

March 28, 2020

Statement of Intent
(Director Candidate: Isami Wada)

In order to return the governance failing Sekisui House to the shareholders, Mr. Fumiyasu Suguro and I made a governance-focused shareholder proposal to elect directors a majority of which are outside directors so the shareholders can expect effective supervision over the management. There are a lot of things that I want to tell you but I will provide you with a summary below.

【My desire to Enhance Governance】

I led Sekisui House for many years. During that time, not only having managed to grow the revenue and profit for Sekisui House, I pursued to make the Company continue to coexist with the society by producing houses that create happiness. I thought that the rest of the Board of Directors was joining forces with me to promote corporate governance that we could be proud of.

However in 2017, the “land fraud incident” was unveiled, which caused the Company a significant loss. As a result of the investigation conducted by the investigation committee, the incident turned out to be not a mere fraud incident but an “improper transaction.” I wanted to disclose the incident details to the shareholders in order to fulfill my accountability and to prevent recurrence, but the current management team was opposed to it and forced me to resign. The investigation report remains to be undisclosed and people are beginning to forget about the incident.

As I continued to look at the Company from the outside, I came to realize that there was a governance failure there. I thought our corporate governance was something we could be proud of, but it could have easily collapsed like a house of cards and I felt very bad for it. Then I began to talk to experts to find out what the true governance is.

Some of the other slate directors have talked me into leveraging the lesson learned in order to correct the governance failure at Sekisui House, and I have decided to make a shareholder proposal, but I was very hesitant to become a slate director myself. But as I saw younger generations including Mr. Suguro stand up pursuing to reform Sekisui House to make it a world class company, I have decided to take on the responsibility to give back to the

Company, the shareholders, and the society as a whole.

【Cover-up of the Improper Transaction and Governance Failure】

The investigation report determined that “this is a case where a public company focusing on real estate business suffered the largest amount of loss of 5.55 billion yen in a land fraud … it is “something that cannot, and should never happen.” The report describes that the fact that Sekisui House made a payment of billions of yen of land purchase money to an intermediary “shell company” by bearer’s “deposit checks” made it easy for the lost money to go to the underground.

I took the incident very seriously since the real estate professional Sekisui House had moved forward with the improper transaction that “cannot happen” despite multiple red flags, which led the lost funds to go to the underground. I thought it was my responsibility to figure out who were responsible and to prevent recurrence, but I could not fulfill the responsibility, and the current management has been covering up the details of the improper transaction and has not fulfilled their responsibilities for the incident.

The current management of Sekisui House announced that they had positioned 2018 as “First Year of Governance Reforms” and had implemented such measures as transparency and invigoration of the meeting of the Board of Directors’ operations (separating the chairperson and the convener of the meetings of the Board of Directors) and introduction of a mandatory retirement age of 70 for representative directors. But do you know what it really means?

With regard to “separating the chairperson and the convener of the meetings of the Board of Directors”, the Company modified the board meeting rules, and designated, using personal names, “Director Shiro Inagaki” as Chairman of the Board and “Director Toshinori Abe” as Convenor, which you won’t see anywhere else. They thereby control the Board of Directors to make sure the cover-up can be sustained. Can this be called “transparency and invigoration of the meeting of the Board of Directors’ operations”?

The change to personal names was also a means to add crippling amendments to the “mandatory retirement age of 70 for representative directors”. While the management team introduced the mandatory retirement as part of the “Governance Reforms”, at the same time Mr. Abe (turning 70 next year) and Mr. Inagaki (turning 70 this year) can stay to control the

Board as convener and chairperson even after they become 70 years old and are no longer representative directors.

This is the true picture of the “Governance Reforms” as defined by the current management.

【Establish Strong Governance that won’t allow anybody to Conduct any Wrongdoings or to Make the Company on His or Her Wwn】

Sekisui House is a great company. The Company has grown with excellent and hard working employees as well as with cooperating companies you can trust. In order for the Company to grow further, it is vital to establish strong corporate governance that won’t allow anybody to conduct any wrongdoings like in the land fraud as well as to make the Company on his or her own.

Mr. Suguro and I, based on advice from governance experts, have decided to establish the Board of Directors where a majority of independent outside directors control the Board thereby having internal directors stay on the path and deterring them from conducting any wrongdoings. Then we made a shareholder proposal to elect both internal and independent outside directors.

All the outside directors on our slate are very experienced professionals in a variety of areas, and they are expected to supervise our internal directors at board meetings so that the management team will stay on the path. Also we will be establishing committees that might even be dismissing the management including representative directors. It is only possible by staffing a majority of the Board of Directors and all the members¹ of the committees with independent outside directors. A majority of the current Board members are internal, so you cannot expect effective control and surveillance by the current minority outside directors.

【My Role】

I will be classified as an internal director, but I won’t be involved with business operations

¹ At the press conference held on February 17, 2020, we announced that "the members of the Human Resources Committee and Remuneration Committee will be with the majority by outside directors." Then after we exchanged opinions with many shareholders, we decided to make a change of the "majority" to "all." The slate members from Japan and the United States have the consensus of this change.

and won't become a representative director. I won't be chairman of the Board, either.

My role will be to establish true corporate governance at Sekisui House.

If and when I am elected, I will reinvestigate the land fraud incident in cooperation with other directors, and formulate plans to prevent recurrence. That is because the incident was the genesis of my corporate governance. By reforming the current corporate governance which is superficial without substance, we will establish true corporate governance as quickly as possible. I will work hard to create a corporate culture where nobody feels hesitant to speak up, and found "true ESG management" for all the stakeholders, and make Sekisui House the company with a sustainable growth in order to move on to the next stage both in and outside of Japan.

A good house is built on strong foundations. A company must be built on strong foundations, too. In return for what Sekisui House gave me, I will help the Company strengthen the foundations of corporate governance as an intermediary for the next generation. I believe that will eventually benefit all the shareholders.