

Some Big Japanese Art Purchases Are Under Scrutiny for Scandal

By JAMES STERNGOLD

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TOKYO, April 22 — Japanese art buyers have captured the world's attention in recent years as they snapped up a long list of van Gogh's, Picasso's and other paintings by Western masters. Many of the purchases were used to establish collections by newly wealthy Japanese or to fill out old collections, and they now hang in places ranging from downtown museums and galleries to theme parks.

Now, however, attention has turned to a little-noticed corner of that market in which large Japanese corporations apparently bought paintings, not to invest in fine art, but to use the purchases either to conceal transfers of millions of dollars in cash or to evade taxes. In an economy that is heavily taxed and hemmed in by regulation, experts say, dealings in multimillion-dollar paintings provide a handy dodge.

A Way to Move Money

"It was well known that art has commonly been used to hide money or secretly move it in the past few years," commented Nobuo Abe, chief curator at the Bridgestone Museum of Art in Tokyo, who said he had heard of many such cases.

To date, no wrongdoing has been proved, nor have there been any indictments. Still, the art world has been

riveted by the tales of mysterious art capers that have unfolded in the Japanese press.

What is still unclear is how much — if at all — the disclosures about these deals will affect the high prices paid for sought-after paintings, prices driven up in large part by extensive Japanese buying. Japanese individuals and companies have been the buyers in 5 of the 10 highest-priced art transactions, led by the \$83 million purchase last year of van Gogh's "Portrait of Dr. Gachet." The buyer was a Japanese industrialist, Ryoei Saito, who controls the Daishowa Paper Manufacturing Company and who also spent \$78 million for a Renoir work, "At the Moulin de la Galette."

Most of these purchases, like those of Mr. Saito, were public transactions at well-known auction houses like Sotheby's and Christie's. But many of the dealings that are considered questionable were handled away from the light of public auction.

There is some fear now that scores of paintings involved in the scandals could be offered again on the art market, depressing the soaring prices of recent years.

"Nobody wants to buy paintings

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Some Japan Art Deals Face Scrutiny

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A savvy giant like Mitsubishi spent millions without expert art advice.

from Itoman, because they are tainted," said Kazuo Fujii, owner of a prominent art gallery here, referring to paintings held by one of the companies involved in the suspicious art deals. "But I am worried they will be dumped in the market."

The recent drama has centered on two suspicious transactions. One involves the Mitsubishi Corporation's brokering the purchase of two Renoir paintings for \$30 million. Mitsubishi claims to have bought the paintings from two Frenchmen, who the Government says may not exist. Nor has Mitsubishi given an explanation of what happened to about \$11 million of the sum it paid for the artworks.

Thousands of Works

The second case involves about \$500 million worth of European paintings and a textile trading company, Itoman & Company. It is said to have acquired several thousand works by Picasso, Toulouse-Lautrec, Chagall and others in a matter of months.

One telling detail in both situations is that despite the sums involved, the companies did not employ art specialists. Even a savvy giant like Mitsubishi acted without expert guidance, putting tens of millions of dollars into a business known for tricky valuations and occasional forgery. The company said the deal was handled by its real estate development department, suggesting that the aesthetic merits of the works were not paramount in the transaction.

"The tax office now has more expertise in art than most of these companies," Mr. Abe, the curator, said. "The companies protected themselves by not having specialists. They

could never pay those kinds of prices if experts had seen these works."

The case involving Itoman, an old-line Osaka-based textile trading concern, is full of seemingly inexplicable twists. Its huge art deals occurred about the same time the company began speculating heavily in real estate, amassing billions of dollars in debt. Articles in the Japanese press have suggested the art deals might have been a way for Itoman to give sellers of property more money than was allowed by Government regulations intended to control spiraling real estate prices.

About \$91 million worth of artworks was bought at what were reported to be inflated prices from a gallery affiliated with the Seibu Department Store. The gallery confirmed reports that it employed the daughter of the chairman of the Sumitomo Bank, which controls Itoman. But a gallery official insisted that the daughter had nothing to do with these dealings. The bank chairman, Ichiro Isoda, later stunned the business community by resigning, in part because of Itoman's deep financial problems.

