

Return in D4 Remun  
 902-A-S/M Base, PH-2-22-42-1  
 RECEIVED ONI MAIL ROOM

UNITED STATES NAVAL INTELLIGENCE SERVICE JUN 9 PM 12 51

INVESTIGATION REPORT

CONFIDENTIAL

Subject: JAPANESE UNDERCOVER ORGANIZATION - 14th Naval District  
 Report made at: Honolulu, T. H. Date: May 15 1946  
 Report made by: Lieutenant Commander C. H. Coggins (MC) USN  
 Period covered: July, 1941 - May, 1942 Status of Case: Pending  
 Origin of Case: Plan inaugurated by DIO-14ND

Character of Investigation:

General investigation of espionage and internal security matters on the Island of Oahu, T. H.

Enclosures:

None

Copy to: ONI (3) Zone II (1)  
 LIND (2) Zone III (1)  
 12ND (2) Zone IV (1)  
 13ND (2) 14ND (4)  
 CinCPac (1) Com14 (1)

Source File No.: 14ND-UCA/McCarthy

ONI File No.:

Synopsis:

In July, 1941, the District Intelligence Office undertook the formation of an undercover group composed of American citizens of Japanese ancestry. By a careful, tedious process of selection, the organization has grown to 110 members, who in turn have their own special contacts who do not know of the existence of the undercover group. The group is supervised by an Agent of DIO-14ND, who works full time, using an office separate from the District Intelligence Office.

Methods of organization, indoctrination, training, and operations set forth in this report.

DEDUCTIONS:

As organized in 14ND, the Japanese undercover group has proved valuable in collecting information of value to DIO-14ND concerning the Japanese community on the Island of Oahu.

Approved:

CHC/wlc

I. H. MAYFIELD  
 Captain, U. S. Navy  
 District Intelligence Officer

DECLASSIFIED  
 Authority NND 883020

**CONFIDENTIAL**

J A P A N E S E

U N D E R C O V E R

O R G A N I Z A T I O N

DECLASSIFIED  
Authority ND 883020

CONFIDENTIAL

15 May, 1942

JAPANESE UNDERCOVER ORGANIZATION

H I S T O R I C A L

For many years the need for dependable sources of information selected from among the Japanese population has been recognized. The care and skill with which the Japanese have organized subversive networks demand a form of investigation radically different from methods routinely used. For more than six years, on the West Coast, efforts have been made to recruit Japanese undercover agents. Except for an occasional informant, these efforts have largely been unsuccessful.

Sometimes good prospects for undercover work have been found to be too intimate with Japanese espionage suspects to justify the risk of employment. The popular impression, which is common in the Service, that members of the Japanese race are deceitful, treacherous, and of uncertain loyalty, has also been a serious obstacle in the development of Japanese undercover agents.

During the past two years, however, as international tension increased and realization of our Intelligence deficiencies grew, renewed attempts have been made to recruit informants. These attempts have

JAPANESE UNDERCOVER ORGANIZATION

H I S T O R I C A L  
(continued)

largely consisted of appeals to the patriotism of American citizens of Japanese ancestry. These appeals have been directed to large groups of Nisei, such as the Young Japanese Citizens League, in the 11th, 12th, and 13th Naval Districts. These approaches were based upon the assumption that loyalty to the United States would be voluntarily demonstrated by the offering of information to the Government Intelligence services. Few, if any, Nisei came forward to volunteer.

Before condemning the Nisei, we should now analyze the possible causes for our lack of success: Perhaps the Y.J.C.L. groups had no information to offer, being so far Americanized that the subversive elements of the Japanese population refused to reveal to them any hint of anti-American sentiment or activities; it may be that the appeal made to the Nisei was not properly presented, nor sufficiently emphasized; it may be that the younger Japanese were restrained from offering their services by a sense of racial loyalty to the older groups; it may even have been the case that social and economic pressure was brought to bear by the older Japanese upon the younger element, which might otherwise have been favorably inclined. Whatever the reason, the fact remains that until the past year few, if any, Nisei chose to engage in

# JAPANESE UNDERCOVER ORGANIZATION

## H I S T O R I C A L (continued)

anti-Japanese counterespionage activities.

