

# JAPANESE ANTI-SOCIAL FORCES – THE BORYOKUDAN

BY BC TAN

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## INTRODUCTION

The Boryokudan has been identified as a major financial and regulatory risk topic in the Asia Pacific region and at times even beyond. This paper takes a look at its history, the infrastructure and some of the groups' methodologies.

## WHAT'S IN A NAME

It is important to clarify the three terminologies used: the Yakuza, the Boryokudan and Anti-Social Forces (ASF).

**Yakuza:** The name Yakuza comes from a combination of three numbers: 8, 9 and 3, which is the worst hand you could possibly have in this traditional Japanese card game – an association of their pseudohistorical origins as roaming collective of individuals who operated gambling operations.

**Boryokudan:** The term originates from the Anti-Organized Crime Law that was introduced in 1991 and finally enacted in 1992. The "Boryokudan" which is directly translated as the "violent one" is used to describe the Yakuza Collective, and is used as a descriptor within a criminal prosecution.

**Anti-Social Forces:** The term ASF is largely used in a civil litigation context. There are parallel laws within the criminal and civil law streams that target the Boryokudan.

To minimize confusion, this article will use "Boryokudan" as the default term.

## HISTORY

The Boryokudan have a fairly long and colourful history in Japan. Originally illegal gambling operators they are usually individuals from the underprivileged or lower social caste in Japan, or residents of either Korean origins or the outlying islands around Japan.

Although the Boryokudan is essentially outlawed; it has over time developed a quite unique relationship with the Japanese society. It has been in history used to quell civil unrest and maintain social order; sometimes through violent means. More recently, businesses have increasingly used the Boryokudan to achieve commercial objectives, such as debt collection, by using its power to intimidate, extort or to influence decisions.

## BORYOKUDAN INCOME SOURCES

### Narcotics

Japan remains one of the biggest markets for methamphetamines which are imported. China and other countries within the region, including the Philippines, have become major manufacturing hubs for methamphetamine and other Amphetamine Type Stimulants (ATS).

### Gambling and Bookmaking

Gambling is illegal in Japan and so is bookmaking. However, with the use of high tech methods gambling operators have managed to circumvent regulations and continue to operate. There are other, less sophisticated, methods of bypassing regulations. For example, a Japanese amusement arcade game, Pachinko, has a gambling element.

Pachinko operates similarly to amusement arcades games which use tokens (ball-bearings in Pachinko) in exchange for attempts at a particular game and in the same way successful attempts are rewarded in tokens which can be exchanged for prizes, not cash. The prizes, everyday items such as soft toys, soap, cigarettes, lighters can then be exchanged for cash at a shop nearby. These exchange stores are managed by wholesalers who consolidate the prizes and then eventually sell them back to the Pachinko operators. This is a massive industry worth between US\$240 – 300 million annually. To put that into perspective that is even bigger than the auto industry in Japan. The Boryokudan do not have a monopoly in this industry but they are extensively involved.

### Protection Money

For the "promise" of security, significant sums of money are extracted from persons, businesses, communities, by the Boryokudan accompanied by an express or implied threat that its non-payment will bring great harm to the non-payer.

### Intervention/Arbitration in Civil Affairs

Traditionally, citizens and small businesses had very little access or avenues where they could seek recourse for business and civil disagreements. The Boryokudan –being part of the society –are often asked to arbitrate in situations of business conflict. When an agreement is reached they take a percentage of the settlement.



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Previously conducted extensive research on international terrorist financing networks that have been cited at several keynote addresses that included the International Institute for Strategic Studies - Shangri-La Dialogue, in addition to publications in Jane's Intelligence Review, the Consortium on Counter-Financing of Terrorism, the AML Magazine and the S. Rajaratnam School of International Studies. He contributes regularly to several Anti-Money Laundering and Security focused publications. He speaks regularly at a variety of workshops and conferences on these topics.

