

**(Press release for overseas media)**

## Commentary regarding the Hakuodo incident

Tetsuya Kuroyabu

While news that symbolizes the current state of the Abe administration such as the controversial nationalistic school operator's cheap land deal in the Moritomo Gakuen incident, the Japan Maritime Self Defense Force's commissioning of the Kaga helicopter carrier, and the deployment of F35A stealth fighter jet receives the spotlight in the media, a story that surprisingly hasn't been covered extensively overseas is the close relationship between the media, as an advertising agency medium, and politics.

I first began covering Hakuodo in March 2016. A year has passed since then, and I decided to release the results of my coverage to foreign media.

Receiving a large amount of documents regarding dealings between Hakuodo and Aska Corporation (Headquarters: Fukuoka), a private company that is currently in dispute with Hakuodo. As I continued to study the documents, the second stage of the process involved obtaining additional documents regarding dealings with other ministries and government offices after requesting for disclosure of public information, and carefully examined the content.

Here I will be reporting Hakuodo's deplorable business activities to the foreign media. The reason why I wrote this press release for the foreign media was because I determined that they generally had a higher awareness as journalism companies as opposed to the Japanese media, which are dependent on advertising agencies. I would appreciate it if you could report the actual state of Japanese advertising agencies from your respective countries.

In this press release, I will first be reporting the biggest and most serious issue of the PR activities of the Cabinet Office, a central part of the Abe Cabinet, and Hakuodo. Suspicions of off-the-book funds have been begun to emerge. I then verified advertising transactions between Hakuodo and ministries and government offices, Aska Corporation, as well as local governments.

Finally, I touched on some inside stories of Hakuodo, such as their relationship with Class A war criminal Yoshio Kodama, considered Japan's most famous *kuromaku*, or behind-the-scenes power broker and the appointing of people connected to members of the Cabinet Office or through police connections.

## **1. What kinds of suspicions surround the Cabinet Office?**

Through covering newspaper companies and newspaper journalism, I have also periodically carried out investigative work on government public relations. One of the specific methods is to obtain and study documents regarding government public relations by requesting the disclosure of public information.

In August 2016, I used this method to obtain approximately 900 pages of documents regarding government public relations from the Cabinet Office. These documents consisted of contracts and invoices related to the production, publishing, TV and commercial production, and broadcasts sent by advertising agencies to the Cabinet Office. I also requested that any written estimates be disclosed, but learned that none existed.

So, I continued my investigative work with my primary focus on the contracts and invoices. Specifically, I investigated whether the contract values were consistent with the billing amounts, and if the production and publishing fees of the newspaper advertisement productions and the production and broadcast fees of TV commercials were appropriate and if business was conducted as per the contracts. As a result, I discovered various suspicions with a series of contracts and invoices.

These contracts and invoices were for a project named "Public relations activities of individual advertising themes based on government public relations brand concepts". The contract of this project was signed on April 1, 2015.

What drew my attention to this contract was that even though the contract value was approximately 67 million yen, the total claims indicated that just the costs of the newspaper advertisements alone exceeded 2 billion yen.

When I contacted the Cabinet Office regarding this fact, I received the following explanation.

The contract value was the planned costs (projected costs) required to advance the project, and the contract was arranged so that the PR activities could be ordered separately according to circumstances. That was why the invoice largely exceeded 67 million yen, which was stipulated as the contract value. They claimed that they used this method because with publishing government advertisements you cannot predict what will happen in the future due to changes in the social situations, and you could let an opportunity slip by getting an estimate and then placing orders.

To support the Cabinet Office's explanation, the following description could be found below the contract value of approximately 67 million yen that was written on the contract.

“ • Contract unit price: As listed on the separate contract unit price breakdown (consumption tax excluded)”

From reading this description, you may think that the unit price setting is the same as the breakdown of the 67 million contract value. However, according to the explanation from the Cabinet Office, in the event that newspaper advertisements are published that aren't included in the breakdown, a system was put in place to set the price (unit price) per article row for each newspaper company in advance, determine the prices according to the published advertising spaces (number of rows), and have Hakuodo issue an invoice with the total amount from all of the companies as the billing amount. The system lets them order production and broadcasts without issuing written estimates not only for newspaper advertisements, but also for TV commercials.

This system was introduced during the 2012 fiscal year. As a result, the national budget for the media has continued to rise steadily. From the documents that record the actual expenditures of the national budget (government business review sheets), the advertising-related sum from the Cabinet Office are as follows.

