

Notice of the Receipt and Disclosure of a Comprehensive Evaluation Report on the Problems with the Purchase of the Land for Condominiums

December 7, 2020 – Sekisui House, Ltd. (the “Company”) announces the receipt and disclosure of a Comprehensive Evaluation Report on the problems with the purchase of its land for condominiums. Details are as follows.

The first-instance conviction (six out of ten confirmed) was handed down to all the indicted criminal groups by June this year in the incident involving transactions for land for condominiums in Nishi Gotanda, Shinagawa-ku, Tokyo that occurred in 2017. Based on the criminal decisions, the Company decided to comprehensively verify the facts about the incident in September 2020 to fulfill its responsibility to describe the facts in detail together with background information on the incident to its shareholders, customers, business partners and other stakeholders including its employees. Consequently, the Company established a Comprehensive Evaluation Committee, which consists of independent experts outside the Company. The Company received the Comprehensive Evaluation Report on December 7, 2020 and hereby discloses the report.

The Comprehensive Evaluation Report (published version) is exactly the same as the Comprehensive Evaluation Report submitted by the Comprehensive Evaluation Committee, except that some individual and corporate names are showed in abbreviations in consideration of privacy. The same applies to the Investigation Report attached to the end of the Comprehensive Evaluation Report, which was submitted at the Board of Directors held in January 2018 by the Committee for Investigation and Countermeasures consisting of Outside Audit & Supervisory Board Members and Outside Directors.

We would like to apologize to our shareholders, customers, business partners and other stakeholders for significant concern caused by the incident. We will sincerely consider the recommendations of the Comprehensive Evaluation Report and will enhance the effectiveness of governance, strengthen internal control and raise awareness of risk.

(Note) December 15, 2020 – The Company has received the English version of the Comprehensive Evaluation Report from the Comprehensive Evaluation Committee and discloses it as an attachment to this news release.

Attachment: the Comprehensive Evaluation Report

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Comprehensive Evaluation Report

[Version for Public Disclosure]

December 7, 2020

Comprehensive Evaluation Committee
For Sekisui House, Ltd.

TRANSLATION FOR REFERENCE PURPOSES ONLY

This document is an English language translation of a document originally prepared in the Japanese language and is prepared for reference purpose only. If there is any discrepancy between the content of this translation and the content of the original Japanese document, the content of the original Japanese document will prevail.

To Sekisui House, Ltd.

Comprehensive Evaluation Committee For Sekisui House, Ltd.

Head of the Committee

Shin Kikuchi

Committee Member

Satoko Kuwabara

Committee Member

Junichi Tobimatsu

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I. Outline of the Comprehensive Evaluation

1. Background and Purpose of the Comprehensive Evaluation

From April to June 2017, Sekisui House, Ltd. (“Sekisui House”) mistakenly believed, due to an act of deception committed by the Land Fraud Group¹, that a person who was not an owner of the real property and did not have any authority to dispose of the real property was the true owner of the real property and that it could acquire the real property from that true owner through a third party, and Sekisui House then concluded a sales contract with that third party, paid 6,308,193,309 yen for the real property, and ultimately suffered approximately 5,559,000,000 yen in damage² “(the “Transaction” or the “Transaction Incident”). A total of ten Land Fraud Group members were prosecuted for defrauding Sekisui House following a criminal complaint filed by Sekisui House, and they were sequentially found guilty in the Tokyo District Court from October 2019 to June 2020 (for six of them, convictions were finalized; four of them, including the member suspected to be the main culprit, are on appeal).

In 2017, an internal investigation into the Transaction Incident was conducted by the committee for investigation and countermeasures led by outside officers of Sekisui House. However, to date, Sekisui House has not disclosed a detailed factual background, cause analysis, or recurrence prevention measures, including its investigation report (in a press release dated March 6, 2018 titled “Report of Summary of Development of the Problems with the Purchase of the Land for Condominiums,” a certain amount of information was disclosed regarding matters such as a summary of the background and measures to prevent recurrence, but its content is only general)³. There seem to be some concern about

¹ As defined in Section III. 5 below. Ten members were prosecuted and convicted (some of them are on appeal). Two of them had direct contact with Sekisui House employees.