**Extortion**

They are involved in bid-rigging. Up until the 2000s, it was estimated that over one quarter of all public work was either directly involving the Boryokudan or requiring pay-offs to them. They were involved in labor brokering as recently as the Fukushima clean-up.

**Loan Sharking**

Lending money in exchange for its repayment at an interest rate that exceeds the percentage approved by law and who uses intimidating methods or threats of force in order to obtain repayment.

**The Sex Trade and Human Trafficking**

Sex workers originating regionally (Philippines, Thailand) as well as from further afield, the former Soviet Bloc, and increasingly Latin America. The sex trafficking trade overlaps with the narcotics trade pipeline.

**Legitimate Business**

When the Boryokudan Law was first enacted, in order to circumvent certain regulations; the groups had non-member associates register private entities. These companies which legally had no association to the Boryokudan were able to function as front companies for the Boryokudan. Leveraging the Boryokudan's substantial influence, many of these 'front' companies went on to hold monopolies in industry sectors, such as waste disposal, labor brokering and most specifically the construction industry.

**SOCIAL ACCEPTANCE**

The Boryokudan exists in a unique grey area where, on the one hand, everyone acknowledges that they are significantly involved in organized crime and, on the other hand, they are accepted as part of society. A factor of this acceptance is their charitable and social work. In the 1995 Kobe earthquake, the Kobe-based Yamaguchi-Gumi, [one of the three largest national level groups within the Boryokudan] was on the ground providing humanitarian relief within hours of the disaster and before the official emergency crews reached the area.

**THE LEAD UP TO LEGISLATION**

The Japanese Economic Crisis at the beginning of the 1990s was a major turning point for the Boryokudan. During the Japanese economic boom in the 1980s, real estate developers hired Boryokudan members to convince home owners to sell their property, often at lower than market prices, which the developers would then redevelop for a sizable profit. Sometimes the Boryokudan adopted very violent means to achieve that goal.

The Boryokudan quickly realized exactly how lucrative that industry was, so began to cut out the middle man and invest in real estate deals. The investment capital was funded almost completely by bank loans.

Soon after reaching its peak in 1991 the real estate sector crashed and virtually every financial institution in Japan found itself exposed to huge amounts of debt. It was extraordinarily difficult to collect on these bad loans in and the collateral that was used against these loans couldn't cover the debt. There were even instances where Japanese bank executives trying to collect on these bad loans were attacked; intimidated and on several occasions murdered. It is important to clarify that the Boryokudan were not the only ones to invest in this way, big business also had significant participation. However, the Boryokudan became a very easy scapegoat, a poster child if you will of the 1991 economic disaster.

As a result of this financial collapse the Japanese Commissioner of Finance was forced to take action and allowed financial institutions to write off the bad loans. By 1997 over 20.5 trillion yen had been written off.

**NEGATIVE REACTION PROMPTS LEGISLATION**

Following the 1991 economic crisis and Japanese society's negative reaction against the Boryokudan organized crime legislation was introduced in Japan for the first time. This legislation was partly enacted in 1992 and additional measures were introduced over the years until 2007. That year marked the publication of the '*Guidelines for Business Enterprises to Prevent Damage by Anti-Social Forces*' or as it is more commonly known the Anti-Boryokudan Law. From 2008 not only financial institutions but all commercial entities were required to proactively guard against the Boryokudan.

A large portion of the Anti-Boryokudan Law was based on the US Racketeer Influenced and Corrupt Organizations Act, more commonly referred to as the US RICO Act. One major similarity between the Boryokudan Act and RICO is that the leaders of the group are criminally and civilly liable for activities and damages caused by its members. An important aspect of this legislation was that the National Public Safety Commission (NPSC) was able to designate Boryokudan Groups for a three year period. The NPSC also publishes an annual situation report on the Boryokudan. This report details the groups' crime trends and publishes the current year designation lists.



