

January 24, 2018

Sekisui House Co., Ltd.

Chairman of the Board

Chairman & Chief Executive Officer, Representative Director Mr. Isami Wada

## Investigation Report

In response to your request at the Board of Directors meeting on July 20, 2017 for investigation of the transaction incident related to the purchase of a condominium site, we hereby present a report.

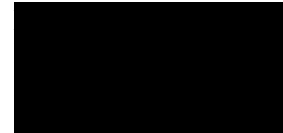
Investigation Committee

Chairman

Member

Member

Member



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## Chapter 1 Introduction

### 1. Social significance of the case

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. Also we can reasonably assume that the lost money went to the underworld. It's just like a big financial institution suffering from a bank transfer fraud, which is something that cannot, and should never, happen.

### 2. Background and objectives of the Investigation Committee

With the understanding that the Company is facing a serious situation, the Investigation Committee (hereinafter referred to as the “committee”) was provisionally launched after the July 20, 2017 board meeting at the request of the chairman, and officially launched after approval at the board meeting held on September 7, 2017.

The committee will clarify from a fair and equitable viewpoint what happened, investigate the cause of the incident, and clarify what actions the Company needed and how the incident could have been prevented. Based on the findings, the committee will report to the Board of Directors on what to do in order to improve the Company.

◇ The Company reported this incident to the public on August 2, 2017 with a release memo “Notice Regarding Problems with the Purchase of the Land for Condominiums” (hereinafter referred to as “release dated August 2, 2017”)

### 3. Committee members

The committee consists of the following four members.

Name: Investigation Committee

Chairman: Yoshinori Shinohara (External Corporate Auditor, Certified Public Accountant)

Member: Takashi Kobayashi (External Corporate Auditor, Lawyer)

Member: Teruyuki Saegusa (External Director, Representative Director of Saegusa Distribution Research Institute)

Member: Shiro Wakui (External Director, Distinguished Professor of Tokyo City University)

It was approved at the Board of Directors meeting held on September 7, 2017 to appoint an assistant.

Assistant: [REDACTED] (Certified Public Accountant)

### 4. Overview of investigation procedure

As an investigation procedure, in addition to officers and employees of the Tokyo Condominium Division and the Condominium Business Headquarters both of which were involved in the transaction, interviews were conducted from related personnel such as the head office’s Real Estate Department and the Legal Department. Its details are as follows.

#### • Interviews

The interviews were conducted in accordance with the schedule in the table below. In addition to this, we interviewed the internal request approvers, President Abe and Chairman Wada.

Date	Interviewee	Interviewer	Note
2017-09-01	General Manager of Real Estate Department (Executive Officer)	Shinohara Kobayashi	Preliminary hearing

	General Manager of Legal Department	Wakui	
2017-09-07	General Manager of Condominium Division (Executive Officer)	Shinohara Kobayashi	Preliminary hearing
	General Manager of Condominium Headquarters	Wakui	
2017-09-14	Condominium Business Headquarters • [REDACTED], General Manager of Real Estate Department Tokyo Condominium Division • [REDACTED], General Manager of Tokyo Condominium Division • [REDACTED], General Manager of Technology Division • Oda, Deputy GM of Sales • [REDACTED], Manager, General Affairs • [REDACTED], Manager Tokyo Office • [REDACTED], Managing Officer, Head of Tokyo Office	Shinohara Kobayashi [REDACTED]	At Tokyo Office

2017-10-16	<p>Internal request approvers</p> <ul style="list-style-type: none"><li>• Inagaki</li><li>• Uchida</li><li>• Nakai</li><li>• [REDACTED]</li></ul> <p>Executive Officer, Chief Manager of Accounting &amp; Finance Division</p> <ul style="list-style-type: none"><li>• [REDACTED]</li></ul> <p>General Manager of Business Strategy Division</p> <p>Those directly involved with the transaction</p> <ul style="list-style-type: none"><li>• Kuroda, Executive Officer, General Manager of Real Estate Department</li><li>• Nakata, Managing Officer, General Manager of Legal Department</li><li>• Mitani, Managing Officer, General Manager of Condominium Business Headquarters</li></ul>	<p>Shinohara Kobayashi Saegusa [REDACTED]</p>
2017-10-19	<p>President Abe</p>	<p>Shinohara Kobayashi Saegusa Wakui [REDACTED]</p>
2017-10-19	<p>Chairman Wada</p>	<p>Shinohara Kobayashi Saegusa Wakui</p>

\*For each of the interviews, [REDACTED] from the Company's working team was also present.

- Email review (2017-10-02, by Shinohara, [REDACTED], and [REDACTED])

Email data (31,277 messages in total) from March 1, 2017 to July 31, 2017 were collected for 25 people as described in the table below.

We performed a keyword search "Gotanda" from this data set, checked the extracted items (2,756 messages) visually, and selected important emails, primarily emails for sharing information between departments. We also searched email messages that were sent and received before and after those emails in order to thoroughly extract important emails. As a result, 52 e-mails related to decision making in the fraudulent transaction and 10 e-mails related to information disclosure were documented.

As a result, no e-mail has been found that deviates from the facts grasped during the interviews.

