

March 30, 2020

Statement of Intent  
(Outside Director Candidate: Terumichi Saeki)

I have been nominated as an outside director candidate in the shareholder proposal by Messrs. Suguro and Wada. I have decided to accept the nomination thinking about what I, as an Osaka-based lawyer, could do for the leading Osaka-based Japanese company Sekisui House.

I have dealt with a variety of law cases for many Japanese companies from large, listed ones to small-to-mid ones as a lawyer with my own law firm in Osaka. The cases range from dispute resolutions to bankruptcies.

“The Sekisui House land fraud incident” drew my attention since the real causes of the incident were unclear right after the incident was unveiled, and the investigation report revealed that the incident was as a result of a number of misjudgments by the leading Japanese company, and also it was “hard for me to figure out why Sekisui House with a number of real estate professionals had been deceived in such a manner”. Making a payment of several billions of yen in deposit checks to a shell company is something a public company would not, and should not, do. I was surprised to find that “there is a company to do such a thing today.”

Although the Company lost approx. 5.6 billion yen from the incident, the current management ousted the whistleblower at a board of directors meeting, and they have not disclosed to the shareholders the incident details as well as why they could avoid their responsibilities for the incident. They have been continuing to cover up by making a superficial press release, and I always wondered if “the Company as the leading Japanese company would feel ashamed.”

If you have a majority at the board of directors where a majority of the directors can make decisions, you can cover up information as you wish. If that is the case, you cannot expect supervision of the management (in the form of election and dismissal of directors) by the shareholders as a result of the management not disclosing to the shareholders whatever information that must be disclosed. Electing outside directors for the board is therefore important so the supervision can be effective. Since internal directors often just follow the top management, you need to have a majority of directors being outside directors so the board of directors can control the board and have the management stay on the path.

The shareholder proposal by Messrs. Suguro and Wada chose outside directors as being an overwhelming majority of the board, and the outside director candidates have a wide variety of backgrounds and are not hesitant to oppose the management. Such a board structure may not be convenient for the management. However, it is vital to have such a board in order to be able to expect an effective supervision by the outside directors and prevent any corporate scandals. As I looked at the cover-up and governance failure by the current management team at Sekisui House, I have decided to assist Messrs. Suguro and Wada who pursue effective governance by having a majority of outside directors.

As Japanese eras have changed from Showa to Heisei to Reiwa, what the whole society demands from companies (particularly listed, large companies) has changed. Listed, large companies need to have, not only good profits, good stock price, and good dividend payments, but also great transparency and a high ethical standard beyond what the laws require.

I would hope that Sekisui House attains high transparency and therefore I would be happy to assist the Company to do so.