

## **IS SEKISUI HOUSE AN OLYMPUS 2.0 SCANDAL?**

### **Olympus 2.0<sup>1</sup>**

**Company: Sekisui House Ltd.**

**HQ: Osaka**

**Industry: Home building and land development**

**Scandal Years: 2017-Present**

**Board Composition (2019): 11 directors (only 3 independent)**

**Wrongdoing: Gotanda Land Scandal -- Company is defrauded after Big 4 fail to secure title to prime Tokyo property and pay unvetted swindlers US\$51.9 million that is never recovered nor was pursued when two years passed since the scandal**

**Red flags: By missing at least 15 or more red flags in attempting to close on the property and doing utterly no due diligence before paying US\$51.9 million in purchase proceeds**

**Big red flag: paying, using an irregular method of payment, IKUTA, an unvetted intermediary, that could have been run by organized crime**

**Insider Wrongdoers: Toshinori Abe (then President, CEO, Board director), Shiro Inagaki (then CFO and Board director), Yoshihiro Nakai (then managing executive officer and Board director), and Takashi Uchida (then senior managing executive officer and Board director) (hereinafter the “Big 4”)**

**Tenure of Bad COO: Abe ran domestic business: 10 years**

**How fraud uncovered: Investigation Committee comprised of outside directors and outside auditors generated an Investigation Report pinpointing the blame for the land scandal on Abe that he is heavily responsible for the fact that he did not grasp the overall picture of the transaction and did not recognize significant risks. The Report was released to the Personnel Compensation Advisory Committee (the “PCAC”) comprised of Abe, Isami Wada (then Sekisui’s Chairman), and five independent directors. With Abe recused from the vote, the PCAC unanimously voted to fire Abe and reported the decision to the Board**

**Background of Wada: 53 year veteran of Company and lately focused on its international business. He was not informed of the transaction until the incident was unveiled**

<sup>1</sup> The 2011-2012 Olympus scandal is deemed one of Japan's worst corporate governance failures. The government has focused on corrective reforms. However, the recent and continuing Sekisui House scandal reflects many of the same governance break-downs as Olympus. Therefore is Sekisui House an Olympus 2.0 Scandal?

**Wada's actions: seeks to bring PCAC recommendations to the Board that he has the responsibility to take the lead to fire Abe and to correct imperfections in the personnel and systems in order to prevent recurrence of such an incident. and makes every effort to fulfill his responsibilities**

**What happens to Wada?: Big 4 silences Wada and secures majority vote of Board to remove Wada who is forced to resign when confronted with the adverse vote prospects**

**Company's Public Statement for Firing Wada: "Wada has retired to transition Company to younger managers"**

**Media Reporting: Weekly Gendai Business (Japanese magazine) and Philadelphia Inquirer (US newspaper) first to expose scandal**

**Cover Up: Board is puppet of Big 4 and keeps in power Big 4**

**Organized Crime: Investigative reports hint that transactions may be linked to organized crime**

**Lawsuits: Civil suit brought by shareholders against Abe and Inagaki in Osaka District Court; a petition to add Uchida and Nakai has been filed in the lawsuit**

**Arrests: No Company insider arrests to date**

**Guilty Pleas: No Company guilty pleas to date**

**New Board: The Company's annual shareholders meeting and election of Board director is scheduled for April 26, 2020; the Big 4 currently sit on the Company's Board**

**Reference:**

**Investigation Report (dated January 24, 2018)(Japanese)(redacted by Sekisui House) :  
[https://40c80ded-d30f-4272-9479-0dddb305fa9b.filesusr.com/ugd/6a9eae\\_e74aa537bd774edc8b05d5ff0f45a07c.pdf](https://40c80ded-d30f-4272-9479-0dddb305fa9b.filesusr.com/ugd/6a9eae_e74aa537bd774edc8b05d5ff0f45a07c.pdf)**

**Investigation Report (dated January 24, 2018) (English) (redacted by Sekisui House) :  
[https://40c80ded-d30f-4272-9479-0dddb305fa9b.filesusr.com/ugd/6a9eae\\_7a0b1bd84d044ccd89f9c840428ade2f.pdf](https://40c80ded-d30f-4272-9479-0dddb305fa9b.filesusr.com/ugd/6a9eae_7a0b1bd84d044ccd89f9c840428ade2f.pdf)**

**The latest information can be found at the following websites:**

**Japanese : <https://www.savesekisuihouse.com/?lang=ja>**

**English : <https://www.savesekisuihouse.com/>**