



The Yamaguchi-gumi (YG), Japan's largest organized crime group with over 100 years of history, split apart on 27 August 2015. Thirteen gangs split from the group, forming the Kobe Yamaguchi-gumi (KYG), based in Awaji, Hyogo prefecture. The move also coincided with the 10th anniversary of Shinobu Tsukasa's ascent to power as the head of the YG. The timing of the split was meant to be a slap in the face.

The KYG, headed by Kunio Inoue, is rising to challenge the YG and the organized crime establishment. Although many tabloids have predicted that the "the streets will run with blood," a minimal amount of violence has actually occurred that can be directly attributed to the split.

## The current yakuza landscape

According to the National Police Agency (NPA), the split left Japan's organized crime world divided into the following major groups: the Yamaguchi-gumi (Kobe) with 14,000 members, the Sumiyoshi-kai (Tokyo) with 7,300 members, the newly-formed Kobe Yamaguchi-gumi (Awaji) with 6,100 members, the Inagawa-kai (Tokyo) with 5,800 members, the Kyokuto-kai (Tokyo) with 1,400 members, the Matsuba-kai (Tokyo) with 1,400 members, the Dojin-kai (Fukuoka prefecture) with 1,000 members, and the Kudo-kai (Kitakyushu) with 800 members.

Yakuza organizations are not necessarily illegal. They exist as semi-legal entities with office buildings, corporate logos, their own internal newspapers, affiliated fan magazines, and comic books about their exploits. The Japanese police attempt to regulate and enforce laws designed to limit their activities.

Designated Organized Crime Groups (指定暴力團) are the most harshly regulated and subject to related laws, but there are also smaller yakuza groups that still operate without such restrictions.

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## The split: origins and implications

The YG split had been brewing for years, starting in August 2005, when Kenichi Shinoda, better known by his yakuza moniker Shinobu Tsukasa, took over as the 6th generation leader of the YG. Tsukasa had previously founded and headed the YG Kodo-kai faction, headquartered in Nagoya. The previous leader of the YG, Yoshinori Watanabe, was from the Yamaken-gumi faction, which was one of the more powerful factions. The Yamaken-gumi had a significant number of burakumin, who are members of Japan's former outcaste class. On the other hand, the Kodo-kai has a slightly larger Korean-Japanese makeup. However, when Tsukasa rose to power, he began to systematically weaken the Yamaken-gumi faction by breaking the group up, and promoting one of its largest factions, Kyokushin Rengo, to an independent status.

Resentment grew as Kodo-kai members began to take over most of the prime positions in the various committees at YG headquarters. Then, in 2008,

Tadamasa Goto, one of the most infamous yakuza in Japan and once the largest single shareholder of Japan Airlines, attempted a coup. The coup failed, and Goto was subsequently banished from the YG on 14 October 2008. The YG then banished ten other bosses of equal stature who had supported Goto. In the yakuza world this was called “The Goto Shock,” much like “The Lehman Shock” is used to refer to the financial world after Lehman Brothers collapsed.

Other reasons given for the split, besides resentment of the Kodo-kai’s monopoly on executive positions in the organization, are: 1) excessively high association (franchise) dues; 2) the directive forbidding the sale of drugs, which provides revenue for many lower echelon yakuza; 3) rumors that YG headquarters would be moved to Nagoya; and 4) the half-official announcement that Tsukasa’s successor would be Teruaki Takeuchi, the current leader of the Kodo-kai. Takeuchi’s proposed ascent to 7th generation leader was even recently blazoned on the cover of Jitsuwa Document, a monthly yakuza fanzine. The top position being held by yet another Kodo-kai member did not sit well with the other thirteen factions that split to create the KYG.

## Avoiding a gang war

Although battles and skirmishes between the factions have escalated to a violent frenzy over the last several months, the gang war itself is not actually heating up, but cooling down, especially when compared to the last YG split in June 1984, sparked by a dispute over who should be the 4th generation leader. The previous gang war claimed the lives of twenty-nine people and injured another seventy, including civilians. However, from 15 April to 31 May 2016, there was only one major skirmish directly connected to the current split. Times have changed, and what is not profitable is quickly eschewed by Japan’s organized crime syndicates. Gang wars are no longer good business.

Reasons attributed to the aforementioned cool-down have to do with the fact that organized crime groups in Japan are not outlawed but regulated. As an example, Japanese officials announced on 7 April 2016

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that the KYG would become the 22nd designated crime organization in Japan, enabling authorities to more easily crack down on the gang as it battles the YG. The National Public Safety Commission confirmed that the KYG meets the criteria under the anti-organized crime law for such a designation; these criteria include obtaining funds through force or the threat of violence, having a particular number of members with criminal records, and operating in a pyramid-like vertical structure under the control of a group leader. The Hyogo Safety Commission also announced the designation in Kanpo, the Japanese Government Gazette, on 15 April 2016.

