

# **Nagano Prefecture**

## **Investigation Group Report**

**A Focus On The Promotional Activities Aimed  
At Bringing The 1998 Winter Olympics To  
Nagano City.**

**22<sup>nd</sup> November 2005**

**ABSTRACT EDITION**

Investigation result abstract:

Please note: In this abstract, there is some unavoidable repetition of information in the sections that follow FINDING 1. For the sake of clarity, we have minimized the inclusion of excessive raw data.

**KEY FINDINGS:**

**FINDING 1:** The reasoning behind the disappearance of “inconvenient” accounting records.

The Investigation Group believes that Olympic Bid Invitation Committee accounting records were not disposed of because there was no need to preserve them, but were deliberately destroyed to hide a number of facts which might prove “inconvenient” to certain parties if they still existed.

The Investigation Group suggests the following reasons:

- a) During the period of activities promoting the bid for the Winter Olympics in Nagano, illegitimate and excessive level of hospitality were offered.
- b) Over the period of the Birmingham IOC General Conference, approximately ¥90,000,000 was unaccounted for.
- c) In the case of an audit request from citizens, it would become necessary to hide the facts outlined in a) and b) above.

The two parties most closely involved with these suspicious activities were the Nagano Prefectural administration of the time, and the Japan Olympic Committee (JOC). Before commencing detailed explanation of why accounting records were destroyed, it is necessary to first focus on the relationships between the three parties: the Olympic Bid Invitation Committee, Nagano Prefecture and the JOC.

In Nagano, after the Nagano Prefecture Winter Olympic Bid Preparation Committee (hereafter referred to as the Bid Preparation Committee) was formed in December 1985, systematic activities to promote the bid were carried out. The purpose of this committee was to coordinate with each local authority and choose suitable sites for construction of

Olympic facilities. Once this preparation stage of coordination and selection had been completed, the Nagano Winter Olympic Bid Invitation Committee, chaired by Mr. Tasuku Tsukada, Mayor of Nagano City, was formed in July 1986 in order to support Nagano's bid. In June 1988, the JOC determined that Nagano would be Japan's candidate city and government approval granted. Following this, a new bid committee was created in order to expand bid promotion activities from a national to an international level. This new committee, formed in October 1989, was also called the Nagano Winter Olympic Bid Invitation Committee, but was now headed by the governor at that time, Mr. Goro Yoshimura. Thus, in terms of Nagano Olympic bid promotion activities, there were two bid committees in existence, one focusing on national promotion and the other on international promotion. This investigation document will refer to the original bid committee as the Former Nagano Winter Olympic Bid Invitation Committee, and the newer committee as the Expanded Nagano Winter Olympic Bid Invitation Committee. The fact that Governor Yoshimura took the position at the head of this Expanded Nagano Winter Olympic Bid Invitation Committee strongly indicates the prefecture's enthusiasm for these promotion activities.

However, after Nagano City had been determined as national candidate site by the JOC, ahead of rival candidates Yamagata City, Morioka City and Asahikawa City, a representative of the Ministry of Finance clearly stated its concerns during discussions with Nagano City:

*"We would not go as far as saying that we are against the Olympics being held in Nagano in principle, but Japan is in the middle of a period of financial reconstruction at present, and it is essential not to damage financial recovery at this time. Therefore, central government cannot promise any special support, and strongly recommends that Nagano should be very careful to keep the overall size of the event within strict financial bounds. As an individual case, it is difficult to support."*

Despite this, Nagano Prefecture went ahead with its large-scale elaborate bid on an international level, in close co-operation with the JOC, perhaps thinking that this activity in itself would counter inflation. In order to discuss project planning, another committee, the Nagano Winter Olympic Bid Liaison Committee, hereafter referred to as the Bid Liaison Committee. This Bid Liaison Committee consisted of top-level representatives of Nagano Prefecture, Nagano City, the Olympic Bid Invitation Committee, Japan Sports Association and the JOC. The heads of these five

organisations formed this committee in August 1988. In reality this committee was the decision-making body determining essential policy.

Since the designated Olympic city was to be determined by a vote of 90 IOC (International Olympic Committee) members chosen within each country, under JOC direction, the target was to devise a strategy to build a strong international impression for Nagano's bid, despite the fact that at the time Nagano City was not well known internationally.

As a result, a number of bid promotional activities were carried out, as outlined below.

**a) Illegitimate and excessive level of hospitality (Ref Chapter 5,6)**

The Expanded Bid Committee's promotional activities clearly went way beyond the IOC code of ethics. The rules regarding hospitality and gifts offered to IOC representatives are clearly laid out- for example gifts given to one person should not exceed a value of \$200, and the type of hospitality and to whom it can be given is also strictly regulated. These rules should have been clearly understood by not only the JOC, but also the Bid Invitation Committee and Nagano Prefecture. Nevertheless, these rules were later flouted to an extent that invited international criticism. This Investigation Group has collected a range of information and records that show a number of instances where the IOC code of ethics was broken during the bid promotional activities, as outlined below:

Souvenir-related expense:

Approximate total ¥63,040,000. Even if you average this out over the 95 members of the IOC it averages out to ¥660,000 per person.