【Those the email review was conducted for】

Condominium	Condominium Business Headquarters	<ul style="list-style-type: none"><li>• Mitani, Managing Officer, head of Condominium Business Headquarters</li><li>• [REDACTED], General Manager of Real Estate Department</li><li>• [REDACTED], General Manager, General Affairs</li><li>• [REDACTED], General Manager, Technology</li></ul>
	Tokyo Condominium Division	<ul style="list-style-type: none"><li>• [REDACTED], General Manager of Tokyo Condominium Division</li><li>• [REDACTED], General Manager of Technology Division</li><li>• Oda, Deputy GM of Sales</li><li>• [REDACTED], Manager, General Affairs</li><li>• [REDACTED], Manager</li><li>• [REDACTED], Manager</li></ul>
Real Estate	Real Estate Department	<ul style="list-style-type: none"><li>• Kuroda, Executive Officer, General Manager of Real Estate Department</li><li>• [REDACTED], Senior Manager</li><li>• [REDACTED], Manager</li><li>• [REDACTED], Chief</li></ul>

Legal	Legal Department	<ul style="list-style-type: none"><li>• Nakata, Managing Officer, General Manager of Legal Department</li><li>• [REDACTED], Senior Manager</li><li>• [REDACTED], Chief</li><li>• [REDACTED], Chief</li></ul>
Internal Approval		<ul style="list-style-type: none"><li>• Inagaki, Executive Vice President</li><li>• Uchida, Senior Managing Officer</li><li>• Nakai, Managing Officer</li><li>• [REDACTED] (Head of Tokyo Office)</li><li>• [REDACTED], Managing Officer</li><li>• [REDACTED], General Manager of Business Strategy Department</li></ul>
President	Secretariat Office	[REDACTED], General Manager of Secretariat Office

• Information Obtained

Based on the statement dated July 20, 2017 written by the Deputy Manager of Sales and submitted to the Tokyo Metropolitan Police Department Section 2, a memorandum was generated to document the incident with some additions of material facts from internal approval documents and interview reports, etc. (see Investigation Data).

## Chapter 2 Case History

### 1. Case Summary

The details of the incident were as described in 2. Obtaining initial information, but a summary is as follows.

The Tokyo Condominium Division identified a potential transaction where the Company purchases the land and building in Gotanda, Tokyo (hereinafter referred to as “the Property”) from the owner Sakiko Ebisawa (later turned out to be an imposter) via IKUTA HOLDINGS Co., Ltd. (hereinafter referred to as “IKUTA Co.”), a company managed by Tsuyoshi Ikuta (hereinafter referred to as “Ikuta”) as the intermediary. The Company planned to purchase the Property transferred by the intermediary (earnest money deposit of 20 million yen).

Thereafter, the intermediary was changed from IKUTA HOLDINGS Co., Ltd. to IKUTA HOLDINGS Corporation (hereinafter referred to as “IKUTA Corp.”), and on April 24, 2017 the purchase and sale contract between the owner and IKUTA Corp. for 6 billion yen along with the simultaneous purchase and sale contract between IKUTA Corp. and the Company for 7 billion yen were entered into. At the same time the provisional registration application procedure for ownership transfer was performed and the increased earnest money deposit of 1.4 billion yen (of which 1.2 billion was for the owner and 0.2 billion was for the intermediary) was paid and the provisional registration was completed.

Later, [the real owner] Sakiko Ebisawa sent to the Company multiple content-certified mails saying “The true owner of the Property is me, and I have not planned on selling the Property or made a provisional registration, so I request the provisional registration be cancelled.” In addition, several broker-like persons contacted the Company pointing out issues with the transaction with Ikuta, visiting the Tokyo Office and the Tokyo Condominium Division, sending letters to the President, making phone calls to the head office, and so on. The content-certified mails were shared between the Condominium Business Headquarters and the Legal Department, but the Real Estate Department was not informed. Akira Kuroda, Executive Officer, General Manager of Real Estate Department (hereinafter referred to as “Kuroda”) received risk information from the president of the Company’s subsidiary that Ikuta may not be trustworthy. Kazushi Mitani, Managing Officer, General Manager, Condominium Business Headquarters (hereinafter referred to as “Mitani”) was informed of this as a potential concern for the transaction, but it was not communicated to the Legal Department.

Due to the emergence of a person who claimed to be the true owner, the Company was made aware that it should re-examine the identity of Ebisawa, and a lawyer suggested that “identity check by an acquaintance of Ebisawa” should be done. The Ebisawa imposter did not come to the Property site during the inspection of the building on May 19, 2017, and “identity check by acquaintance” was never carried out. At the May 22, 2017 meeting of the Condominium Business Headquarters where Koji Nakata, Managing Executive Officer, General Manager of Legal Department (hereinafter referred to as “Nakata”) and Mitani, among others, were present, it was decided to implement as early as possible the final settlement and closing originally scheduled for July 31, 2017, in order to avoid the distracting forces regarding the transaction.

After that, the Company proposed to Ikuta and the Ebisawa imposter to advance the final settlement to June 1, 2017 and amended the agreement to change the final closing to occur on that date. On the closing date of June 1, 2017, the police came to the Property site and requested the Company employees at the site to voluntarily accompany them. However, with the exception of a reserve of 700 million yen, the remaining 49 billion yen were paid to IKUTA Corp. and the Company employees proceeded with the registration procedure for ownership transfer.

On June 6, 2017, the Local Legal Bureau informed the Company that it was rejecting the registration application, and on June 9, 2017, a formal notice of registration application rejection was received at the Company, and the “Ebisawa” whom the Company had dealt with was revealed to be an imposter with no Property ownership. By then the Company already had lost contact with the Ebisawa imposter. The Company had entered into an approximately 750 million yen condominium sales contract with the Ebisawa imposter, and therefore the net loss for the Company was about 5.55 billion yen.