(Noda Administration) FY 2012: 3.8883 billion yen

(Abe Administration) FY 2013: 4.717 billion yen

(Abe Administration) FY 2014: 5.837 billion yen

(Abe Administration) FY 2015: 6.086 billion yen

I thought that making expenditures from the national budget without even getting a written estimate was a major issue, and asked the Cabinet Office whether they were using a different reasonable method. Shockingly, they replied that they provide instructions “verbally and through memos”. The national budget, which must be managed strictly, was actually being managed only “verbally and through memos”, and as a result made expenditures at only the Cabinet Office’s discretion, if you look at the 2015 fiscal year as an example, the orders for newspaper advertisements made to Hakuhodo alone exceeded 2 billion yen. You cannot place too much confidence in this fact.

Based on my investigations, various suspicions arose under the “Public relations activities of individual advertising themes based on government public relations brand concepts” project. Below, I will be explaining the specifics of the suspicions in order.

## **2. Slush fund suspicions of the “initiative costs”**

First, there is the question of what the “initiative costs” that are written on the contracts as the contract value are. I will clarify all of the facts using the 67 million yen initiative costs from the 2015 fiscal year as an example.

According to the Cabinet Office, the breakdown of the initiative costs are written under “5. Business Content” in the contract specifications. According to it, the majority of the costs go the provision of “intellectual labor” (including seminars for Cabinet Office employees). However, work “deliverables (materials)” are issued for the following three points.

30-second YouTube videos x 2

Newsletters x 21

Production of Facebook and Twitter content

Of these, the fees required for (1) should be, based on my own estimations, no more than 1 million yen. (2) should be around 500,000 yen.

As for (3), even though this was claimed as “deliverables” in the requested disclosed information, it was confirmed that it did not exist.

(1) and (2) were the deliverables of the disclosure decisions made by the Cabinet Office, but I didn't receive a reply regarding the handling of (3), and there are suspicions that the content was never produced. Regardless, it was billed without subtracting even one yen from the “initiative cost”.

In other words, the majority of the 67 million yen “initiative cost” was spent on intellectual labor, such as providing ideas and advice, and it goes without saying that the costs were exceptionally high. If the daily allowance was set to 100,000 yen per day and work was conducted for an entire year without rest, the total amount would only add up to 36.5 million yen. In reality, a daily allowance of 100,000 yen is inconceivable. What the initiative fees were spent on remains a huge question.

Incidentally, the initiative costs have increased by year as follows.

FY 2012: Approx. 39.8 million yen

FY 2013: Approx. 46.4 million yen

FY 2014: Approx. 66.7 million yen

FY 2015: Approx. 67 million yen

It is very unnatural that the value of intellectual labor is rising so excessively. Writer Ryu Homma, a former employee of Hakuhodo, provided me with the following response regarding the “initiative costs”.

“It isn't uncommon for the PR managers of the sponsors and the agencies to hold multiple meetings to set up the yearly advertising strategy. Most of the time, however, the costs are included in the “planning fees” in the costs for future commercials and events, and are not billed as a stand-alone “initiative cost”. Even for the “planning fees”, as long as there aren't any large-scale market studies conducted, the cost normally should not exceed 5 million yen.”

Suspensions of malpractice are inevitable for these types of national budget expenditures. With suspicions of the use of slush funds, I believe that it is necessary to clarify what the initiative costs were spent on.

### **3. The fact that the work stipulated in the specifications have not been fulfilled**

It goes without saying that the public works, which includes commissioning government public relation work to nongovernment civilians, must be conducted according to the details written in the contracts. However, with the “Public relations activities of individual advertising themes based on government public relations brand concepts” project, there are parts of the productions that haven't been conducted according to the “specifications” attached to the contract.

If you take the 2015 fiscal year as an example, the “specifications” attached to the contract features areas with the following details.

“Advertising copy under newspaper articles

- Black and white advertisement and four-color advertisement”
- Size and production number

○Broadsheet: All 15 rows x 2 (of them, one is a four-color advertisement)

All 10 rows x 2 (of them, one is a four-color advertisement)

However, after studying the “deliverables”, not one 15-row color advertisement was published. There were also no 10-row advertisements published as well. Furthermore, there was no record of “15-row color advertisement” or “10-row” listed on the specifications specified on each of the invoices.

As you can see the contract details are not being protected. The Cabinet Office should be responsible for explaining why the business isn't being conducted as stipulated by the contract. Of course there are cases where changes to the specifications cannot be avoided, but these are exceptional cases, and in their cases reconfirming the price and work content with a written estimate is the typical procedure.

#### **4. Division of roles of Dentsu and Hakuhodo**

There were also some puzzling points in the division of roles when producing newspaper advertisements.

Regularly, everything from the production to the distribution of the block copy is conducted by a single advertising agency. Naturally there are divisions of roles, but it is generally accepted within the advertising industry that they are limited to exceptional cases.

The reason why a single company normally handles everything from the production of the block copy to the advertisement distribution is due to the following situation. By distributing the advertisement block copies to each of the newspaper companies instead of producing the block copies, advertising agencies can gain large profits from the incurred margins. It is not possible to increase higher profits by producing block copies. With evolved IT and little bit of knowledge about design, the block copies can be produced by anyone. Even at the highest estimate, the total would be approximately 1 million yen. With a private company, this can be conducted for around 100,000 yen.