Entertaining related expense:

A clearly calculated total of ¥512,210,000. This comes to an average of close to ¥5,400,000 per IOC member.

**b) Approximately ¥90,000,000 unaccounted for over the period of the Birmingham IOC General Conference. (Ref Chapter 1-2)**

At the IOC conference in Birmingham, UK, during June 1991, the Expanded Bid Committee reported a figure of ¥364,050,000 as direct expenditure. Within this figure,

approximately ¥90,000,000 remains unaccounted for. Among the records found by the Investigation Group, the following two important sources of information came to light. The first is the copies of the expenditure records for 1991 for the Expanded Bid Promotion Committee, and the second is the bid activity accounting figures within the Bid Promotion Summary for the 97<sup>th</sup> Birmingham IOC Conference from 6<sup>th</sup>-16<sup>th</sup> June 1991.

By combining these two sources of information together, it is clear that Mr. Kazutani Yoshida, Secretary General of the Expanded Bid Committee, took ¥225,000,000 as a deposited expense budget for the Birmingham Conference. When he returned to Japan he brought back ¥135,000,000. Hence, the difference of approximately ¥90,000,000 was not returned, and the way it was used was not accounted for.

An expense budget as great as ¥10,000,000 is in itself is almost unimaginable, whether within Japan or overseas. Even if this level of expense budget could be justified, the money should have been transferred directly to the recipients' bank accounts from the Bid Invitation Committee. The Investigation Group therefore asked Mr. Kazutani Yoshida (the holder of the money) for an explanation of the usage of the money. He explained in outline as follows:

*“This ¥225,000,000 was a necessary resource for the Birmingham Conference. After the money was converted to dollar bills at the Hachijini Bank, it was divided between the members of the group before we left to keep within currency restrictions and also for safety. We were very nervous until we reached our destination in the UK.”*

And further:

*“At the hotel all the money was gathered together and one of our party who works for Hachijini Bank was asked to manage the money. When we returned to Japan, the remaining money was carried in the form of dollars, with a plan to exchange for yen when the exchange rates were favourable. As a result we were late settling the figures.”*

However, when Mr. Yoshida was asked who had been the recipients of money at the Birmingham IOC Conference, in fact the people or companies he named had already been paid from other transactions. On top of this, there are two further gaps in Mr. Yoshida's testimony. One concerns the amount of money taken to the UK. When the

Investigation Group questioned the aforementioned Hachijini Bank (82 Bank) worker, he stated that the amount he was managing was approximately \$10,000, a figure quite different from the ¥225,000,000 quoted earlier (at the time \$1,670,000). A second unusual issue is the way that Mr. Yoshida said that he carried the currency. At that time, in 1991, the amount of foreign currency that could be taken out of Japan was unlimited, so Mr. Yoshida did not need to carry the money in the way he described: *“it was divided between the members of the group before we left.....we were very nervous until we reached our destination.”*

The Investigation Group also checked the stories of some of Mr. Yoshida’s companions on the journey to the Birmingham IOC Conference. Nobody remembered having carried a share of the divided foreign currency. There is a possibility therefore, that a figure of as much as ¥225,000,000 did not even get out of the country in the first place. It is not clear at this point. What is certain, however, is that a figure of ¥90,000,000 remains unaccounted for, this being the difference between the cash sum initially taken out and that returned.

When the Investigation Group questioned Mr. Osamu Kegai, Deputy Governor of Nagano Prefecture at that time, he put forward a conflicting story:

*“At the ‘Request for Partial Report and Information’ explanatory session, held on January 12<sup>th</sup> 2005, I heard that ¥90,000,000 went missing, but it is clear to me that this money was used for lobbying and promotional activities, and simply there were no receipts. Therefore a phrase like ‘unaccounted for’ is not right, because it sounds like somebody stole it. You should explain that there was a lobbying cost of ¥90,000,000 without receipt.”*

Even if the money was spent for ‘lobbying and promotional activities’, it is clear that public money spent without receipt still amounts to no more than missing money. Mr. Kegai defined the misappropriated money as money that was simply used without record or receipt, but his definition is too narrow. Public money which goes missing without record or receipt can not be excused so glibly.