As described above, the Company suffered a significant loss of 5.55 billion yen as a result of this land fraud transaction.

## 2. Obtaining initial information

On March 30, 2017, Yuji Oda, Deputy General Manager of Tokyo Condominium Division (hereinafter referred to as “Oda”) obtained information on the Property from Ikuta, whom he met at a private meeting. Because the Property was a well-known property owned by a landowner who would never sell it, Oda thought that such land would not be available for purchase by Ikuta, who had little knowledge about real estate.

Initially, Oda et al. indicated to Ikuta the verification of the true owner’s identity was absolutely necessary.

- (1) Oda advised Ikuta that he should check if the seller is the true owner, and suggested that no earnest money deposit be paid until such confirmation was made.
- (2) When Ikuta asked on March 30, 2017 if Oda would be interested in purchasing the Property, Oda was not sure if the transaction would really materialize, and rather thought that Ikuta did not have sufficient funds to purchase the Property.



(3) The Property was well known as a property owned by a person who would not sell, and even the Company employees had never been able to get in contact with the owner, and the Property was said to command 8 -10 billion yen if it were to be sold.

However, since Ikuta had advised that he was successful in entering into a purchase and sale agreement on April 3, 2017 with a minimal amount of deposit (20 million yen), and that the identity of the seller was confirmed at the notary public's office with her passport, seal, and seal certificate, and a signed deed was presented (based on a counterfeit passport, though). Therefore the Company decided to work on this transaction to purchase the Property from Ikuta (IKUTA Co.) who would purchase the Property from the Ebisawa imposter.

### 3. Internal approval

On April 14, at a meeting where Mitani, ██████████ (General Manager of Real Estate Department), ██████████ (General Manager of Tokyo Condominium Division), ██████████ (Deputy GM of Technology Division) and Oda were present, they agreed to proceed with the purchase, and decided to prepare a real estate purchase internal approval document by the morning of April 17, 2017. It was also decided to add the Property among the properties for President Toshinori Abe (hereinafter referred to as "President") to tour on April 18, 2017 as a possible purchase candidate. On the same date, the internal request was sent from the Condominium Business Headquarters to the Real Estate Department.

On April 19, 2017 the Real Estate Department accepted the internal request for approval. On the same date, ██████████, General Manager of Business Strategy Department, ██████████, Executive Officer, Chief Manager of Accounting and Finance Department, and Koji Nakata, Managing Executive Officer, General Manager of Legal Department, reviewed the internal request for approval. Prior to that, Kuroda, who had received a request from Mitani and ██████████ to process the request immediately, decided to leave four approvers (██████████, Managing Executive Officer, head of Tokyo Office, Yoshihiro Nakai, Director and Managing Executive Officer, Takashi Uchida, Director, Senior Executive Officer, Shiro Inagaki, Director and Executive Vice President) and on April 20, 2017, Kuroda himself brought the internal approval request document to the president and got the president's approval. At that time, there was no clear question from the president on anything, including the counterparty change as described later.

The internal request for approval focused on the business feasibility, and as for IKUTA Co., there was no mention of the trustworthiness/credit worthiness with the only description being "Seller IKUTA HOLDINGS, established in 2008, diversified businesses with apparel as a focus. Capital 100 million yen, not a registered real estate broker" as a note in margin. Regarding verification of the owner Ebisawa, there is no description on how they plan on identifying the true owner.

Also, the name of the counterparty was changed from IKUTA Co. to IKUTA Corp. (whose representative was Kumi Kondo) immediately before the internal approval process was complete (April 19, 2017) at the request of Ikuta. The change was documented with pencil writing on the internal request for approval document.

### 4. Purchase & sale contract

On April 20, 2017 the below people assembled at the Tokyo Condominium Division to review all the necessary documents. Oda met the Ebisawa imposter for the first time then. In preparation for the April 24, 2017 meeting, Oda explained that the contract between Ebisawa and IKUTA Co. would have to be canceled, and he proposed that an earnest money deposit of 1.4 billion yen would be paid by deposit checks (one for 1.2 billion yen and the other 0.2 billion yen), which was approved.

- the Ebisawa imposter
- Takeshi Koyama (Misao Koyama) who claimed to be Ebisawa's finance representative (hereinafter referred to as "Koyama")
- Ikuta

- Kumi Kondo (hereinafter referred to as “Kondo”)
- Takada (judicial scrivener, responsible for Ebisawa-IKUTA HOLDINGS transaction registration)
- Endo (judicial scrivener, responsible for IKUTA HOLDINGS-Sekisui House transaction registration)
- Oda
- ██████████, Manager, Tokyo Condominium Division

Following the internal approval, on April 24, 2017 as planned, the Ebisawa imposter, Koyama, Ikuta, Kondo, judicial scrivener Takada, judicial scrivener Endo, Oda and ██████████ met, and cancelled the Ebisawa-IKUTA Co. contract, arranged for Ebisawa-IKUTA Co. contract as well as IKUTA Co.-Sekisui contract to be signed. The purchase contract increased the initial deposit from 20 million yen to 1.4 billion yen, which was proposed by the Company in fear of potential contract cancellation by the Ebisawa imposter. In this contract, the demolition of the existing building was the responsibility of the seller, so the remaining payment (5.6 billion yen), transfer registration and closing were scheduled for July 31, 2017 (Monday) in order to allow for time for the seller to demolish the building. The internal approval request document showed IKUTA Co. as the Company’s counterparty but in response to IKUTA’s request on April 19, 2017 for tax savings, the counterparty was changed to IKUTA Corp. The purchase contract with IKUTA Corp. was executed on April 24, 2017 (Monday) and a provisional registration of ownership transfer was made.