As part of World-Check's consistent effort to enhance our database, in 2008 we introduced the Japan National Police Agency keyword, specifically for designated Boryokudan Groups. In September 2012, the additional keywords JP-ASF, which stands for "Anti-Social Forces", was introduced. This keyword tags all Boryokudan groups, their leaders, members, affiliates and even all the business associates and front companies that we have managed to identify through research.

#### DESIGNATION AND WHAT IT MEANS

In 2012, there were 22 designated Boryokudan groups. This list includes the names of the groups that have been designated, along with the names of the corresponding leaders, and the addresses of the groups' registered head office. The designation is important because only through designation do certain aspects of the legislation become effective. When a group is designated, immediately they are not allowed to have any public display of their affiliation.

Traditionally, Boryokudan members had business cards; these cards indicate which group or clan they belong to. These cards can be highly influential in any negotiation, as the members of the clan would then use the name of their parent clan as leverage when making demands. When designated as a Boryokudan Group, it is immediately illegal to exploit membership of the group and this then prevents carrying out any business and demands using the group as leverage.

By designating a Boryokudan Group, government can prevent or minimize violence. If a designated Boryokudan group is seen to be linked to an increase in violent activities, or if two Boryokudan groups are engaged in an inter-gang war, the government has the authority to close offices, thereby preventing them operating in that region. They can also restrict or ban them from entering specific regions or neighborhoods.

Citizen or residential groups or committees also have recourse should the group's behaviour be causing a problem in their neighborhood as they are legally entitled to pursue civil litigation measures against the group.

A third and important instrument in the Anti-Boryokudan legislation is that the designated leaders of the Boryokudan Groups are both criminally and civilly liable for the criminal activities of their members. This means that a clan leader would be accountable for a crime committed by even one of its lowest members. As an example, Kenichi Shinoada, the current leader of single biggest Boryokudan group in Japan, the Yamaguchi, was sentenced to six years

imprisonment in 2004 for a weapon violation committed by one of his bodyguards.

#### THE GROUP STRUCTURE

It is also important to understand how the Boryokudan is structured. They are not unique in their structure; traditional organized crime groups that are closely linked to a specific region or ethnic group very often adopt the same hierarchical pyramid model.

In the 1980s up until the mid-1990s the smaller groups were absorbed by the three largest national level groups; the Yamaguchi, the Inigawa-kai and the Sumiyoshi, and today nearly all smaller Boryokudan groups exist under one of these three umbrella organizations. It's a tiered-structure, commonly consisting of four to five tiers. The lower tiers are expected to pay a monthly due which constitute the organizations running costs. These are used to pay for the offices, legal fees, for brothers or members that have been in trouble with law enforcements, maintenance fees for the families of members who are either incarcerated or have died due to violence, gifts for funerals and also to fund the organization's investments and business deals.

#### YAMAGUCHI-GUMI

The Yamaguchi is one of the oldest and most prominent groups and operates in virtually every region of Japan. The extent of their influence might not directly be that of the Yamaguchi but could be through regional or local Boryokudan groups that have subscribed to this umbrella organization. In 1992 when the Anti-Boryokudan Law was enacted the Yamaguchi was one of the first three groups to be designated by the NPSC. (The top three groups designated covered more than 70% of the entire Boryokudan population in Japan.) The Yamaguchi-Gumi and two of its leaders were designated by OFAC in February 2012.

They are alleged to be involved in virtually every facet of illegal activities in Japan. They are estimated to annually generate billions of dollars in illicit proceeds from drug trafficking, human trafficking, extortion, prostitution, fraud and money laundering. Leaders are chosen by a democratic process, they are nominated, elected, and they serve a term of office, until they are retired. The Kodo-kai is the most powerful clan under the Yamaguchi umbrella.

#### RECOGNIZING THE LEADERSHIP

It is fairly easy to identify and profile the senior leadership of the Boryokudan as they exist quite



openly in Japanese society, are to a large extent quite prominent public figures despite the increased legislation against them. There is even a sector of Japanese media that specifically covers the Boryokudan. The leaders can be seen openly attending shrines during religious holidays, or during leadership elections and funerals of other prominent organized crime figures; giving both the media and law enforcement the chance to actively watch and identify who is who. What is far more challenging is identifying the organizations' middle and lower ranks.