The other paintings involved in the Itoman scandal served as collateral for a loan the company says it provided to the owner of a small newspaper, Kansai Shimbun, which defaulted on the loan and suspended publication. It is unclear why Itoman made the huge loan, how it valued the

paintings, or if they were actually worth enough to cover the loan.

What added to suspicions about the real purpose of this hoard of art was the suicide last year of a top executive of Itoman, which is being rescued by Sumitomo Bank after suffering huge losses on real estate.

The death of the executive, Yoshikuni Kato, came as newspapers carried reports that the Government had begun investigating the possibility that the paintings were being used to circumvent the Government-set limits in real estate deals. The articles suggested that the Itoman purchases began the movement of cash along a chain to people involved in some property deals. The money was disguised as fees or profits from art deals, the reports have suggested. Itoman officials would not comment on this speculation.

Private Dealings

Some art experts say that the unusually secretive nature of art dealings in Japan, where public auctions are almost unknown, has also made art a convenient dodge.

Tatsuo Hirano, a gallery owner and president of the Shinwa Company, Japan's first art auction house, said of the transactions: "These dealings are all private, with no transparency for prices at all. This is a society that relies on a lot of back-door money, and privacy suits that."

The backdrop to the questions about some of the huge art deals is the rampant speculation that took place throughout the Japanese economy in the last decade. Shukan Gendai, a popular weekly magazine, described the Western paintings in Japanese hands as the "ultimate zaitech tool." Zaitech, meaning financial engineering, is the word coined during the 1980's to describe the practice of old-line industrial concerns suddenly throwing themselves into financial speculation.

These industrial concerns artificially pumped up stock, land and art prices in what is commonly referred to here as the "baburu keizai," or bubble economy. According to the Government, imports of paintings shot up to \$3.4 billion last year, from just \$310 million in 1986. With the doubling of interest rates last year and the collapse of the stock market, the bubble burst for the art market as well.

The Renoir Purchases

The deal involving the Renoirs is a tangled one. Mitsubishi originally said it paid the two unnamed Frenchmen the equivalent of \$26.7 million for the paintings. But the Government has said that it has no record of the Frenchmen entering Japan at that time, March 1989, and that their address in Switzerland appears to be fake.

In addition, a Tokyo gallery, Art

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Asahi Shimbun

"Young Girl Reading" was one of two paintings by Renoir in a \$30 million art transaction involving the Mitsubishi Corporation.

France, said that on the day the Frenchmen were said to have made their deal it sold the paintings to Mitsubishi for the equivalent of about \$15.6 million. Mitsubishi said it paid for the works with 36 checks of 100 million yen each. Since 21 of the checks are accounted for by the Art France statement, the questions center on what happened to the other 15 checks, which some reports have said were countersigned with fictitious European names.

Deepening the mystery are reports that two other intermediaries in the transaction collected almost \$1 million each as commissions.

A Buddhist organization that ultimately paid Mitsubishi \$30.4 million for the works has vehemently denied reports that it siphoned the money off to create a secret political slush fund for itself, using the art purchase as cover. The theory hinted at is that the various fees and perhaps the 15 unaccounted-for checks were a means for the group to take the money and put it out of view of auditors and regulators.

Ties to Political Party

Questions have been raised about other financial dealings of the Buddhist group, the Soka Gakkai. It is connected to the Komeito, or Clean Government Party, the second-largest opposition party in the Parlia-

ment. Two years ago a safe belonging to Soka Gakkai safe was found in a garbage dump with the yen equivalent of \$1.2 million in cash inside. The group eventually claimed the money, but never clearly explained the origins of the cash or why it was in the dump. Press reports, which were subsequently denied, speculated that the money might have been part of a secret political fund.

The Soka Gakkai says it wanted the paintings, which art experts have described as mediocre by Renoir standards, but did not have the ready cash. So, it says, it asked Mitsubishi to buy and hold the paintings temporarily.

That, of course, does not explain what happened to the checks totaling 1.5 billion yen or why Mitsubishi insists on its version of events involving the Frenchmen.

Ultimately, critics contend, the public has been the loser in this treatment of art. Japanese art purchases, though huge, have yet to lead to the creation of a high-quality museum of Western paintings in Japan, experts here say. Much of the art is out of public view. The two Renoirs acquired by the Tokyo Fuji Art Museum, the Buddhist-affiliated institution, have been withdrawn from exhibition, the museum said, for restoration.