

Sekisui House "land fraud incident" became a major issue in the U.S.!

A seasoned professional in the U.S. spoke about the incident

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An exclusive website was established for Sekisui House's land fraud incident

Are you aware of a growing question among U.S. institutional investors about the corporate governance of Sekisui House, which was hit by a land fraud incident?



The land fraud site in Gotanda, Tokyo

In November 2019, the author of this article came to learn of the existence of a website called "SAVESEKISUIHOUSE.COM"

This is a website on which stakeholders of Sekisui House accuse the current management team at Sekisui House. The credit at the bottom of the website reads "©2019 by SaveSekisuiHouse." which indicates that the website has been launched recently.

There are both English and Japanese versions of the website, and the Mission Statement (statement of website purpose) has the following provocative sentences.

“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.”

This Mission Statement shows that the website is **viewing the Sekisui House land fraud incident and a subsequent series of internal conflicts as an issue.**

The fact that an English exclusive website on a Japanese company and that the website is seeing it as an issue tells us the seriousness of the issue.

“Investigation Report” that Sekisui House declined to disclose

The author of this article has been reporting in detail since February this year on the Investigation Report on the land fraud incident in which Sekisui House was damaged, as well as the "coup d'état" caused by the current management team.

In June 2017, Sekisui House was deceived about 6 billion yen by a fraudulent landlord group. The criminal trial for the principal offender has recently begun, and the incident is gaining attention again.

However, this incident was even more unusual - in January 2018, when the then president and chief operating officer (COO) Toshinori Abe, whom the Sekisui House Investigation Committee had determined was heavily responsible for this incident, effectively forced the then chairman, Isami Wada, who was pursuing to clarify the entire picture of this incident, to resign.

Since then, Sekisui House has been **stubbornly refusing to publish an "Investigation Report"** that clearly states Mr. Abe's responsibility.

In June 2018, a shareholder representative lawsuit was filed against Chairman Toshinori Abe.

Subsequently, Vice Chairman Shiro Inagaki, President Yoshihiro Nakai, and Executive Vice President Takashi Uchida were sued, and all four of the company's representative directors are now being accused of breaching the duty of due diligence in the land fraud case.

Even in the course of this trial, Sekisui House has not attempted to correct its **attitude of hiding information**. Sekisui House, which is participating in the trial as an "assistant participant" of the four defendants, had continued to refuse to submit the "Investigation Report" to the Osaka District Court. SAVESEKISUIHOUSE.COM appears to be **paying a great deal of attention** to the attitude of hiding by Sekisui House's current management.

Shareholder representative lawsuit claiming the responsibility for cover-up

Let's look at the Mission Statement once again. The Mission Statement describes this shareholder representative lawsuit as follows.

“THE SHAREHOLDER LITIGATION AGAINST CERTAIN SEKISUI BOARD DIRECTORS FOR THEIR ROLE IN A LAND PURCHASE SCANDAL AND SUBSEQUENT COVER-UP.”

This shareholder lawsuit shows that the website operators are negatively seeing Sekisui House's current management.

In addition, **this website contains the full text of the Investigation Report** that I have been reporting on.

Sekisui House has submitted the Investigation Report in response to a “document submission order” by the Osaka District Court. The website has a copy of the Investigation Report.



Chairman Toshinori Abe, Sekisui House

Shareholders and third parties are able to view it.

However, it is a copy of the Investigation Report partially black-inked at Sekisui House's request, and what is on the website is a copy of the Investigation Report available at the Osaka District Court. Please visit the website and take a look at the Report.

Then **who is the operator of SAVESEKISUIHOUSE.COM?**

Sekisui House incident reported by a long-established newspaper in the U.S.

According to a source close to the website, it was launched by U.S. shareholders of Sekisui House. I do not yet know who it is or what kind of organization it is.

However, "SAVESEKISUIHOUSE.COM" has already been **reported by the long-established US newspaper "The Philadelphia Inquirer,"** so I will introduce it below.

The news suggests that investors in the U.S. have raised serious concerns about Sekisui House's corporate governance issues.

"The Philadelphia Inquirer" was launched in 1828 in Philadelphia, Pennsylvania's largest global city. It is a daily newspaper that has won numerous Pulitzer awards and has embodied American journalism. The online website of the newspaper has an article written by reporter Joseph N. DiStefano on November 12, 2019.

The article is titled "Why Japanese investor activists are picking the brains of some Philly-area experts." In other words, **"Why Japanese investors are seeking advice from Philly-area experts?"**, and the person introduced as one of the Japanese activists is Naoki Matsuoka, a lawyer representing an individual shareholder who filed a shareholder lawsuit against Sekisui House.

The article explains about the land fraud and a coup to Mr. Wada by Abe and others, who were pointed out by the Investigation Committee to be responsible for the land fraud incident. In addition, Mr. Matsuoka explained to the reporter DiStefano about the cover-up the current management team, including Chairman Abe, has been doing.

"Even if the company has a scandal and the company investigates, the findings are not shared with the shareholders."

Lawyer answered questions

In addition, this article reports that in Philadelphia Mr. Matsuoka has exchanged views with lawyers and university professors who are experts in corporate governance.

