
Shareholder Proposal to Sekisui House, LTD

February 17, 2020

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3 Elements of Global-Standard Management

1. Corporate Governance

No: "Governance by the corporation"

Yes: "Control of management personnel through the Board of Directors"

⇒Corporate behavior controlled by independent outside directors

2. Compliance

No: "Compliance with laws and regulations"

Yes: "Appropriateness in society"

⇒Compliance with business ethics demanded by society more than by law

3. Accountability

No: "Responsibility to explain"

Yes: "Logically proofed by the evidence and figures"

⇒Defensive excuses made up of lies said in lip-service are no longer acceptable.

Structure of Board of Directors

Candidate #	Outside Director	Name of the Candidate	Role expected for the candidate				Financial Experiences
			Corporate Management	Global Experiences	Compliance	Governance	
1	○	Christopher Douglas Brady	○	○	○	○	○
2	○	Pamela Fennell Jacobs		○	○	○	○
3	○	Yasushi Okada			○		○
4	○	Terumichi Saeki			○	○	
5	○	Jiro Iwasaki	○	○	○	○	
6	○	Makoto Saito		○	○	○	
7	○	Hitomi Kato		○	○		
8		Fumiyasu Suguro	○	○			
9		Motohiko Fujiwara	○		○	○	
10		Koji Yamada	○	○			○
11		Isami Wada	○	○	○	○	

- We propose that the entire slate be elected collectively. It does not mean, however, that even if only a part of the eleven are elected, the effect of the election will be denied.

Shape of the “New Sekisui House”

Resolve current Sekisui House problems, and aim to continually improve shareholder value

1. Implement 3 elements of global-standard management

- ✓ Solid “governance” that doesn’t allow fraud or misappropriation
- ✓ Proactive “compliance” that responds to the demands of society
- ✓ “Accountability” based on facts for all stakeholders

2. Create a foundation for continual growth

- ✓ Genuine “ESG (Environment, Social, and Governance)” management
- ✓ Distribution of managerial resources based on shareholders’ viewpoints
- ✓ Delegate significant authority to operating officers who are not directors

Shape of the “New Sekisui House”

3. Manage by looking after people

(staff, partner companies and customers)

- ✓ Cultivate a “feeling of trust” in which there is mutual respect; Re-build corporate culture
- ✓ Restore an “environment in which matters can be freely spoken about”
- ✓ Take an approach that prioritizes places where actual work is carried out

Background to the Shareholder Proposal

**Not a fraudulent land brokerage
incident but an
“improper transaction”**

Background to the Shareholder Proposal

Sekisui House's Representative Director and Chairman Toshinori Abe, Vice Chairman Shiro Inagaki, President Yoshihiro Nakai, and Vice President Takashi Uchida are inappropriate for the following reasons.

- 1. Improper transaction**
- 2. Concealment of important information**
- 3. Incomplete governance**

Background to the Shareholder Proposal

1. Improper transaction

- ✓ The effective loss of 5.5 billion yen in the so-called “fraudulent land brokerage incident” is the result of implausible judgment by the management

(See details from p. 28)
- ✓ Moving forward a sale-settlement date by 2 months while ignoring repeated warnings. Additionally, company employees settled the deal even the employee was voluntarily asked to go to the police station at the time of settlement.
- ✓ This transaction was an “improper transaction” that brought about the danger of funds flowing into the underground society not only through the involvement of an intermediary sitting between the company and the owner, but also through the payment by “bank check,” equivalent to cash, to a “paper company”

Background to the Shareholder Proposal

2. Concealment of important information (On-going matter)

- ✓ According to the Committee for Investigation and Countermeasures' Investigation Report dated January 24, 2018, Mr. Abe has "grave responsibility in terms of management" while Mr. Inagaki, Mr. Nakai, and Mr. Uchida also bear responsibility
- ✓ Current management completely resist the disclosure of the Investigation Report in the Shareholder Derivative Lawsuit for fear of a claim of their liability, and continue to oppose the clarification of the facts of the "Improper Transaction"
- ✓ Current management concealed all the serious and negative information regarding the Investigation Report that would be inconvenient for them in the press release dated March 6, 2018, and only disclosed partial details. They did not disclose the information that would have a significant impact on the exercise of votes by shareholders

