a hierarchial relationship between a group of individuals, with roots in the feudal attitudes and ideals of a historical past which is very close to the immediate present. Basically, the pattern is this: a Boss (Oyabun) whose ancestors have been Oyabuns for generations has a number of henchmen bound to him by close ties of personal loyalty. In return for supplying his Kobuns with money, goods, advice, paternalistic direction and status, the boss receives an absolute loyalty which is accompanied by a feudalistic sense of honor and highly exaggerated regard for "face". These Kobuns, in turn, have other Kobuns, though they stand in the relationship of "Oji-san" (uncle) to these other Kobuns rather than in the position of Oyabuns. In turn, this second group of Koburs have their own Kobuns, and so the relationship extends on the basis of immediate and close quasi-familiar ties, until the Oyabun controls a large number of henchmen. From the original basis in gambling, the Oyabun-Kobun System spread until today it has two principal "area" manifestations, within which there are "occupation" manifestations.

The "area" manifestations are: -1- Rural Areas, in which the Oyabun-Kobun relationship is principally that between a landlord and his tenants; -2- Urban Areas Manifestations, which include both legal and illegal types.

The principal type of -1- above is that of the landlord-tenant relationship in which the landlord had generously furnished the tenants with advice and aid in times of stress and in which the tenants had followed the landlord's politics and policies. This aspect appears to be breaking up under the force of the Land Reform Program. In addition, there are small local businesses, such as local saw mills and pottery kilns, in which the

employer-employee relationship is essentially a part of this Oyabun-Kobun System.

With respect to -2- above (the urban area manifestations), there are two main types: -a- Illegal Basis and -b- Legal Basis, though engaged in illegal activities.

-a- Illegal Basis:

(1) Kashimoto: These are Oyabun engaged in the business of gambling. Each Oyabun has his own district which he controls and his Kobuns exact monthly tribute or protection money from the gambling house. In addition, they operate gambling houses and restaurants. In Tokyo, CIS reports approximately 57 gambling Oyabuns and 3000 gambling Kobuns; in Osaka approximately 21 Oyabuns and 921 Kobuns; in Kobe about 23 Oyabuns and 2853 Kobuns; in Kyoto, approximately 16 Oyabuns and 657 Kobuns. These gambling Oyabuns also have extended their activities into the contracting business and Sumo wrestling, as well as being active in lobbying for political candidates.

(2) Gurentai (gangster) Associations: These organizations are regarded by CIS as having the largest, strongest and the most influential Oyabuns. They have gained power in the post-war period and have been established along the same lines as gangster organizations in the United States. Their method of operation is to collect tribute as "protection money" from bars, dance halls, theaters, restaurants and similar places of public amusement in the area under the jurisdiction of a Gurentai Oyabun. Failure to render tribute results in intimidation, bodily harm and murder. Most of the Kobuns have a police record. CIS reports about 181 Oyabuns and 7384 Kobuns in Tokyo; 15 Oyabuns and 529 Kobuns in Osaka; 3 Oyabuns and 238 Kobuns in Kyoto; 82 Oyabuns and 6413 Kobuns in Kobe. There are connections with the police and local politicians.

-b- Legal Basis but Illegal Activities:

(1) Tekiya Oyabun, or Street-Stall Associations (Roten Dogyo Kumiai): These associations have absolute control over both licensing and the privilege of opening street-stalls in the principal cities. Various local, prefectural and police ordinances provide that licenses to operate street-stalls will be granted only to members of these associations or guilds. In addition to licensing the street-stall operators, the Tekiya Oyabuns also collect taxes for the local government, on the basis of a lump sum allocation which has no relationship whatever to the amounts which may have been collected. The Tekiya control areas assigned to them by the police, direct and control these areas, regulate prices, and control allocation of goods, thereby becoming extremely large blackmarket operators. They maintain their collection of taxes and other controls by means of intimidation, use of actual force, or economic pressure. CIS reports that in Tokyo, for example, approximately 45 thousand stalls are members of Tekiya organizations, eighty-eight percent (88%) being under the control of Oyabuns and the remaining twelve percent (12%), though free from paying tribute to

local Oyabuns, pay all taxes and fees to the Tekiya organization. In many cases, the Oyabuns have established their market and street-stall associations by illegal possession of land. The Tekiya has tremendous control of voting power due to the size of its membership and the number of Oyabuns and the fact that they can act as an efficient electioneering force through being controlled by a few Oyabuns.

(2) Gumi (Group): Today, most of the Gumi are engaged in construction work, principally for the Occupation Forces. It is estimated that of the 14 million person labor force in Japan, 3 million are controlled by the Gumi in this Oyabun-Kobun relationship. Although the Gumis are legal organizations, many of their activities are illegal since they deal in the black market to obtain supplies and to distribute them. Moreover, the Gumis appear to be reorganizing into associations which are engaging in monopolistic enterprise, hence run afoul of the Anti-Monopoly Law. In addition, most Gumi organizations have connections with the gambling associations (Kashimoto).

Mention should be made that the Oyabun-Kobun System has extended today into the upper levels of the political parties, supplying funds to the parties and receiving funds from the parties—though the difficulty of tracing such payments is obvious. It is said that various Government Ministries have their own Oyabuns.

II. Ways in Which Oyabun-Kobun System Affects the Objectives of SCAP Staff Sections.

A. Establishment of Sub-Committee: On 11 September 1947, the Controls Coordinating Committee established the Oyabun-Kobun System Sub-Committee, to consider the problem, draft the program and coordinate action on the part of the concerned Sections. Membership of the Sub-Committee is as follows:

ESS/Anti-Trust and Cartels (Mr. Rose, Mr. Ortman, Mr. Sieker)
ESS/Industry (Mr. Ries, Mr. Stanek)
ESS/Price Control (Lt. Col. Waldron)
ESS/Finance (Mr. Baron)
ESS/Labor (Mr. Collett)
ESS/Textile (Capt. Rathofer)
ESS/Controls Coordinating Committee Secretariat (Miss Jackson; Mr. Capron)
CI&E (Mr. Sullivan, Lt. Passin)
Legal Section (Mr. Carrington)
8th Army Procurement (Lt. Col. Fregosi)
General Procurement Agency (Major Johnson)
NRS (Mr. Cowper, Mr. Yoe)
CIS/PSD (Mr. Eaton, Mr. Fritz, Mr. Shupak)
Government Section (Mr. Matsukata, Major Bieber, Mr. Meyers—Chairman)

The Committee held two meetings—on September 15th and September 22nd, 1947.

B. Principal Phases in Which Representatives on Sub-Committee Were Affected by the Oyabun-Kobun System:

1. ESS/Anti-Trust and Cartels finds monopolistic practices (i) in the construction business by the Gumis and the General Contractors Association and (ii) by the Street-Stall Associations (Tekiya) in their fields of operation. One of the principal methods by which the Oyabuns have continued to maintain control of the various industries is through formation of associations and companies which appear contrary to the Anti-Trust Law. Also, the fact that individuals are forced to join the Street-Stall Associations in order to engage in street-stall business appears contrary to SCAP policy in regard to associations. In the construction industry, the General Contractors Association is not composed of Oyabuns, but the leaders of this association are supporting the Oyabun-Kobun System and are very directly connected with the Oyabuns, who supply labor. Information has been obtained showing connection between the Oyabuns in this field and certain of the political parties; that ranking Oyabuns have run for public office in a large number of cases; that the Oyabun-Kobun System extends into all types of construction, transportation and other industries. The Gumi have bases of support and income in gambling organizations (Kashimoto).

2. ESS/Industry stated that they have encountered, many times, disturbances caused by the Oyabun-Kobun System. One of the latest examples being in the coal mines in Southern Kyushu where organized gangs of Kobun of the Gumi type had intimidated the workers inside the mine. The police were unable to prevent the activities of these gangs, since there appeared to be a close connection with the police, and it was necessary to transfer most of the policemen in the area in order to stop these gangster activities. Moreover, it appeared that the System is interfering with proper distribution of materials since the Oyabuns exercise great influence with and pressure upon the people making the allocations of materials. Further, the General Contractors Association is making extensive use of the Blackmarket to obtain materials for construction, with some evidence indicating that they make a profit both on obtaining the materials and the construction, as well as by padding their payrolls and other similar practices.

3. ESS/Finance stated that the Oyabuns were used extensively in the collection of National taxes at the local level, particularly income taxes. The method of operation is that the local tax bureau assigns a certain amount of income tax for collection from the Street-Stall Association members, for example, and the Oyabuns determine allocations of that amount to the individual members of the association.

4. ESS/Labor stated that of the 14 million person labor force in Japan, three million were a part of the Oyabun-Kobun System, which appears in two major categories: (i) The construction industries, which take up perhaps two-thirds of this three million group; (ii) The general labor suppliers, who contract with industrial plants to supply labor for menial work which the regular labor force of the place does not perform such as cleaning jobs. In the second type, there is an extreme form of control of labor by the Oyabun-Kobun System, known as the "slave labor system", under which, for example, about one year ago some 20,000 laborers

were in actual enslavement in Hokkaido. The method by which this slave labor system works is that the laborers are brought to a coal mine or factory after having been stupified by liquor, and are placed in prison barracks. Attempts to escape result in severe beatings or in being shot. The basis under which the laborers are held is that of a supposed advance made on a labor contract and it appears that the police and procurators are sufficiently under the control of the Oyabuns who run this system so that it was only investigative action by CIC and Military Government which resulted in a breaking up of the system in Hokkaido. Apart from the slave labor system, the Oyabuns control the blackmarket rice and use it as an economic weapon to force new Kobuns to join and organize and remain out of any labor union.

