

(Japanese)

積水ハウスの"元天皇"が「会社に戻りたい」と訴えるワケ 「会社は誰のものかと深く考えた」

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(English)

## **Sekisui House's former emperor appeals for wanting to return to the Company**

“I thought about who a company belongs to”

President Online

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Mr. Isami Wada, who was forced to resign as Chairman of Sekisui House after the land fraud where the Company lost approx. 5.5 billion yen, has made a shareholder proposal seeking election of slate directors including himself. “I am not planning on returning to the leadership” says Mr. Wada. I interviewed him to find out what he really intends to do.

### **Two years since the coup**

On March 4, 2020, a very unusual study session was held in Marunouchi, Tokyo. It was on corporate governance in Japan and Mr. Takaaki Wakasugi, Professor Emeritus, The University of Tokyo, as well as Chairman of Japan Corporate Governance Research Institute (JCGR) gave a lecture. Such a study session may be not unusual, but the reason why I said it was unusual was because Mr. Isami Wada, former Chairman of Sekisui House, was sitting next to Professor Wakasugi.

Mr. Wada, as you might know, served Sekisui House as director of the board for 23 years, including 10 years as President and another 10 years as Chairman, and he was an “emperor” at the Company. A company where the

same person reigns at the top for a long time would be considered a company without sound corporate governance. At the study session, the head of such a company listened eagerly to the lecture, and said “I want to be a disciple of Professor Wakasugi and study corporate governance.” Everybody should have wondered why.

Mr. Wada retired as Chairman and became an advisor, but it was not a peaceful retirement but he was essentially forced to resign. Though there are a number of media reports on this, I summarize below what happened.

### **Land Fraud where Sekisui House lost 5.5 billion yen**

In 2017 Sekisui House lost approx. 5.5 billion yen in a land fraud incident where the Company attempted to purchase a piece of land in Nishi-Gotanda, Tokyo from a fraudulent landlord group.

The land was owned by Sakiko Ebisawa, and her acquaintance first contacted Sekisui House to discuss the possible sale of the land. Sekisui House decided to purchase the land from the company the acquaintance managed, which would purchase the land from the landowner. Ebisawa and the acquaintance entered into a purchase and sale contract for 6 billion yen, and the acquaintance and Sekisui House entered into a purchase and sale contract for 7 billion yen. Then an earnest money deposit was made and provisional registration of ownership was completed. However it turned out that the Ebisawa was fake. There was a real Ebisawa who sent multiple pieces of content certified mail to Sekisui House saying that “I am the real owner of the land. I have never planned to sell it nor have made provisional registration to sell it. Please remove the provisional registration.” There were other warnings received at the Company, so Sekisui House’s counsel advised that the Company should check to see if the Ebisawa is the real owner by, for example, contacting her acquaintances, however it was never conducted. Also Sekisui House determined that all the warnings had been given by somebody who did not want the land transaction to complete, and in order not to be bothered they decided to make the final closing of the transaction two months earlier than

originally planned. On June 1, 2017, the Company paid a large sum of money to the fraudulent group. On June 6, 2017, the Legal Affairs Bureau rejected the land transfer registration application, and its notice was received at the Company on June 9, and they realized that it was fraud.

### **Attempted to dismiss but was ousted instead**

Subsequent to the incident an investigation committee consisting of outside auditors and outside directors was formed and the committee initiated an investigation into the incident. In January 2018 the committee produced an Investigation Report. It described that Mr. Toshinori Abe, then President (current Chairman) had inspected the property himself, and granted his approval of the transaction immediately, and at the board meeting held on January 24, 2018 Mr. Wada proposed a motion to dismiss Mr. Abe, which was not approved due to a vote (without Mr. Abe) of 5-5. Then, once Mr. Abe was back to the board meeting, he presented an urgent motion to change the Chairman of the Board, which was approved by a vote of 6-4, and the new Chairman presented a motion to dismiss Mr. Wada, which was almost approved, so Mr. Wada offered to resign. Given what happened here, it is an internal conflict between Chairman and President, and it is like killing a master.

On February 14, 2020, Mr. Wada and Mr. Fumiyasu Suguro, current director and senior managing officer of Sekisui House, made a shareholder proposal seeking election of 11 slate directors including the two.