When the purchase contract was executed, two judicial scriveners confirmed the original passport, the original seal certificate, the original resident card, and a color copy of the title certificate brought by the Ebisawa imposter. After confirming the acceptance of the provisional registration application, the Company handed a 1.2 billion yen deposit check to Ikuta and Ikuta immediately gave the check to the Ebisawa imposter. The remaining deposit of 0.2 billion yen for Ikuta was wire transferred to Ikuta on the same date. The provisional registration was completed on April 29, 2017.

## 5. Risk information after contract

After the provisional registration procedure was completed on April 29, 2017, multiple pieces of risk information were received by the Company between May 10, 2017 and May 23, 2017.

### A) Warning by content-certified mail

On May 10, 2017, the Company’s Legal Department received a content-certified mail dated May 8, 2017 entitled “Notice” from Ebisawa. The Legal Department immediately shared the information with the Tokyo Condominium Division. Ebisawa’s letter said “I am the owner of the Property, and I was surprised that a provisional registration of transfer had been made. Since I did not enter into a sales contract for the Property, the provisional registration is not valid and therefore should be deleted.” The letter was addressed to the Company and IKUTA Corp. Oda and ██████████ met with Koyama, Ikuta, and Kondo, and agreed to thoroughly verify the seller’s identity. On the same day, they consulted with the Company’s counsel, ██████████, on how to verify the identity of the seller, and learned the following methods: “① Confirmation by an acquaintance, ② Mail with postmark, ③ Tax payment certificate, utility bill payment statement, ④ Health insurance card, ⑤ Pension card, and ⑥ bankbook, etc.” The counsel also suggested that the Company check as many things as possible.

Following the receipt of the “Notice,” on May 11, 2017 the real Ebisawa sent another content-certified mail dated May 9, 2017 entitled “Notice” which was delivered to the Company and judicial scrivener Takada. The letter said “Delete the provisional registration” and “If you do not delete it, then I will take a legal action to correct it.” On May 11, 2017 the Company and judicial scrivener Takada received another content-certified mail dated May 10, 2017 entitled “Notice.” The letter, mentioned the card number of

Ebisawa's seal registration certificate, and "Your transaction is with a different person and is therefore invalid." "You cannot acquire the title unless you buy it from the true owner." In addition, on May 23, 2017 Ebisawa sent another content-certified mail dated May 22, 2017 entitled "Request for Restoration" which was delivered to the Company, judicial scrivener Takada, and IKUTA Corp. The letter requested prompt deletion of the provisional registration and said "the victims including Sekisui House Co., Ltd. should make every effort to verify the identity of the seller in order to prevent an even bigger loss."

These four content-certified mails were all in the name of the real owner, Sakiko Ebisawa, and the letters warned that since the true owner was herself, the transaction the Company was pursuing was with an owner-imposter.

B) Disturbance by several brokers

A person named Kimura with Crescendo Co., Ltd. visited the Tokyo Condominium Division on May 11, 2017, the day after the receipt of the content-certified mail in A) above. Kimura told an employee at the Division that Ikuta had removed them from the transaction. On May 12, 2017, a person named Shohachi Mitsuhashi, representative director of the Yuhi-no-oka Nihonkai Akita International Hotel, visited the Tokyo Office and protested that the Company's transaction with Ikuta was inappropriate, and proposed that he intervene and resolve the issues. These series of complaints were lodged against Ikuta, and did not directly question the identity of the Ebisawa imposter, so the Condominium Business Headquarters determined that the complaints were generated by those who wanted to interfere with the Company's transactions.

On the same day (May 12, 2017), [REDACTED], President of Sekiwa Real Estate Kansai Co., Ltd., told Kuroda "there are some rumors that only a very little portion of the earnest money deposit paid by the Company has been paid by the intermediary to the owner of the Property. You might want to check to see if the intermediary company is trustworthy." As a result the Company had more information questioning the trustworthiness of Ikuta. The warning by President [REDACTED] was reported to Mitani on the same day, but Mitani replied that "Ikuta is a dummy of the Company and the identity of the seller has been confirmed" so the warning did not get considered.

C) Response to risk information (content-certified mail and brokers)

Regarding the four warnings by content-certified mail, the Condominium Business Headquarters and the Legal Department had determined that they were just defamatory letters (obstruction by Maeno, Ebisawa's former husband, who they had a broken relationship with Ebisawa) and cited some contradictions such as "the owner herself would not meet us so the letters should be in the name of somebody else representing her, but they are not."

However, both departments also determined that it was still necessary to re-examine the seller's identity, the Legal Department told Tokyo Condominium Division as of May 11, 2017 "Check the seller's identity once again, and if the seller says that she did not send the four content certified mails, then you should get a note from her confirming that she is the true owner of the Property." In response to this instruction, on the same date as the date the content-certified mail dated May 22, 2017 was received (May 23, 2017), the Company showed the four content-certified mails to the Ebisawa imposter and got a note from her.

In addition, the Company refused to deal with any of the brokers who filed complaints saying that the Company was not in a position to be involved with those brokers.