5. Eighth Army Procurement stated that they had been prevented by an oral directive from the General Procurement Agency of SCAP from inquiring about the cost of the items procured in the construction work undertaken for the Occupation Forces. It was admitted, however, that the cost of the occupation had been increased considerably due to the fact that no inquiry had been made into the cost of procurement of material items by the contractor.

6. Transportation Section stated that their problem was that in breaking up the present monopoly "one company-one port" system in the stevedore business in the harbors, they were afraid that they would revive the old Oyabun System of control of stevedore labor. It was admitted that the monopolies which had been created by the Harbor Law enacted by the Government during the war had to be dissolved but a decision had not been reached on the method of dissolution. It was granted that it was necessary to prevent a revival of the Oyabun-Kobun labor system in the ports, and a decision was expected on the problem within the next few days.

7. Natural Resources Section found the Oyabun-Kobun System in effect in agriculture insofar as the relationship between landlord and tenant. However, the various Land Reform Laws were expected to break up the system since the landlord would be unable to carry out his part of the bargain when he no longer owned more than a small part of his former land holdings. Sofaras the system appeared in the fishing industry, fishing rights were held by individuals, associations and corporations. Only the owners of boats are regarded under Japanese Law as "fishermen", and the laborers who work on the boats and do the actual fishing are in many cases Kobuns.

8. CIS/PSD stated that the system appeared in three manifestations insofar as its work was concerned: The gambling Oyabuns (Kashimoto), the Street-Stall Associations (Tekiya) and the Gangsters (Gurentai). PSD stated that the police are severely hampered by the fact that the Kobuns are often well armed, and because political pressure often prevented effective action on the part of the police. Furthermore, the police are involved, being paid off by the System. In many cases, the only way that the police can secure the arrest of a criminal suspected at large in an area controlled by a Oyabun is to ask the Oyabun to turn over the criminal. The detailed investigations made by PSD indicate that the Oyabun-Kobun System extends into

politics, controls blackmarket activities, controls the prices of every day commodities, controls the flow of goods through regular channels, and performs local government functions in the issuance of licenses and the collection of taxes. In addition to these functions the Gurentai terrorize a large portion of the population of the large cities who are engaged in the restaurant business and other public amusement enterprises.

9. Government Section stated that its information indicated extra-governmental controls are exercised by a number of "political Oyabun" upon the National Government, both in the Diet and in the Ministries, and also upon local governments. The investigations being made by the police, procurators and the Diet in the Ozu Case and the Seko Case are revealing the power possessed by these Oyabuns and, to some degree, the extent to which their influence existed. The information which Government Section had obtained tended to confirm the statements made by PSD and ESS/Anti-Trust and Cartels in particular.

III. Plans Adopted or Recommended:

It was agreed that the primary attack should be made against the illegal aspects of the Oyabun-Kobun System and that a secondary attack should be made against the other aspects of the System which had a legal basis but in which illegal activities were carried on.

A. Re: Illegal Basis:

1. Government Section proposes the following:

a. An amendment of the Election Law or proposed Political Parties Law regarding sources of contributions to prevent receipt of money from Oyabuns and from illegal sources; to probably provide that the use of such Oyabun-Kobun groups in electioneering will be illegal.

b. Proposal to the Japanese Government of the passage of a vagrancy law, in cooperation with CIS/PSD. This will enable the police to strike at more of the Kashimoto, Tekiya and Gurentai Kobuns.

c. Probable use of SCAPIN 548 to attempt to force the Oyabun-Kobun groups to register and possibly to dissolve their organizations as ultra-nationalistic societies.

d. Amendment of the Criminal Code to provide that the making of a false statement before a Diet Committee and the making of a false statement in writing before a government agency is a crime, thus giving power needed for investigation of activities of Oyabuns.

e. Pressure upon the Ministry of Justice to prosecute Oyabuns and Kobuns engaged in illegal activities without delay.

f. Cooperation with the Diet in attempts to clean out the political parties and eliminate the connections with underworld elements as well as carrying on full investigations concerning the connections which these underworld elements have with National legislature.

g. Probable promotion of legislation, in cooperation with ESS/Finance, to change the banking system to require banks to fingerprint depositors and require both a han and a character signature--to try and trace Oyabun accounts.

2. CIS/PSD will work with the police, attempting to force a dissolution of their connection with the illegal Oyabun-Kobun organizations and in their investigating and arresting the principal Oyabuns engaged in these illegal activities. Moreover, pressure will be put on the police to enforce the Blackmarket control regulations.

3. ESS/Price Control will also act to insure that the economic inspectors check compliance with the official prices of goods on the part of organizations controlled by the Oyabun-Kobun System.

4. ESS/Labor will act to insure compliance with the labor legislation already in effect or to be promulgated, so that illegal labor contracts and illegal conditions of employment engaged in by the Oyabuns will be prosecuted.

B. Re: Legal Basis but Illegal Activities:

The greater part of these activities fall under the general heading of unfair trade practices as such are of particular interest to Anti-Trust and Cartels.

1. ESS/Anti-Trust and Cartels will utilize the Anti-Trust Law and the Fair Trades Commission Law to prosecute or to insure that prosecution is made in cases involving unfair trade practices, and in breaking monopolistic organizations controlled by Oyabun-Kobun groups.

2. ESS/Industry will conduct a study of the types of contracting organizations with the objective of setting standards for desirable and undesirable organizations. Subsequently, qualifications will be established to be written into contracts for work for the Occupation Forces setting forth undesirable activities which will prevent the granting of contracts or cancel contracts where they are in existence. ESS/Industry will secure necessary information from all available sources.

3. ESS/Finance has already secured the promulgation on 12 Sept. 1947 of SCAPIN 1775, subject "Reduction of Governmental Expenditures". This Directive requires the Japanese Government to recognize, approve and use only legal prices in paying for goods, work done or services rendered, whether paid directly by the Japanese Government or indirectly as reimbursement or payment to contractors or manufacturers. Only legal prices will be used for materials required in production or activities demanded by the Occupation Forces. This is extended to wage payments to labor employed by the Japanese Government or engaged in work for the Occupation Forces under the supervision of the Japanese Government. In addition to this Directive, Finance Division is in the process of drafting legislation to prevent the Oyabun from collecting any type of national taxes.

4. ESS/Labor believes that final success with regard to the

labor Oyabun-Kobun System will be obtained when a majority of those workers now controlled by the Oyabun System are organized into regular trade unions. Therefore, action is directed toward that as an ultimate goal. A large scale publicity program will be carried out in cooperation with CI&E including denunciation of the Oyabun-Kobun System as archaic and undemocratic encouragement to other unions to organize this particular groupe of workers and stimulation of enforcement of laws which would make labor Oyabuns illegal. Further, the so-called "labor purge" has included a great many of the Oyabuns in its list and action will be taken to assure that the purge is carried out properly. Moreover, employment laws are now in the House of Representatives with provisions outlawing the labor supply business. In addition, the Labor Standards Law is in effect and provides a penalty of one to ten years imprisonment for forced labor. The Labor Standards Bureau, which has just been established, will put a large portion of their staff on the Oyabun-Kobun labor problems and will attempt to cover the country with a system of inspectors. Further, the assistance of the labor unions will be requested as a method of obtaining information on the blackmarket activities and other illegal activities of the Oyabun-Kobun labor groups.

5. Natural Resources Section has aided the drafting of a number of Bills pending in the Diet, which transfer fishing rights from the individuals, organizations, associations or corporations which at present own these rights, to individual fishermen. This will probably eliminate the possibilities of Oyabun-Kobun relationship in the field of fishing rights. This will be aided further by provisions prohibiting sub-leases. So far as agriculture is concerned, the Land Reform Legislation in existence will be aided by an extensive publicity program to be carried out through media of CI&E.

6. Government Section will act in cooperation with Public Safety Division to eliminate the police power of approving the licenses and assigning areas to the Street-Stall Associations (Tekiya). Moreover, the local tax system is in the process of amendment to forbid collection of taxes or public monies by non-governmental or private organizations of any kind. These two steps will remove the legal basis for the existence of the Tekiya. Coordination between the interested Divisions of Government Section and of ESS will be maintained.

C. In addition two other steps were decided upon:

I. A Coordinated publicity campaign to publicize the aspects of the Oyabun-Kobun system which are being attacked by the individual Staff Sections. In connection with this matter, Mr. Sullivan of CI&E will be contacted individually by the concerned divisions or Sections represented on the Sub-Committee by Friday the26th of September. Mr. Sullivan will then prepare an overall plan. Possibility of requesting a press statement by the C-in-C or by Section Chiefs will be kept in mind.