Background to the Shareholder Proposal

3. Incomplete governance

- ✓ Sekisui House's "Personnel Affairs and Remuneration Advisory Committee" determines that Mr. Abe should be dismissed as Representative Director and President as responsibility for the "improper transaction"
- ✓ Above mentioned findings were ignored, and 4 people who were responsible became representative directors and continued to control the company
- ✓ The thorough concealment of information by the current management has created an "unfathomable situation" within the company, with the loss of normal function as a company and significant damage also being inflicted on Sekisui House's operations

Issues Sekisui House Currently Holds

Current issues for Sekisui House

1. Improper transaction
2. Concealment of important information (On-going matter)
3. Incomplete governance



There is a strain on relationships of trust inside and outside the company

- “Employee” morale has been declined and there is an overall lack of enthusiasm
- Cracks in relationships of trust with “partner companies” built over many years
- Not be able to make a proposal that consider regionalism and moreover the “customers”

Principals of "New Sekisui House"

1

Implement 3 elements of global-standard management

2

Create a foundation for continual growth

3

**Manage by looking after people
(staff, partner companies and customers)**

Principals of "New Sekisui House"

1

Put into practice 3 elements of global-standard management

- ① **Reform the current management, and by having a Board of Directors in which 7 of the 11 directors are independent outside directors, establish thorough "control of management"**
 - ✓ Achieve a Board of Directors with an external director as its Chair
 - ✓ Establish a "Personnel Committee" and a "Remuneration Committee" made up of all outsiders and publicly announce the details of that decision.
 - ✓ Sell off strategic stockholdings
- ② **Put into practice of compliance with not only laws and regulations but also with the demands of society**
 - ✓ Build a reporting system for inside and outside the company that will never withhold information
 - ✓ Newly establish a "Compliance Committee" headed by an outside director that is an advisory organ for the Board of Directors
- ③ **Proactively disclose information for all stakeholders**
 - ✓ Establish a Third-party Committee and investigate thoroughly
 - ✓ Individually disclose remuneration amounts of directors (including those who concurrently hold executive officer posts) and auditors

Principals of “New Sekisui House”

2

Create a foundation for continual growth

- ① **Genuine “ESG (environment, society, governance)” management**
 - ✓ Prioritize putting that into practice and aim for a higher stage
- ② **Distribute managerial resources based on shareholders’ viewpoints**
 - ✓ Invest to continually increase profit
- ③ **Delegate significant authority to operating officers who are not directors**
 - ✓ Leave operating officers to execute business

Principals of "New Sekisui House"

3

Manage by looking after people (staff, partner companies and customers)

① Restore "environment in which matters can be freely spoken about"

- ✓ Re-build relationship of trust between employees and management
- ✓ Proactively promote young people
- ✓ Commend people who take on new challenges

② Cultivate a "feeling of trust" in which there is mutual respect;

Re-build corporate culture

- ✓ Re-build continual and close cooperative relationships with partner companies
- ✓ "Create happiness" in customers

Reference Material

Biographies of director candidates



Candidate No.

1 Christopher Douglas Brady New External Independent

October 12, 1954

【Number of shares owned】 0shares

【Special interests】 None

Career Summary

1977	Campaign manage/aide for Congressman Millicent Fenwick
1979	New Jersey State campaign manager, George H.W. Bush for President
1981	Vice President, Corporate Finance, Lehman Brothers Holdings Inc.
1987	Vice President, Capital Markets, Dillion, Read & Co., Inc.
1995	Chairman & CEO, Chart Group, L.P. and Chart National L.P. (current)

【Significant Concurrent Posts】

Chairman & CEO, Chart Group, L.P. and Chart National, L.P.