In particular, Mr. Matsuoka, who contacted Delaware University professor Charles Elson well known as an expert on corporate governance, was praised for **spending his large efforts on Japanese corporate governance issues** and was encouraged by Prof. Elson to keep up the good work.

With the support of U.S. lawyers and university professors supporting the activities of Mr. Matsuoka, U.S. shareholders of Sekisui House have begun to speak up. This should be seen as the reason for the launch of the SAVESEKISUIHOUSE.COM website.

Mr. Matsuoka said in an interview with the author as follows.

"Overseas investors assume that every important piece of corporate information, especially on scandals, is shared with shareholders. Sekisui House launched an investigative committee subsequent to the land fraud incident and has prepared an Investigation Report, but Sekisui House's U.S. shareholders **regard Sekisui House's management's stance of not sharing it with shareholders as a problem**, and has begun to take action to improve corporate governance, which currently allows Sekisui House to hide key information."

"SAVESEKISUIHOUSE.COM" presents a series of reports on Sekisui House, including articles in which the author made a detailed report on Sekisui House's "Investigation Report," and Toyo Keizai's online version of its October 19, 2019 edition, in which Toyo Keizai explains the whole picture of land fraud incident in an easy-to-understand manner.

Interestingly, in addition to these news reports on Sekisui House, there was also an article (dated November 26, 2017) from CNA Insiders (a news website of a TV station in Singapore) on the "Olympus Accounting Fraud Case" that was discovered in 2011.

Olympus incident

On October 14, 2011, Mr. Michael Woodford, then president and CEO of Olympus, was suddenly dismissed.

A press release by Olympus on the same day explains the reason for the dismissal as "a major divergence between Mr. Woodford and other management in terms of management direction and it hindered management decision-making."

The dismissal of Mr. Woodford, however, was due to Mr. Woodford's pursuit of an accounting fraud that had been hidden by Olympus's leaders since the bubble period.



Mr. Michael Woodford

Subsequently, the investigation by the Tokyo District Public Prosecutor's Office and the Investigation Division 2 of the Metropolitan Police Agency resulted in three leaders of the company, including the former Chairman who dismissed Mr. Woodford, being arrested for alleged violations of the Financial Instruments and Exchange Act (fraudulent statements in financial statements) and violations of the Organized Crime Punishment Act (concealment of proceeds from crime). All of the three were proved guilty.

The dismissal of Mr. Woodford, who sought to expose an accounting fraud, exposed the shameful nature of Japanese corporate governance, and drew a lot of attention from Europe and the U.S.

Prof. Charles Elson of Delaware University also researched the Olympus incident and raised a warning about Japanese corporate governance in his paper.

According to Mr. Matsuoka, the consensus of U.S. corporate governance experts was that **"a problem similar to the Olympus incident occurred at Sekisui House."**

At Sekisui House, then Chairman Isami Wada, who was aiming to clarify the whole picture of the land fraud incident, was dismissed, and Chairman Abe and the current management team continued to hide the Investigation Report submitted to the Board of Directors. However, this "dismissal and concealment" concept has become an important characteristic that recalls the Olympus incident. Sekisui House's management has made the same mistake as in the Olympus incident and disregarded corporate governance.

Warning by a U.S. professional: "The dismissal of the chairman was a shock"

Now, as trade friction between the U.S. and China peaks, the world's money began to focus once again on Japan as an investment destination. Earlier this month institutional investors from the U.S. exchanged views on corporate governance in Japan with financial institutions that belong to Keidanren as well as with institutional investors such as pension funds.

An American lawyer accompanied a group of U.S. institutional investors on their recent visit to Japan. Mr. William W. Uchimoto – he is a lawyer specializing in corporate governance law, and was an SEC government attorney and former General Counsel of the Philadelphia Stock Exchange.

Mr. Uchimoto who has been closely monitoring the developments of the Sekisui House issue from the beginning, said at an interview with the author of this article.

“In the U.S. omitting to share material information is viewed to be a legal problem as serious as affirmative misrepresentation of material information. That is why what is happening at Sekisui House is **very shocking to us**. As a result of last year’s Board's action forcing the then Chairman to resign when he was about take action based upon the Investigation Report. In the U.S. that would not have happened. If the Chairman was somehow forced to resign by Board action, the SEC would have promptly investigated the matter and taken action against the directors who breached their fiduciary duty.”

In Japan, the governance issues at Nissan Motor and Kansai Electric Power were widely reported this year. U.S. investors and experts are looking at the issue at Sekisui House, which has received little attention in Japan, in the same manner.

The author of this article asked Sekisui House about the recent developments in the U.S., including "SAVESEKISUIHOUSE.COM," and requested an interview with Chairman Abe.

The company stated in response, "It is unfortunate that such developments have been seen outside of the court with respect to the ongoing lawsuit. We will refrain from responding to specific questions related to the ongoing lawsuit. Abe has no intention of accepting any interviews.”

Sekisui House shareholders' meeting, where directors of the board will be re-elected, is scheduled for April next year. Because of anticipated voices from overseas investors, we will be seeing a new development at Sekisui House.