In July, 1941, with the prospect of war increasing rapidly, the District Intelligence Officer, 14th Naval District, made the first known serious effort to recruit undercover agents among the Nisei. The task was assigned to Agent Joseph P. McCarthy, whose success in the preliminary stages of organization resulted in his being assigned to this work as full-time Director in October, 1941.

## METHOD OF ORGANIZATION

Profiting by the experience of others on the West Coast, it was determined to employ different methods of approach. In the 14th Naval District citizens of Japanese ancestry are more closely associated throughout their lives with white Americans than in any other district. This fact enabled a few of the younger Japanese businessmen to be selected upon the basis of unqualified recommendations made by lifelong white associates. Investigations of these people were carried to an extreme of thoroughness. All possible information was obtained; a few who first were qualified assisted in the remaining investigations until finally a nucleus of one dozen

# JAPANESE UNDERCOVER ORGANIZATION

## METHOD OF ORGANIZATION (continued)

intelligent, loyal Nisei was assured.

So far as was humanly possible to determine, the loyalty of these men to the United States was beyond question. Moreover, they realized fully that in agreeing to assist the Government against others of their own race, they had taken a most important step and thereby had risked serious social and economic consequences if their activities became known. For this reason it was decided to allow this group to select other Nisei in whom they could repose perfect confidence. It was felt that they had a double reason to exercise care in the selection of their associates. This belief was confirmed by the precautions with which the original twelve conducted their numerical expansion. When their number had grown to twenty-five, this group was designated as a permanent Executive Council and allowed a large share in the further expansion and control of the organization.

After the Executive Council was formed, a list of four hundred names was submitted to the Council for study. This list had been culled from a master list of three thousand names and had been checked against the files of the District Intelligence Office, the local Federal Bureau of Investigation, and Military Intelligence.

JAPANESE UNDERCOVER ORGANIZATION

METHOD OF ORGANIZATION  
(continued)

Division, Hawaiian Department. Mimeographed copies were furnished each of the twenty-five members, who studied the list for a week and marked only the names of those in whose loyalty he had perfect confidence. When all twenty-five marked lists had been assembled it was found that this process of selection had yielded the names of eighty-five persons who shared the unanimous confidence of the Executive Council. These eighty-five names were used as a reservoir from which additional members might be drawn and the organization was thus gradually expanded to one hundred and ten. To safeguard their identity, each member was assigned a confidential number to be used in lieu of signature and name in all records and reports.

It was agreed at this time that no additional members would be recruited for the metropolitan area, except in extraordinary cases, unanimously approved by the entire organization.

For the purpose of affording comprehensive geographical coverage of the Island of Oahu, the Executive Council selected key men to represent the organization in outlying districts. The key men were elected to membership in the Council and were allowed to select from two to six assistants each. These assistants were appointed only

# JAPANESE UNDERCOVER ORGANIZATION

## METHOD OF ORGANIZATION (continued)

after investigation by the Office of Naval Intelligence and were not allowed to be associated with, or even to have knowledge of, the parent organization.

## INDOCTRINATION AND MORALE

Until the first dozen members had been selected, no discussions were held regarding the work which they were to do. It was felt that their loyalty was beyond question, but there still remained the delicate task of persuading them to work actively against other members of their own race. This task was accomplished by a conditioning process, consisting essentially of some half dozen informal, yet inspirational talks. The subject of these conversations was:

- (a) the logic of subversive enemy operations in Hawaii;
- (b) the character of modern all-out war, which includes civilians as well as the military;
- (c) the opportunity which this situation presented to the Nisei for patriotic service;
- (d) the permanent advantage which might be gained by the Nisei in sharing the task of solving the alien problem in Hawaii.

In these early talks special emphasis was laid upon the immense trust implied by their selection.