【Reason for Election at External Director】

Christopher Douglas Brady has gained a high level of experience and knowledge in national defense, security, risk management, and prevention of money laundering throughout his career. In 2019, he conducted an exchange of opinions related to corporate governance with Japanese institutional investors at the Japan Business Federation (Keidanren). Based on our judgment that he could use this diverse range of experiences and knowledge in the supervision of our business, and appropriately carry out the office of external director from an objective position, in order to create strong corporate governance, that secures the transparency of business and does not condone impropriety, he has been selected as a candidate for this position.

Note that this candidate is located in the United States of America, but he is aware that if elected a Director of the Company, he will fundamentally be able to attend all Board of Directors meetings and his intention is to fulfill his duties as a Director of the Company.

【Matters concerning independence】

He satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the “Independence standards for external directors” prescribed by the Company.

Biographies of director candidates



Candidate No.

2 Pamela Fennell Jacobs New External Independent

November 4, 1960

【Number of shares owned】 0shares

【Special interests】 None

Career Summary

1996	Regional Sales Manager, Investment Advisor, SEI Investments
2001	Founder, PFJ Consulting
2016	Consultant, Envestnet, Inc.
2019	Spouting Rock Asset Management , Chief Sustainability Officer (Current)

【Significant Concurrent Posts】

Chief Sustainability Officer, Spouting Rock Asset Management

【Reason for Election at External Director】

Pamela Fennell Jacobs has been engaged in activities that prioritize ESG (environment, society, and governance) goals, consulting work, and lecture activities for listed companies as a specialist in ESG. We believe she could use her wide range of experience and knowledge to establish us as a genuine leading ESG company and carry out the office of external director from an objective position, therefore she has been selected as a candidate for this position.

Note that this candidate is located in the United States of America, but she is aware that if elected a Director of the Company, she will fundamentally be able to attend all Board of Directors meetings and her intention is to fulfill her duties as a Director of the Company.

【Matters concerning independence】

She satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the “Independence standards for external directors” prescribed by the Company.

Biographies of director candidates



Candidate No.
3 Yasushi Okada New External Independent

June 24 1942 【Number of shares owned】 0shares 【Special interests】 None

Career Summary

- 1967 Joined The Long-Term Credit Bank of Japan, and held several prominent positions including Deputy Director, Research Department and Director, Business Development Director (resigned from the bank in 1994) During his career in the bank, he assigned to the Ministry of International Trade and Industry (MITI) and Ministry of Finance (MoF)
- 1994 President, Regional Business Development Institute (current)
Professor, Faculty of Commerce, University of Marketing and Distribution Sciences
- 2001 Director, Faculty of Service Distribution Science Industries,
University of Marketing and Distribution Sciences
- 2006 Professor, the Graduate School of Business Administration, Osaka Sangyo University
- 2009 Dean, Faculty of Economics, Tokyo Seitoku University
- 2017 Director, Research Institute for Reginal Revitalization, Tokyo Seitoku University
- 2019 Emeritus Professor, Tokyo Seitoku University (Current)

【Significant Concurrent Posts】

President, Regional Business Development Institute

【Reason for Election at External Director】

Yasushi Okada, after working in financial institutions for many years, has been involved in research and educational activities on Japanese industrial structures and corporate management in several educational institutions, and has written various works related to economics and management, based on his extensive knowledge as the President of Regional Business Development Institute (approved by the former Ministry of Home Affairs). As it is judged the he would be able to use this high level and broad experience in scholarship to provide advice and proposals to secure the transparency of business and enhance supervisory functions for business, he has been selected as a candidate for this position. He has not been involved in the management of a company other than as an external director and external audit & supervisory board member, but for the above reasons, we believe he will appropriately fulfill his duties as an external director. Note that he is aware that if elected a Director of the Company, he will basically be able to attend all Board of Directors meetings and his intention is to fulfill his duties as a Director of the Company.

【Items related to independence】

He satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the¹⁹ “Independence standards for external directors” prescribed by the Company.