Under these circumstances, advertising agencies can gain higher profits with the margins from distributing the advertisement block copies than by producing the block copies.

However, with the “Public relations activities of individual advertising themes based on government public relations brand concepts” project, there are no less than seven cases where Dentsu produced the block copies.

For example in July 2015, a five-row advertisement regarding “the prevention of fraud against senior citizens” was published on 71 newspapers nationwide, but this was a case where Dentsu produced the block copies and Hakuhodo distributed them. The amount billed by Hakuhodo to the Cabinet Office was approximately 132 million yen. On the other hand, we have no idea what the block copy production costs billed by Dentsu to the Cabinet Office amounts to.

The reason why we don't know the amount is in the style of the invoice sent to the Cabinet Office by Dentsu. Dentsu rounds up the costs accrued from the block copy production and other works involving this advertisement (TV or radio commercials, Internet advertisement production fees, etc.) and invoices the total amount. That amount comes to approximately 88 million yen, but no details were provided. The reason why the details were disclosed was because Dentsu received the order based on the overall theme of “prevention of fraud against senior citizens”.

The fact that two advertising agencies are receiving orders for work with the same “prevention of fraud against senior citizens” theme is abnormal. On top of that, only a part of the block copy was produced by Dentsu.

Upon specifying that Dentsu produced the block copy of the newspaper advertisement distributed by Hakuhodo in the “Public relations activities of individual advertising themes based on government public relations brand concepts” project to the Cabinet Office, I requested that the production costs be disclosed. My request was denied, and the information remained undisclosed.

Thinking rationally, there is no way that Dentsu would hand over the block copies that they produced to Hakuhodo without any conditions. My way of seeing it is that the legitimate range of the block copy production costs shouldn't exceed 1 million yen, and if it does, the unreasonably high fees would have been paid to Dentsu.

Furthermore, there are suspicions that Dentsu produced the block copies and directly distributed them to each of the newspaper companies to receive profit margins. If this assumption is correct, it would mean that there were false invoices, or duplicate invoices sent by Hakuhodo. In order to find the truth about this issue, I believe that the amount of the block copy cost paid by the Cabinet Office to Dentsu must be made clear.



## **5. The format of the invoices is incomprehensible**

Several incomprehensible facts around the invoices issued by Hakuholdo. From what I investigated, I was able to confirm these facts from not only the Cabinet Office, but also most other government offices such as the Ministry of Defense and the Ministry of the Environment. First I will show the features of Hakuholdo's invoices and explain from there.

a) The invoices are made with Microsoft Excel, and they are not official Hakuholdo invoices. The official invoices used by Hakuholdo feature horizontal text and the company logo. I asked former Hakuholdo employee Ryu Homma about this and he confirmed, "this is not an official invoice".

Additionally, the Ministry of Defense used Microsoft Word to make theirs.

b) The date of issued is not on the invoice. I assume that the following reasons are why they are not included. The rule is that the national budget isn't carried over to the next fiscal year, so there is an arrangement where the funds left over from other fiscal years are paid to Hakuholdo. In that case, the predetermined prices set by the standard advertisement unit prices are ignored, and the payment amount is determined at the discretion of the Cabinet Office.

c) As stated in the preceding paragraph, the invoices do not contain a date, so it means that they were not created using regulation accounting systems.

Broadly speaking the invoices have features as mentioned above, there's no room for argument that they are markedly different from the norm. Normally, private companies, especially listed companies or their subsidiaries have rules about conducting accounting activities based on authorized accounting systems. The reason for this is because the construction of the "internal control system" within the company is required by the Financial Instruments and Exchange Law in order to prevent fraudulent accounting.

(Financial Instruments and Exchange Law Article 24-4-4)

(Abbreviated) A company which is required to submit Annual Securities Reports shall, if the Securities issued by the company are those listed in Article 24 or the company is otherwise required by a Cabinet Order, submit a report in which evaluation pursuant to the provisions of a Cabinet Office Ordinance is made with regard to its system specified by a Cabinet Office Ordinance as necessary for ensuring appropriateness of statements on finance and accounting and other information concerning the Corporate Group to which the company belongs and concerning the company (hereinafter referred to as an "Internal Control Report") to the Prime Minister together with an Annual Securities Report (or a Foreign Company Report in cases where Foreign Company Reports are submitted instead of Annual Securities Reports, etc. for each business year.

In addition to being obliged to report accurate accounting records, using an authorized accounting system is imperative. Simply put, these authorized accounting systems enable you to manage estimates, invoices, and delivery statements with the same document numbers with a computer. Paradoxically, if you did not use this kind of accounting system, you would be dealing with unofficial invoices to create a breeding ground for corruption and fraud by creating slush funds.