Police and safety commission members completed the designation procedures for the KYG about seven months after its formation. In past cases it took authorities well over a year to designate a group a crime organization. An organized crime officer explained why it often takes so long to designate a group a crime organization by stating, “As long as they’re only killing and hurting each other, it makes our job easier. If we admitted there’s a gang war, it forces us to put more people on the streets and ironically we then have to protect the rival factions from the other rival factions. Who wants to be a yakuza babysitter?”

Although still a slow process, the KYG’s designation was accelerated due to the violent clashes across Japan between the YG and the KYG. Police can now more quickly arrest members of the KYG over such activities as extortion. Authorities can now also restrict the gang’s use of its offices if members are engaged in activities or conflicts that impair the peaceful lives of citizens. This is very important to law enforcement, as there have been numerous incidents of rival gangs throwing explosives at each other, ramming cars into offices, and even the violent murder of a gang boss.

Until the designation, the KYG held the tactical upper hand, mostly because they were able to move more freely as the new kids on the block. And because the YG was already on the blacklist, police could more quickly arrest members of the group for extortion and fraud. They could also issue orders to the YG to stop demanding money and goods and limit access to their offices – almost all yakuza groups have offices, with addresses often listed on the Internet. The current laws also allow the police to classify gangs with an even more odious label, “Especially Designated Dangerous Organized Crime Groups (EDDOCG).” This is most effective when a gang conflict occurs. As an

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example, this law allows the police to prohibit members from entering their offices or even arrest those coming to work.

Although the YG had a home court advantage, the establishment of the EDDOCG label meant that responding violently or systematically to attacks from the KYG brought the risk of having to vacate their spacious headquarters, or possibly even abandoning their deluxe resort facilities located in Mie prefecture, which are located close to where the recent G-7 Summit was held. YG associates were subsequently handed down strict orders to avoid any major conflicts until after the G-7 Summit concluded. The existence of semi-legal organized crime groups is an embarrassment for Japan, and embarrassing the Abe administration can only result in a stricter crackdown. KYG affiliates were handed down similar orders.

However, within a few days of the G-7 Summit ending, the second death possibly related to the gang war occurred. On Tuesday, 31 May 2016, in Okayama prefecture, a senior member of the KYG was killed. Tadashi Takagi, age 55, of the KYG Ikeda-gumi faction, was found dead at 9:50 a.m. He was lying face-down in the parking lot of the apartment building where he lived with his family, with gunshot wounds to his chest and abdomen. The Ikeda-gumi had only recently become affiliated with the KYG.

## Who controls the YG now and how do they make their money ?

The YG is controlled by the Kodo-kai, which is based in Nagoya and has cash coffers estimated at over USD 500 million. There is no question that the Kodo-kai faction is very wealthy. However, the Kodo-kai, of all the factions in the YG, is the most disliked by the police for several reasons. The general dislike by authorities of the YG has been attributed to why the police have tacitly supported the KYG, in the hopes that it will not just weaken the YG, but particularly the Kodo-kai.

According to Verdad, a monthly magazine, much of the YG’s money came from work related to the construction of Chubu International Airport, located south of the group’s headquarters in Nagoya. They also engage in racketeering, insider trading, financial fraud, blackmail, extortion, illegal gambling, loan-sharking, and the other staples of the yakuza world.

The YG is also known for having a huge share of the profits of Nagoya’s booming adult entertainment and sex industry. As an example, under the name “Blue Group,” the Kodo-kai received USD 6 million in loans from a close associate of an influential politician. The Blue Group affair is microcosm of the conflict between the police and the Kodo-kai, and also illustrates the strange bedfellows organized crime has in the political world.

The Blue Group was a tremendously successful sex shop chain centered in Nagoya, where the Kodo-kai also has their headquarters, and which began operating in the late 2000s. Sexual massage, oral sex, and almost any other sexual service that does not involve vaginal penetration can be legally bought and sold in Japan. However, the licensing of such establishments and the enforcement of the adult entertainment laws governing them is very haphazard. Police enforcement of the laws is also seemingly arbitrary.

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In order to keep operations running smoothly, Blue Group, began working with the Kodo-kai in 2010, subsequently making it a joint venture. However, like any venture business, it needed funding to get off the ground. Funding for the venture was provided by Masahiro Toyokawa, a cram school operator and known yakuza associate. According to reports in the Asahi Shimbun and other sources, he loaned the group over 6 million dollars.