**c) The need to conceal details of unaccounted money and excessive hospitality from audit request by citizens.**

A citizens' group expressing doubts concerning the way money had been used by the Bid Committee in February 1991, requested that the prefecture made the documentation archives public. However, the promotional activities for the Olympics were not prefectural projects, and hence the prefecture's view was that the Bid Committee's documentation could not be freely viewed. The same citizen group then presented a Citizen Audit Request, which was dismissed by the prefectural auditor because time had passed beyond the prescribed one year limit and therefore the documentation would remain out of the public domain. If the prefectural auditor at the time had been doing a proper job, then questions regarding excessive hospitality and misuse of funds would have come up long ago. However, it can be assumed that the very fact that the auditor denied the request suggests an awareness of these issues. It can be suspected that the powers that be at top level within the prefectural headquarters at the time therefore decided that it was safer not to keep the accounting documents. In connection with this, the understanding that the Bid Invitation Committee was initially not seen as a prefectural body was later changed after one year. FINDING 5 is cast against this backdrop of far-fetched excuses.

**FINDING 2: The destruction of accounting record documents was the consequence of a conspiracy of silence.**

This failure of administration implicates workers at headquarters, members of the Board of Education who maintained a conspiracy of silence, apparently at the behest of Ex-Governor Yoshimura. The Investigation Group received the following testimony from a member of the Bid Committee at the time:

*“Such accounting documents probably included a great deal of IOC related secrets and personal information- it might lead to trouble if the documents were kept. Keeping document records is very important, but it made sense for the Governor to want the records destroyed. If the Governor wanted the records destroyed then nobody would try to keep them.”*

In this regard, the Investigation Group requested direct testimony from Ex-Governor Yoshimura. However, he demurred by letter: “I cannot see you for an interview.” No explanations or opposing viewpoints were offered.

At a Prefectural General Affairs Meeting on July 6<sup>th</sup> 1999, when congress members were questioned at headquarters were questioned about why accounting records were

destroyed, the response was:

*“The Olympic bid was successful as a result of the cooperation of various people. How to deal with confidential information, including that of foreign committee members, was discussed.”*

This matches with the previous testimony.

Mr. Junichi Yamaguchi, deputy manager of the Bid Committee, was also reported as saying at that time:

*“I asked the Board of Education, which had a duty to preserve documentary records. However, no answer was received.”*

The statements below lead the Investigation Group to believe that the accounting document records were indeed destroyed by the Prefectural Headquarters:

- 1) Even in the absence of concrete evidence of the ‘Governor’s directions’, there can be no doubt that workers at the Prefectural Headquarters at that time followed orders in line with the Governor’s thinking, and that the view prevailed that it was ‘better’ not to keep the accounting documents in order to avoid the potential for creating future difficulty for personnel in foreign countries.
- 2) On November 17<sup>th</sup> 1991, the Asahi Shinbun newspaper reported that the Olympic bid accounting documents relating to expenses of ¥1,900,000,000 would be burned as part of routine policy. No complaint was received about this.
- 3) When the Prefectural Board of Education was asked about its procedure regarding the preservation of accounting documents, the question was left unanswered. Perhaps it could have guessed the Governor’s intention.

It can be surmised that the accounting document records were destroyed at the behest of the Governor. The Prefectural Board of Education, which did nothing to fulfill its responsibility to preserve the accounting records, can justifiably be accused of a lack of management ability.

**FINDING 3:** In order to account for the missing money, the cost of making the VTR was

increased to ¥90,000,000 (Ref: chapter 2)

The missing figure of ¥90,000,000 referred to in FINDING 1b, had to be considered to have been spent on something, in order to balance the books.

The Mainichi Shinbun newspaper on February 3<sup>rd</sup> 1999 reported that ¥20,000,000 was spent on making promotional videos for the IOC Conference according to a private memo from the former headquarters of the Bid Committee. Mr. Kazutani Yoshida, ex-management chief of the Bid Committee told the newspaper:

*“It can be seen that there are no financial areas of doubt if this memo is correct.”*

However, after the Investigation Group looked more closely at the documentation, it became clear that the actual cost of making the VTR was supposed to be around ¥112,720,000. It appears that the figure given to the newspapers had been adjusted to account for the missing ¥90,000,000.

Thanks to the Mainichi Shinbun Newspaper report, the Investigation Group is able to conclude that the cost of making the promotion VTR was used to try and account for the missing ¥90,000,000.

**FINDING 4: The predetermined time-limit for retaining the accounting documentation records was not the end of March 1992, as had been officially reported. (Ref: Chapter 1)**

With reference to time-limits for the retention of accounting records, Ex-Governor Yoshimura stated in a reply to a question in Congress that this limit was set at the end of March 1992. However, this Investigation Group has to conclude that this was a false Statement, given that the accounting documentation was in fact destroyed after July 20<sup>th</sup> 1992, at the time of a petition for auditing by a citizen’s group. One reason behind this is that in a prefectural meeting on July 17<sup>th</sup> 1992 concerning this citizen’s group request, a new document entitled ‘Confidential Report: 97<sup>th</sup> IOC Birmingham Conference Bid Promotion Activities Summary’ was discussed. This document could not have been made without making reference to the accounting records, so they clearly still existed at this time.

