

December 22 2022

Companies raided amid ongoing bid rigging investigation into Tokyo Olympic Games

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Introduction

Japan has recently been shocked by reports that a criminal investigation has begun with respect to alleged bid rigging concerning the selection of which private company should plan and prepare for the trial events in preparation for the Tokyo 2020 Olympic and Paralympic Games. While the trial events in themselves did not involve large sums of money, the result of the alleged bid rigging was substantial, since the company that received the award for the trial events eventually went on to receive the award to plan, prepare and operate the real Olympic and Paralympic events.

This article discusses the facts of this case as have been reported publicly.

First joint raid

On 25 November 2022, the special investigation squad of the Tokyo District Prosecutors Office, together with the Japan Fair Trade Commission (JFTC), conducted a joint raid against Dentsu Inc, Japan's largest advertisement agency, and Cerespo Co Ltd, a Japanese event production company. The raid was based on allegations that these parties, together with other advertisement agencies and event producers, had collaborated with an official at the Tokyo Organising Committee for the Olympic and Paralympic Games to determine which agency would win the respective bids to plan and prepare for 26 trial Olympics and Paralympics events held at each venue. Such trial events were held in order to ensure that the real games were conducted in an orderly fashion, and also to test crowd control and security measures. It is believed that Cerespo was raided together with Dentsu because it was the event producer for the National Stadium, the main stadium, as well as other venues.

According to media reports, the investigators believed, and continue to believe, that the Organising Committee official had made a list of which private companies could and would bid for the trial event held at each stadium or arena. The official had asked Dentsu to complete the list. Dentsu had contacted other advertisement agencies and event producers to establish which companies were likely to enter the bids. Dentsu had completed the list and had given it to the Organising Committee official. Even after the list had been completed, Dentsu reportedly updated it to reflect last-minute changes. The winners of the bids were reportedly almost identical to the companies included in this list.

The investigators also believed, and continue to believe, that, in some cases, event producers had been encouraged not to enter into a certain bid, and in exchange for not making a bid, such companies had received assurances from the Organising Committee official that they would become subcontractors for the winning bidder – in effect, guaranteeing that work would come by not making a bid.

It is reported that, as a result of this coordination with potential bidders – led by the Organising Committee official together with Dentsu employees – only one company entered a bid for most trial events. Once the bids to plan and prepare for the trial events were awarded through bid rigging, the operating rights for the trial events, and subsequently the rights to plan, prepare and operate the real Olympics and Paralympics events held in 2021, were contracted without any bidding process to the same companies to which the trial events were awarded. While the total amount of money directly involved to plan and prepare for the trial events was about 538 million Japanese yen (approximately £3,350,000), the resulting effect in eliminating possible competing bids for work on the real events was much larger, since the amount of work for the real events totalled more than 20 billion Japanese yen (approximately £125,000,000). As for the companies that did not bid but were promised work as subcontractors, it is reported that they also went on to become subcontractors for the real events.

The Organising Committee has reportedly denied any wrongdoing, explaining that such coordination and sharing of information was necessary to ensure that the events at all 26 venues, which had to be conducted at the same time, were managed smoothly and in an orderly fashion. The Organising Committee has reportedly claimed that, without such coordination, there would have been several rather unpopular venues for which no bids would have been entered. In order for the games to be successful, this possibility had to be avoided.

Second joint raid

On 28 November 2022, the prosecutors and the JFTC again conducted a joint raid against various other advertisement agencies and event producers allegedly involved in the bid rigging. The raided advertisement agencies were Hakuhodo Inc (Japan's second largest advertisement agency) and Tokyu Agency Inc (a member of the Tokyu Group). The raided event producers were Same Two, Inc and Fuji Creative Corporation (a member of the Fujisankei Communications Group).

Tip-off

Apparently, the investigators were tipped off about the alleged bid rigging by ADK Holdings Inc, the third-largest advertisement agency in Japan, which also participated in this scheme.

Earlier in 2022, ADK was involved in a separate case in which it was charged for giving bribes to an executive board member of the Organising Committee, Haruyuki Takahashi, a former Dentsu executive, in exchange for becoming an official sponsor for the Tokyo 2020 Olympic and Paralympic Games. Takahashi was arrested and charged for accepting bribes from five companies, including ADK, for a total of about 198 million Japanese yen (approximately £1,185,000). The president of ADK at the time, Shinichi Ueno, was arrested and charged for committing bribery.

While Ueno denies the bribery charge, claiming that the money sent to Takahashi's related company was a payment for his consultant fees, ADK seems to have discovered the trial event bid rigging after an internal investigation, and applied for amnesty with the JFTC. ADK has not yet been raided for this bid rigging case, though it has likely provided relevant information to the investigators voluntarily during the course of its leniency application.

Comment

It remains to be seen whether criminal charges will be brought against any individual or company with respect to the bid rigging of the trial events. No arrests have yet been made in relation to this case.

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