2. The Secretariat ofthe Controls Coordinating Committee will be requested to act as a repository for memoranda dealing with the general subject of the Oyabun-Kobun System which are drafted by any of the Sections or Divisions of Sections represented on the Sub-Committee. This will insure the existence of a central source of all material dealing with actions undertaken in combating the Oyabun-Kobun System. In addition, the Secretariat will discuss with ESS/Research and Statistics the possibility of action on the part of Research and Statistics to aid the members of the Sub-Committee in research on particular matters involved in this problem.

HOWARD MEYERS
Courts and Law Division

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Civil Intelligence Section, G-2
PUBLIC SAFETY DIVISION

APO 500
3 July 1947

To : Administrator, Group 5.

From : Investigator H. Shupak.

Subject: Oyabun Announcement.

I. The Formal Announcement of a Successor to an Oyabun Title & Domain. (GAMBLING OYABUN) (July 8, 1946)

1. A family conference is called and a successor is confirmed to the role of Oyabun. A formal announcement is then printed and sent to all Oyabuns in the District, or entire country, depending upon the high station enjoyed by the Oyabun and the number of retainers. This is a feudal custom that is one of many still being practiced throughout Japan; similar in many ways to former feudal procedure in Europe upon the naming of a successor to a baronship or lordship.

2. It will be noticed that the attached exhibit has the coat of arms or family mark of the Oyabun. Also contained within are the names of loyal followers and retainers, showing the influence and connections of the Oyabun family. Upon receiving this announcement, the Oyabuns will acknowledge it by letter and at some set date a celebration or fete will be held with all attending. Gifts will be brought either by the visiting Oyabuns or their representatives.

3. In the attached announcement, two Oyabuns declare themselves. Both, no doubt, having family connections. The following gives their names, places and number of Oyabuns to which the announcement was sent on July 8, 1946.

HARRY SHUPAK,
Police Investigator.

OYABUN: SAKAMOTO, KANETARO II

Location	Number of Oyabuns
Fukuoka Prefecture	2
Yamaguchi Prefecture	2
Hiroshima Prefecture	4
Okayama Prefecture	6
Hyogo Prefecture	17
Kyoto Prefecture	18
Gifu	8
Nagoya-Shi	5

OYABUN: NAGAOKA, NOBORU III

Location	Number of Oyabuns
Mie Prefecture	3
Wakayama Prefecture	1
Sakai-Shi	1
Nara Prefecture	1
Sanin - District	2
Tokyo-To	5
Northern Prefectures	9
Shikoku Prefecture	8
Osaka Prefecture	23

ECW/MJR/nh
2 October 1947

MEMO FOR FILE:

SUBJECT: History of Control Organizations in the Construction Industry

1. In 1911 a General Contractors Society was organized as a social club. In 1937 another association, the Civil Engineering Society (Doboku Kyokai) was established. Only a small fraction of the total number of contractors belonged to either of these associations. Each had only one small office as clubroom and confined their activities to social affairs and the informal exchange of ideas.

2. Beginning in 1940, an effort was made to unite local contractors into associations and on 18 December 1941, the Federation of Civil Engineering and Contractors Industrial Association (Doboku Kenchiku Kogyo Kumini Rengokai) composed of 47 prefectural associations was organized.

3. On 5 February 1941, the Ministry of War set up the Army Construction Aiding Association (Gunken Kyoryoku Kai) a juridical person under the Civil Code, with the object of concentrating construction materials and an overall control of the construction industry. The members of this association consisted of the 48 major general contractors. The president, Mr. Shimizu of Shimizu-Gumi was appointed by the Ministry concerned.

4. On 8 March 1942, the Navy Ministry, established a similar organization, the Navy Facilities Aiding Association (Kaigun Shisetsu Kyoryoku Kai) of which the members and the officers were the same as the Army's. During this period the Ministry of Communications set up an Electric Generation Facility Aiding Association (Nassoden Shisetsu Kyoryoku Kai) and the Railway Ministry set up the Railway Construction Aiding Association (Tetsudo Koji Kyoryoku Kai). There was a Fuso Kai under the Shipping Headquarters of the Navy to cooperate at docks. These associations had only about 20 members and were hastily set up so that all the materials would not be taken by the army.

5. On 7 February 1944, the Japan Civil Engineering and Construction Control Association was established by the Ministry of C & I under the Commercial and Industrial Association Law, which merged all the prewar organizations (Par. 1 & 2) and consisted of about 1,250 members including the 48 major contractors. Although the Control Association had the largest organization, as everyone in the industry became members automatically, the Associations under the Army and the Navy were more influential in controlling this industry as they had stronger backing.

6. It was found that these organizations did not work well together so on 27 March 1945, an Imperial Ordinance (#152) was issued under Article 18 of the National Mobilization Law which amalgamated all these associations and established the Wartime Construction Group (Senji Kensetsu Dan) which controlled all materials, business and management in this industry and consisted of about 1,250 members. This organization lasted only six months.

Basic: Memo for File dated 2 October 1947.

7. With the end of the war, the Wartime Construction Group was dissolved and the Japan General Contractors Control Association (N. Kensetsu Kogyo Tosai Kumiai) was established 1 November 1945 with the same 1,250 members. It also assumed all assets and obligations of the Wartime Construction Group for which it paid ¥15,000,000 to the Government. With the repeal of the Commercial and Industrial Association Law, this Association was dissolved from 28 February 1947 and the present General Contractors Association took its place with the same office, officers, members, and all of its assets and obligations except as noted below. At present it has about 3,500 members. The new association is based on the Civil Code and is not a juridical person. The transactions of the Association are mostly done in the presidents' name, but as the assets of the association legally belong to all the members it has been difficult to handle. The building used by the Association is still owned by the Control Association which is being dissolved.

8. As stated above, immediately following the close of the war, the Wartime Construction Group turned over all of its property to the General Contractors Control Association for ¥15,000,000. principally consisting of iron and steel products. Also turned over to the General Contractors Control Association were all records of the Wartime Construction Group including all copies of the contract of sale and of the inventory of the stocks. These records have been destroyed. The ex-president of the Wartime Construction Group has estimated, however, that the official price of these materials today would be in excess of 90 million yen and the open market price about 1.5 billion yen.

9. In January 1946, the "Army Surplus Material Distribution Committee" was established by the Ministry of C & I to allocate the material described above. Thirteen members of the Committee represented the contractors (mostly directors of the association) and 2 were from the Ministry of C & I. Neither the Ministry of C & I or the Reconstruction Board which took over the responsibility for construction materials in May 1946, have any records indicating the amount of material originally handed over in November or the amount remaining in January or even the disposal of the remainder. When one of the C & I representatives was questioned regarding the disposal of some of this property he indicated that he hadn't attended many of the monthly meetings of the Committee. In May 1945 the Reconstruction Board purchased the bulk of the remainder of the materials for about 30 million yen.

10. In March 1946, another group, the "Army Surplus Materials Money Spending Committee" was established by the Ministry of C&I with 10 representatives of the Control Association and 4 officials to allocate the funds derived from the sale of these materials. A total of about 70 million yen had been realized according to the accounts kept by the General Contractors Control Association from the sale of these materials. Approximately 15.3 million yen was used to recompense the General Contractors Control Association for their original investment and 3.6 million yen to cover certain debts of the Wartime Construction Group, which the General Contractors Control Association had taken over. 3.6 million yen in frozen accounts of the Wartime Construction Group were handed over to the General Contractors Control Association; 14 million yen went for taxes, exactly what kind of taxes has not been determined.

Table No. 2

Disposition of Funds by the

"Army Surplus Materials Money Spending Committee"

	Amount
To General Contractors Association	
For original investment	¥15,368,000
To cover debt of War Construction Group	3,663,000
Service charge for handling materials	7,121,500
Frozen accounts	3,615,000
Dormitory for staff	500,000
To Branches of G.C.A.	
To build hiring halls for laborers	6,692,000
To build construction workers' schools	1,855,000
To Construction Research Institute	
Maintenance	4,500,000
To construct concrete plant	9,000,000
To purchase construction machinery	2,340,000
To purchase an education film	155,000
To Finance Ministry	¥14,202,500
	¥69,012,000

11. The General Contractors Control Association also undertook three enterprises immediately after the surrender:

a. They rented a portion of the Tokyo Arsenal and at the same time purchased approximately 5.5 million yen worth of raw materials located there. To this was added by the General Contractors Control Association about 4 million yen with which they continued to operate the machinery in the Arsenal as a cooperative project of the Association.

b. The association purchased some 5 million yen worth of buildings from one of the contractors (Taisei Doboku); 2 million yen worth of machinery from the South Seas Wooden Shipbuilding Co. (Nanpo Nakuzosen K. K.) and 5 million yen worth of lumber from Japan Lumber Co. to which it added working capital to make a total of ¥12,834,000. With this expenditure it set up another project engaged in purchasing and milling lumber.

c. The association also invested ¥231,168. in certain vehicles and added ¥831,721. as working capital with which it set up a transportation agency.