Biographies of director candidates



Candidate No.

4 Terumichi Saeki New External Independent

December 28, 2942

【Number of shares owned】 4,000shares

【Special interests】 None

Career Summary

1968 Registered as an attorney (Osaka Bar Association), Joined Tamura, Matsuda Law Office
1973 Established Yashiro, Saeki, Nishigaki Law Office (now, Kitahama Partners)
2002 Chairman, the Osaka Bar Association, Vice Chairman, Japan Federation of Bar Associations
2006 Director of Glory Ltd.
2009 External Audit & Supervisory Board Member of Fujitec Co., Ltd.
2010 External Director, IwaiCosmo Securities Co., Ltd. (now, Iwai Cosmo Holdings, Inc.) (Current)
2012 External Audit & Supervisory Board Member, WATABE WEDDING CORPORATION (Current)
2014 External Director of Fujitec Co., Ltd. (Current)
2016 External Audit & Supervisory Board Member, Toyo Tire & Rubber Co., Ltd. (now, Toyo Tire Corporation) (Current)

【Significant Concurrent Posts】

- *Partner, Kitahama Partners
- *External Director of Fujitec Co., Ltd.
- *External Director, IwaiCosmo Holdings, Inc.
- *External Audit & Supervisory Board Member, WATABE WEDDING CORPORATION
- *External Audit & Supervisory Board Member of Toyo Tire Corporation (Scheduled to retire at the end of March 2020)

[[Reason for election at External Director]

Terumichi Saeki has abundant experience not only as a lawyer in preventing and resolving legal disputes, but also through his experience in managing multiple companies as trustee. He also has a deep understanding of corporate governance and has abundant experience as an external director and external audit & supervisory board member for numerous companies, demonstrating appropriate supervision of each company's management. For these reasons, we believe he will be able to provide beneficial supervision and recommendations from a legal and management perspective and have therefore nominated him as a candidate. Note that he is aware that if elected a Director of the Company, he will fundamentally be able to attend all Board of Directors meetings and his intention is to fulfill his duties as a Director of the Company.

【Matters Concerning Independence】

He satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the "Independence standards for external directors" prescribed by the Company.

Biographies of director candidates



Candidate No.

5 **Jiro Iwasaki** New External Independent

December 6, 1945

【Number of shares owned】 0shares

【Special interests】 None

Career Summary

1974 Joined TDK Electronics Co., Ltd. (now, TDK Corporation)
1996 Director, General Manager of Human Resources, TDK Corporation
1998 Director & Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation
2006 Director & Executive Vice President, General Manager of Administration Group, TDK Corporation
2008 External Audit & Supervisory Board Member of GCA Savvian Corporation (now, GCA Corporation)GCA
2009 Director & Senior Vice President & Executive Officer, Strategic Human Resources & Administration Division, JVC KENWOOD Holdings Inc. (now, JVC KENWOOD Corporation)
2011 External Audit & Supervisory Board Member, SBS Holdings, Inc.
Professor at Teikyo University, Faculty of Economics/Department of Business Administration
2015 External Director of SBS Holdings, Inc. (Current)
2016 External Director and Full-time Audit & Supervisory Board Member, GCA Savvian Corporation (now, GCA Corporation) (Current)
External Director, Renesas Electronics Corporation (Current)

【Significant Concurrent Posts】

*External Director SBS Holdings, Inc.

*External Director and Full-time Audit & Supervisory Board Member, GCA Corporation

*External Director, Renesas Electronics Corporation

【Reason for election as External Director】

Jiro Iwasaki has abundant management experience in various business areas such as with an electrical components manufacturer and as an external director in the transportation and warehousing business and consulting. He has also worked as a university professor. Since we can expect him to have management supervision and checking capabilities based on the perspective he has gained from the experiences and prestige through such roles. We believe he is qualified and therefore we have nominated him as a candidate.

Note that he is aware that if elected a Director of the Company, he will fundamentally be able to attend all Board of Directors meetings and his intention is to fulfill his duties as a Director of the Company.