In addition, the administrative audit held by prefectural committee members and

commencing on July 20<sup>th</sup> 1992 could not possibly have taken place without the accounting document records (not until the end of March 1992, as had been incorrectly stated in Congress). Therefore, these records must have been in existence at least until 20<sup>th</sup> July 1992, when a 'proper audit' began.

It was not possible for the Investigation Team to specify a clear reason why the time limit had been determined as being the end of March, but it is possible to guess that NAO (Nagano Winter Olympic Organisation Committee), which kept accounting records, had to move from Nagano City Hall to the Women's Centre at the end of March, and this might provide a convenient explanation, Because the new venue was too small to store all of the materials, as a result the accounting records were destroyed.

The accounting document records consisted of 90 B5 sized booklets, stored 6-7 a piece in 15 cardboard boxes at most. Because such 5 cardboard boxes can be stacked together to form a single pile, if the stack reached a 2.5 metre distance from floor to ceiling then a maximum 1 square metre of floor space would be taken up. The fact that significant amounts of other less important report papers, along with incidental promotional materials, remained undiscarded, makes the destruction of the most important records of the accounting of public money even more difficult to believe.

This story becomes even less credible when it is considered that for all of these accounting document records, there was an automatic duty that records be maintained for 5 years, according to the conditions under which the grant was given, as shown in the following section.

**FINDING 5:** In order to justify the dereliction of the duty of maintaining accounting document records, and to obscure the fact that the Prefecture failed to audit properly, an 'excuse culture' was developed to explain the discrepancies away. This 'excuse culture' has its roots in the ideology underlying the bid process as a whole. (Ref:Chapter 1)

Subsidy grants from the prefecture are one of the financial supports provided for the Bid Committee, as well as other grant-in-aid subsidies. The Expanded Nagano Winter Olympic Bid Invitation Committee received ¥601,000,000 (a total of ¥920,000,000 when included with the money received by the Former Nagano Winter Olympic Bid Invitation Committee). This was public money that was not intended for casual or careless use.

Most importantly there was a responsibility to explain how the money had been used. It was a matter of course that there would be a presentation of a full report after completion of the project, and that detailed documentary records proving all aspects of expenditure should be prepared and maintained for a period of five years. These were clearly obvious duties of responsibility assigned at the time the financial subsidy was made available. It would also seem obvious that it is necessary for a check on whether money allocated had been spent properly or not. One would expect the prefectural auditor to assume responsibility for ensuring parties who receive prefectural funding are checked appropriately in this way.

Ex-Governor Yoshimura and those at prefectural headquarters who stand accused of neglecting to maintain adequate documentary accounting records repeatedly offer the excuse that *'duty of maintenance if accounting records was not assigned'* and *'therefore the accounting records could be destroyed.'* When the prefectural auditor was asked the question 'Why did you not audit?', the auditor insisted that appropriate procedure had been followed because prefectural subsidy is *'out of the limit of audit.'*

The explanations offered by prefectural headquarters and the prefectural auditor consists of three stages:

- 1) According to prefectural grant-aid regulations, any subsidy from which the prefecture would not be expected to receive a profit should be checked and audited fully to ensure that the budget has been carried out properly. Subsidies which would lead to the prefecture receiving payment in return for services are out of the limit of these budget regulations.
- 2) The Olympic Bid Committee's activities is a prefectural project involving expense, but will bring payment in return.
- 3) Therefore, subsidies granted to the Olympic Bid Promotion Activity is beyond the limits required for budget execution, and in other words there is no duty for maintenance of records or prefectural auditing.

To put this thinking into perspective during a period of local autonomy within administrative divisions, general statements like the following indicate the attitudes and opinions at the time:

*'Judgement like the above is difficult from the point of view of subsidy administrative procedure.'*

Or

*'Basing payment in return for services is weak, and also goes against opinion.'*

Or

*'...rather than a prefectural project, it was a Nagano City project, wasn't it?'*

*'When archives were opened by public petition or request in the past, the prefecture has insisted that the bid promotional activity was not a prefectural project and so the prefecture does not possess statements of income or expenditure.'*

And

*'It is too simple to just say, 'Now it is a prefectural project!', just like that.'*

After all, the prefecture has ignored the importance of local autonomy and maintained a stance using the kind of excuses outlined above. However, there can be no doubt that the accounting documentation records could have been preserved if it had been desired. When the rights of citizens and taxpayers are considered, then the destruction of the records go against both logic and natural justice.

The Investigating Group concluded that it was impossible to see the logic in the excuses offered, or any justifiable reasoning behind the changed stance that the bid promotion activities, which one year before the destruction of the accounting records had not been seen at the time as being a prefectural project.