12. The General Contractors Control Association was originally capitalized at 30 million yen.* 17.5 million yen of this was contributed by about 35 large contractors; 12.5 million yen was collected from among the remaining 2,000 odd contractors. In January 1947 it was decided by the Board of Directors to separate

the three projects referred to above from the Association. The capital of the association was reduced by 12.5 million yen. Ten million yen of this amount was to be used to capitalize the Toyosu LumberCo. which took over the lumber project. In addition the Toyosu Lumber Co. agreed to pay the association ¥4,834,570. The Kensetsu Kiki Kogyo Kumiai was organized to assume the Tokyo Arsenal project. ¥1,724,400 of the 12.5 million yen referred to above was assigned to this organization. A loan of ¥7,786,582 was made by the association to this organization to pay for the remainder of the assets of the Tokyo Arsenal project. The other ¥831,721 left of the 12.5 million yen was used as a basis for the Japan Construction Transport Association which took over the transportation project of the General Contractors Control Association.

Table No. 3

Transfer of Special Projects
of the General Contractors Control Assn.

	Toyosu Mokuzai K.K.	Kensetsu Kiki Kogyo Kumiai	Nihon Kensetsu Unyu Kumiai	
Purchase amount from the Association	¥12,834,370.13	¥9,510,982.85	¥731,168.32	
Capital (investment)	10,000,000.	1,724,400.	831,721	¥12,556,121.(a)
Debt to GCCA (at the time separated from Control Assn)	4,834,570.13	7,786,582.85	-	
Debt transferred to Research Institute	3,530,000.	7,500,000.	-	
Debt to GCCA (on Aug. 28 1947)	1,304,570.13	286,582.85	-	

(a) - - - Reduction of capital invested by 35 largest contractors in GCCA.

* Remarks: The balance sheet of this Assn. on 1 January 1947 showed ¥4,062,065. unpaid capital and ¥3,221,810.38 unpaid dues.

Basic: Memo for File dated 2 October 1947.

13. This 12.5 million yen was refunded to the 35 largest contractors in the association in the form of shares in the three new organizations. This reduced the stake of these contractors in the General Contractors Control Association to 5 million yen. Opportunity was supposed to be given later to the other contractors to purchase shares in the new enterprises but up to the present time none have done so.

14. On 14 July 1947, the General Contractors Association transferred the loans of the Tokyo Seisahusho (¥7,500,000) and of Toyosu Mokuzai (¥3,530,000) to the Construction Research Institute as part of the amounts allotted the Institute by the "Army Surplus Materials Money Spending Committee."

D. B. O.

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GENERAL HEADQUARTERS
FAR EAST COMMAND
Military Intelligence Section, General Staff
Civil Intelligence Section

Kades

General Activities
APO 500
1 October 1947

SUBJECT: OYABUN-KOBUN SYSTEM

SUMMARY OF INFORMATION

1. The information given below of the Oyabun-Kobun system, based upon available sources of this section, is grouped as follows:

I. Historical Background of the Oyabun-Kobun Systems
II. Kashimoto (Gambling) Oyabun Systems
III. Tokyo Tokiya (Street Stall Operators) Oyabun Systems
IV. Osaka-Kobe-Kyoto Tekiya Operations
V. Curentai (Gangster) Oyabun Systems
VI. Political and Social Ties of Post-war Oyabun Systems

I. HISTORICAL BACKGROUND OF OYABUN-KOBUN (Boss-Henchman) SYSTEMS

1. Origin: The Oyabun (boss) and Kobun (Henchman) system is a hold-over from the lord-retainer relationship of the feudal period extending far back into the early days of the Tokugawa Shogunate Era, three hundred years ago.

a. Kashimoto Systems: During the early years of the Tokugawa Era, gambling cliques grew up under a leader called an Oyabun. This person came to control all the gambling houses in a designated area, to exact tribute, and with his retainers to act in the capacity of a citizen's strong-arm squad to counteract the terrorist activities of the Tokugawa police, who at that time served the Tokugawa lords rather than the people. Eventually such groups came to be known as Kashimoto, with their leadership handed down from father to son, or kept within the family circle.

b. Tekiya and Gurentai: Later two other groups came into existence called Tekiya (street stall operators) and Gurentai (gangsters), operating under similarly constituted Oyabuns. These groups illegally gained control over merchants and shop-keepers, exacting tribute in return for the granting of certain privileges and for "protection" against interference with the successful operation of their business.

2. Extent of Operation: The oyabun, or boss system, touches every walk of life in Japan and affects extensive phases of the national economy. Those most directly concerned are the night soil collectors, gardening guilds, street stall operators, restaurants, and construction companies.

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3. Oyabun-Kobun Relationship: The oyabun generally furnishes the kobun with food, clothing, money and protection. By the code anyone accepting the hospitality of the oyabun is obligated to him and must serve him.

a. Kobun Duties: The kobun are usually very loyal and respectful to their oyabun, and devote their life in service to him and the organization. Instances have occurred where kobun have gone to prison to cover up acts committed by the oyabun.

b. Penalties: A kobun failing to perform a duty demanded of him may be compelled to cut off one joint of a finger as restitution for this failure. Dereliction in important matters may even result in bodily injury, or death, at the hands of other kobuns of the leaders.

II. KASHIMOTO (Gambling) OYABUN

1. Organization: Kashimoto Oyabun systems may be divided into two categories, the moderate type and the aggressive type.

a. Moderate type: Each Oyabun has his own district which he controls and he is traditionally accepted by the community as part of Japanese custom. His kobuns exact monthly tribute and protection money from the gambling houses, which is then divided among them by the oyabun. These henchmen, frequently, also operate gambling houses or restaurants of their own. In certain districts of Tokyo-To personages known as Higher Oyabuns also exist, who lord it over two or three other oyabuns. Each oyabun has from three to five kobuns under him, and often more.

b. Aggressive Type: This type usually acts as intermediary negotiators or arbitrators in controversies involving situations where it is considered inadvisable for the police to be in the picture, such as gambling debts, gambling grudges, spheres of influence, etc. Lucrative sums are collected for these services.

2. Scope of Operations: Some of the Kashimoto oyabun groups are composed of civil engineering and building workers. Others consist of night soil collectors. Each group has from 10 to 200 members. With the exception of a few, however, none of these members has a definite occupation other than gambling.

a. Gumi (Construction Company) Fronts: Some oyabuns, operate under the guise of legitimate public works contractors and exact tribute from gambling houses and restaurants within their scope of influence. The rents and tributes from such establishments comprise their major means of livelihood.

b. Entertainment Fronts: Some oyabuns make extra money by running "sumo" wrestling matches or other entertainments in conjunction with street vendors.

c. Restaurants: This is a very lucrative front. The "Third Boss" SAKAUME (real name, MATSUYAMA, Shojiru) in Osaka possesses assets amounting to over three million yen. His followers keep a restaurant in the Ikona area,

Nara Prefecture. DOIKUMA (real name Kumakichi NAGATA) also in Osaka, is worth five million yen. His mistress also operates a restaurant. Both have accumulated fortunes by collecting rents from gambling establishments.

3. Organization strength: Kashimoto oyabuns are found in every center of concentrated population in Japan.

a. In Tokyo-To: There are approximately fifty-seven gambling oyabuns and three thousand gambling kobuns. The number of oyabuns has not increased since prior to the war. However, the number of kobuns has increased markedly, due mainly to the unemployment conditions incident to the close of the war.

NOTE: SEKINE Ken, head of the SEKINE Gumi "front" is the recognized leader of the Kashimoto oyabun element in Tokyo.

b. In Osaka-ken there are approximately twenty-one gambling oyabuns and nine hundred and twenty-one kobuns. The SAKAUME Gumi in Osaka generally dominates the whole Kinki and Kyushu areas of Japan.

c. In Kobe City there are approsimately twenty-three gambling oyabuns and two thousand eight hundred and fifty-three kobuns.

d. In Kyoto sixteen gambling oyabuns have been counted, with six hundred and fifty-seven retainers.

4. Financial Income. Confirmed figures are not available, but it is conservatively estimated by reliable authorities that each group collects from ten thousand to three hundred thousand yen per month.

5. Police Records. To cite one example, among the twenty-one Kashimoto Oyabuns in Osakd, only three have no police record. All of the others have convictions recorded against them for murder, assault, or intimidation in connection with gambling. Likewise, most of their followers have similar offenses on their records. This is typical of the Kashimoto record throughout Japan.

III. TOKYO TEKIYA OYABUN SYSTEM OR ROTEN DOGYO KUMIAI

1. Leading Organization. The name "Tekiya" is practically extinct in general usage, but the system is much in force, operating as merchants' associations, cooperative unions, groups, and societies through out Japan.

a. Street-Stall Trademen's Cooperative Union is the name of a particular organization found mainly in the Tokyo area.

b. Leading figure. OZU Kinnosuke, of 1 chome, Tsunohazu machi,

Shinjuku-ku, Tokyo is the former president of the Union. He was recently indicted on four charges of intimidation, and is presently being tried in the Tokyo District Court. He is also the defendant in a civil suit over the illegal possession of land on which he constructed shops and open-air markets operated for his own gain.