【Matters concerning independence】

He satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the “Independence standards for external directors” prescribed by the Company. 21

Biographies of director candidates



Candidate No.

6 Makoto Saito New External Independent

January 30, 1946

【Number of shares owned】 100 shares

【Special interests】 None

1978	Registered as an attorney (Tokyo Bar Association)
2000	External Audit & Supervisory Board Member, Neturen Co., Ltd.
2002	Established Legal Professional Corporation Saito Law Office, Representative Attorney (Current)
2007	External Director, Neturen Co., Ltd. (Retired 2014)
2011	Supervisor, Japan Association for Women's Education (Current)
2018	Member of the Bidding Oversight Committee, Japan Sports Council (Current)

【Significant Concurrent Posts】

Representative Attorney, Legal Professional Corporation Saito Law Office

【Reason for election as External Director】

Makoto Saito has been engaged in a wide range of works as a lawyer. In particular, he has been involved in corporate legal affairs based on his experience as an external director, in corporate social responsibility (CSR) and compliance as head of the project team for CSR and internal controls at the Japan Federation of Bar Associations (JFBA) as well as involvement in business and human rights issues. In addition, he took the lead in drafting the JFBA's Guideline for Independent Committees relating to Company Scandals and has been active as a member of the Committee for Rating Third Party Committee Reports. We believe he will be able to utilize his expertise from such abundant experience to appropriately fulfil his duties as an external director from an objective standpoint and have therefore nominated him as a candidate.

He has not been involved in the management of a company other than as an external director and external audit & supervisory board member, but for the above reasons, we believe he will appropriately fulfill his duties as an external director.

Note that he is aware that if elected a Director of the Company, he will fundamentally be able to attend all Board of Directors meetings and his intention is to fulfill his duties as a Director of the Company.

【Matters concerning independence】

He satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the "Independence standards for external directors" prescribed by the Company.

Biographies of director candidates



Candidate No.

7 Hitomi Kato New External Independent

April 12, 1954

【Number of shares owned】 0shares 【Special interests】 None

Career Summary

1977	Joined Mitsubishi Oil Co., Ltd.
1986	Joined Matsubara, Muraki & Associates
1996	Joined Takasago International Corporation
2006	General Manager of Legal and Patent Department, Takasago International Corporation
2014	Established Falea Company Limited (Current)
2017	Director, Legal Division, Nikko Chemicals Co., Ltd. (Current)

【Significant Concurrent Posts】

*President, Falea Company Limited

*Director, Legal Division of , Nikko Chemicals Co., Ltd.

【Reason for election as External Director】

Hitomi Kato has been engaging in corporate legal affairs for many years and has abundant experience in various areas such as dealing with various types of litigation, developing international business and patents. Apart from being active in the Association of Corporate Legal Departments, she has experience in lecturing at universities and government offices and formulating and writing guidelines on topics such as internal reporting systems and trade secrets. In addition, following a period as a full-time housewife, she returned to corporate life, and gained various work experience such as working while researching at a graduate school. We believe she will be able to provide advice and recommendation to increase the supervision function on management and on ensuring management transparency due to her broad understanding and diverse experience and have therefore nominated her as a candidate.

Note that she is aware that if elected a Director of the Company, she will fundamentally be able to attend all Board of Directors meetings and her intention is to fulfill her duties as a Director of the Company.

【Matters concerning independence】

She satisfies the requirements for independent directors prescribed by the Tokyo Stock Exchange, Inc. and the “Independence standards for external directors” prescribed by the Company.

Biographies of director candidates



Candidate No.