At the earliest stages of the petition to view the archived records, if the prefecture had been able to say clearly 'the bid activity, though formally a project organized by the Bid Promotion Committee, is to all intents and purposes a prefectural project.' And had also treated the procedures of auditing and expenditure as seriously as if this had been a prefectural project, then there would be no need to offer such flimsy excuses. This is an example of a case where a small fib given initially leads to much bigger lies later on.

With regard to these issues, the Investigation Group requested to interview Mr. Toshiaki Takahashi, Chief of the Prefectural Secretariat of Audit Commissioners. No response was received.

With regard to the public petition for audit previously referred to, the prefectural audit commissioners stated that:

*'Since the time limit of one year within which we can receive a petition for audit has already past, we are unable to entertain this request.'*

The citizens' group however, took the case to the Nagano Local Court, claiming that:

*'The subsidy, which was used for illegitimate bid promotion activities. Therefore, the money should be returned to the prefecture.'*

This suit brought by local inhabitants was rejected by a local court in Nagano and subsequently by the Tokyo Supreme Court on June 12<sup>th</sup> 1998.

**FINDING 6:** The prefecture reported to the Nagano local court that there was no such accounting documentation record. This does not match up to the facts. (Ref: Chapter 2)

When the citizens' group was in the process of gathering information for appeal, it requested through the court to check for the existence of accounting documentation records pertaining to the activities of the Bid Promotion Committee. The official prefectural response, which stated that accounting records had not been maintained, was signed with the governor's name. Thus the prefecture was stating officially that the accounting document records did not exist.

However, parts of the accounting document record, albeit in copy form, did exist. As a matter of fact, this Investigation Group has obtained the documentation and has it to hand. If the representatives of the prefecture at that time had chosen to be serious about searching, they would have been able to hand the information to the local court.

Therefore this Investigation Group can only conclude that the statement given by the prefecture at this time does not match the facts, and that there was never any intention to present this material to the court. It was apparently more 'convenient' if the accounting document records did not exist.

The previously mentioned citizens' group asked both the Governor and Mayor of Nagano for a statement regarding the destruction of the accounting document record at the

Nagano Local Court on April 5<sup>th</sup> 1994.

**FINDING 7:** The decision about the 'criminality' of this act was transferred to the national level, but in any case it should still be viewed as a criminal act(ref Chapter 2)

This case proceeded in the Nagano Local Court for about a year, but the charges were eventually dropped in March 1995. The apparent reason given at the time was that the activities of the Bid Promotion Committee, being 'non-public' ( i.e. not related to public facilities and other places where civil servants work). However, the fact of where the work takes place does not relate to document archives.

Representatives of prefectural headquarters mentioned repeatedly that the national legal decision had been concluded with the judgment that the subsidy expenditure and subsequent destruction of accounting documentation records of the activities of the Bid Promotion Committee had not been illegal. The fact that these charges were dropped forms a key pillar among the excuses offered by the prefecture.

Since a promise had been made that accounting documentation records would be maintained for 5 years, the contract between prefecture and the Bid Promotion Committee cannot be legal if the 5-year rule was subsequently ignored. This Investigation Group believes that is simply manipulation of the facts, and that the neglect of the 5-year rule constitutes a criminal act.

**FINDING 8:** The illegality of the contributions is factually true. (Ref: Chapter 3)

It has been stated that the total financial contribution towards the Nagano Olympics was ¥1,100,000,000. This figure had been included in a number of statements made by Ex-Governor Yoshimura at that time during briefings and in newspaper articles.

The whole sum, however, in reality should be considered as being ¥1,788,000,000 if the contributions to the Bid Promotion Committee since 1986 were calculated. ¥645,000,000 from this whole sum was put into the prefectural general account from where it was later expended as 'subsidy' to the Bid Promotion Committee, and consequently it cannot be identified as a contribution. In total therefore, the official total sum in reality amounts to some ¥1,143,000,000.

This figure could be raised even further since a further figure of ¥1,014,000,000 came from corporate donations contributed by various large companies from outside of the prefecture. It is sad that this financial trickery led to the total sum coming from our own prefectural citizens' donations to being reported as being a mere ¥129,000,000.

The reason that this sad state of affairs arose, was because of the financial sleight of hand of the prefecture, which took advantage of tax loopholes behind the scenes in order to maximize the collection of financial contributions. According to detailed explanations of tax law, the direct contributions from individuals to the Bid Promotion Committee could obtain a tax benefit. Even in the case of companies, tax-free benefits also have limits, and can only be applied to a small proportion of the total sum.

Therefore, if the company or individual makes a donation directly to the city or prefecture, 100% of this figure is tax-free. However, even if Nagano City or Nagano Prefecture specifically requested that donations be made this way, it would be unrealistic to expect all donors to go through this process. It is suspected that the prefecture took account of this and carried out what can be called in a sense 'forced' collection of donations.