The Investigation Report dated January 24, 2018 pointed out that in addition to Mr. Abe, Mr. Shiro Inagaki (then Executive Vice President, now Vice Chairman), Mr. Takashi Uchida (then Director and Senior Managing Officer, now Executive Vice President), and Mr. Yoshihiro Nakai (then Director and Managing Officer, now President) were also responsible for the fraud incident. The current management team including the four have not been held responsible for the improper transaction and also have been resisting to disclose the full-text of the Investigation Report.

### **What Mr. Wada said he would pursue**

“It is clear that there is a governance failure at Sekisui House now. The management team has to be replaced.” Mr. Wada and others said at the Press Conference held on February 17, 2020.

Frankly, I felt like something was not quite right. Mr. Wada, as I mentioned, served as President for 10 years and as Chairman as 10 years, and therefore was an emperor at Sekisui House. Therefore he should have run the Company as if there was no such thing as corporate governance. Even if the person says, "The current Sekisui House does not have good governance in place," I feel like he is saying so in order to go back to the Company.

So I decided to talk to Mr. Wada and to ask questions.

He accepted my interview request, and showed up in a meeting room in Tokyo, and said “I have not had lunch yet”, opening up a bento box that he had bought at a convenience store. “Do you mind if I talk while eating?” I answered “Not at all. Thank you for taking the time to meet with me,” and started asking questions.

**—You used to run Sekisui House on your own as the Emperor of the Company. There may be few people who believe when you say that corporate governance is important.**

Mr. Wada listened to what I said while eating, and then stopped eating. He started talking with a gentle face.

### **I began to think about "who owns a company"**

“Recently people talk a lot about ESG. When I was President or Chairman of Sekisui House, I did a lot about E (Environmental) and S (Social), but maybe I should have done much better with G (Governance). I said at that time that

governance is important, but I did not have a good understanding of what it meant. Therefore I decided to become a disciple of Professor Wakasugi.”

When asked why he changed his mind, Mr. Wada said the following.

“About a year ago when I went to the U.S., I got introduced to Mr. Christopher Douglas Brady, Chairman and CEO of the U.S. Chart Group and a son of Nicholas Brady, who was the U.S. Secretary of the Treasury under Presidents Ronald Reagan and George H. W. Bush. I met him at his farm house in New Jersey.”

“Mr. Brady talked to me about a number of topics, but what most impressed me was that ‘One of the reasons why Japan does not see much investment money from outside of Japan is because corporate governance in Japan is not good enough.’ Then I began thinking about who owns a company. I finally began to understand that a management team is entrusted by the shareholders with the management of a company. Interesting. After I retired and had time, then I felt easy to understand what Mr. Brady said. I absorbed what he taught me immediately.”

After coming back to Japan, he was introduced to Professor Wakasugi, and he was awakened to corporate governance.

**”You want to run the Company again?”**

**—I understood that you had realized the importance of corporate governance. You are one of the slate directors proposed by the shareholder proposal. So you want to regain what you lost?**

“No, no. Two years has passed since I left the Company, but my old colleagues and business partners have come to me saying that Sekisui House is getting worse, and I was worried. Then, Mr. Suguro said to me “without us standing up now, the Company will go really wrong.” I think it was in January this year. He said that he needs more slate directors and asked me to join, so I

said yes. I am not thinking about gaining back what I lost. I want to become a disciple of Mr. Wakasugi.

In fact, I have seen a number of corporate leaders who, despite saying that they will become the cornerstone of corporate governance reform, do nothing. So I had to doubt if what Mr. Wada said is true.

He already once retired, and he could have rejected Mr. Suguro's offer, but he said "I want to do what I learned from Mr. Brady and Professor Wakasugi," and his objective at this time is to clean up the Company. So I asked him this question.

I would not give up even if people said it is a personal revenge.

**—Sekisui House will aggressively pursue corporate governance reforms once your shareholder proposal gains support from the shareholders and you return to the board. What if the shareholder proposal fails to gain shareholder support? Would you nevertheless appeal the need for corporate governance reforms, and for example help fund Professor Wakasugi's activities?**

"Of course yes. I am not talking about the importance of corporate governance in order to return to the Company. Even if I lose at the general meeting of shareholders, I cannot say corporate governance is not important. I would not be paying sufficient respect to Mr. Brady and other people working with me.

Mr. Wada said that his wife had told him "Stop it. People will say it is a personal revenge whatever you say". Mr. Wada says "I cannot stop doing this. I am going to be reborn at this age." He did not mention how much money he will be contributing to the activities by Professor Wakasugi, but the once-absolute monarch apparently has become a believer in "Corporate Governance".