8 Fumiyasu Suguro Current

August 26, 1957

【Number of shares owned】 12,800 shares

【Special interests】 None

Career Summary

1982	Joined the Sekisui House, Ltd.
2008	Executive Officer and Chief Secretary, Sekisui House, Ltd.
2010	In charge of Secretariat, Senior Manager of International Business Department, Sekisui House, Ltd.
2012	Managing Officer, Sekisui House, Ltd.
2014	Director (current) and Chief Manager of International Business Department, Sekisui House, Ltd.
2016	Senior Managing Officer, Sekisui House, Ltd. (Current)
2019	In charge of International Business, Sekisui House, Ltd. (Current)

【Significant Concurrent Posts】

- *Director, SEKISUI HOUSE US HOLDINGS, LLC
- *Director, SH RESIDENTIAL HOLDINGS, LLC
- *Director, URBAN SPLASH HOUSE HOLDINGS LIMITED
- *Chairman & Representative Director, Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. *Chairman & Representative Director, Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd.

【Reason for election as Director】

Fumiyasu Suguro, who is the proponent of this resolution, has promoted and driven the rapidly growing International Business Department as a Director of the Sekisui House, Ltd. since 2014. Regarding the so-called “land fraud incident” that inflicted enormous damage to the Company in 2017, he is concerned that the company has not clarified the truth and the responsibility of the incident, moreover, that the current management is trying to conceal material information and documents. Because of this he decided to stand up for the future of the Company. Fumiyasu Suguro is fully committed to initiatives to build a strong compliance and corporate governance structure for ongoing improvement in the Company’s corporate value.

Biographies of director candidates



Candidate No.

9 Motoshiko Fujiwara New

September 8, 1962

【Number of shares owned】 30,700 shares

【Special interests】 None

Career Summary

1985 Joined Sekisui House, Ltd.

2006 Head of Kita Kanto Sales Administration Headquarters, Sekisui House, Ltd. and subsequently, Head of the Higashi Kanto and the Kanagawa Sales Administration Headquarters

2010 Executive Officer, Sekisui House, Ltd.

2012 Managing Officer, Sekisui House, Ltd.

2018 Head of Sekisui Housing Department, Sekisui House, Ltd.

2019 Retired from Sekisui House, Ltd.

President & Representative Director, Takamatsu Construction Group Co., Ltd. (Current)

Director and Chairman, Mibu Corporation Co., Ltd. (Current)

Director and Chairman, Tatsumi Planning Co., Ltd. (Current)

【Significant Concurrent Posts】

President & Representative Director, Takamatsu Construction Group Co., Ltd.

Director and Chairman, Mibu Corporation, Co., Ltd.

Director and Chairman, Tatsumi Planning Co., Ltd.

【Reason for Election at Director】

Since joining the Company in 1985, Motoshiko Fujiwara has been constantly engaged in the key domestic detached house business and has accumulated abundant experience in managing the Company's business. In addition, in regard to the so-called "land fraud incident" in 2017, he has continued to oppose to the current management those does not clarify the truth and responsibility and t's concealment of important facts and materials. Consequently, he has upheld the principles of compliance and corporate governance through measures such as leaving the Company. Given such performance and strong conviction, we believe he is vital for restoring confidence in the Company and for promoting the domestic business and have therefore nominated him as a candidate.

Note that if elected a Director of the Company, he intends to resign from all the aforementioned current posts and give undivided attention to his duties as a Director of the Company.

Biographies of director candidates



Candidate No.

10 Koji Yamada New

February 12, 1968

【Number of shares owned】 0shares

【Special interests】 None

Career Summary

1991	Joined Mitsui & Co., Ltd.
2000	Joined Morgan Stanley Securities Co., Ltd.
2006	Joined Deutsche Securities, Inc.
2008	Joined BNP Paribas Japan
2012	Joined North America Sekisui House, LLC
2016	President and COO, North America Sekisui House, LLC
2019	CEO. North America Sekisui House, LLC

【Significant Concurrent Posts】

None

【Reason for Election at Director】

Koji Yamada joined the Company's US entity in 2012 and has subsequently been the person responsible for the entity. At this corporation, he utilized his abundant experience previously gained in the finance sector and played a central role in expanding the Company's US business, leading the Company's international business on the front line. In addition, he contributed to the appropriate promotion of business based on US standards of compliance and corporate governance. Given such performance and experience, we believe he is vital for promoting the Company's US business and have therefore nominated him as a candidate.