D) Identity confirmation by acquaintance and property inspection

For the "confirmation by acquaintance" suggested by Lawyer [REDACTED], the Company employees were hoping that something could be done at the time of the Ebisawa imposter's planned visit to the Property during the property inspection scheduled for May 19, 2017. However she did not come to the site, and instead Lawyer Tochigi, who identified himself as Ebisawa's representative, came to the site with a padlock key to the back door. In a

return call from the Ebisawa imposter to Koyama, the imposter explained that she had asked Tochigi to attend the property inspection due to her illness. As a result, the Ebisawa imposter never visited the site.

Since they could not meet “Ebisawa” during the property inspection, they scheduled an interview with “Ebisawa,” as well as signing of a note, for 3:00 pm on May 23, 2017 at the office of Lawyer Tochigi. If “confirmation by an acquaintance” does not work, then you could, for example, check with the neighbors using Ebisawa’s photo, but they were concerned that it would offend her, and therefore the Condominium Business Headquarters including Mitani decided to rely on a signed note from “Ebisawa” to verify her identity.

## 6. Advancement of transaction closing

The Condominium Business Headquarters planned to move the final settlement (originally scheduled for July 31, 2017) up, and Nakata, Mitani, [REDACTED], [REDACTED], [REDACTED], [REDACTED], Oda, and [REDACTED] had a meeting on May 22, 2017 to discuss their plans up to the final closing, and in order to avoid the interference by brokers, they decided to accelerate the closing date. The following day, May 23, 2017, the Ebisawa imposter, Lawyer Tochigi, Koyama, Ikuta, Kondo, Mitani, [REDACTED], Oda and [REDACTED] met at Tochigi's office. Mitani presented the four content-certified mail from Ebisawa as well as her request for restoration, and let everybody know that the letters were claiming that the “Ebisawa” pursuing to sell the Property is an imposter. The Ebisawa imposter did not seem to be surprised, and she signed on the spot the note that the Company drafted. Mitani said, “As a way of calming things, for example, we could advance the final closing,” and nobody there objected. Mitani, [REDACTED], Oda, and [REDACTED] returned to the Company and decided to propose to Ikuta a “Settlement Date Change” as follows: the settlement date would be changed from July 31 to June 1 on which the remaining 4.9 billion yen will be paid. 0.7 billion yen would be reserved until the end of July before which the demolition and boundary confirmation would be done. On May 24, 2017 Oda informed Koyama, Ikuta and Kondo of their planned settlement date change to which all of the three agreed. On May 25, 2017 they discussed the advancement of the final settlement with Lawyer Tochigi, and then the date change was finalized.

Internally, Mitani called Kuroda on May 23 or 24, 2017 (according to Kuroda, it was May 25, 2017), discussed with the Legal Department, and explained about the advancement of the settlement date on the condition of a reserve of 0.7 billion yen and the seller’s responsibility of demolishing the existing building. Kuroda (who was not aware of content-certified mail warnings) said, “It would be great if we could accelerate the transfer registration even with the risk of potential obstruction after settlement, but since there is negative information by President Matsuyoshi, though it is not required for other projects, due to the size of this transaction I would like you to obtain the President’ approval on the advancement of settlement.” to which Mitani agreed.

At that time (May 22 to 27, 2017), President Abe was on a business trip abroad, so [REDACTED] contacted the secretary to the President, and arranged for Mitani to talk to the President on his way to Haneda Airport on May 30, 2017. Mitani told the President that the final settlement would be advanced to June 1, 2017 with the approval of the Real Estate Department and Legal Department. Immediately after Mitani talked to the President, it was reported to the Real Estate Department (because they needed time to prepare multiple deposit checks), and on May 31, 2017 which was the day before settlement, the settlement money was deposited with the account of the Tokyo Condominium Division.

At the meeting on May 31, the Ebisawa imposter said that she was unable to present the title certificate of the Property due to her not necessarily reasonable reason (her relationship with her former husband was not good and she did not want to see him). When they learned from the seller’s lawyer and a judicial scrivener that you could file a transfer registration with an identity verification document generated by a lawyer, then they easily accepted it. The filing of a transfer registration with an identity verification document was handled by Oda alone. Oda learned from the judicial scrivener Takada that the Ebisawa imposter had made

a mistake in her birthday and zodiac when she created her identity verification document earlier on that day.

#### 7. Final settlement and voluntary accompaniment to police

The settlement meeting was set for 9:30 am on the settlement date of June 1, 2017 at the Tokyo Condominium Division meeting room, but the Ebisawa imposter arrived at around 10:10 am because of her poor physical condition. As already noted, she did not bring her title certificate. They were informed by Company staff, who had been at the Property site before 9:00 am that day, that a light in the existing building was on, so Oda instructed the staff to go inside the building and check it. Then, a police officer came to the site in response to a report, and our staff was asked to accompany the police. When Oda told those present at the meeting that there was a report to the police and that a police officer came to the site, everyone said, "That may have been done by those who are trying to block this transaction, just like the notices sent by content-certified mail." They then proceeded with the settlement and closing.

After confirming that the transfer registration application was accepted by the Local Legal Bureau, the Company handed multiple deposit checks of 4.9 billion yen in total to the intermediary, and then the checks were handed from the intermediary to the Ebisawa imposter in front of the Company. The Local Legal Bureau informed the Company on June 6, 2017 of their plans to reject the transfer registration application, and the Company received on June 9, 2017 a letter from the Bureau notifying its official rejection of the application.