2. Basis of Tokyo Tekiya Power. The Tekiya Cooperative Union is in full control of the licensing and opening of street-stalls in Tokyo. In this it is supported by explicit provisions in the police regulations, and by a long established tradition of police cooperation.

a. Licensing of stalls. All would-be stall vendors are referred by the police to the Tokyo Street-Stall Tradesmen's Cooperative Union (Central Headquarters), where after joining the union they are presented with two license blanks to fill out. The completed forms are then sent to the local police station where the stamp of approval is affixed by the Chief. This procedure makes joining the Union all but compulsory, while saving the police much paper work. In actual practice it is not possible to procure a license through any other agency than the Union. Application and license blanks are kept at the Cooperative Union offices only.

b. Assignment of stalls. The stalls are assigned by the branch office of the Central Headquarters of the Union. The area covered by the branch office usually conforms to the area supervised by the local police station. The police also assign the areas that are to be utilized by the Tekiya.

c. Official regulations governing Tekiya operations. Prior to the war no ordinances or regulations existed governing the operation of street stalls.

(1) On 28 September 1946, the Metropolitan Police Board of Tokyo-To issued order number 10, in which the following references to the Tekiya "guild" appeared, which had the effect of giving the oyabun system official status:

Art. 7. No person other than those and their families who obtain permission may engage in business.

Art. 6. The following provisions must be observed while in business:

1. It is required to keep a membership certificate in the guild (in the stall).

Art. 11. Any person who engages in business must organize a guild or be under the control of a guild.

Art. 12. It is required to lay down rules and obtain the permission of the Superintendent General in the event a guild is organized. Permission must also be obtained for changing the rules. The following items must be fixed by regulation:

1. Method of selecting officers, and determining their terms of office and authority.

2. The handling of finances (income and expense).

3. Provision for the setting up of branch offices.

4. Penalties for violators.

Art. 13. The guild may not impose unauthorized financial burdens upon its members. In cases where it becomes necessary to impose rent, electric fees, or other special fees for the use of facilities permission of the chief or other competent police official is required.

Art. 18. In case it becomes necessary from the standpoint of control changes in guild rules, or the re-election of officers may be accomplished.

(2) On 24 December 1946, the MPB promulgated Ord. No. 18, to become effective from and after 1 January 1947, reiterating the doctrine that no person may engage in business other than those who are so authorized. Since the actual control lay in the hands of the Tekiya Union, the police regulations but made it official. These regulations also strengthened the January 1945 MPB instructions to district police chiefs that all independent stall vendors' unions or association would have to join a central Tokyo organization. By this order the Ginza Cooperative Honest Businessmen's Association, an independent, oyabun-free stall-keepers' association was compelled to join the central Union of OZU's.

3. Strength of the Tokyo Organization. The central headquarters control all branches. Although the Union has been in operation for many years, it did not reach its present strength and influence until after the cessation of hostilities.

a. Sub-oyabuns. Each oyabun in his district is answerable to the central office, which makes the final decisions as to licenses, fees and shops. All moneys collected are turned in to the branch offices, where a certain percentage is retained, and the remainder forwarded to the central headquarters of the Union.

b. Size. According to present statistics, there are two hundred oyabuns and seven thousand kobuns with twenty-two thousand five hundred and fifty-seven followers in the Tokyo area. Approximately 45,000 stalls are registered with the central Union headquarters in Tokyo. Of these, 88% are under the control of oyabuns. The remaining 12% although free from paying tribute to local oyabuns, pay all taxes and fees to the Union.

4. Finances. The following figures represent the average fees paid to the Union by all stall-keepers in Tokyo for the privilege of doing business on the streets of that city:

30 yen - membership fee
5 yen - monthly dues to central association
2 yen - monthly dues to branch office
1.5 yen - daily paper expense
.5 yen - daily cleaning of stalls
2.3 yen - daily government tax

The annual income of all street-stall associations in the Tokyo area is estimated at 65 million yen.

a. Accountability of Funds and Audit of Books. The Tekiya organization accounts to no one for its funds except to its own heads. Likewise, no audit of the organizations' books is made by either the municipal, prefectural, or national government to determine the accuracy of the taxpayments made.

b. Profits as Tax collector. By authority of Tokyo-To Finance Regulation No. 1, 15 March 1943, associations which are authorized by the Governor may collect taxes on a two percent commission basis. The Stall-Keepers Tradesmen Union is such an authorized agency of the prefectural government.

(1) The 2-3 yen which is collected daily from the stalls as a government tax is turned over to the central headquarters, which in turn pays the government a lump sum once a year.

(2) In 1947 the tax amounted to 3 million yen. In May 1947, the central headquarters of the Union was asked to raise the amount to six million. No government employee or official assists in this collection.

5. Police Record. Approximately forty per cent (40%) of the Tokyo organization's members have police records and are either ex-convicts or pimps. To an unknown extent, they are ex-soldiers.

a. Illegal Seizure of Property. A serious evil of the Tekiya oyabun system has been its practice of seizing property without due process of law. A typical example is the case of the OZU Gumi, currently being tried in both the civil and criminal courts of Tokyo. In August 1945 this gumi illegally obtained possession of a market lot in Shinjuku Ku, Tokyo, and built shops and open air markets on the property. This action was challenged by the rightful owners, but to no avail owing to the mishandling of the case by the authorities. This is but one of many such occurrences in Japan. In Osaka the illegal possession of property was effectively handled by the police with the aid of the local Military Government unit. In Kobe the Japanese police department was ordered to establish an Illegal Seizure Bureau, announced through the local press.

IV. TEKIYA SYSTEMS at OSAKA, KYOTO and KOBE.

1. Osaka Organization. The Tekiya oyabun organization here consists of fifteen oyabuns and five hundred twenty-nine kobuns. As a result of effective control, the influence of the Tekiya organizations has been greatly diminished in the area. Only about 100 road stalls are left in Osaka. These, controlled by a Merchants Association, have offered no difficulties.

a. Naniwa Shokai, the largest of the Osaka street-stall concentrations, controls 100 shops and 12 buildings. Ten per cent of the tenants, Chinese and Koreans, have refused to pay rent.

b. Fees. The following is typical of sums paid out as tribute in Osaka:

30 Yen monthly - second-hand clothing guild (Korean)
50 Yen monthly - Cleaning Association (Chinese)
150 Yen monthly - Merchants Association (Korean)
80 Yen monthly - To NANIWA Shokai (Chinese)

Tenants of Naniwa Shokai have been paying 3,000 yen monthly to a Gurentai association by the name of Kodo-Kai, led by Minoru OKAZOKI, plus large contributions for parties given by oyabuns for visiting friends.

2. Kyoto Tekiya Merchants Association. Although no stalls exist in Kyoto, all stores and shops still remain under the control of the Tekiya oyabun, operating under the name of the Merchants Association.

a. Police admit that merchants are generally obliged to belong to these associations.

b. Finances. The average fees paid by shopkeepers in Kyoto to the Merchants Associations are:

500 Yen - membership entrance fee
50-200 Yen - monthly membership fee
20 Yen - Monthly tax service
10 Yen - monthly fee for health inspection service.

Shops selling merchandise, in addition to these payments, remit five per cent of their sales proceeds to the Association as a means toward price control.

c. Tax collections and inspections. The Merchants Associations collect not only the taxes, but also perform duties of the Health and Welfare Department of the City. Officials of the Public Health and Welfare Department of Kyoto are never known to inspect or visit any of the Association restaurants.

3. Kobe Road-Stall Associations. These number approximately 1000, and are concentrated in one area. There are about three separate Merchants Associations which exercise effective control.

a. Operation. These stalls operate in much the same manner as those in Tokyo, where licenses are issued by the Association and taxes are also collected by the Association. It is interesting to note that along with the taxes the Association retains ten per cent of the taxes as commission.

b. Government Relationship. Most of the stalls are on city property. In spite of this, rent is collected and retained by the Merchants Association, with the full knowledge of the Police Department.

c. Finances. The following average payments are made by the stall-keeper for a unit approximately 8 x 10 feet:

1000 Yen - membership entrance fee
80-120 Yen - monthly membership fee
50 Yen - monthly to trade union
4 Yen - daily to cleaning association
1000-2000 Yen - yearly taxes

plus extra taxation levied from time to time by the Association. The Association determines the amount of tax each individual stall-keeper shall pay. Membership here, as elsewhere, is compulsory. The Kobe police profess ignorance as to the size of payments made by these small shopkeepers to the associations.

d. Shomei Kumiai (Cleaning Association). The Association in Kobe is run by a man who styles himself a contractor even though he has no office and has never been engaged in the contracting business. He was formerly in the Japanese Air Corps, and is definitely of the gangster type. His collections for the alleged daily cleaning service run approximately 5000 yen. Twenty per cent of this is supposed to be for taxes, but neither he nor the Merchants Association have ever explained why both of them collect taxes for the city from the same stall-keepers.

V. GURENTAI (Gangster) OYABUN SYSTEM.

1. General. This system is by far the largest, strongest and most influential of the Oyabuns. It is a new organization that has gained power largely as an aftermath of the war. It was and is established along the same lines as gangster organizations in the United States.

2. Organization. As yet these organizations have not coalesced into centrally controlled oyabun units for each urban area. Each oyabun manages his own district from which he collects tribute, and which sometimes he loses to another more powerful oyabun who covets his profits. By threats, force and violence the Gurentai oyabuns have set up many small private domains within Tokyo and other cities in Japan. Most of their henchmen are well armed, and do not stop even at murder, if so ordered by their oyabun. There is no limit to their depredations, consequently they are hated and feared by the public.

