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Japanese investors in Y Complex development risk violating US sanctions
Human Rights Now, Japan Volunteer Center, Justice For Myanmar and Mekong Watch demand responsible disengagement

December 20, 2021: Several Japanese companies that are investors in Y Complex, a mixed-use real estate development on land controlled by Myanmar's military, risk breaching US sanctions imposed against military entities for their role in human rights abuses.

On December 10, 2021, the [US](#), [UK](#) and [Canada](#) imposed sanctions on the Office of the Quartermaster General of the Myanmar army, in response to the unlawful February 1, 2021, attempted coup. The Office of the Quartermaster General (QMG) is a key entity that oversees the Myanmar military's business interests.

According to the [UK sanctions list](#), the QMG *“plays a crucial role in procuring equipment for the Myanmar Armed Forces, including ammunition, bombs and jet fuel. This directly enables serious human rights violations, and the repression of the civilian population including peaceful protestors and ethnic minorities”*

Japanese companies, including Daiwa House Industry subsidiary Fujita Corporation, Tokyo Tatemono and the Japanese government, private sponsored infrastructure fund Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN), pay over US\$1.8 million in rent in US dollars to the QMG annually, which could violate US sanctions if they are found to be materially assisting a sanctioned entity.

The policy-based financial institution Japan Bank for International Cooperation (JBIC) and the banks Sumitomo Mitsui Banking Corporation and Mizuho Bank are [co-financing](#) the project through a US\$144 million loan.

The project has been suspended following the military's attempted coup, and the sanctions risk may apply if payments in US dollars resume.

The Government of Japan must end its complicity in human rights abuses in Myanmar by halting its business with the military junta and its conglomerates, including in the Y Complex project. Y Complex investors and creditors should also avoid the risk of breaching sanctions, and fulfil their human rights responsibilities under the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Guidelines for Multinational Enterprises](#), by responsibly disengaging from their business with the QMG.

HRN Secretary General Kazuko Ito says: *“Since the coup happened, we have been urging Japanese companies involved in this project and the Government of Japan to responsibly exit from this project as it is obvious that this project could significantly make an adverse impact on people in Myanmar. We once again insist that all the companies should conduct heightened human rights due diligence which the UN Working on Business and Human*



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Rights published and disclose its result to be accountable for its involvement in a transparent manner. That process should get relevant stakeholders engaged so that their voices are heard. Additionally, we urge the Government of Japan to proactively promote such processes according to its duty to protect human rights under the UN Guiding Principles."

Justice For Myanmar spokesperson Yadanar Maung says: *"It is unacceptable that Fujita Corporation, Tokyo Tatemono and JOIN have continued their involvement in the Y Complex development, after the Myanmar military's 2017 campaign of genocide against the Rohingya, ongoing war crimes and crimes against humanity in ethnic areas and the campaign of terror that the military junta was waged against the Myanmar people for over ten months. After the latest US sanctions on the QMG, which is the Y Complex lessor, the project is untenable and the investors must immediately move to responsibly cut ties. Should they continue payments, we request the US Treasury investigate Y Complex for any breach of sanctions and take swift action. Myanmar people continue to be slaughtered by this illegal and murderous military junta with total impunity. Through Y Complex, the Japanese government and companies are complicit in atrocity crimes. They have blood on their hands."*

Yuka Kiguchi, Executive Director of Mekong Watch, said: *"Further land lease payments will mean that Tokyo Tatemono, Fujita, JOIN, Sumitomo Mitsui Banking Corporation, Mizuho Bank, and JBIC, are directly and indirectly providing funds for human rights violations such as extrajudicial killings, torture, sexual violence as well as attacks in ethnic minority regions committed in Myanmar under the direction of the military. In particular, JOIN and JBIC are implicating Japan's taxpayers in these human rights violations by providing public funds to Y Complex. They should immediately pull their funding and stop lending to the project."*

Naoko Watanabe, Advocacy Office of JVC, said, *"The Japanese public and private sectors, which have funded the Y-Complex on military land, have continued to be complicit in the massacres, detentions, torture and other atrocities committed by the military against the innocent people of Myanmar not only after the February 1 coup, but also before the coup. The sanctions against QMG by the U.S., U.K., and Canada have made it clear that the attitude of the Japanese government and the companies, involved in the project without any indication or response after the coup, is wrong and shameful. We, as Japanese citizens and taxpayers, once again call on the Japanese government and the companies involved in the project to respect the decisions of the three countries and to immediately withdraw from the Y Complex project."*

Background on Y Complex

Since the Myanmar military's unlawful February 1, 2021 coup attempt, the junta has [murdered](#) more than 1300 people, including children, and arrested nearly 11,000, according to the Myanmar human rights organisation, the Assistance Association for Political Prisoners. The Myanmar military has also carried out indiscriminate airstrikes and shelling that have killed civilians, destroyed property and caused mass displacement.



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Since the attempted coup, the Myanmar military has [engaged](#) in “probable crimes against humanity and war crimes” according to the [UN Special Rapporteur on the situation of human rights in Myanmar](#). It has been well documented that the Myanmar military’s international crimes are [financed by its business interests](#), including from real estate projects such as [Y Complex](#).

Y Complex is being developed under a [build-operate-transfer agreement](#) between the crony company Yangon Technical & Trading Co. Ltd. (YTT) and the QMG, with annual lease payments of US\$2.163 million payable to the Ministry of Defence.

The project, still under construction, is for a mixed-use real estate complex that will include an [Okura Prestige Hotel](#), to be operated by the Japanese company Okura Hotels & Resorts.

Fujita, Tokyo Tatemono and JOIN’s investment in Y Complex Co. Ltd. is structured through a holding company in Singapore, Yangon Museum Development Pte. Ltd, owned by the three Japanese investors. The holding company owns 80% of the Myanmar project company, Y Complex Co. Ltd., with the remaining 20% held by their local partner, YTT.

Yangon Museum Development is the recipient of co-financing from JBIC, Sumitomo Mitsui Banking Corporation and Mizuho Bank.

According to Yangon Museum Development’s most recent [financial statement](#) for 2020, US dollars is the functional currency of the company and funds are held in US dollar accounts in Singapore, from where they are transferred to Myanmar, including for lease payments to the QMG. Any banks involved in the transfer of US denominated funds to the QMG may be at risk of violating sanctions.

Payments to the QMG are made from a US dollar rent reserve account that is jointly controlled by Y Complex Co. Ltd. and YTT. According to the draft [Land Lease Agreement](#) between Y Complex Co. Ltd. and YTT, leaked by [Distributed Denial of Secrets](#), the Japanese investors are responsible for transferring US\$1.82 million annually into the rent reserve account. These funds are transferred to Myanmar from Yangon Museum Development, and according to the 2020 financial statement, were last remitted in 2019 from Singapore. In reality, Japanese investors may be indirectly paying a greater share of the funds owed to the QMG, through additional payments to YTT that are specified in the Land Lease Agreement.

Fujita Corporation and Tokyo Tatemono both said, *“Regarding the Y Complex Project, Tokyo Tatemono considers the safety of the Myanmar people and relevant stakeholders to be the top priority and has suspended the operation of the Project entirely since February 1, 2021. We are seriously concerned about the recent sanctions imposed by the United States and other countries and will continue to monitor the situation, including its possible impact on the Project.”*



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JOIN said, “As Y Complex Project is a JV project with other private partners, we share the same view with Fujita Corporation.”

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