

Japanese: [https://biz-journal.jp/2020/03/post\\_144475.html](https://biz-journal.jp/2020/03/post_144475.html)

積水ハウス、人事抗争再発…経営陣が隠す“地面師詐欺事件”報告書をネット上で公開

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**Internal Conflict at Sekisui House once again – sealed Investigation Report on “Land Fraud Incident” released on the web**

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Former Chairman of Sekisui House making a shareholder proposal to renew current management team (Photo: Toyo Keizai / Aflo)

Isami Wada, former Chairman and CEO of Sekisui House, who was ousted two years ago in a personnel struggle triggered by fraud over a land transaction, held a press conference in Tokyo on February 17, 2020, and said that he had made a shareholder proposal to Sekisui House to renew management at the shareholders' meeting in April.

"The fraud in connection with land in Nishi-Gotanda, Tokyo where the company lost 5.5 billion yen was not merely a fraud. Toshinori Abe, current Chairman (then President) and others made incredibly wrong business decisions as managers and they are heavily responsible. It is incomprehensible and weird for them to rush the transaction despite voices pointing out the possibility of fraud as well as police interventions," he said.

Wada accused Abe and others of the cover-up of the Investigation Report on the fraud incident. "They should not be hesitant to disclose the Investigation Report if they have no guilty conscience, but they have been resisting to do so", Wada said and criticized the current management for not being accountable for the fraud incident.

### **Wada who was ousted in a coup**

The fraud incident was unveiled in 2017 when Wada was Chairman and CEO of the company. At a board meeting held in January 2018, Wada presented a motion to dismiss Abe (then President), who had approved of the land transaction, but the vote was 5-5 and the motion was rejected. Then Abe presented a motion to dismiss Wada, which was approved by a vote of 6-4.

Wada's plan was for Abe to take responsibility for the incident and to force Abe to resign. Abe, who sensed the move in advance, ousted Wada in a coup.

After ousting Wada, the troika system of Chairman Abe, Vice Chairman Shiro Inagaki (then Executive Vice President) and President Yoshihiro Nakai (then Director) was formed. A director's term of office at Sekisui House is two years, and the current directors are up for reelection at the annual meeting of shareholders in April. Wada proposed election of 11 slate

directors, including himself. Wada has indicated his intention to prevent reelection of Abe, Inagaki and Nakai.

If the slate directors are elected, they will set up a third-party committee to investigate in detail the land fraud. This will lead to a proxy fight for the shareholders' meeting in April.

### **Fumiyasu Suguro, incumbent director, will become President**

Sekisui House announced on February 17, 2020 that they had received the shareholder proposal.

1. Shareholders making the Proposal: Fumiyasu Suguro (Director) / Isami Wada (former Director and Executive Advisor)
  
2. Outline of the Shareholder Proposal
  - (1) Proposed agenda: Election of 11 Directors
  - (2) Summary of the Proposal: The following 11 candidates shall be collectively elected as Directors of the Company.

Candidates for Outside Director: Christopher Douglas Brady  
Pamela Fennell Jacobs  
Yasushi Okada, Terumichi Saeki, Jiro Iwasaki  
Makoto Saito, Hitomi Kato

Candidates for Inside Director: Fumiyasu Suguro, Motohiko Fujiwara  
Koji Yamada, Isami Wada

The candidate for President is Fumiyasu Suguro, a current director and senior managing officer. Suguro was responsible for the international business. He has been seen as the leader of the Wada school, and was sure to be removed from the board at this year's meeting of shareholders.

Motohiko Fujiwara is an elite within the company who became head of Sales Administration Headquarters at the age of 43 and subsequently became head of Kanagawa Sales Administration Headquarters which is the key department in the metropolitan area. He retired as Managing Officer in June last year. Koji Yamada was CEO of their US entity until last year. Both of them

were purged because they belonged to the Wada school. Wada, once elected, will become a non-representative director.

Among the 11 slate directors is Christopher Douglas Brady, Chairman and CEO of US investment fund Chart National. Pamela Fennell Jacobs is an ESG (Environment, Social, Governance) expert at Spouting Rock Asset Management in the US.

### **Attack initiated from the United States**

Wada initiated his counterattack from the United States. In November last year, a website named “savesekisuihouse.com” was launched. The website brought an accusation against the current management of Sekisui House. There are English and Japanese sites, and the mission statement reads:

< SAVESEKISUIHOUSE.COM IS AN INFORMATIONAL WEBSITE DEDICATED TO IMPROVING CORPORATE GOVERNANCE FOR JAPANESE AND OTHER ASIA-BASED COMPANIES. THE WEBSITE ENCOURAGES SEKISUI SHAREHOLDERS, EMPLOYEES, AND OTHERS INTERESTED IN ENHANCING CORPORATE GOVERNANCE IN SEKISUI AND OTHER JAPANESE AND ASIA-BASED COMPANIES TO CONTRIBUTE CONTENT TO THE WEBSITE. PLEASE REFER TO THE WEBSITE FOR FREQUENT UPDATES ON THE SHAREHOLDER LITIGATION AGAINST CERTAIN SEKISUI BOARD DIRECTORS FOR THEIR ROLE IN A LAND PURCHASE SCANDAL AND SUBSEQUENT COVER-UP. >

The website has the Investigation Report on the land fraud at Sekisui House. Some people names are masked for privacy but you can read the entire report. The website accuses Sekisui House that not disclosing the Investigation Report to shareholders presents a serious governance issue.

### **Institutional Investors are the key**

The shareholder proposal needs the approval by shareholders with a majority of voting rights. Wada owns shares worth less than 1% of the total voting rights. He needs other shareholders on his side, and would like corporate governance to be the key to that end. Therefore Wada focused on the fact that Abe and his allies are hiding the Investigation Report which describes something inconvenient for them. "The ultimate goal is to create transparent governance at

Sekisui House," he said.

Wada expects a lot for the Government Pension Investment Fund (GPIF), the world's largest pension fund. In October 2018 GPIF chose Sekisui House to be included in GPIF's Environmental Stock Index. GPIF outsources investment management of Japanese stocks to institutional investors and GPIF is not on Sekisui House's major shareholders list. The institutional investors, not GPIF, exercise voting rights.

The issue is transparency in corporate governance. If GPIF decides that a company is not good enough, then it may have institutional investors vote against company-sponsored directors and vote in favor of a shareholder proposal. Institutional investors and other financial institutions owned 41.27% and foreigners owned 22.74% of the company (as of January 2019). Wada hopes to gain support from institutional investors and overseas investors.

Last year, Kinya Seto, who had been ousted by the founding family Yoichiro Ushioda, returned to the leadership position at LIXIL Group as proposed in a shareholder proposal. Overseas institutional investors and domestic financial institutions, who argued that the process of dismissing Seto was not transparent enough, supported Seto, and as a result Seto won and Ushioda was ousted.

Which will win at Sekisui House?