Hakuhodo is currently using invoices with missing document numbers, the fact that Hakuhodo's audit firm KPMG AZSA LLC missed this is a major issue. It's an unthinkable act. It is the responsibility of the audit firm to point out any improper accounting processing.

Another possibility is that Hakuhodo did not report the accounting of the Cabinet Office to the audit firm. In this case, it can be considered that the "income" taken from the Cabinet Office is being transferred to Hakuhodo's separate account.

Integrating estimates, invoices, and delivery statements with an authorized accounting system is a basic function. That is why common document numbers are imperative.

Hakuhodo's invoices do not even have these numbers contained on them. Written estimates do not exist. Just those facts make them subject to investigations by the Financial Services Agency, the Regional Taxation Bureau, and the Board of Audit, but as of now it hasn't been an issue.

## **6. Actual state of the appointment of public officials into the private sector**

The above points outline the suspicions that I have about the "Public relations activities of individual advertising themes based on government public relations brand concepts" project.

Next I will touch on the appointment of public officials to positions within Hakuhodo. Getting straight to the point, the truth is that there many people from the Cabinet Office and from the police department have been appointed to positions within Hakuhodo. The following is a list of people who have been appointed by Hakuhodo.

- Kazumichi Sakamoto (Deputy Vice-Minister) [Hakuhodo Adviser]
- Daisuke Takou (Public Relations Deputy Director to the Counselor/ Public Relations Strategy Officer) [Hakuhodo Adviser]
- Noboru Matsuda (Chief Director of the Supreme Public Prosecutors Office) [Hakuhodo DY Holdings Board of Directors]
- Shinichi Maekawa (Headmaster of the Osaka Prefectural Police Academy) [Hakuhodo Adviser]
- Masanori Hiruta (Chief Director of the Metropolitan Police area) [Hakuhodo DY Holdings adviser]

Of them, Daisuke Takou resigned from the position of Public Relations Deputy Director to the Counselor/ Public Relations Strategy Officer of the Cabinet Secretariat on March 31, 2014. On the following day, April 1, 2014, the contract for the “Public relations activities of individual advertising themes based on government public relations brand concepts” project was signed between Hakuhodo. One month later, on May 1, he was re-employed by Hakuhodo. In other words, he was involved in the processes leading up to the signing of the contract for the “Public relations activities of individual advertising themes based on government public relations brand concepts” project.

Touching on another topic, the large number of positions given to members of the police department is a sign that Hakuhodo requires forces that can help develop national policy propaganda strategies in order to maintain public order.

## **7. Postal service incident and Hakuhodo**

Up to this point, I have shared some of the suspicions that became apparent between the Cabinet Office and Hakuhodo. The following isn't connected to the current Diet questioning, but I will touch on the economic incidents caused by Hakuhodo and the “recklessness” in government offices, local governments, and private companies as a reference.

The period when Hakuhodo's criminal activities became public was around 2007, when Japan Post became privatized. Japan Post split up into four different companies in 2007, but during this period Hakuhodo obtained exclusive PR activity rights from these four companies. As a result, business activities worth approximately 20 billion yen per year was ordered to Hakuhodo. The Ministry of Internal Affairs and Communications has questioned this issue and after conducting investigations, have created their own reports. The following has been stated regarding the orders placed to Hakuhodo.

“Approximately 15.4 billion yen (approximately 80% of the total amount) from the group’s advertising expenses of approximately 19.2 billion yen (includes parts of contracts inherited from when they were a public company) after its privatization was paid to Hakuodo in 2007. Approximately 22.3 billion yen (approximately 90%) of the 24.7 billion yen was paid to Hakuodo in 2008 (Japan Post governance problem investigation committee report’s “attached sheet” validation study report from 2010).

Hakuodo’s approach of clients during these circumstances has been recorded into the Ministry of Internal Affairs and Communications’ reports.

Since then, Hakuodo has also been involved in a postal fraud case. The case was exposed by the Osaka district office in 2009, and revolved around using DM (direct mails) to send discount systems for people with disabilities to general corporations. One of the companies that acknowledged these illegal activities and continued their business activities was Hakuodo (Hakuodo Elg to be specific). The executives of Hakuodo Elg were also arrested.

## **8. Actual state of the Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, and Ministry of the Environment**

In addition to the Cabinet Office, unnatural national budget expenditures ordered to Hakuodo can be observed with other government offices as well. To summarize, unnaturally high billings have been issued by the Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, and Ministry of the Environment. As I will discuss later on, we also know that the Ministry of Internal Affairs and Communications “thinned out” notifications of the national census (newspaper advertisement).

As for the issue of the wasteful expenditure of the national budget, we know the following facts. For example, in the 2015 fiscal year, the Ministry of Education, Culture, Sports, Science and Technology ordered the production of the website for their exchange student promotion project to Hakuhodo for a total of 21 million yen.