JAPANESE UNDERCOVER ORGANIZATION

INDOCTRINATION AND MORALE  
(continued)

This trust was further indicated by confiding to the group information which appeared to be highly confidential, but which was, in fact, obtainable from public sources. Continually stressed was the fact that active participation against any and all enemies of the United States, either within or without, is an essential characteristic of American citizens.

After the preliminary meetings the group was convinced what their proper course should be, but they still appeared to be reluctant to denounce any local suspect in the presence of a third person. This reluctance was recognized and overcome in a period of several weeks, during which each member of the nucleus group was given a weekly private interview, in which he could discuss possible suspects confidentially with the Director of the organization.

This method of winning the confidence of the members proved so successful that, at the end of several weeks, their timidity was overcome and they began to voluntarily discuss questionable Japanese individuals in open meeting. Eventually, gaining confidence from each other, this willingness to speak before other members of the group became general, and personal interviews for this

JAPANESE UNDERCOVER ORGANIZATION

INDOCTRINATION AND MORALE  
(continued)

purpose were no longer necessary.

The morale of the entire organization has been maintained at a high level. This is partly due to the character of the members, and partly due to the skill with which they have been handled. Much commendable effort can be traced to the fact that outstanding and consistent performances have been rewarded by selection to membership in the Executive Council. Such selection is regarded by all members as the highest honor to which they may aspire. Those who have been selected for such recognition have responded by really remarkable and unselfish devotion to duty. Upon election to the Council, each member is presented with a card identifying him as a voluntary assistant to the Office of Naval Intelligence. This card bears the signature, photograph, and fingerprint of the member. It is to be used only in the most extreme emergencies.

A very important contribution to the morale of the organization has been the manner in which each member has been treated by the white Director and his office staff. Each member is regarded as a fellow patriot and all relations are maintained upon a basis of social and economic equality which has yielded the finest possible returns in loyalty.

# JAPANESE UNDERCOVER ORGANIZATION

## T R A I N I N G

After the group had been persuaded to actively engage in counterespionage and after they had been fully indoctrinated in the necessity for loyalty, hard work and secrecy, the question of their training was considered. From casual conversations and increasingly frequent personal contacts, it became obvious that these men needed the most extensive and thorough instruction.

It has sometimes been thought, by those unfamiliar with the Nisei, that they should be able to present, without effort, immediate evidence of illegal activity on the part of the Japanese. This assumption is based upon the vague notion that what one Japanese knows they all know. A little thought, however, will disclose that loyal Nisei cannot have definite evidence at hand to report to the authorities. The very fact that these men were highly selected from among the most loyal and patriotic citizens of Hawaii precludes the possibility of their having been in prior possession of information relating to espionage.

It has even been said, "If these men are really patriotic, why do they not point out the Japanese spies in the community?" Knowledge of illicit activity is no test of patriotism. If this were true, most of our

JAPANESE UNDERCOVER ORGANIZATION

T R A I N I N G  
(continued)

white collaborators would be found guilty of a lack of patriotism -- because so far as is known, none of them has ever been able to deliver to Intelligence full information concerning an enemy agent.

Inasmuch as the new recruits were innocent of all knowledge of enemy activity locally, it became necessary to provide them with the means by which enemy agents could be discovered from among members of their own race. This means consisted of a thorough education in basic intelligence studies, counterespionage, undercover work, etc. Although completely ignorant of such matters, they applied themselves to the prescribed courses of study, hereinafter described, with such interest and zeal as to gratify the most exacting instructor.

Training sessions were held for the Executive Council once each week in a secret office separate and apart from the District Intelligence Office. Twenty-six of these classes have been conducted to date.

The remaining members are divided into classes of twenty men, each headed by a member of the Executive Council. These classes meet every second week. Each of these groups has held thirteen sessions to date. All members are required to attend, and if their absence

# JAPANESE UNDERCOVER ORGANIZATION

## T R A I N I N G (continued)

is unavoidable they are required to attend the meeting of that class which meets on the following day.