However, since local authorities are by law not allowed to allocate donations directly, Nagano City and Nagano Prefectural authorities could not act openly in this regard, and hence 'Nagano Prefecture Sports Promotion Association' was formed as a front organization to receive and allocate the contributions from companies within Nagano. The Nagano Prefectural Sports Promotion Association was then directed to transfer funds directly to prefectural accounts. Contributions transferred into prefectural general accounts and then expended as subsidies to the Bid Promotion Committee. An unfortunate side-effect of this fiddling of the figures is that the genuine good-will contributions of individual citizens disappeared behind this smoke screen, and the figure reported was in fact even smaller than it actually was.

For money coming from companies and enterprises from outside of the prefecture, in the same way a brand new front organization was formed in order to process the donated monies, in this case, 'Nagano Olympic Invitation Financial Committee', which was able to take advantage of the tax-free status of the Japan Physical Education Association when it collected donations. Questionnaires distributed among donor companies by this Investigation Group, together with information from numerous individual citizens,

provide incontrovertible evidence that allocated contributions had been processed in this way.

The prefecture had set out various expected fund allocations to at least 5,000 cases in cities, towns and villages all over the prefecture. The prefecture formed the Nagano Prefectural Sports Promotion Association and the Nagano Olympic Invitation Financial Committee with this specific purpose in mind. This Investigation Group takes this as being solid evidence of forced allocation of funds.

**FINDING 9:** There were found to be 6 bank accounts operating improperly. (Ref Chapter 2,3)

As a result of an investigation of the Hachijuni Bank (Bank 82) account records for the Bid Promotion Committee, the Investigation Group found evidence of improper financial management in terms of the evidence below, although it was made impossible to ascertain the names of recipients of the money from the data at hand. In other words, names and identities had apparently been deliberately obscured.

◆ A number of different bank accounts exist for the Bid Promotion Committee. The presented revenue-outgoing statements indicated that there were 5 term accounts and 1 current account (which was used to receive contributions within Nagano Prefecture), and 6 additional current accounts to deal with day-by-day expenditure under the name of the Bid Promotion Committee. An additional current account existed for the Bid Financial Committee was used to collect financial contributions from companies. The Investigation Group uncovered evidence of 12 cases of suspicious transfers of funds between the 6 current accounts. Can there be any reasonable explanation for operating so many accounts?

◆ The revenue-outgoing statements outlined above showed 400 outgoing for promotional, public relations activities and advertisement, however, the statements from the 6 current accounts could only show around half of these outgoings, around 200.

◆ The Bid Promotion Committee maintained a Tokyo Office. On 6 separate occasions, cash amounts of a few million yen were taken to this Tokyo office. The Investigation Group suspects that this Tokyo office also had its own bank account, since 3 transfers of funds were noted.

◆ Foreign currency exchange transactions took place at least 20 times since November 1990. This may also be viewed as being suspicious.

◆ Bank draft transfers (¥40,000,000), and 3 cancellations of term accounts, indicating unexpected or sudden expenditure, were noted.

**FINDING 10: The Expanded Bid Promotion Committee final financial report showed evidence of sloppiness and unreliability. The final audit report was false as a result. (Re Chapter 4)**

The final financial report is ultimately the most important document when it comes to explaining the expenditure of funds. The money concerned in this particular case is that used by the Bid Promotion Committee, originally tax revenue from the citizens of Nagano Prefecture. There is a burden of duty to explain how this money was used properly and completely.

However, the final financial report produced by the Bid Promotion Committee cannot be trusted, because there are some clear discrepancies in how the funds were administered, particularly in terms of non-clear usage, suspicious transfers of cash and insufficient record keeping to explain certain items of expenditure.

a) Unnatural Transfers of funds

The raw data basis of a financial report is the expenditure record. In this case records show that over ¥260,710,000 of money was taken from separately named funding areas on over 12 separate occasions on the final date of the expenditure statement. (September 20<sup>th</sup> 1991). This fudging occurred between the public relations budget and the advertisement budget, which according to the Bid Promotion Committee budget item table were different areas of the budget. Funds which had been earmarked as being for advertising purposes were used instead for public relations activities.

Prefectural headquarter staff justified this behaviour by saying:

*“In public office, this kind of thing happens all the time, and since the public relations activity budget was short, money from the advertising fund which was running a surplus, was used instead. This is nothing unusual.”*

However, the activities of the Bid Promotion Committee during 1991 did not reflect an overflowing advertising budget in itself. The advertising costs were within bounds from a budgetary point of view, and any revised budget should have been authorised in any case. The true picture is that there was no legitimate reason for transferring transactions merely in order to utilize budget. The Investigation Group believes that the true purpose of this unnatural level of boundary fudging was not for the sake of budget utility, but in reality to hide the extraordinary public relations activity expenditure which had spiraled out of control.