3. Strength of Gurentai Organizations. In Tokyo there are about 181 Gurentai oyabuns, with approximately 7,384 kobuns and followers:

a. In Osaka, 15 oyabuns and 529 kobuns may be counted.

b. In Kyoto, 3 oyabuns and 238 kobuns.

c. In Kobe oyabuns number 82, while the kobuns and their followers total 6,413.

d. On the average, each oyabun has about 50 followers, though the range is from 5 to 1000.

4. Method of Operation.

a. Source of Revenue. The Gurentai oyabun exacts monetary tribute from the bars, cabarets, dance-halls, theaters, restaurants and coffee shops in his district. Anyone opening a business in a district must first give a large sum of money to the oyabun to ensure that his place will not be molested, or in some instances, that he himself, will not suffer bodily harm. Thereafter a weekly or monthly tribute or fee is required.

b. Means of collection. The kobuns make the collections, frequent the shops, bars, cabarets, etc. as a show of protection. In most cases they eat and drink without offering payment. They also extort sums from waitresses. Some shops, such as bars, have organized among themselves and make lump sum payments to the oyabun.

c. Examples of revenue collected. The average monthly take from bars in Tokyo is from 5000 to 10,000 Yen each. In the Ginza district, from Hattori to Shimbashi alone there are over 100 bars. In Osaka, kobuns collect anywhere from 2000 to 75,000 Yen for protection from each place of business.

5. Character of Gurantai personnel. Gurentai oyabuns and kobuns may usually be described as usually down-right gangsters, hooligans and jobless ruffians of the lowest degree. They are generally ill-natured, bad mannered and have no respect for the law. Some make a pretense of supporting the law while operating their rackets, while others obviously oppose the law as they circulate among their prey.

a. Police records. Most of the Gurentai have been arrested at one time or another on charges of threat, violence, theft, injury or murder. Typical among these groups in Osaka are the Shima Gumi of approximately 200 members, the Nando Kai of 50 members, and the Gokuraku Gumi of 60 members.

b. Public opinion. The public is definitely opposed to this form of gangsterism, but powerless to do anything about it because of fear of violence or bodily harm. Without police support they have had to bow to the inevitable.

VI. POLITICAL TIES AND PUBLIC OPINION

1. General. Because of the influence that oyabun bosses possess among their people, and the traditional loyalty and faithfulness, which the Japanese have for their leaders, political parties have constantly sought to woo them.

2. Political sympathies of the Kashimoto Oyabuns.

a. In Tokyo, unknown.

b. In Osaka, SAKAUME Gumi has had a long affiliation with the TOKUNOMI faction of the old Seiyukai, most of which has now turned to the Liberal Party. SAKAUME supported the Liberal Party in the recent April elections. He is on friendly, intimate terms with AKAMA Bunzo, elected Governor of Osaka on the Liberal Party ticket and supported NAKAYAMA Fukizu, a Liberal Party candidate for the House of Representatives.

c. Another OSAKA Kashimoto oyabun, DOIKUMA (NAGATA Kumakichi)

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electioneered for KONISHI Toramatsu, boss of the Torabayashi Gumi, with a police record for gambling. Konishi won his race as an independent candidate for the House of Representatives in April 47 to serve a second term.

3. Political Affiliations of the Tekiya Gumis.

a. In Tokyo, the boss leader of the Street Vendors Union, OZU, Kennosuke, aged 51, was an unsuccessful candidate for the Diet on the Liberal Party ticket in April 1947. As the runner up he lost by only a very small margin. He was rejected by other political parties because of his evil reputation, and gained his Liberal Party recognition only at the last moment before the election.

b. Also in Tokyo, MAKI, Yasutoshi, head of the small street-stall gumi of the Shinei Taishuto, ran on the Liberal Party ticket in 1946 in a race for the Diet. Losing then, he maintained close affiliation with the Liberal Party up until January 1947, when his organization gained unfavorable publicity over the stabbing of KIKUNAMI, Katsumi, labor leader. Since then the liaison has continued, but less publicly.

c. The Matsuda Gumi of Tokyo has liaison with MAKI, noted above, and is credited with a connection with the Liberal Party.

d. In Kobe an advisor to the Tekiya organization there was elected to the City Assembly, April 1947, on the Liberal Party ticket.

e. A leader of the oyabun-kobun Chizaki Construction Gumi of Hokkaido, CHIZAKI, Usaburo, was elected to the Diet in 1946 as an independent, and later joined the Democratic Party.

4. Political Affiliation of Gurentai Oyabuns. In the Kansai area the Kyodo Kai Gurentai supported YOSHIDA, Tatsuji, a Social Democrat, and a member of the Association, in his unsuccessful race for the Imabari municipal assembly. The same organization supported Social Democratic candidates in the prefectural and national elections of April 1947.

a. In Osaka: former Minister of Communications in the YOSHIDA Cabinet and currently holder of the Public Welfare portfolio in the KATAYAMA Cabinet, HITOTSUMATSU Sadakichi, is shown on the police records as an advisor to Gurentai groups. He was supported by them in the Diet election of April 1947.

5. Public Opinion: The public press generally credits the Liberal Party with the strongest political tie with "gumi" oyabun organizations. Basis for this press-public attitude is the assumption that the gumi benefited from the inflation financial policy of Liberal Party member, former Finance Minister ISHIBASHI Tanzen. The latter is also believed

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to have wielded great power through his ability to help "deserving" contractors in the allotment of construction contracts for both the occupation forces and the Japanese Imperial Government.

Public opinion is definitely against the influence of the oyabun control, whether Kashimoto, Tekiya, or Gurentai, but has been generally helpless in face of the universal fear of harm should it oppose the oyabun or his followers.

"Seishin" No.95

29 September 1947

To: Designated Persons.

Dear Sir:

You are hereby requested to report to this Commission on or before 20 October the particulars, and the reasons which necessitate their possession, of the minimum property requirements deemed as necessary for securing as the basis or means of living for you and your family at present and in the future from among the immovables owned by you and enterprises operated by you.

Please note that after examination and decision on the propriety or non-propriety of such requirements all of the immovables and enterprises, exclusive of these requirements, shall be disposed of under the supervision of this Commission pursuant to SCAP Memorandum.

Yours truly,

For the Holding Company
Liquidation Commission

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

25 September 1947

MEMORANDUM FOR THE CONTROLS COORDINATING COMMITTEE, ESS.

SUBJECT: Report of Oyabun-Kobun Sub-Committee.

I. Historical Background of Oyabun-Kobun System.

A. About three hundred years ago during the Tokugawa Era, gambling groups were formed under a leader called an Oyabun, his henchmen being called Kobuns. The term "Oyabun" is a general name for a boss but literally translated means "parent substitute" and "Kobun" means "small person" or "child". The Oyabuns controlled all of the gambling houses in a designated area and exacted tribute from the houses, acted as a tax collector through the use of the Kobuns and utilized the Kobuns as a strong arm group to counteract the terrorist activities of the Tokagawa police. The common people were protected--for a price. In those days, as today, the relationship between the Oyabun and the Kobuns was one of fear and economic necessity, with a relationship of extreme loyalty and responsibility on the part of the Kobuns and of protection and granting of money, goods and advice on the part of the Oyabun. Since this Oyabun-Kobun relationship was essentially an extension of the traditional Japanese Family System, it expanded from its origin into the fields of politics, economics, the police system and the Army and Navy. The System is not just one of corrupt or illegal activities but its essential characteristic lies in a hierarchial relationship between a group of individuals, with roots in the feudal attitudes and ideals of an historical past which is very close to the immediate present. Basically, the pattern is this: a Boss (Oyabun) whose ancestors have been Oyabuns for generations has a number of henchmen bound to him by close ties of personal loyalty. In return for supplying his Kobuns with money, goods, advice, paternalistic direction and status, the boss receives an absolute loyalty which is accompanied by a feudalistic sense of honor and highly exaggerated regard for "face". These Kobuns, in turn, have other Kobuns, though they stand in the relationship of "Oji-san" (uncle) to these other Kobuns rather than in the position of Oyabuns. In turn, this second group of Kobuns have their own Kobuns, and so the relationship extends on the basis of immediate and close quasi-familial ties, until the Oyabun controls a large number of henchmen. From the original basis in gambling, the Oyabun-Kobun System spread until today it has two principal "area" manifestations, within which there are "occupation" manifestations.

The "area" manifestations are: -1- Rural Areas, in which the Oyabun-Kobun relationship is principally that between a landlord and his tenants; -2- Urban Areas Manifestations, which include both legal and illegal types.

The principal type of -1- above is that of the landlord-tenant relationship in which the landlord had generously furnished the tenants with advice and aid in times of stress and in which the tenants had followed the landlord's politics and policies. This aspect appears to be breaking up under the force of the Land Reform Program. In addition, there are small local businesses, such as local saw mills and pottery kilns, in which the

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employer-employee relationship is essentially a part of this Oyabun-Kobun System.

With respect to -2- above (the urban area manifestations), there are two main types: -a- Illegal Basis and -b- Legal Basis, though engaged in illegal activities.