After requesting the information regarding these deliverables to be disclosed, the produced website was fairly standard and consists of only 9 pages. On top of that, in the 2014 fiscal year, three websites were ordered to Hakuhodo, Hakuhodo Product, and puzzle inc. for a total of 15 million yen, 2 million yen, and 2 million yen, respectively.

The Ministry of Defense also paid a large amount of the national budget to Hakuhodo for the production of websites. For example in 2014, approximately 10 million yen was paid for the construction and maintenance of their homepage and mobile site. The next year, in 2015, approximately 10 million yen was paid out for the same reason.

With the Ministry of Defense's "Self-Defense Forces music festival" project, an excessive amount of the national budget was paid out to Hakuhodo. According to Wikipedia, the "Self-Defense Forces music festival" is a music concert held by members of the Self-Defense Forces band every November at Nippon Budokan.

The Ministry of Defense ordered the planning of the "Self-Defense Forces music festival" to Hakuhodo. The invoiced amount from Hakuhodo was approximately 29.99 million yen between 2009 and 2013, but in 2014 the amount increased to 38.99 million yen. In 2015, the amount further increased to 43.78 million yen.

Many projects related to the "Cool Biz" campaign have been issued by the Ministry of Defense, and the following is a list of major projects during the 2015 fiscal year.

1. 2015 CO2 Technology Assessment Promotion Business Consignment

Approx. 99 million yen

2. 2015 CO2 Reduction Action Promotion Business Consignment

225 million yen

### 3. 2015 Low Carbon Society Promotion Business Consignment

863 million yen

Guessing from the themes of 1-3, there doesn't seem to be a need to split them up and issue orders. Specifically, we have no idea what applications were paid for with the national budget. Even though I made a request to disclose this public information, the Ministry of Defense did not disclose the details of their written estimates.

There are many unclear issues with the expenditure of the national budget paid out to Hakuhodo, and on June 8, 2007, Yoshinori Suematsu of the Democratic Party touched on the issues of the Ministry of Defense paying out approximately 9 billion yen to Hakuhodo during a meeting with the foreign affairs committee. He raised the following questions.

Suematsu: How much, or how many contracts do you have with Hakuhodo on a yearly basis? I heard a figure of 2.7 billion yen, but is that true?

Minamigawa (Expert witness): This year, contracts totaling 2.7 billion yen have been signed with Hakuhodo.

Suematsu: I heard that 165 million yen was spent on advertising, but is this true?

Minamigawa (Expert witness): We are still finalizing the figures, but we believe that the total cost is 165 million yen, the same amount as the previous year.

Suematsu: This is my last question, but from two years ago until this year, close to 3 billion yen in contracts have been signed with Hakuhodo? (Abbreviated)

Minamigawa (Expert witness): We signed those contracts after opening the bidding and conducting our own external investigations.

Suspensions surrounding the PR projects linked to the national census issued by the Ministry of Defense to Hakuhodo have also come to light. Getting straight to the point, the “General planning related to advertisements for the 2015 national census” ordered from the Ministry of Defense to Hakuhodo in 2015 was not fulfilled according to the specifications stipulated in the contract. According to the specification sheet, the contract stipulates that 25 notifications (newspaper advertisements) would be published, but of them 13 of them were “thinned out” and only 12 were actually published.

According to the contract, Hakuhodo was obliged to publish 25 newspaper advertisements in the following five steps in the five major newspapers (Asahi, Yomiuri, Mainichi, Sankei, and Nikkei). The numbers inside the ( ) are the numbers listed in the contract.

- (2) Notification institution of the survey-related document distribution (From September 1 to 30, 2015)
- (3) Notification institution of the Internet response implementation (From September 1 to 16, 2015)
- (4) Survey promotion institution of Internet non-respondents (From September 17 to 20, 2015)
- (5) Response promotion period (From October 1 to 7, 2015)
- (6) Response promotion institution for non-respondents (From October 8 to 20, 2015)

The purpose of this project was to link stages (2) to (6) and publish notifications, and ask for citizens to provide their responses.

The directions from the “specification sheet” of the contract for the publishing period and published newspapers are as follows.

“Abovementioned To publish onto the five major newspapers during each of the periods between stages 7 (2) to (6).”



I used the reduced-sized edition of the five newspapers stored at the Library of Congress and investigated whether the notifications of the national census were published at each of the stage between (2) to (6). As a result, I found out that they were not published as stipulated in the contract. Only 12 notifications were published, while the other 13 were missing.

After confirming with Hakuodo about this issue, they acknowledged that only 12 notifications were published.

However, the total amount written in the contract was paid regardless.