The Investigation Group requested an explanation from somebody in a position of responsibility, only to hear excuses, saying that they had 'no recollection', even though the intended budget had been exceeded three times over.

**b) Unusual record keeping, and incompatible naming of expenditure items.**

When the Investigation Group looked into the final financial reports for 1989-1991 presented by the Bid Promotion Committee, the names of some items were inconsistent from one year to the next. This technique of deliberate ambiguity is often used as an attempt to hide suspicious expenditure.

A third party attempting to verify the reports cannot possibly understand and examine the content objectively, because there are unclear items of unknown cost, or unknown dates for each recipient or type of activity. Overall, the content of the reports were so simplified and deliberately vague that it is impossible for the Investigating Group to believe any of the contents.

**c) Deliberately deceptive audit reports**

It was the duty of the auditor of the Bid Promotion Committee to check the reliability of financial statements and ensure that the report is written in a way which can be trusted. The auditors of the Bid Promotion Committee included Mr. Kiyomi Arakawa, former auditor for the Japan Olympic Committee, Mr. Taiho Kato who also held the same role a number of years earlier and Mr. Tomitaro Nakayama, president of the Hachijuni Bank (Bank 82).

These three wrote the so-called 'audit report' which claimed that revenue-expenditure

accounting was done properly every year. Ex-Governor Yoshimura and top-level prefectural officials often stated that a 'strict audit' had been carried out. However, the Investigation Group believes that these audits cannot be described as 'properly carried out' because there had been inconsistent and unclear use of funds, unnatural fudging or transferring between different budget resources, and poor record keeping of expenditure item changes year-on-year.

Since these kinds of glaring discrepancies can be found by simply glancing at the final audit report of the Bid Promotion Committee dated December 3<sup>rd</sup> 1991, it can be said that these auditors either did not look at the accounting records at all, or alternatively they chose not to point out the inconsistencies for reasons of their own. Either way, whether the reason was incompetence or dishonesty, nothing was said. Therefore, this Investigation Group finds that the Bid Promotion Committee audit report was deceptive.

**FINDING 11:** Separate from the expenditure of the Bid Promotion Committee, the direct expense to the prefecture totaled ¥260,000,000. The apportioning of expenditure between these organizations was unclear. (Ref Chapter 4).

The total sum of citizens' money that passed through the Bid Preparation Committee and the Former and Expanded Bid Promotion Committees totaled ¥2,574,700,000. Apart from these, Olympic related expenditures unconnected with the Bid Committees and paid by the prefecture alone, including subsidies, were determined to be at least ¥259,830,000. When this amount is added to the Bid Promotion Committee expenditures, the total sum for Olympic bid promotional activities comes to more than ¥2,800,000,000.

The Investigation Group believes that cost of promoting the Olympic bid should have been paid for directly through the Bid Promotion Committee. If the prefecture itself has to pay for promotional costs, then it defeats the object of having a Bid Promotion Committee in the first place. If these prefectural costs are connected with bid promotional activities, then they should be included in the Bid Promotion Committee budgeting and their necessity explained clearly.

There was no clear explanation regarding prefectural expenditure, and there was no precise and strict apportioning of expenditure between the Bid Promotion Committee

and the prefecture. These facts indicate to the Investigation Group that public money was knowingly and arbitrarily used by the prefecture.

**FINDING 12: The investment report produced by the JOC for the IOC concealed reality in order to avoid responsibility. The Bid Liaison Committee was instrumental in this.**  
(Ref: Chapter 5-6)

When the decision was made in June 1991 for Nagano City to be chosen as the host city for the 1998 Olympics, Salt Lake City in the USA, which had lost out for the 1998 bid challenged once more for the winter Olympics to be held in 2004. Salt Lake City achieved success on this occasion, but was subsequently found to have engaged in significant levels of bid promotional activities in contravention of the IOC Code of Ethics.

As soon as these unethical Olympic promotional activities were reported on television in Salt Lake City at the end of 1998, inviting worldwide criticism, the IOC had no course but to investigate other recent candidate cities, including Nagano. As a consequence of this IOC decision, the JOC commenced the "Project Concerning IOC Problems" in January 1999. Two investigations were carried out which involved interviewing key personnel, and a final investigation report was submitted on March 23<sup>rd</sup> 1998. The summary of the investigation results stated:

*"Toward the IOC committee delegation, presents of money and gifts, favourable treatment such as medical costs and scholarships, were not found proven. However, the frequent visits to Japan and Nagano were found to be over the standard limit laid out strictly in IOC guidelines."*

This was mentioned earlier in this report as part of FINDING 1.