Biographies of director candidates



Candidate No.
11 Isami Wada New

April 29, 1941

【Number of shares owned】 203,435shares

【Special interests】 None

Career Summary

1965	Joined Sekisui House, Ltd.
1990	Director, Sekisui House, Ltd.
1994	Managing Director, Sekisui House, Ltd.
1996	Senior Managing Director, Sekisui House, Ltd.
1998	President & Representative Director, Sekisui House, Ltd.
2008	Chairman & Representative Director and CEO, Sekisui House, Ltd.
2018	Director Executive Advisor, Sekisui House, Ltd.
	Retired as Director, Sekisui House, Ltd. (April 2018)

【Significant Concurrent Posts】

None

【Reason for Election at Director】

Isami Wada, who is the proponent of this resolution, demonstrated firm leadership at Sekisui House, Ltd. up until 2018 and substantially grew the Company's corporate value while adhering to a compliance and corporate governance focus. At the time of the so-called "land fraud incident" in 2017, he established the Committee for Inspection and Countermeasures due to his suspicions that the incident was caused by the illicit transaction conducted by the current management. He proposed that the Investigation Report submitted by the Committee be immediately disclosed to the public. As a result of having proposed to take measures such as the dismissal of Mr. Abe, who was recognized to be "heavily responsible" by the Investigation Report, however, he was forced to leave the Company. He is concerned the Company's current distress and stand up for winning back the trust of society and for building an environment where each individual employee can work with pride. If elected as a Director of the Company, Isami Wada will conduct a thorough investigation of the "illicit transaction" through an independent investigation committee, establish a compliance structure, ensure management transparency and implement corporate governance reforms within one year.

Improper transaction in 2017

Date	Details
Late March	Ikuta has contact with the person in charge at our company. Initially, the deposit was 20 million yen, but this rose substantially to 1.4 billion yen.
April 14 (Fri)	Purchase Consideration Committee (Tokyo).
17 (Mon)	Request for approval was created (Tokyo) At this time, IKUTA HOLDINGS Co., Ltd was the intermediary
18 (Tue)	President Abe(at then) conducted a site inspection in the evening (lasting 8 minutes). Request of approval was sent to the Osaka Head Office dated that same day (the draft date of the request of approval was the 18 th).
19 (Wed)	At the Osaka Head Office, four people from the Real Estate Department and three other relevant people press the seal. On the Request for approval noted that "The President has already inspected the site on April 18 with the Department Head" was written in pencil on the request of approval. Later, this memo was erased
20 (Thu)	President Abe made the final approval before the review by the four people to whom the request of the was sent. During the process, the intermediary was changed to the paper company IKUTA Corp The person in charge proposed paying the 1.4 billion yen deposit by bank check.
24 (Mon)	The sales contract and payment of the 1.4 billion yen deposit, at this point the balance was payable on July 31
May 10 (Mon)	A certification of contents received from the genuine owner (four times up until the payment of the balance)
23 (Tue)	A pledge to the effect that "I am not a con man" was received from a fake Ms. Ebisawa, and the decision was made to substantially bring forward the settlement date to June 1.
31 (Wed)	The total payment amount was remitted from the Osaka Head Office to Tokyo.
June 1 (Thu)	Execution of an agreement to change the settlement date. A bank check for the balance of about 4.9 billion yen was handed over while the person in charge was on-site conducting an inspection by police.
6 (Tue)	Notification from the Bureau that the application for registration was rejected, with written notice of rejection received on the 9 th .