In addition to the regular classroom instruction, each member of the organization is required to visit the undercover headquarters at least twice between each meeting to read written instructions, to review cases, to work on various projects, and for personal interviews with the Director. Here also they have the opportunity and responsibility for studying a series of written lectures, pamphlets and books pertaining to Intelligence work. For this purpose a library has been formed containing useful data which may contribute to the members' knowledge of the subject of counterespionage.

A permanent record is kept of the individual progress and course of studies completed by each member. The members know of this record and show a very great interest in making certain that the list of their own completed courses is carefully kept.

In the beginning, the members of this undercover unit were trained as observers or "listening posts", and no cases were assigned to them for investigation. During this period the office merely received information which they obtained on their own initiative. With

JAPANESE UNDERCOVER ORGANIZATION

T R A I N I N G  
(continued)

the growth of confidence in the members, however, actual assignments were made, and, at this date, the group has worked on approximately five hundred different Japanese suspect cases. In spite of this large number of known suspects who were revealed to this group, it should be recorded here that there is yet to be discovered a single instance of information leakage through the organization.

Lectures have been given on the following subjects:

1. Interrogations
2. Surveillances
3. Pretexts
4. Undercover Work (general)
5. Case Analysis
6. Report Writing
7. Analysis of Japanese Clubs and Associations
8. Analysis of Japanese Religious Sects
9. Hypothetical and Actual Cases of Espionage, Sabotage and Propaganda
10. Espionage Tactics
11. Modus Operandi of Japanese Espionage (local and national)
12. Modus Operandi of Japanese Espionage (China and D.E.I.)

# JAPANESE UNDERCOVER ORGANIZATION

## T R A I N I N G (continued)

13. Morale Building among Local Population
14. Operations of the Sampan Fleet
15. Japanese Propaganda
16. Japanese Psychology and Our Own Propaganda

In addition to the above lectures, many informal discussions have been held with the various subordinate groups in which the Director has endeavored to give to each member the benefit of his years of practical experience as an investigator.

In reviewing the training schedule of this group, it is apparent that the instruction which has been given to them compares very favorably with that received by the regular agents of the District Intelligence Office. Notwithstanding this fact, however, the members have been continuously reminded that they are essentially undercover agents and not investigators. Except in certain cases where information cannot be obtained by other Intelligence groups, they are encouraged to remain in their status of highly-trained and sensitive observers.

## JAPANESE UNDERCOVER ORGANIZATION

### O P E R A T I O N S

In actual operation, the wealth of knowledge possessed by the group often does away with the necessity for making a formal investigation. For example, the members of one group were shown the photograph of a Japanese. Within a few minutes and without moving from the room it was learned that this man had been a chauffeur for the Japanese Consul; also obtained were his name, his present address, his place of business, the name of his partner in business, his sister's name and her place of employment, his sweetheart's name and her place of employment. In addition to this, it was established positively that the subject was at times a procurer of women for the Consul in addition to being his chauffeur.

The success with which the group has conducted counterespionage activities is partly due to the great variety of professions which they represent. One young Nisei, a certified public accountant, in his normal role of investigator of statistical data, has turned in reports consistently higher in quality and accuracy than any others that have been seen. Another member, the head of an insurance agency, has used his profession as a pretext with which to probe into the depths of the personal



JAPANESE UNDERCOVER ORGANIZATIONO P E R A T I O N S  
(continued)

lives of likely suspects. Another insurance salesman, in the role of a war-risk insurance specialist, has made himself a specialist in the task of determining what others of the Japanese race think about the probable outcome of the war.

A doctor member devotes his time to special surveillance of other Japanese physicians in possession of inductotherm apparatus by which they might send radio signals to the enemy. One member, as an assistant foreman of Japanese stevedores, maintains constant surveillance over the waterfront and those individuals who may be expected to attempt sabotage.

One prominent Nisei banker takes full advantage of his unexcelled opportunity to maintain surveillance over the financial dealings of the subjects of investigation or suspicion. Another member, a newspaper reporter, immediately notifies the office of all information reaching his paper relating to internal security.