### Chapter 3 What actions were necessary

#### 1. Obtaining initial information

Despite the many red flags at the time of obtaining the initial information, Oda trusted Ikuta solely by the fact that Ikuta had a notarized deed, and as a result, even though how Ikuta and the Ebisawa imposter got to know each other and their relationship were unknown, Oda saw as trustworthy the Ebisawa imposter and her intent to sell the Property. Therefore, since then, the Company rushed to get into a contract without any doubt. Oda, as someone who deals with high-valued transactions, was obviously not prudent enough, and we must say the facts and circumstances establishes his gross negligence.

In addition, other executives including Mitani, [REDACTED], and [REDACTED] relied on Oda, and did not try to determine the seller's credibility themselves, which is another big issue here. Also, it is quite difficult to understand how the Ebisawa imposter's identity was resolved so easily and quickly.

During the committee discussions while working on this report, there was a suspicion expressed that there might have been a personal and inappropriate relationship between Ikuta and Oda. No such evidence was obtained, but such things as over-trust in Ikuta and a lack of interest in the relationship between the Ebisawa imposter and Ikuta continues to present such doubts. .

The matters to be noticed and dealt with at this stage are as follows:

1. Validity as evidence of a notarized deed (you can obtain a notarized deed even with a forged passport).
2. A forged passport is easily obtainable at low cost.
3. Actual situation and background of the intermediary and its representative.
  - [REDACTED], a former diet member, is one of Ikuta's acquaintances.
  - Oda trusted Ikuta although they only met several times at a party on several occasions.
  - Even if Ikuta has a relationship with celebrities and prominent people, he did not know much about Ikuta including what he really did and his past history.

· The person surrounding the Ebisawa imposter were mostly brokers such as Ikuta and Koyama.

4. The owner's intent to sell.

① Why did this property suddenly become available for sale even though it was known as a property that the owner refused to sell for many years?

② The reason is unknown why Ikuta, a real estate amateur, had come to be able to purchase the 10 billion yen worth Property for 6 billion yen and there was never a reasonable explanation as to this. In addition, the reason is also unknown why the owner decided to enter into a high-value sale contract with Ikuta, who appeared to have insufficient financial power.

5. Relationship between the intermediary and the landowner.

① Reason why the landowner approved the intermediary to get a large profit of 1 billion yen

\* After submitting the internal request for approval, ██████████ (hereinafter referred to as "████████"), Manager of the General Affairs, confirmed on April 19, 2017 that Ikuta is not registered with the Tokyo Center for Removal of Criminal Organizations, and that IKUTA Co., is not registered with Teikoku Databank.

## 2. Internal approval

The real estate approval request was drafted by the Tokyo Condominium Division, and along with the opinions of the Condominium Business Headquarters, the approval request was received by the Real Estate Department, and then approved by the President after a review by the related parties (Legal Department, etc.) and other approvers.

In this case, the "post-review" procedure was adopted in which the President's approval was obtained before the other reviewer's reviews and approvals. It was drafted on April 18, 2017, received at the Real Estate Department on April 19, 2017, the President's final approval was granted on April 20, 2017, and the other reviewer's approvals granted after April 24, 2017. The President's site visit was held on April 18, 2017, and the property purchase contract was executed on April 24, 2017, five days (three business days) after the arrival at the Real Estate Department of the request.

The matters to be noticed and dealt with at this stage are as follows:

(1) The internal approval request document very much lacked the initial information mentioned previously.

The Real Estate Department and the Legal Department, which are the departments responsible for risk management, should have pointed out the missing information and should have been aware of the risk information.

(2) The internal approval request was processed within a short period of time, and the request was not sufficiently examined.

The reason why the General Manager of the Real Estate Department ran the process in a different manner than usual was because of the urgent request received from the General Manager of the Condominium Business Headquarters, but the fact that the President had already completed his site inspection had significantly influenced the process.

(3) Change of intermediary.

The intermediary at the time of the internal approval request was subsequently changed at the request of the intermediary, and the change was from IKUTA HOLDINGS Co. to IKUTA HOLDINGS Corp. which was a paper company and whose representative was a woman. They should have questioned this change.

No background check was conducted for the husband of Kumi Kondo, one of the two female directors at IKUTA HOLDINGS Corp. The husband of another director ██████████ is the former Diet member ██████████. IKUTA HOLDINGS Corp. was formed as a paper company to make it easy for them to remove

any connection with the fraudulent group, and we should never deal with such a company.

### 3. Purchase & sale contract

The following are matters that had to be noticed and dealt with even in the contract execution stage after approval of the internal approval request was granted.

(1) When filling out the “Confirmation Record Form (for Personal Use)” on April 20, 2017, the Ebisawa imposter wrote the wrong street number as part of her address.

(2) At the preparation meeting on April 20, 2017, they only checked a colored copy of the title certificate, and never checked the original.

\* On the day of the contract on April 24, 2017, two judicial scriveners confirmed the original copy of the title certificate, but it was not something to figure out whether it is the original or not, but just to confirm that what is on the title certificate agrees with what is on the registration. The confirmation of the title certificate was not sufficient and they could not discover that it was a false document.

### 4. Risk information after contract

After the provisional registration procedure was completed on April 29, 2017, multiple pieces of risk information were received from May 10 to 23, 2017. The matters that must have been noticed and dealt with at this stage were as follows:

#### (1) Significance of content-certified mail

Content-certified mail is used as evidence in litigation, and it would be gross negligence for someone to consider four pieces of content-certified mail an obstruction to the transaction.

The act of falsely sending the content-certified mail to a transaction counterparty can constitute a crime depending on its content.