When these investigation results were announced, the prefectural headquarters at the time explained at the Prefectural Administration Assembly in July 1999:

*"This problem has finally been settled, since both the JOC and IOC have made their final judgments."*

This statement almost suggests that the prefecture was acting as if it had achieved the

approval of both the JOC and IOC for its 'reasonable and proper' bid promotion activities. This Investigation Group believes that evidence shows that the JOC failed to come to terms with the true facts, and evaluate the Nagano bid promotional activities justly and properly. Instead they chose to turn a blind eye to the truth, and made a protective report based on insufficient investigation.

It is very dangerous for citizens to believe that this final decision was made properly. The investigation report never reflected the facts precisely. The prefecture, which was in a position to know better, doubly deceived its own citizens in its acceptance of the JOC report.

This Investigation Group has re-examined the JOC investigation report from the standing point that the true reality of the bid promotional activities has to be revealed, as shown in the table below:

	JOC Investigation Report	Investigation Group findings
IOC Committee members found to be acting in contravention of IOC guidelines during their stay in Japan or Nagano.	8 people	37 people confirmed so far
IOC members who received excessive gifts	Reported unknown	39 people confirmed so far
Contract with Studio 6 agency and evaluation for payment.	Questionable necessity for bid promotion activities	'Success reward system'-the reality was that the IOC was included (see below)
Whether there was any JOC direction toward the Bid Promotion Committee	They reported: "We regret that we did not have enough cooperation and instruction." This did not match up to the facts.	In fact the JOC was proved to have directed the Bid Promotion Committee very concretely.

The above table states the Investigation Group's belief that the JOC was offering concrete guidance to the Bid Promotion Committee. This direction was occurring through the vertical systematic threads of the Nagano Winter Olympic Bid Liaison Committee, and horizontal threads comprising individual private instruction by a few JOC committee members.

This Nagano Winter Olympic Bid Liaison Committee included 5 members from the JOC and the Japan Physical Education Association, and 7 from Nagano such as the Deputy Governor, Deputy Mayor of Nagano City, and top members of the Bid Promotion Committee.

By reading the collected minutes of the Nagano Winter Olympic Bid Liaison Committee dated from August 1988 to July 1989, a central pillar of the thinking seems to be that although the IOC might have regulations, there is always a way to get around them somehow. Private instruction from 3 particular JOC members provides the first very detailed steps on following this path.

**FINDING 13: Additional pay for “Studio 6” turns out to be ordinary Japanese ‘success-reward’ (Ref Chapter 6)**

The “Studio 6” referred to in the table above is an advertising agency based in Switzerland which had a contract with the Bid Promotion Committee. It is a company run by the son of IOC President Samaranché’s personal advisor.

Because this agency had gained a reputation for representing IOC members in Eastern Europe, the Bid Promotion Committee signed a contract with the agency. The details of this contract are not clear, and whether the cost was directly connected with IOC members’ votes is not known.

The financial details of the contract are as follows. The cost of the contract was 450,000 Swiss francs (approximately ¥45,000,000 at that time). An additional bonus payment of 150,000 Swiss francs were contracted to be paid if Nagano was chosen as an Olympic city. A key question leads from this-does this additional payment constitute ‘success reward’? At that time, of the JOC investigation group indicated that it believed ‘success reward’ added up to no more than bribery, and questioned key personnel carefully.

In this regard, the Bid Promotion Committee members, the Ex-Governor and top-level officials insisted that this was simply an additional payment, and not ‘success-reward’. How much difference really lies between these two meanings?

If the written language on the Studio 6 contract is laid aside, this kind of payment would usually be considered to be no more than a 'success-reward' payment, or bribe.

This Investigation Group has managed to find documentary evidence of a definition for these additional payments to Studio 6.

**FINDING 15: Doubts over export certification for antique art gifts to the IOC President (Ref Chapter 6)**

When IOC President Samaranché visited Japan in May 1991, a *katana*, or short sword, was given to him by Mr. Tsugihei Takahashi in Nagano as a souvenir. Whether this gift was 'free' or not cannot be confirmed for certain. In order for the sword to be taken out of Japan, documentary proof was needed that it was not a significant artifact. In order to get this, a statement of proof was necessary from the Ministry of Culture. However, the request form had a forged signature.

The name column on the proof document contains the name Soichiro Yoshida, who was acting head of administration for the Bid Promotion Committee. Mr. Yoshida, however, told the Investigation Group that:

*"The inkan name seal is not mine, and the signature is not mine either. I also never agreed that the presenting form should be presented with my name on."*

The person who put the signature on this document is not clear, but whoever it was might be guilty of the criminal offence of forgery. The prefectural attitude is summed up here:

*"For convenience, we borrowed the name....."*

With regard to this matter, this Investigation Group finds that the question of forgery of private statements was also left untouched. What else was being hidden?

**END OF ABSTRACT**