## **9. Damages incurred by private companies**

Hakuodo has caused problems with private companies as well. Small and medium-sized companies were specifically hit with damages. After interviewing a Fukuoka-based mail-order company called ASCA Corporation, I discovered that the **broadcasting certificate** (certificate when conducting a broadcast) that is created automatically by a computer when broadcasting a TV commercial, was fabricated.

The document is a fabricated broadcast certificate made with Microsoft Word and Excel. We can see the areas where “mistakes” were made after fabricating the document.

First of all, the address is wrong. The actual address of the company is “2-7-4 Nishishinbashi, Minato-ku”, but in the document it reads “2-7-4 Minato-ku”, with the “Nishishinbashi” omitted. This same mistake is made repeatedly. If a broadcasting company did issue this certificate, this type of mistake would not be made.

The second mistake is that on the broadcast certificate, which is dated May 29, 2014, it states that the commercial was broadcast on May 30 and 31. There is a high possibility that this mistake was during the fabrication of the certificate.

The third mistake is that you can confirm the Windows pasting screen. The “—”, “□”, and “×” symbols are constantly displayed on the top right of the Windows screen, but the same symbols can be seen on the aforementioned broadcast certificate.

In the case of this company, many problems related to the broadcast certificates for TV commercials have been exposed. There have been over 1,500 cases where the 10-digit CM code (certificate that indicates that it was broadcast) that is automatically recorded by a computer when broadcasting a commercial was not displayed. Over half of those cases were from a satellite broadcasting station called Super Network, which Hakuhold owns 50% of.

Also, the “program proposals” submitted by Hakuhold to this company at all stages of the project when producing the commercials featured digits that did not match the audience ratings of Video Research. Hakuhold used this to buy up broadcast slots. With television, it is the norm to use the audience ratings calculated by Video Research.

Audience ratings can be divided into “personal” and “household”, but the difference in the “household” figures stand out in particular. The following is an actual example. (Both from 2007, numbers are percentages)

• Minomonta no Asa Zuba	Hakuhold proposal	3,3	Video Research	3,2
• Chichin Pui	“	8,9	“	7,0
• News 23	“	8,1	“	8,0
• Hirunandesu	“	14,1	“	11,1
• Aibo (Rebroadcast slot)	“	10,2	“	9,8
• Hiroshima Manten Mama	“	7,4	“	6,9

(Detailed data is stored in Excel by Kuroyabu.)

Is there a necessity to investigate whether the same methods used by regular citizens, such as thinning out TV commercials and selecting broadcast slots based on inaccurate audience rating displays aren’t used for TV commercials by the government. For TV commercials, the “deliverables” can only be confirmed by broadcasting stations, making it a possible hot bed for fraud.

When producing information magazines, it has been exposed that data of back issues have been duplicated against the terms of the contracts.

The following is an actual example. These two were published in different months, but almost identical layouts and photos were used for both. Even the advertising slogans are nearly the same. This violates the terms of the contracts, which stipulates that over 50% of the content must be changed.



Furthermore, this company has caused various business problems with Hakuholdo, and Hakuholdo was sued to reimburse a total of approximately 6.3 billion yen.

My concern is that there is a possibility that the same process is being conducted with public PR activities. Unfortunately, the investigation into TV commercials has not proceeded. It is a difficult issue to track, but looking at it paradoxically, it is a hotbed for fraud.

## 10. Damages to local governments

Countless problems involving Hakuholdo have arisen in local governments as well. Here, I will be reporting the cases of Morioka, Iwate Prefecture, Otsuchi, Iwate Prefecture, and Yokohama.

An incident was exposed involving a male employee from Tohoku Hakuhodo who served as the chief supervisor of “Aiina”, a multi-use cultural and activities center located in Morioka, Iwate Prefecture, padding the number of visitors and reporting them. The method of padding the number of visitors involved counting several members of the part-time staff and having them enter and exit the 3<sup>rd</sup> floor entrance. “Padding the number of visitors by 2,380 over four years” “The prefecture recommended to the group to improve their business. This year’s administrative expenses were decreased by 1.88 million yen” (Mainichi Shimbun March 24, 2016)

In December 2015, Hakuhodo caused a scandal in the city of Otsuchi, also located in Iwate Prefecture. Otsuchi, which took major damage from the earthquake, commissioned to create records of the Great East Japan Earthquake to Hakuhodo. However, “when confirming the content in July, the records only showed a list of data regarding the damage situation, and as an official record for conveying the horrors of the earthquake, it was incomplete. So, the deadline was extended to the end of November. In September, it was found that a portion of the records were copied from separate recording magazines issued by the prefecture without permission” (Sankei Shimbun December 8, 2015). As a result, the city of Otsuchi terminated their contract with Tohoku Hakuhodo.

The most typical example of Hakuhodo treating local governments unfairly was during the exhibition titled “A Grand Exposition for Yokohama’s 150<sup>th</sup> year”, which was held in Yokohama between April 28 to September 27, 2009. The event was organized by the “Association for the 150th Anniversary of the Opening of the Port of Yokohama”, and was held in Yokohama and other areas of Kanagawa Prefecture.

