

Scoop!

Vice Chairman Strongly Refutes Nikkei Shimbun's Article on Dismissal of Chairman
Boardroom Coup or Voluntary Resignation?

Sordid Drama at Sekisui House

Analyzing the Replacement Drama of an Able Chairman

A coup drama occurred at major housing manufacturer Sekisui House.

The events unfolded at the board of directors meeting held on January 24. At the meeting, then Chairman Isami Wada, 76, now Executive Advisor, demanded the resignation of then President Toshinori Abe, 66, current Chairman, but the tables were turned in a struggle for power drama, which ended in Chairman Wada being forced to resign.

As per Nihon Keizai Shimbun, which broke the story, Chairman Wada placed the proposal for President Abe's resignation at the board of directors meeting that started at 2 pm. After discussions, the 10 directors, excluding President Abe, were split down the middle at 5 – 5. As per Sekisui House's Articles of Incorporation, for a resolution to be adopted by the board of directors, a majority of the directors has to be present and the proposal has to be approved by a majority of the directors present. The proposal, therefore, was shelved.

Mr. Shiro Inagaki, who attended the board of directors meeting as vice president, 67, now Vice Chairman, acknowledged as much, saying "The Chairman did table such a proposal," in response to an interview in front of his house at Takarazuka in Hyogo Prefecture.

Meanwhile, there was a sudden turn of events at the board of directors meeting. Now, the President tabled a proposal for the removal of the Chairman, and the voting by the 10 directors, excluding Chairman Wada, approved the motion 6 to 4. The tables were turned and Chairman Wada had to resign and ended up as Executive Advisor, and decision was taken on changes to management personnel with Managing Officer Yoshihiro Nakai, 52, being appointed as the new president.

Mr. Wada agreed to give the whole account of this incident in an interview with Nihon Keizai Shimbun, and said, "Mr. Abe tabled an urgent motion asking for my dismissal. I am not sure of the reason, but apparently it's because I was autocratic. It passed 6 to 4 and felt like a coup d'état."

However, Mr. Inagaki, mentioned above, flatly refutes the story saying, "It was not a dismissal."

"We have already complained to Nikkei Shimbun, that 'dismissal' is not factually correct. The Chairman resigned on his own to make way for the new generation," he said.

-In other words, there was no motion for dismissal.

"There was no such resolution."

-Regardless of resolution being passed or not passed, we would like to know whether there was a dismissal motion.

"I cannot comment on it because of the confidentiality clause. When I say I cannot comment, you might think that it actually happened, but I'm not obligated to answer that question.

It is a fact that the board of directors accepted the resignation. I can't talk about what happened in between. Ultimately, it was like the Chairman understood, and that he realized it was necessary to give way to the next generation."

-Mr. Wada apparently said to the Nihon Keizai Shimbun.

"No, no. The Chairman is fond of alcohol and we don't know the timing when the reporter posed these questions to him. And I don't know why he said those things," said Mr. Inagaki, who maintained that it was only a "voluntary resignation," in a bid to fight the fire, but there is no doubt that something unsavory is happening in the sanctum sanctorum of this major Japanese housing manufacturer.

In fact, there were signals foretelling this from last fall.

"The company won't survive like this."

Chairman Wada began to say this around last October according to a Sekisui House official. What was worrying Chairman Wada at that time was an issue surrounding the transaction of a land in Gotanda, Tokyo. Sekisui House had entered into an agreement to purchase land 2,000 sq. m. in area in last April.

When they had paid about 6.3 billion yen, some document forgery came to light and Sekisui House faced a situation where they couldn't acquire that land.

Around this time, the real estate industry saw rampant prevalence of land swindlers who passed themselves off as the real owners. The Gotanda land also was talked about in some quarters as having a shady history, and Chairman Wada regarded this as a problem, that Sekisui House's officials who are supposed to be professionals in real estate, failed to identify it.

"A decision was made to set up an investigation and countermeasures committee, under the orders of Chairman Wada, to identify the cause. This was just after the board of directors meeting of July 20. When the investigation report from the committee came out, Chairman Wada recognized the responsibility of the current management team. He began thinking of getting President Abe to resign taking responsibility for the land issue and reshuffle the management team afresh," said the aforementioned official.

President Abe, as the director in charge of business planning, used to be the closest aide who supported Chairman Wada during his days as president of the company. After being designated as a successor by Mr. Wada in 2008, while Chairman Wada was in effect at the top of the company as its CEO governing the whole group, Mr. Abe supported the Wada regime as its COO. According to a person who is knowledgeable about the inner workings of Sekisui House,

"Within the industry, there were people who used to ridicule President Abe as the shadow of Chairman Wada. To put it in another way, you could say that President Abe had shown that much of loyalty. He has been the backbone of the housing division, the main business of Sekisui House, for over 10 years, working in the shadows of Chairman Wada, a charismatic leader in the industry. You can guess what went through Mr. Abe's mind when he found out Chairman Wada was planning to eliminate him, after all he has done. Rumors about the relationship between them turning sour began floating from the end of last year."