As previously stated, this organization has already handled and investigated approximately five hundred cases. In addition to this, they have submitted the names of more than two hundred people of Japanese ancestry whom they regard as worthy of further investigation.

JAPANESE UNDERCOVER ORGANIZATION

O P E R A T I O N S  
(continued)

To date there have been submitted to the District Intelligence Office from this group 985 memoranda containing information considered to be of interest and value to that office. These memoranda are based upon reports submitted by members of the organization, and each memorandum represents from two to six separate reports.

No better illustration of the aptitude shown by the members of this group can be given than in the steady improvement which has been noticed in the character of the reports submitted. The members have devoted themselves to the task of presenting perfectly-written reports, with the result that the reports are now submitted as received and are merely referred to in the memoranda presented to the District Intelligence Officer.

It must not be thought that the above accomplishments of the undercover group constitute their sole contribution to District Intelligence. Many thousands of man-hours have been spent in special tasks, in which the whole group joins and which they call "special projects". A list of these projects follows:

1. The indexing and translating of old copies of Japanese "Who's Who" gathered from alien attics.

JAPANESE UNDERCOVER ORGANIZATION

O P E R A T I O N S  
(continued)

2. The translation of many old newspaper articles, now known to be significant but formerly thought innocuous.
3. The card indexing of all adult male Japanese on the Island of Oahu and the evaluation of the patriotic sentiments of each of these.  
(For instance, this card indexing was accomplished by the group in four days without outside assistance. The evaluation has reached the number of twenty thousand to date and will eventually include nearly fifty thousand males. Each member of the entire organization is required to spend a number of hours per week in evaluating these names; he places his identification number on the back of the card in pencil, blue crayon or red crayon, depending upon whether he regards the subject as unknown, safe or dangerous. Eventually the number of red identification marks on the back of each card will be a valuable index to determine individuals requiring special investigation.)
4. Complete card indexing of Japanese directories.  
(These are cross-indexed against the above list.)
5. The collection of data for the publication of an analysis of the alien problem in Hawaii by the District Intelligence Office.

JAPANESE UNDERCOVER ORGANIZATION

O P E R A T I O N S  
(continued)

6. The formation of teams under special instruction for the purpose of interrogating prisoners of war.

(These teams have already done useful work in obtaining information under pretext of being friendly local visitors to Japanese prisoners of war.)

7. A constant and continuous effort on the part of each member to pacify and insure the loyalty of large sections of the Japanese population by means of direct and indirect contacts.

8. The study, analysis and classification of information, written in Japanese, which was found in large quantities at the headquarters of the United Japanese Society and the Japanese Chamber of Commerce.

## JAPANESE UNDERCOVER ORGANIZATION

### C O N C L U S I O N

It is felt very strongly that the Japanese Undercover Organization described above fills an important need in Domestic Intelligence activity. It is believed that work done by this unit is such as to encourage the organization of similar groups in other Districts, whenever possible.

To afford the Service full advantage of the experience gained in this District, it may be helpful to list a few rules for the guidance of officers entrusted with this responsibility. They are as follows:

1. You must believe in your Nisei before you can trust them, and you must trust them before they will trust you.
2. In order to retain interest and cooperation, every member must be kept actively at work.
3. Maintain personal contacts with each member.
4. The group must feel that by their efforts they are proving their Americanism.
5. Refer to your men as citizens or Nisei. Never refer to them as Japanese, and use the term "Jap" only with reference to the enemy.
6. The Director must be convinced of the value and importance of the work to be performed. The men cannot be convinced by one who does not believe. Enthusiasm is contagious.
7. Give each member full credit for the effort he makes. Such recognition is his chief incentive and reward.

JAPANESE UNDERCOVER ORGANIZATION

C O N C L U S I O N  
(continued)

8. Don't drive, lead. They respond to appeals for cooperation, but never to coercion, covert threats, or pressure of any kind.
9. Give your men credit for intelligence. They understand your psychology much better than you understand theirs.
10. Take a farsighted point of view. Your men are working for recognition and equal opportunity for their children and grandchildren.

CC