A businessman named Yukio Fujiki, who was backed by Chief Cabinet Secretary Yoshihide Suga and former Yokohama mayor Hiroshi Nakada, was chosen as one of the principle organizers. He is also involved in the acquisition of concessions for the project of bringing casinos to Yokohama.

This exhibition was originally set up with the goal of achieving 5 million paid visitors, but only 1.23 million visitors gathered at the event. As a result, the organizers racked up a huge amount of debt. Naturally, outstanding payments occurred. This triggered six dispute cases that had to be intervened in court.

The contract value between the organizers and Hakuholdo JV equaled approximately 6.19 billion yen. However, approximately 3.4 billion yen was unpaid, causing another dispute.

Furthermore, the question of whether the exhibition had a value of 6.1 billion yen became a major issue at the Yokohama City Council. The presentation held by Hakuholdo during the planning stages was impressive, but the actual event did not meet the expectations and became a major issue.

## **11. Relationship between Hakuholdo and Yoshio Kodama**

When investigating Hakuholdo's problems, one issue that is easily forgotten is their relationship with extreme right-wing forces. This relationship has existed from the past, with Chairman Kaoru Suzuki of right-wing group Nippon Kodo-kai and Kyoko Nakayama, leader of the Party for Japanese Kokoro, belonging on the Hakuholdo Foundation Grant for Child Education, which is the largest stakeholder of Hakuholdo DY Holdings (18.7%).

However, their relationship with the right wing was not something that was established in recent years. Their relationship with Yoshio Kodama, considered a major right wing figure has also become clear.

I'll discuss this later, but the appointing of members of the Cabinet Office and police department to public positions also began around 1975, when Kodama first established connections with Hakuholdo.

Born in 1911, Kodama passed away in 1984. As a Japanese right wing activist and political fixer, it is said that he had close relationships with Nobusuke Kishi, the grandfather of Prime Minister Shinzo Abe. He also acknowledged that he was an agent for the CIA. It isn't an exaggeration to say that he was the mastermind of Japan.

There is a popular phrase "Merchants of Death", and Kodama was not an exception. After opening a store called the Kodama Institution in Shanghai during the Sino-Japanese War, he obtained exclusive rights to deliver strategic goods to the Naval Air Headquarters and made his fortune. There are also reports that he sold heroin to Japan.

After the war, he was arrested by the GHQ as a Class A war criminal in 1946. The link between Kodama and post-war politics was he allegedly provided funds from Kodama Institute to the Japan Democratic Party when it was formed. As a result, Kodama was able to carve out a special position among the powerful right wing activists in Japan.

For example, he served as the leader of the *Zennippon Aikokusha Dantai Kaigi* (or the National Conference of Patriotic Associations) and organized the Youth Ideology Program. The National Conference of Patriotic Associations was embedded in history as a drastic extreme right-wing force.

The most infamous case in Kodama's life was the Lockheed bribery scandals. This scandal encompassed a series of bribes and contributions made by officials of U.S. aerospace company Lockheed from the late 1950s to the 1970s in the process of negotiating the sale of aircraft. Kodama was hired as a secret consultant for Lockheed in 1958, working behind the scenes to push the Japanese government to use Lockheed's P-3C jet fighters.

It goes without saying that Kodama was a major investigation target during the Lockheed bribery scandals. There were plans made for the examination of Kodama at the Diet. However, he fell ill before they started, causing the examination to be canceled. He was indicted for violations of the Foreign Exchange Law and tax evasion, but the trial was cut short in 1984 due to his illness.

The prosecutor who was assigned to the case was Noboru Matsuda, who was later provided a position at Hakuodo.

When investigating the relationship between Hakuodo and Kodama, one thing that you cannot ignore is the Hakuodo scandal. This scandal involved Vice President Junichi Fukui ousting President Yosuke Seki, the third-generation president and assuming his position on November 30, 1972.

According to reports by Nikkei Shimbun, Fukui established a dummy company called “Ado” using his own funds, purchased shares of Hakuholdo’s holding company “Shinwa” from Seki, and allocated new shares illegally to take control of 83.5% of its shares in order to privatize Hakuholdo. Shinwa “possessed 30% of shares issued by Hakuholdo”, and Hakuholdo was essentially placed under the control of Fukui. Later, Fukui was arrested and charged with breach of trust and fraud.

During this scandal, Komada follower and CEO of Todoroki Sangyo, Tsuneo Tachikawa came aboard onto “Shinwa”.

Shinwa later changed its name to Hakuholdo Consultants, and the circumstances at the time are depicted in a 1976 issue of “*Shukan Sankei*” as follows.