-a- Illegal Basis:

(1) Kashimoto: These are Oyabun engaged in the business of gambling. Each Oyabun has his own district which he controls and his Kobuns exact monthly tribute or protection money from the gambling house. In addition, they operate gambling houses and restaurants. In Tokyo, CIS reports approximately 57 gambling Oyabuns and 3000 gambling Kobuns; in Osaka approximately 21 Oyabuns and 921 Kobuns; in Kobe about 23 Oyabuns and 2853 Kobuns; in Kyoto, approximately 16 Oyabuns and 657 Kobuns. These gambling Oyabuns also have extended their activities into the contracting business and Sumo wrestling, as well as being active in lobbying for political candidates.

(2) Gurentai (gangster) Associations: These organizations are regarded by CIS as having the largest, strongest and the most influential Oyabuns. They have gained power in the post-war period and have been established along the same lines as gangster organizations in the United States. Their method of operation is to collect tribute as "protection money" from bars, dance halls, theaters, restaurants and similar places of public amusement in the area under the jurisdiction of a Gurentai Oyabun. Failure to render tribute results in intimidation, bodily harm and murder. Most of the Kobuns have a police record. CIS reports about 181 Oyabuns and 7384 Kobuns in Tokyo; 15 Oyabuns and 529 Kobuns in Osaka; 3 Oyabuns and 238 Kobuns in Kyoto; 82 Oyabuns and 6413 Kobuns in Kobe. There are connections with the police and local politicians.

-b- Legal Basis but Illegal Activities:

(1) Tekiya Oyabun, or Street-Stall Associations (Roten Dogyo Kumiai): These associations have absolute control over both licensing and the privilege of opening street-stalls in the principal cities. Various local, prefectural and police ordinances provide that licenses to operate street-stalls will be granted only to members of these associations or guilds. In addition to licensing the street-stall operators, the Tekiya Oyabuns also collect taxes for the local government, on the basis of a lump sum allocation which has no relationship whatever to the amounts which may have been collected. The Tekiya control areas assigned to them by the police, direct and control these areas, regulate prices, and control allocation of goods, thereby becoming extremely large blackmarket operators. They maintain their collection of taxes and other controls by means of intimidation, use of actual force, or economic pressure. CIS reports that in Tokyo, for example, approximately 45 thousand stalls are members of Tekiya organizations, eighty-eight percent (88%) being under the control of Oyabuns and the remaining twelve percent (12%), though free from paying tribute to

local Oyabuns, pay all taxes and fees to the Tekiya organization. In many cases, the Oyabuns have established their market and street-stall associations by illegal possession of land. The Tekiya has tremendous control of voting power due to the size of its membership and the number of Oyabuns and the fact that they can act as an efficient electioneering force through being controlled by a few Oyabuns.

(2) Gumi (Group): Today, most of the Gumi are engaged in construction work, principally for the Occupation Forces. It is estimated that of the 14 million person labor force in Japan, 3 million are controlled by the Gumi in this Oyabun-Kobun relationship. Although the Gumis are legal organizations, many of their activities are illegal since they deal in the black market to obtain supplies and to distribute them. Moreover, the Gumis appear to be reorganizing into associations which are engaging in monopolistic enterprise, hence run afoul of the Anti-Monopoly Law. In addition, most Gumi organizations have connections with the gambling associations (Kashimoto).

Mention should be made that the Oyabun-Kobun System has extended today into the upper levels of the political parties, supplying funds to the parties and receiving funds from the parties--though the difficulty of tracing such payments is obvious. It is said that various Government Ministries have their own Oyabuns.

II. Ways in Which Oyabun-Kobun System Affects the Objectives of SCAP Staff Sections.

A. Establishment of Sub-Committee: On 11 September 1947, the Controls Coordinating Committee established the Oyabun-Kobun System Sub-Committee, to consider the problem, draft the program and coordinate action on the part of the concerned Sections. Membership of the Sub-Committee is as follows:

ESS/Anti-Trust and Cartels (Mr. Rose, Mr. Ortman, Mr. Sieker)
ESS/Industry (Mr. Ries, Mr. Stanek)
ESS/Price Control (Lt. Col. Waldron)
ESS/Finance (Mr. Baron)
ESS/Labor (Mr. Collett)
ESS/Textile (Capt. Rathofer)
ESS/Controls Coordinating Committee Secretariat (Miss Jackson, Mr. Capron)
CI&E (Mr. Sullivan, Lt. Passin)
Legal Section (Mr. Carrington)
8th Army Procurement (Lt. Col. Fregosi)
General Procurement Agency (Major Johnson)
NRS (Mr. Cooper, Mr. Yoe)
CIS/PSD (Mr. Eaton, Mr. Fritz, Mr. Shupak)
Government Section (Mr. Matsukata, Major Bieber, Mr. Meyers--Chairman)

The Committee held two meetings--on September 15th and September 22nd, 1947.

B. Principal Phases in Which Representatives on Sub-Committee Were Affected by the Oyabun-Kobun System:

1. ESS/Anti-Trust and Cartels finds monopolistic practices (i) in the construction business by the Gumis and the General Contractors Association and (ii) by the Street-Stall Associations (Tekiya) in their fields of operation. One of the principal methods by which the Oyabuns have continued to maintain control of the various industries is through formation of associations and companies which appear contrary to the Anti-Trust Law. Also, the fact that individuals are forced to join the Street-Stall Associations in order to engage in street-stall business appears contrary to SCAP policy in regard to associations. In the construction industry, the General Contractors Association is not composed of Oyabuns, but the leaders of this association are supporting the Oyabun-Kobun System and are very directly connected with the Oyabuns, who supply labor. Information has been obtained showing connection between the Oyabuns in this field and certain of the political parties; that ranking Oyabuns have run for public office in a large number of cases; that the Oyabun-Kobun System extends into all types of construction, transportation and other industries. The Gumi have bases of support and income in gambling organizations (Kashimoto).

2. ESS/Industry stated that they have encountered, many times, disturbances caused by the Oyabun-Kobun System. One of the latest examples being in the coal mines in Southern Kyushu where organized gangs of Kobun of the Gumi type had intimidated the workers inside the mine. The police were unable to prevent the activities of these gangs, since there appeared to be a close connection with the police, and it was necessary to transfer most of the policemen in the area in order to stop these gangster activities. Moreover, it appeared that the System is interfering with proper distribution of materials since the Oyabuns exercise great influence with and pressure upon the people making the allocations of materials. Further, the General Contractors Association is making extensive use of the Blackmarket to obtain materials for construction, with some evidence indicating that they make a profit both on obtaining the materials and the construction, as well as by padding their payrolls and other similar practices.

3. ESS/Finance stated that the Oyabuns were used extensively in the collection of National taxes at the local level, particularly income taxes. The method of operation is that the local tax bureau assigns a certain amount of income tax for collection from the Street-Stall Association members, for example, and the Oyabuns determine allocations of that amount to the individual members of the association.

4. ESS/Labor stated that of the 14 million person labor force in Japan, three million were a part of the Oyabun-Kobun System, which appears in two major categories: (i) The construction industries, which take up perhaps two-thirds of this three million group; (ii) The general labor suppliers, who contract with industrial plants to supply labor for menial work which the regular labor force of the place does not perform such as cleaning jobs. In the second type, there is an extreme form of control of labor by the Oyabun-Kobun System, known as the "slave labor system", under which, for example, about one year ago some 20,000 laborers

were in actual enslavement in Hokkaido. The method by which this slave labor system works is that the laborers are brought to a coal mine or factory after having been stupified by liquor, and are placed in prison barracks. Attempts to escape result in severe beatings or in being shot. The basis under which the laborers are held is that of a supposed advance made on a labor contract and it appears that the police and procurators are sufficiently under the control of the Oyabuns who run this system so that it was only investigative action by CIC and Military Government which resulted in a breaking up of the system in Hokkaido. Apart from the slave labor system, the Oyabuns control the blackmarket rice and use it as an economic weapon to force new Kobuns to join and organize and remain out of any labor union.

5. Eighth Army Procurement stated that they had been prevented by an oral directive from the General Procurement Agency of SCAP from inquiring about the cost of the items procured in the construction work undertaken for the Occupation Forces. It was admitted, however, that the cost of the occupation had been increased considerably due to the fact that no inquiry had been made into the cost of procurement of material items by the contractor.

6. Transportation Section stated that their problem was that in breaking up the present monopoly "one company-one port" system in the stevadore business in the harbors, they were afraid that they would revive the old Oyabun System of control of stevadore labor. It was admitted that the monopolies which had been created by the Harbor Law enacted by the Government during the war had to be dissolved but a decision had not been reached on the method of dissolution. It was granted that it was necessary to prevent a revival of the Oyabun-Kobun labor system in the ports, and a decision was expected on the problem within the next few days.

7. Natural Resources Section found the Oyabun-Kobun System in effect in agriculture insofar as the relationship between landlord and tenant. However, the various Land Reform Laws were expected to break up the system since the landlord would be unable to carry out his part of the bargain when he no longer owned more than a small part of his former land holdings. Sofaras the system appeared in the fishing industry, fishing rights were held by individuals, associations and corporations. Only the owners of boats are regarded under Japanese Lew as "fishermen", and the laborers who work on the boats and do the actual fishing are in many cases Kobuns.

