

(Japanese)

地面師事件の衝撃、三菱 UFJ に送られた「マネロン書簡」を入手した！

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(English)

AML Letter sent to MUFG obtained - Sekisui House Land Fraud

Why large number and amounts of deposit checks?

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Money laundering, terrorist financing…letter sent to MUFG Bank

A new uproar has begun again over Sekisui House, a real estate giant shaken by the land fraud case.

It stated with the shareholder proposal in February by Isami Wada, former Chairman who was ousted in a coup d'etat, which demanded the current management leave.

Wada's "shareholder proposal" is a shocking one in that it calls for a total replacement of all directors, including the current Chairman, Toshinori Abe. It will lead to a fierce battle for the shareholders meeting scheduled for April 23, 2020.

Not only that.

It has caused a "fire" at the Mitsubishi UFJ Financial Group, which is one

of the largest banks in Japan, and has developed into a major turmoil involving the financial industry. The U.S. and Japanese lawyers supporting Wada's shareholder proposal have sent Mitsubishi UFJ a letter requesting a prompt investigation into money laundering and terrorist financing.

As everybody knows, there is a strong vigilance against money laundering to combat terrorist financing, especially in the U.S. Mitsubishi UFJ, which has a local subsidiary in the U.S. is therefore under scrutiny by the U.S. authorities, should be concerned.

The writer of this article obtained the letter sent to Mitsubishi UFJ.

This article describes what is on it.

Land fraud and Mitsubishi UFJ's Shinjuku Shintoshin branch

So, why is Mitsubishi UFJ involved in the turmoil at Sekisui House in the first place? Let's start with the background.

It was about three years ago when Sekisui House was involved in a land fraud by a fraudulent landlord group as related to purchase of a condominium site in Gotanda, Tokyo. The incident was a huge fuss as an unprecedented fraud case in which a listed, leading housing company was deceived and lost approx. 5.5 billion yen.

Furthermore, at Sekisui House, this incident triggered a conflict between

former Chairman Wada and then President Abe (current Chairman), and the following year, it developed into a coup where Wada, who attempted to dismiss Abe, was forced to resign. The turmoil has not yet subsided, and has led to a situation where Wada made a shareholder proposal in February.

In other words, the fraudulent landlord incident is "still in progress" without the entire picture being elucidated yet. It was Shinjuku Shintoshin branch of Mitsubishi UFJ that was involved in the settlement of the transaction, and it has begun to catch many people's attention.

Let me explain the background of the fraudulent landlord incident.

There are many inexplicable points in the incident.

In fact, Sekisui House's Investigation Report produced by the Investigation Task Force set up after the incident, clarified that the transaction was "something that cannot, and should never, happen." The Report pointed out that Toshinori Abe, then President, was "heavily responsible."

At a press conference held on February 17, 2020 when Mr. Wada explained about his shareholder proposal, the following comments were made:

"In the first place, the identity of the owner was not confirmed, and although we received from the real owner a series of warnings by proof of content mail, the transaction was forced. There were seven to eight opportunities to withdraw from the transaction, but they did not." (Wada)
"It would be weird not to realize that it was a fraud." (Mr. Makoto Saito, a lawyer who supports Wada's shareholder proposal)

Wada and his allies argued that the case was "not a mere land fraud case, but an improper transaction by Sekisui House."

Huge amount of money gone

During such a turmoil, the aforementioned letter was sent to the bank, which has attracted even more attention.

Then, what was on the letter – let's take a look.

There are both English and Japanese versions. The writer relies on the Japanese version.

The letter was dated January 9, 2020. The letter was sent under the names of Mr. William Uchimoto, Japanese American lawyer specializing in corporate governance, and Mr. Naoki Matsuoka, lawyer with Osaka City Law Office. Mr. Matsuoka is also a lawyer representing a plaintiff in a shareholder derivative lawsuit against Sekisui House's Chairman Abe and others who breached the duty of care in the land fraud incident.

The letter was sent to Mr. Kanetsugu Mike, President & Group CEO of Mitsubishi UFJ, Mr. Junichi Hanzawa, Group Chief Compliance Officer responsible for global financial crimes, and Mr. William Langford, Head of Global Financial Crime Division at the bank's New York office.

The title of the letter is:

Request for Immediate Money Laundering/Terrorist Funding Investigation Regarding Money Transfers Facilitating Gotanda Land Fraud Transaction and Sekisui House Loss of 5.55 Billion Yen (US\$51.9 million)

It is striking to see such words as "money laundering" and "terrorist financing."