When “Shinwa” changed its name to “Hakuholdo Consultants” last July, the appointment of Tachikawa as director was seen as “Hakuholdo’s expansion” to control the Kodama family media.

Hakuholdo acknowledged their relationship with Kodama and left the following comment in “*Shukan Sankei*”.

”A lot has been said about the takeover of Hakuholdo and what Kodama was aiming to do, but this is all complete nonsense. The reason why Tachikawa was appointed as director of Hakuholdo Consultants was because I humbly asked him to. I wanted his opinions when doing business in the future, and that is why we appointed to the position. It is said that Kodama and Fukui had a close relationship, but in reality Kodama was one of hundreds of people who greeted him when he was appointed as president with a gift. I was there at the time as well.”  
(Ryuichiro Hirota, former director of Hakuholdo, former president of Hakuholdo Consultants – Job titles as of 1976)

If we borrow Hirota’s comments, Hakuholdo requested cooperation from Kodama. However, we aren't sure whether this is the truth or not.

Afterwards, former president Fukui was arrested, but Hakuhodo Consultants remained without changing its name. After Hakuhodo Consultants was Hibiya Communicate Consultants. The company was merged with Hakuhodo in 2001, but we can confirm the various names who are at the held of Hakuhodo today. For example, here are some of the names.

Hirokazu Toda (Hakuhodo CEO)

Kunihiko Sawada (Former Hakukodo executive vice-president – After being demoted, he is currently the executive vice-president of Hakuhodo DY Partners)

There is a need to investigate the link between the era when Kodama came aboard and present-day Hakuhodo, but at the least we can confirm the following important truth.

As I discussed previously, the appointment of Cabinet Office officials and members of the police department began during this era, and continues today. This system has remained for a long period of time.

## **12. The actual state of appointing officials to positions within Hakuhodo**

According to “*Gendai no Me*” (July 1975), the following people were given positions at Hakuhodo during the period of Kodama’s takeover.

- Ryosuke Matsumoto (Vice President) : Former vice-principal of the National Police Academy
- Akihiro Sato (Public Manager) : Counselor to the Cabinet Secretariat and Counselor to the Prime Minister's Office Public Relations Room
- Katsuya Chishima (Adviser) : Prime Minister's Office Public Relations Office



- Kishiro Ikeda (Public Headquarters Deputy Director) : Deputy Secretary of the Prime Minister's Secretariat

- Mitsuo Mori (President's Secretary) : Police Department Commissioner Secretary

- Ginichi Machida (Head of Special Headquarters CR) : Police Department Science Inspection Department Document Appraisal Manager

According to the personnel column written by Nikkei Shimbun, positions were also provided from the former Ministry of Treasure.

- Kondo Michitaka (President) : Director General of National Tax Administration Agency

- Isobe Ritsuo (President) : National Tax Agency Commissioner

After the two National Tax Agency commissioners retired, they were appointed as president of Hakuhodo.

The members who were appointed positions as of March 2017 are as follows.

- Kazumichi Sakamoto (Deputy Director-General) [Hakuhodo adviser]

- Daisuke Tabuchi (Assistant Director to the Counselor/ Public Relations Strategy Officer) [Hakuhodo adviser]

- Noboru Matsuda (Supreme Public Prosecutor) [Director of Hakuhodo DY Holdings]

- Shinichi Maekawa (Principal of Osaka Prefectural Police Department) [Hakuhodo adviser]

• Masanori Hiruta (Director of the Metropolitan Police Department) [Hakuhodo DY Holdings adviser]

It is still unclear why Noboru Matsuda, who was the prosecutor during the Lockheed bribery scandals was appointed a position at Hakuhodo. Regardless of the circumstances, the fact that the appointment of positions within Hakuhodo of members from Japanese central authority organizations such as the Cabinet Office and police department becoming institutionalized is a major issue. Especially in the case of the Cabinet Office, a huge amount of approximately 2.5 billion yen (2015 fiscal year) of the national budget being paid out for advertising expenses is extremely unusual.

(End)

(Responsibility for the wording of the article)

Contact: Tetsuya Kuroyabu

Tel: 048-464-1413

Email: xxmwg240@ybb.ne.jp

(Biography)

Freelance journalist.

Awarded the “Travel/Cultural Theme Award” at the 7<sup>th</sup> Nonfiction Asahi Journal Awards for “Overseas Expansion” in 1994.

Awarded the “Reporting Literary Prize” at the 3<sup>rd</sup> Weekly Friday Rupo Awards for “The Death of a Newspaper Scholar” in 1997. Awarded the JLNA Bronze Award for “Asking for Justice in Newspaper Journalism” (Rim Publishing Company).

Covers areas such as the media, electromagnetic wave pollution, social changes in Latin America, and educational issues.

Published books include “*Shimbun ga Abunai*”, *Houkai suru Shimbun*”, “and “*Rupo Denjiha ni Kurushimu Hitobito*”.