Concealment of Investigative Reports

“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.
(Extract from the Investigation Report p. 2 “Social significance of the case”)

1

Background to incident

※For the Investigation report, please see following URL:
<https://www.savesekisuihouse.com/investigation-report>

①

Approval of change to “paper company” mediated by middleman

News Release on March 6	Investigation report
Company S made the purchase in the form of a resale from company X with a company (Company X), which is a company substantially managed by a middleman who was an acquaintance of Mr. A (fake person) who was named as the owner, as a party mediating the purchase.	<ul style="list-style-type: none">* During the request of approval was circulated, the company changed its name from IKUTA HOLDINGS Co., Ltd. (hereinafter referred to as “IKUTA Co.”) to IKUTA HOLDINGS Corporation (hereinafter referred to as “IKUTA Corp. (amended in pencil)”) * IKUTA Corp. had a director who is the wife of a former politician* No background check was conducted concerning Mr. Ikuta or IKUTA Corp.* Mr. Ikuta’s friends and associates include former politician* IKUTA Corp. generated a large profit of as much as 1.0 billion yen through intermediation alone* There was awareness from the outset that Mr. Ikuta did not have the funds to purchase the land* “This company was a paper company to eliminate connections following the incident, and this type of company definitely should not be one with which our company does business.”

Concealment of Investigative Reports

1 Background to incident

② Actual circumstances of difficult-to-believe transaction; fraudulent transaction

News Release on March 6

After the execution of a purchase agreement, multiple pieces of risk information related to a transaction for the real estate in question arrived at multiple departments at the company in various ways: persons visiting, telephone, notifications in writing, and so on. However, information was not sufficiently shared because the company's Risk Management Department, following the judgment of the Condominium Headquarters, judged that the pieces of risk information obstructed the transaction. As a result of that, the checks within the company's did not function and the workplace pushed on with executing the agreement.

Investigation report

- * Market value of 10.0 billion yen (IKUTA Corp.is said to have acquired it for 6.0 billion yen)
- * Owner was famous as "a landowner who would not sell"
- * The deposit increased from 20 million yen to 1.4 billion yen
- * On the date for payment of the balance of 4.9 billion yen, the person in charge voluntarily accompanied the inspection by police
- * Certification of contents from the genuine owner received by mail four times (high level of trust that the documents were from the actual person)
- * Following the payment of the deposit, there was complete disregard for suspicious information from in-house officials and the appearance of brokerage personnel
- * There was virtually no easily conducted confirmation of identification, with confirmation of identification conducted with absolutely meaningless documents that provided a promise of there being no fraud
- * Following payment of the 1.4 billion yen deposit, the settlement date for the balance was brought forward two months from the end of July to June 1 (Mr. Abe was also aware of this fact)
- * On the day prior to the payment of the balance, the fake Ms. Ebisawa said she was unable to prepare the rights certificate and made a mistake with her date of birth and zodiac sign
- * The settlement procedures involved 1.2 billion yen of the 1.4 billion yen deposit, with a bank check for 4.9 billion yen to pay the balance
- * The owner herself did not visit the site even once
- * Allusions to the fact that there were suspicions that an in-house person had "an inappropriate personal relationship"

Concealment of Investigative Reports

1 Background to Matter

③ Procedures of the request for approval

News Release on March 6

In the chain of approval for a real-estate purchase, the Condominium Business Headquarters should have drawn a line for the Tokyo Condominium Business Department who drafted the letter and demonstrated an awareness of risk, but it did not fulfill its role. Moreover, in the Risk Management Department in Headquarters as well, it is believed that almost no checks functioned.

Investigation report

- * Matters that would normally be noticed in a request for approval were not included
- * Following Mr. Abe's site inspection on April 18, Mr. Abe made the final decision in an unusually short period of time using abnormal decision-making procedures (passed along for approval after the fact) ("Influenced by learning that the President had already inspected the site")
- * Change in intermediary

Concealment of Investigative Reports

2 Responsibility for the incident

1. Mr. Abe's responsibility

- "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."

(Extract from the Investigation Report (In English) p. 17 "Responsibilities of Chief Operating")

2. The responsibility of Mr. Inagaki, Mr. Nakai, and Mr. Uchida

- "Four key officers (Inagaki, Uchida, Nakai, and 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"

(Extract from the Investigation Report (In English) p. 17 "Responsibilities of the four officers who approved the transaction after Chief Operating Officer")