In fact, the industry has a sense of *déjà vu* in this internal discord drama within Sekisui House. That was in the 1992 to 1998 period, during the days of President Isao Okui, when Mr. Okui clashed with the then Chairman Hiroshi Ohashi. At that time, Okui shook up the personnel by demoting and transferring a director loyal to Ohashi to a subsidiary, which brought the internal clash to the surface.

On top of it, Mr. Wada, a young officer at that time, was the person at the core of this Okui group.

"Mr. Wada was Mr. Okui's confidant and implemented his orders faithfully. Mr. Okui pulled up Mr.

Wada from low level managing director to senior managing director and installed him as the successor.

Mr. Wada had spent his career in sales and boasts an excellent track record such as being appointed as the youngest sales office manager, at the age of 28, in his fifth year with the company. He had been considered as a candidate for company president since his youth. And, he ensured his position at the top by successfully serving as the Okui group's spearhead," according to a reporter based in Osaka.

The fact that Mr. Wada, who is literally a talented person, ended up resigning after losing an internal conflict sent an even bigger shock through the industry.

An executive of a rival company points out, "Mr. Wada's pride backfired in this case."

"Mr. Wada has been in the top management of Sekisui House for almost 20 years including his time as the president and it would not have been surprising if he were treated as an elderly causing problems if it were an ordinary company. However, he is the first president of Sekisui House who has been brought up by the company and was treated like a star by employees. On top of it, he loves drinking and is a dynamic person and he has many fans not only in the company but also in the industry. Having ruled as a charismatic leader for such a long time, Mr. Wada was probably optimistic that no one would oppose the personnel changes he proposed.

In addition, he had recently been flying around the world for developing the overseas markets as part of top management diplomacy and probably was not able to sense what was happening on the directors' floor of the head office. As a result, he ended up losing as the opposition built up its supporters."

It is not clear whether Mr. Abe was maneuvering to expand his own group by luring others in Mr. Wada's absence. Still, it was certain that he would not bear the responsibility for the land swindler issue at any cost.

"Suppose he resign to take responsibility of the land issue, there is the possibility of him being sued for damages for breach of the duty of care as a director. What's more, the loss in this case reached several billion yen and, in the worst case, if such a huge amount is charged individually to the official, the person may have to file for personal bankruptcy. In fact, the company claims that the case has been closed as it relieved the managers of legal affairs, real estate and condominium business from their posts in December last year. In a similar vein, they are insisting that the change of president did not have anything to do with the land issue," according to a person who is well versed in the internal affairs who has commented earlier.

Mr. Inagaki, vice chairman, said the following as if to insist that he and his people were the victims.

"This is not an excuse for the incident this time but we fell victim to a shrewd trick. Whether or not to purchase a land for condominiums is a management judgment and that alone does not demand a call for resignation or dismissal."

However, Mr. Wada just could not accept such an irresponsible attitude of the management. That is why he demanded Mr. Abe's resignation as president to take responsibility for the land issue at the board meeting on January 24, but the tables were turned on him.

Whether or not there was a proposal to dismiss the chairman falls under the confidentiality clause. Still, there are some who point out that the chairman was asked to resign after the vote for the dismissal of chairman was passed.

"It was not that (Mr. Wada) was forced. There were various talks and the chairman himself made the decision," according to Mr. Inagaki, vice chairman.

There was news that Mr. Wada would attend an industry association meeting on February 21 in Tokyo and reveal certain things. However, he didn't show up due to sudden ill health.

"Mr. Wada does not have any objections to Mr. Nakai becoming the new president. Nevertheless, he is concerned that the new management would expel his subordinates in revenge. It seems that he had already sensed this in the air and decided to accept the interview with the Nihon Keizai Shimbun, saying 'The company would face serious problems the way things are now.' Now we are hearing that instead of Mr. Wada, the middle-management executives from his group will be taking actions," says the Osaka-based reporter.

There seems to be no end to this trouble.

1

The board meeting held in January also resolved that Mr. Abe, Mr. Nakai and Mr. Inagaki (from left) become representative directors

2

The previous chairman calls it a coup, while the company goes into damage control mode saying he was never dismissed. What is happening at the sanctum sanctorum of a major publicly traded company, whose market capitalization exceeds 1 trillion yen? A concerned party talked to us.

"In the end, the chairman said ok."

3

Mr. Wada (picture on the left page) told Nihon Keizai Shimbun in an interview, "it is not right to hide the facts."

4

Are you going to get rid of someone like me who supported the company all along?

5

“I don’t understand why the chairman said something like that.”

6

I lost because of the maneuvering to increase the number of supporters.

7

The seed for the next strife

8

The Gotanda plot, the problem site