And the letter points out to Mitsubishi UFJ the following:

“We are requesting you to investigate and provide transparency and details regarding a suspicious transaction that possesses indicia of potential money laundering and possible terrorist financing occurring through MUFG Bank, Ltd. As you should know, MUFG facilitated the money transfers involved in a suspect real estate transaction rife with red flags that ultimately proved to be one of Japan’s most notorious financial frauds involving a land swindle.”

“we view that the Bank could have prevented the consummation of this fraudulent transaction and therefore may have failed in its responsibilities as a financial institution in a post 911 environment requiring zealous and rigorous policing and reporting of potential AML and anti-terrorist financing schemes under the Law.”

Why was Sekisui House deceived by the fraudulent landlord group even though a financial professional like Mitsubishi UFJ was involved in the transaction? They want a thorough investigation into this question.

Large number and amounts of the deposit checks

In addition, the letter points out the “multiplicity of significant red flags missed or consciously ignored by both the Sekisui House Defendants and the Bank” and:

“With absolutely no apparent due diligence performed or questions asked, MUFG issued numerous deposit checks for a total of about 6 billion yen to

facilitate the money transfers called for by the fraudsters. The largest check the Bank issued was for about 3.68 billion yen.”

“The large number and amounts of the deposit checks are very suspicious as organized crime and terrorist groups typically seek to break down payments in order to quickly and efficiently “grease” various scheme participants.”

These may need some explanations.

First, the letter points out that Mitsubishi UFJ did not properly conduct due diligence on this transaction. That is, when Sekisui House conducted this transaction, a shell company called "IKUTA-HOLDINGS Co., Ltd." was interposed during the attempted purchase of the property from the fake owner.

In fact, the Investigation Report produced by the Sekisui House Investigation Committee stated, "This company is a shell company to get rid of ties after the incident, and such a company should not be somebody Sekisui House deals with." The payment was made by deposit checks to such a poor creditor.

The letter goes on to point out that there were a large number and amounts of deposit checks. Sekisui House officials, as well as those who have experience in condominium business at major developers, have told me that bank transfer is essentially the only payment method in a transaction that involves such a large amount of money exceeding 100 million yen. Even if your counterparty is very creditworthy, they normally check their bank accounts with each other to make sure that the payment is properly made.

Nevertheless, in this transaction multiple deposit checks were issued, with one of which being for over 3.6 billion yen in amount.

The "letter" has pointed out the issues that the bank okayed or did not realize that Sekisui House deals, and that Mitsubishi UFJ used deposit checks in a large settlement exceeding 4 billion yen.

The letter expressed the concern as follows:

"We are concerned that the business process and overall governance breakdowns, the cover-ups, and the strong whiff of money laundering and terrorist/criminal financing pervading this transaction will lead, if left open and unchecked, to the reoccurrence of scandals as well as lingering damage to the corporate trust and reputation of Sekisui House, MUFG and the Japanese business community in general."

This letter was sent to Japan Financial Intelligence Center - Financial Intelligence Unit (FIU) of Japan National Police Agency, AML/CFT Policy Office, Strategy Development and Management, Financial Services Agency, as well as to FinCEN and FBI in the U.S.

Mitsubishi UFJ's public relations department commented that "the Bank had received the letter and is conducting an internal investigation."

Abe remains silent

This "letter" was sent to Mitsubishi UFJ, because of the increasingly stringent regulation of international financial crime. However, the importance of such crime prevention regulations is not limited to financial institutions.

Japan's Criminal Proceeds Transfer Prevention Act requires strict "identity verification" and "reporting" of suspicious transactions, not only for

financial institutions but also for housing land and building dealers. No evidence of stringent check, as required by the law, conducted for the shell company or the property owner in the transaction.

In addition to that, the current management, including Chairman Abe, has been very insistent in refusing to publish the Investigative Report. U.S. investors seem to have taken this as a serious governance failure.

Sekisui House announced on March 5, 2020 that it would oppose the shareholder proposal by Wada. The Company then argued that:

“The statement in the reasons for the proposal of Shareholder’s Proposal differs from the results of the detailed investigation, and is a clear misunderstanding of facts, and there is no "improper transactions.”

The writer of this article has repeatedly requested, through the Company’s PR department, Mr. Abe to have an interview about the truth of the incident. He declined the request again saying that he has no intention to have an interview. Mr. Abe has been silent about the incident.

Wada and his allies, once their shareholder proposal is accepted at the general meeting of shareholders in April, plans to establish a third-party committee to carry out the investigation and further elucidate the whole story of the land fraud case.

The Sekisui House land fraud case is about to evolve into a big controversy involving the Company’s stakeholders around the world.