8. CIS/PSD stated that the system appeared in three manifestations insofar as its work was concerned: The gambling Oyabuns (Kashimoto), the Street-Stall Associations (Tekiya) and the Gangsters (Gurentai). PSD stated that the police are severely hampered by the fact that the Kobuns are often well armed, and because political pressure often prevented effective action on the part of the police. Furthermore, the police are involved, being paid off by the System. In many cases, the only way that the police can secure the arrest of a criminal suspected at large in an area controlled by a Oyabun is to ask the Oyabun to turn over the criminal. The detailed investigations made by PSD indicate that the Oyabun-Kobun System extends into

politics, controls blackmarket activities, controls the prices of every day commodities, controls the flow of goods through regular channels, and performs local government functions in the issuance of licenses and the collection of taxes. In addition to these functions the Gurentai terrorize a large portion of the population of the large cities who are engaged in the restaurant business and other public amusement enterprises.

9. Government Section stated that its information indicated extra-governmental controls are exercised by a number of "political Oyabun" upon the National Government, both in the Diet and in the Ministries, and also upon local governments. The investigations being made by the police, procurators and the Diet in the Ozu Case and the Seko Case are revealing the power possessed by these Oyabuns and, to some degree, the extent to which their influence existed. The information which Government Section had obtained tended to confirm the statements made by PSD and ESS/Anti-Trust and Cartels in particular.

III. Plans Adopted or Recommended:

It was agreed that the primary attack should be made against the illegal aspects of the Oyabun-Kobun System and that a secondary attack should be made against the other aspects of the System which had a legal basis but in which illegal activities were carried on.

A. Re: Illegal Basis:

1. Government Section proposes the following:

a. An amendment of the Election Law or proposed Political Parties Law regarding sources of contributions to prevent receipt of money from Oyabuns and from illegal sources; to probably provide that the use of such Oyabun-Kobun groups in electioneering will be illegal.

b. Proposal to the Japanese Government of the passage of a vagrancy law, in cooperation with CIS/PSD. This will enable the police to strike at more of the Kashimoto, Tekiya and Gurentai Kobuns.

c. Probable use of SCAPIN 548 to attempt to force the Oyabun-Kobun groups to register and possibly to dissolve their organizations as ultra-nationalistic societies.

d. Amendment of the Criminal Code to provide that the making of a false statement before a Diet Committee and the making of a false statement in writing before a government agency is a crime, thus giving power needed for investigation of activities of Oyabuns.

e. Pressure upon the Ministry of Justice to prosecute Oyabuns and Kobuns engaged in illegal activities without delay.

f. Cooperation with the Diet in attempts to clean out the political parties and eliminate the connections with underworld elements as well as carrying on full investigations concerning the connections which these underworld elements have with National legislature.

g. Probable promotion of legislation, in cooperation with ESS/Finance, to change the banking system to require banks to fingerprint depositors and require both a han and a character signature--to try and trace Oyabun accounts.

2. CIS/PSD will work with the police, attempting to force a dissolution of their connection with the illegal Oyabun-Kobun organizations and in their investigating and arresting the principal Oyabuns engaged in these illegal activities. Moreover, pressure will be put on the police to enforce the Blackmarket control regulations.

3. ESS/Price Control will also act to insure that the economic inspectors check compliance with the official prices of goods on the part of organizations controlled by the Oyabun-Kobun System.

4. ESS/Labor will act to insure compliance with the labor legislation already in effect or to be promulgated, so that illegal labor contracts and illegal conditions of employment engaged in by the Oyabuns will be prosecuted.

B. Re: Legal Basis but Illegal Activities:

The greater part of these activities fall under the general heading of unfair trade practices as such are of particular interest to Anti-Trust and Cartels.

1. ESS/Anti-Trust and Cartels will utilize the Anti-Trust Law and the Fair Trades Commission Law to prosecute or to insure that prosecution is made in cases involving unfair trade practices, and in breaking monopolistic organizations controlled by Oyabun-Kobun groups.

2. ESS/Industry will conduct a study of the types of contracting organizations with the objective of setting standards for desirable and undesirable organizations. Subsequently, qualifications will be established to be written into contracts for work for the Occupation Forces setting forth undesirable activities which will prevent the granting of contracts or cancel contracts where they are in existence. ESS/Industry will secure necessary information from all available sources.

3. ESS/Finance has already secured the promulgation on 12 Sept. 1947 of SCAPIN 1775, subject "Reduction of Governmental Expenditures". This Directive requires the Japanese Government to recognize, approve and use only legal prices in paying for goods, work done or services rendered, whether paid directly by the Japanese Government or indirectly as reimbursement or payment to contractors or manufacturers. Only legal prices will be used for materials required in production or activities demanded by the Occupation Forces. This is extended to wage payments to labor employed by the Japanese Government or engaged in work for the Occupation Forces under the supervision of the Japanese Government. In addition to this Directive, Finance Division is in the process of drafting legislation to prevent the Oyabun from collecting any type of national taxes.

4. ESS/Labor believes that final success with regard to the

labor Oyabun-Kobun System will be obtained when a majority of those workers now controlled by the Oyabun System are organized into regular trade unions. Therefore, action is directed toward that as an ultimate goal. A large scale publicity program will be carried out in cooperation with CI&E including denunciation of the Oyabun-Kobun System as archaic and undemocratic encouragement to other unions to organize this particular groupe of workers and stimulation of enforcement of laws which would make labor Oyabuns illegal. Further, the so-called "labor purge" has included a great many of the Oyabuns in its list and action will be taken to assure that the purge is carried out properly. Moreover, employment laws are now in the House of Representatives with provisions outlawing the labor supply business. In addition, the Labor Standards Law is in effect and provides a penalty of one to ten years imprisonment for forced labor. The Labor Standards Bureau, which has just been established, will put a large portion of their staff on the Oyabun-Kobun labor problems and will attempt to cover the country with a system of inspectors. Further, the assistance of the labor unions will be requested as a method of obtaining information on the blackmarket activities and other illegal activities of the Oyabun-Kobun labor groups.

5. Natural Resources Section has aided the drafting of a number of Bills pending in the Diet, which transfer fishing rights from the individuals, organizations, associations or corporations which at present own these rights, to individual fishermen. This will probably eliminate the possibilities of Oyabun-Kobun relationship in the field of fishing rights. This will be aided further by provisions prohibiting sub-leases. So far as agriculture is concerned, the Land Reform Legislation in existence will be aided by an extensive publicity program to be carried out through media of CI&E.

6. Government Section will act in cooperation with Public Safety Division to eliminate the police power of approving the licenses and assigning areas to the Street-Stall Associations (Tekiya). Moreover, the local tax system is in the process of amendment to forbid collection of taxes or public monies by non-governmental or private organizations of any kind. These two steps will remove the legal basis for the existence of the Tekiya. Coordination between the interested Divisions of Government Section and of ESS will be maintained.

C. In addition two other steps were decided upon:

I. A Coordinated publicity campaign to publicize the aspects of the Oyabun-Kobun system which are being attacked by the individual Staff Sections. In connection with this matter, Mr. Sullivan of CI&E will be contacted individually by the concerned divisions or Sections represented on the Sub-Committee by Friday the 26th of September. Mr. Sullivan will then prepare an overall plan. Possibility of requesting a press statement by the C-in-C or by Section Chiefs will be kept in mind.

2. The Secretariat ofthe Controls Coordinating Committee will be requested to act as a repository for memoranda dealing with the general subject of the Oyabun-Kobun System which are drafted by any of the Sections or Divisions of Sections represented on the Sub-Committee. This will insure the existence of a central source of all material dealing with actions undertaken in combating the Oyabun-Kobun System. In addition, the Secretariat will discuss with ESS/Research and Statistics the possibility of action on the part of Research and Statistics to aid the members of the Sub-Committee in research on particular matters involved in this problem.

HOWARD MEYERS
Courts and Law Division

Matters to be Investigated by the Supreme Court

1. Reference to three Judges in charge of Ozu Case:

a. Progress of public trials of that case and circumstances under which they rendered ruling to suspend the execution of detention of the accused.

b. Their understanding as to the connection between Ozu Case and the occupational policy of Allied Forces.

c. The question as to whether existed or not any facts doubtful of the fairness of their performance of duties in that case.

2. Reference to the Public Procurator in charge and Assistant-Chief Procurator of the District Public Procurators' office:

Circumstances under which the District Public Procurators' Office agreed upon the suspension of execution of detention.

3. Reference to the court clerk present at the trials:

Progress of public trials of Ozu Case and his view thereon.

4. Reference to Hitotsumatsu, Minister of Welfare:

a. His connection with Ozu.

b. Circumstances under which he was asked by Juige Hitotsumatsu about the above-mentioned connection.

5. Reference to Physician Nozaki:

Circumstances concerning the diagnosis on Ozu.

6. Reference to Physician Takagi:

Circumstances concerning the diagnosis on Ozu.

7. Reference to Lawyers, Moriyama and Kamijo:

Circumstances up to the release of Ozu after the application was made by them for his bail and for suspension of the execution of detention.

8. Reference to Kozaka, President of the Tokyo District Court:

Circumstances under which he gave advice to Juige Matsumoto in connection with the trials of Ozu case.

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