World-Check Risk Intelligence research adopts a network centric approach and use a very scientific and intensive process to identify the clans and the associated individuals. The Yamaguchi-Gumi is made up of many individual clans which we proactively track; our methodology allows us to focus on the ones that are more targeted by law enforcement. These clans do sometimes disband, become redundant or get absorbed into or join other collectives.

Tracking the connections to the clans is important, but it is also important to track individuals who have not been definitively identified as belonging to a specific clan. We take great care when identifying these individuals, to group them using criteria such as specific time, geography or the parent organization.

#### METHODOLOGY BEHIND OUR RESEARCH

For the Boryokudan/ASF dataset we obtained intelligence from more than 3000 unique and credible sources. These sources include government and law enforcement websites and reports, online media, academic journals and publications from international organizations, NGO's and international and national think tanks to name a few.

We process this information into usable and reliable intelligence through several key strengths:

- Our ability to research and gather intelligence in 60 plus languages.
- The leveraging of our language skills and our diversity which gives us the ability to understand and identify nuances such as country specific naming conventions.
- The expert collaboration between research teams throughout each step of our operational process, even with coverage in different languages.
- Our quality checking process which makes use of our in-house expertise across research hubs and specialized units ensuring that the data collected is accurately reflected on profiles.

Meticulous attention to detail and the identification of names in both English and local languages means that close to 90% of all of our World-Check profiles for the Boryokudan in Japan have at least one or more native script names.

#### REGIONAL AND GLOBAL

Although essentially Japan centric, it is important not to underestimate their international connections. They have been known to invest overseas where there is a large Japanese population, such as the West Coast of the US and Australia.

The Yakuza also has a history of association with Chinese organized crime, more specifically with crime groups from Taiwan - mainly as there are few restrictions placed on travel between Japan and Taiwan. They are not so inter-connected to organized crime on mainland China or Hong Kong. It is interesting to note that since the Anti Boryokudan legislation came into force, once convicted, members find it very difficult to operate within Japan and they will find another country to reside in. The Philippines, Taiwan and Thailand have appeared to be popular choices.

#### CASE STUDY: THE LOAN SHARK

Susumu Kajiyama was known as the biggest loan shark in Japan and he oversaw an army of loan sharks. He was arrested in August 2003 by Japanese authorities' for illegal money lending. He is understood to have sent his illicit proceeds to Switzerland via Hong Kong. He transferred these funds by using a compromised Japanese bank clerk thereby avoiding the transaction being flagged as irregular. After the initial investigation by the Japanese, the Swiss Federal Police counterparts continued investigations that resulted in CHF58.4 million frozen in a Swiss bank account.

In terms of the wider risk, what is interesting in Kajiyama's case is that the money laundering investigations preceded and prompted a far wider investigation into Kajiyama and revealed an associated network that imported firearms from the Philippines via Taiwan ultimately tied to a weapons for drugs deal. Any weapon brought in to Japan can be marked up as much as 600 times on the black market, so it is a very lucrative trade.



### CONCLUSION

Exposure to the Boryokudan carries the same high risk as any other transnational organized crime group, which operates in a symbiotic relationship with the regional economy.

In line with the 2007 Guidelines, all commercial entities that operate either in Japan or have dealings with Japan are required to proactively guard against the ASF. If an entity is even alleged to be connected to the Boryokudan it may well find its place on the front page of international newspapers and that in itself presents a significant reputational risk that is difficult to calculate.

*This Expert Talk has been adapted from the World-Check Webinar Series: "The Power Behind the Research," Japanese Anti-Social Forces – The Boryokudan" presented by BC Tan, Global Head of Organized Crime Research (OCRU) at World-Check in September 2012.*

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