\* There is a testimony that the Ebisawa imposter was very calm when she saw the content certified mail, but if someone who impersonates herself sends such a document to a transaction counterparty, then she should be upset, and will call the police to prove that she is the true Ebisawa.

\* They talked to Ikuta about how they should deal with the content-certified mail.

#### (2) Significance of the fact that the personal information of the true owner was written in the content-certified mail

The mail had her seal registration card number on it and warned of another person's impersonation, and should have been viewed as highly credible.

#### (3) Examination of several brokers' emergence as well as of information from President [REDACTED] of Sekiwa Real Estate Kansai Co., Ltd.

Immediately after consulting with Ikuta about the content-certified mail, the brokers came to visit, so they should have considered the relationship between the two (should have questioned that Ikuta might have had a suspicious person come visit).

Also, the information from President [REDACTED] was completely ignored without being given any consideration. This information was very valuable indicating the possibility of a fraudulent land seller group involved.

#### (4) It is not sufficient to confirm the identity of the seller only by documents, including the imposter- owner's “signed note,” without checking her acquaintances.

After obtaining the risk information, in verifying the seller's identity again, they did not conduct diligence with her acquaintances but accepted a “signed note” from the seller.

The signed note is to confirm two things: “I have never sent a content-certified mail” and “There is nobody else other than me who owns the Property”. A criminal involved in fraud should not be allowed to certify that he or she is not a criminal engaged in fraud.

- ◇ This note indicates their suspicion that she may not be the true owner of the Property and therefore could offend her, and it is inconsistent with the previous statement that they did not contact her acquaintances to verify her identity so they would not offend her.

Although they did not contact her acquaintances, since it was a well-known fact that Ebisawa had been operating the old inn business for many years, they could inquire the old inn operator as well as an old inn association, but no contacts or interviews were performed. There were ramen shops and Chinese restaurants in the neighborhood, and there should have been no difficulties to conduct interviews with these neighbors. In addition, there should have been a number of parking lot users, business partners and customers tied to the old inn operations that they could have contacted or interviewed.

- (5) Significance of the fact that the seller herself never came to the Property giving various reasons

The owner did not come to the site due to her purported poor health when a site inspection was conducted, and an attorney that nobody had been informed of came to the site instead, unlocking the padlock at the back door not the front door – they should have had doubts because of these facts.

In addition, the owner had been operating the inn business for many years on the Property, so it would be very strange for her to never appear through the purchase process.

#### 5. Advancement of transaction closing

At the meeting on May 31, 2017, in lieu of the title certificate of the Property, they used an identity verification certificate prepared by a lawyer, but we should have had a strong suspicion about the sudden request one day before the final settlement.

Also, if Oda had heard from the judicial scrivener Takada that the Ebisawa owner had made a mistake in her birthday and zodiac when she created her identity verification certificate, that together with the fact that she had made a mistake in writing her own address, they should have developed doubts.

#### 6. Final settlement and voluntary accompaniment to police

On the final settlement date of June 1, 2017, just before the final closing meeting began, a staff on the Property site was asked by the police to voluntarily accompany the police. This was an extraordinary situation where the police were dispatched and an unlikely event in order for someone to simply disrupt the transaction.

Therefore, the transaction should have been suspended, and since we had the purported seller and the intermediary in the closing meeting room, we should have asked them to accompany us with the police.

Also, in this very unusual situation, even after checks were given to the intermediary/the seller, steps should have immediately been taken to place a hold payment on the checks.

The foregoing are all the investigation results.

### Chapter 4 Committee Views on Responsibility

#### 1. Responsibility of the sales department

As mentioned above, as a result of the person in charge of this transaction rushing to achieve a goal, they proceeded with the transaction by trusting the seller with a notarized deed that did not function as evidence. In addition, a member of the fraudulent land sales group was put into an important decision-making meeting, resulting in the member



controlling the situation and us ignoring multiple warnings, leading to a significant loss being incurred.

The Condominium Business Headquarters was supposed to grasp the whole picture of the transaction and to make a sound decision, but failed to fulfill its responsibilities. This responsibility becomes heavier as its position is more senior.

## 2. Responsibilities of the sales management department

The Legal Department and Real Estate Department have staff functions for the sales department, but are responsible for such things as internal approval process and risk information.

### A) Legal Department

The General Manager of the Legal Department lacked the knowledge that a notarized deed can be issued with a counterfeit passport, and that a counterfeit passport is relatively easy to obtain, and as a result failed to provide proper instructions at the initial stage of the transaction.

While receiving multiple content certified mails, he gave instructions to obtain from the seller a signed note which was useless. Also, he did not strongly request the “confirmation by acquaintances” and did not check the results. It should be well recognized that content certified mail has an important meaning in verifying the authenticity of the owner. Since it was very important risk information, it should be reported to the related departments as well as to the President, and they all should discuss how it should be dealt with. In spite of such risk information, the Legal Department allowed the advancement of final settlement which meant that it did not fulfill the checking function it was supposed to have.

### B) Real Estate Department

It is the Real Estate Department that decided to postpone the review of the internal approval request by the four key officers, in response to a request to accelerate the internal process after the President’s site visit. As long as he is responsible for the real estate business, regardless of the President's site visit, he should have understood the risks related to real estate transactions, understood the insufficient examination by the Condominium Business Headquarters, have studied property risk information, and have noted such in the internal approval request document.

