

Sekisui House Fraud Case - Shocking "Sealed Report"

Truth behind what should not happen in the ordinary course of business that the company has been refusing to release

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“Umikikan”, an old inn in Gotanda, Tokyo where the land incident took place

When Sekisui House pursued in 2017 to purchase land of Umikikan, an old inn in

Shinagawa-ku, Tokyo, and it was defrauded by a fraudulent landlord group losing ¥5.5 billion, the company investigated the details of the incident with the cooperation of third parties. Although the Sekisui House management has been trying to hide from the public the details of the investigation report, Toyo Keizai has come to learn the full text of the report.

The scandal involved a fraud damage on a prehistorical scale, and the mass media handled a great deal of the scandal. At that time, Sekisui House set up a committee consisting of attorneys and certified public accountants and the committee compiled its investigative report after carefully examining why such an incident had happened.

The report was filed with Sekisui House's Board of Directors on January 24, 2018, but only a "Summary" of 2.5 pages, not its full text, was released to the public.

A year and nine months have passed, but Sekisui House remains to decline to disclose the entire text of the report.

Sekisui House's Fraudulent Landlord Scandal led to a Shareholder Representative Lawsuit

There has been little reporting of a shareholder representative lawsuit against Chairman Toshinori Abe (the president at the time of the incident) and other management for violating the duty of good care in the fraudulent landlord scandal that involved Sekisui House. The shareholder lawsuit is now at a major crossroads. It is on the brink of whether the investigation report is going to be publicly disclosed.

This was triggered by the Osaka District Court's decision in April this year that ordered Sekisui House to "submit the investigation report." Sekisui House was very unhappy with the decision and filed an immediate appeal against it. Sekisui House argued "the investigation report is a document that is not expected to be disclosed to outside parties, and if it is disclosed, it may infringe the privacy of individuals or undermine the free will of individuals or organizations".

However, the Osaka High Court decided in July to reject the appeal by Sekisui House.

Finally, Sekisui House submitted its investigation report to the court. At the same time, Sekisui House filed with the court to "restrict access" and called for limited disclosure. As of October 11, the report remains unavailable to the public.

Sekisui House stubbornly refuses to publish the report because it contains facts that management doesn't want the public to know. What is on it? Toyo Keizai has obtained the full text of its investigation report. We have confirmed the details in the report through reconciliation with the court materials and interviews with the related parties.

"Unusual incident..." The investigation report begins with such words. This means that such an incident would not have happened if the company had a common sense of judgment. A person familiar with the case at Sekisui House told Toyo Keizai:

"Someone might have thought that the fraudulent landlord group had deliberately planned the scam, so Sekisui House was fooled..., but it was not that simple. The investigation report clearly states the fact that the current Sekisui House management is very eager to hide."

Until the closing date, Sekisui House failed to confirm the seller's identity other than via documents

For example, in real estate transactions, it is fundamental to do "identity confirmation" on whether the seller is genuine or not. The larger the transaction, the more the personal identification is conducted by, for example, the eyes of acquaintances and neighboring residents, rather than just by document verification such as a passport or a deed certificate. Despite this, Sekisui House failed to confirm the identity of the seller other than by some documents until the date of the final settlement.

During the closing meeting, the fake landlord could not confirm her address, birth date, and zodiac correctly, and yet Sekisui House did not conduct an additional identity confirmation.

Why did "something very unusual" happen? And why does Sekisui Houses

management resist publishing the investigation report? The October 12 issue of Toyo Keizai runs a special report entitled "Sekisui House Fraudulent Landlord Scandal – the whole picture of the sealed investigation report," which reports the surprising facts in the investigation report. The article is also published in full in Weekly Toyo Keizai Plus.