The Kodo-kai and Blue Group subsequently used some of that money to obtain information on investigating detectives and threaten them. They also bribed police officers to obtain information on business rivals and possible raids. An employee of a private detective agency, who was hired by the Kodo-kai, was able to pay an employee at one of Japan’s largest telecommunications companies to obtain the telephone records of police officers. This did not sit

well with the police: when criminals threaten the cops or corrupt them, the response of the police is to push back hard. This is why in September 2009, when NPA Superintendent Takaharu Ando declared war on the yakuza, he didn't declare war on the YG, but specifically on the Kodo-kai faction. The NPA and most of Japan's law enforcement are thus quite happy to see the YG, and especially the Kodo-kai faction, weakened by the split.

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## Possible problems ahead

Although everything appears to be winding down, in April 2016, former YG Goto-gumi boss Tadamasa Goto returned to Japan for the first time in five years. He was responsible for the original failed coup, and his return to Japan has authorities wondering what is going to happen next. Tsukasa was the one that approved the dismissal of Goto in October of 2008 for insubordination and making a deal with the FBI, which consisted of providing organization secrets to law enforcement in exchange for receiving a visa to travel to the United States to undergo a liver transplant.

The bad blood doesn't stop there. In 2012 Tsukasa was incidentally sued for damages in a lawsuit against Goto. Goto was sued for the murder of a real estate agent by his subordinates. Although Goto alone eventually paid over USD one million to the victim's family and settled, no one likes to be accused of a murder they didn't sanction, even a yakuza boss.

The US Department of the Treasury doesn't consider Goto to be an ex-yakuza, noting, "Despite his retirement from mob life... Goto reportedly still associates with numerous gang-tainted companies that he utilizes to facilitate his legitimate and illicit business activities. He continues to support the YG and remnants of his semi-defunct Goto-gumi by laundering their funds between Japan and Cambodia."

According to the weekly magazine Friday (1 April 2016), Goto is estimated to have USD 100 million in

financial reserves. Warfare costs money, and USD 100 million can buy a lot of support. More worrisome is that when Goto was in his prime, the Goto-gumi was known as the military arm of the YG, with a propensity to attack civilians and use extreme violence, this according to an NPA report.

Goto is also friendly with Kunio Inoue, the head of the KYG. Many of the YG bosses who lost power in "The Goto Shock" have come back to power in the KYG as well. Goto himself, who left the YG with considerable wealth, is alleged to have provided financial and strategic support for the creation of the KYG.

Goto may be seventy-three years old, but he's in good shape, thanks to a great liver transplant surgeon at UCLA. And depending on what he does while back in Japan, the cold war may heat up again - as it appears to be doing.

## The future of the YG and the yakuza in Japan

Every yakuza group in Japan is allied with the YG or the KYG. Even the Sumiyoshi-kai has to declare allegiance to one side, and they appear to be leaning towards the KYG. However, gang wars are bad for business, and it's quite possible that a detente will be reached with all sides sharing in the money to be made in the real estate, construction, entertainment, and even the nuclear industries.

There is little doubt that the yakuza hope to secure a large piece of the construction projects for the 2020 Summer Olympics in Tokyo, and they certainly have a pipeline already in place. The vice-chairman of Japan's Olympic Committee has been photographed with Tsukasa. Another member of the Japan Olympic Committee was revealed in court documents last year to be closely associated with the leader of the Ohta Kogyo faction of the Yamaguchi-gumi.

The nuclear industry is also dependent on organized crime to provide laborers for cleaning up the disaster in Fukushima and to assist with putting power plants back in operation. This has been attributed to why the Japanese government declines to conduct background checks on workers or their dispatchers associated with the cleanup. Officials have admitted as much on the record.

As long as Japan needs to prepare for the Olympics and continues to run nuclear power plants there is little chance the yakuza will be completely stamped out. They are considered a necessary evil and are part of the cost of doing business in Japan. The YG split has mostly resulted in corporations and individuals having to choose which side to pay off, and in some cases they are paying off both sides. The split may be a restructuring of the yakuza world, and there may be bloodshed, but the current future outlook is that it will be business as usual.

*Note: This report was compiled from news articles in English and Japanese and from primary sources. For more information, please see the National Police Agency Special Report on Organized Crime Groups and Countermeasures (組織犯罪対策の歩みと展望).*

*This handout is a reprint of an article originally released in July 2016, and might not capture all relevant developments to date.*

## Further information

If you would like more information relating to the yakuza or Japan in general, please do not hesitate to contact us.

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