Also, even though he was not informed of the content-certified mails, he did not share president [REDACTED]'s negative information with the Legal Department. Considering the size of the transaction, he should have been even more prudent and we must say that risk management was insufficient as the department responsible for the real estate business of the entire company.

## 3. Responsibilities of the four officers who approved the transaction after Chief Operating Officer

Four key officers (Inagaki, Uchida, Nakai, and [REDACTED] (Head of Tokyo Office)) who reviewed the internal approval request after the approval was granted by the President [Abe], studied the profitability of the transaction, but did not study the risk aspect of the transaction since some departments had already conducted their review. However, given such an incident, they must have been negligent in their review of the transaction.

## 4. Responsibilities of Chief Operating Officer

It is the responsibility of Chief Operating Officer (President) [Abe] to understand the overall picture of the transaction and to prevent it from being executed in an incorrect manner, and he is the last stronghold for that.

As Chief Operating Officer, he should be heavily responsible for the fact that he did not grasp the overall picture of the transaction and did not recognize significant risks.

## 5. Responsibilities of the Board of Directors and Audit & Supervisory Board

The board of directors has the authority to supervise the execution of duties by directors (including representative directors), and the board of corporate auditors is responsible for auditing the execution of duties by directors. Since the internal approval request was approved on April 20, 2017, and the report to the board of directors was on June 9, 2017 which was after the discovery of the incident, the board of directors should have no direct responsibility, but when such a scandal occurred, it is due to the system operation being incomplete, and therefore it should be responsible for the consequences.

The Chairman and Representative Director is also responsible for this incident. As the person responsible for personnel and systems, he has the responsibility to take the lead and to correct imperfections in the personnel and systems in order to prevent recurrence of such an incident.

## Chapter 5 Recommendations on Establishing a Project Team for Organizational Reform

It is important to improve personnel and systems so that all the causes revealed in this incident can be removed. It is recommended that a project team be established to work on this under the leadership of the Chief Executive Officer (Chairman).

The Company has both growth potential and profitability in its business, and has the strong ability to market and sell products, but this case has occurred from a gap in the system, and there is a possibility that hidden causes are growing. Therefore, there is room for improvement in a wide variety of areas, and it is not sufficient to point out individual points that need improvements, and it is necessary to establish a project team with the leadership of the Chief Executive officer, and to fundamentally review personnel and systems.

This is a consensus opinion by the investigation committee.

## Investigation Data

### 1. Background and history of the incident

### 2. Publicly released materials

①(H29-08-02) Notice Regarding Problems with the Purchase of the Land for Condominiums

①(H29-09-07) Notice Regarding setting up Investigation Committee for the Problems with the Purchase of the Land for Condominiums

①(H29-09-07) Notice Regarding Salary Reduction, etc. for Directors

### 3. Media reports

①(H29-08-03) Nikkei "Potential loss of up to ¥ 6.3 billion - Sekisui House, as related to land purchase"

①(H29-08-03) Yomiuri, Asahi, Mainichi, Sankei, Kyodo News – similar articles as the above Nikkei one

①(H29-08-03) NHK "News in Kansai region"

①(H29-08-03) TV broadcasting similar to the above NHK one (TV Asahi "Good morning", Kansai Television "FNN Speak", TV Asahi "ANN News", Yomiuri Telecasting "Information Live Miyane-ya", Nippon Television Network "news every")

①(H29-08-04) Yomiuri Telecasting "Su Matan!", Nippon Television Network "Sukkiri!", Mainichi Broadcasting "there, there"

### 4. Internal approval request materials

①(H29-04-20) Real Estate Internal Approval Request (Purchase) H29 (Purchase) #146 (tent) Grande Maison Gotanda development land purchase (Requester: Tokyo Condominium Division, dated April 18, 2017)

### 5. Board materials

①(H29-06-09) Board of Directors Report Item 2. Purchase of land for condominium development in Nishigotanda, Shinagawa-ku

①(H29-07-20) Board of Directors Report Item 4. Update on Purchase of land for condominium development in Nishigotanda, Shinagawa-ku

### 6. Transaction documents

①(H29-04-24) Land purchase and sale agreement

### 7. Interview records for verifying what happened

Condominium Business Headquarters

①(H29-09-07, H29-10-16) Mitani, Managing Executive Officer, General Manager of Condominium Business Headquarters

①(H29-09-14) ██████████, General Manager of Real Estate Division, Condominium Business Headquarters

①(H29-09-14) ██████████, General Manager of Tokyo Condominium Division

①(H29-09-14) ██████████, General Manager of Technology Division

①(H29-09-14) Oda, Deputy GM of Sales

①(H29-09-14) ██████████, General Manager of General Affairs

①(H29-09-14) ██████████, Manager

Approvers for Internal Requests

①(H29-10-16) Inagaki, Director & Executive Vice President

①(H29-10-16) Uchida, Director & Senior Managing Officer

①(H29-10-16) Nakai, Director & Managing Officer

①(H29-09-14) ██████████, Managing Officer, Head of Tokyo Office

①(H29-10-16) ██████████, Managing Officer, Chief Manager, Accounting & Finance Department

①(H29-10-16) ██████████, General Manager of Business Strategy Division

### Head Office

①(H29-09-01, H29-10-16) Kuroda, Executive Officer, General Manager of Real Estate Division

①(H29-09-01, H29-09-07, H29-10-16) Nakata, Managing Officer, General Manager of Legal Department

①(H29-10-19) Abe, President & Chief Operating Officer, Representative Director

①(H29-10-19) Wada, Chairman & Chief Executive Officer, Representative Director