² Sekisui House booked extraordinary losses (bad debt losses) of 5,559,000,000 yen in its consolidated financial statements for the fiscal year ended January 2018.

³ The following press releases were made regarding the Transaction Incident: “Notice Regarding Problems with the Purchase of the Land for Condominiums” dated August 2, 2017; “Notice Regarding Establishment of the Committee for Investigation and Countermeasures on Problems with the Purchase of the Land for Condominiums” dated September 7, 2017; “Notice Regarding Salary Reduction of Directors, etc.”; and “Report of Summary of Development of the Problems with the Purchase of the Land for Condominiums” dated March 6, 2018.

the approach taken by Sekisui House with respect to information disclosure.⁴

In view of the fact that all ten accused land fraud members who were prosecuted for defrauding Sekisui House were found guilty,⁵ the Board of Directors of Sekisui House believed that it was a good time to evaluate the Transaction Incident and Sekisui House's follow-up actions in response to that incident, and it decided on September 10, 2020 to entrust external experts who have had no interest in Sekisui House to conduct a comprehensive evaluation of the Transaction Incident and other matters for purpose of fulfilling its accountability to its stakeholders, including its shareholders, customers, business partners, and officers and employees, 'by accurately disclosing the factual background, etc. regarding the Transaction Incident.⁶ Based on this decision, the Committee was entrusted by Sekisui House with conducting that comprehensive evaluation (the "Comprehensive Evaluation," and the report based on the Comprehensive Evaluation is referred to as the "Evaluation Report").

2. Basic Policies and Rules and Scope of the Evaluation

(1) Basic Policies and Rules for the Evaluation by the Committee

While taking into consideration the results of the internal investigation conducted by Sekisui House in the past, the Committee, which was in a position completely independent of Sekisui House, without being biased by those results, clarified the facts relating to the Transaction Incident and the cause that led to Sekisui House being defrauded. In finding the facts, since many of the criminal judgments against the Land Fraud Group that carried out the Transaction have become final, we relied on some of the facts found in those criminal judgments⁷.

In addition, the Committee has decided to analyze the recurrence prevention measures

⁴ For example, the report made by ISS regarding the annual general meeting of shareholders held in April 2018 raises questions about Sekisui House's approach to disclosure regarding the Transaction Incident.

⁵ As stated above, convictions were finalized for six of the land fraud members and four of them are on appeal.

⁶ Gaien Partners and all of its attorneys have never received any request for services from Sekisui House, except for the entrustment of this Comprehensive Evaluation.

⁷ However, the evidence adopted by the court in the fact-finding is not directly cited in this Evaluation Report because, in relation to Sekisui House's inspection and copying of criminal records of the Tokyo District Public Prosecutors Office in the position of a victim, its use was subject to certain restrictions.

that have been implemented since the Transaction Incident, confirm the degree of dissemination and degree to which employees have become aware of those recurrence prevention measures and verify their effectiveness, evaluate the process of formulating recurrence prevention measures and evaluate the approach for the disclosure of information on the Transaction Incident.

In view of the above,⁸ although the Comprehensive Evaluation is not based on the “Guidelines for Third-Party Committees Relating to Corporate Scandals” published by the Japan Federation of Bar Associations, those guidelines are strictly followed in respect of, among others, the following points: (i) the Committee has the authority to plan and decide on evaluation procedures; (ii) the Committee has the authority to draft a comprehensive evaluation report (this Evaluation Report), which is the outcome of the Evaluation; and (iii) reports and other outcomes (excluding this Evaluation Report) produced based on interviews and other evaluation activities conducted by the Committee to clarify the facts belong to the Committee, and in order to ensure the independence of the Committee, they are not and will not be disclosed to Sekisui House or other related parties.

(2) Scope of the Evaluation

The Committee determined the following items as matters to be evaluated, as the appropriate scope for Sekisui House to fulfill its accountability to its stakeholders, especially its investors:

- (a) Investigation into the facts concerning the Transaction Incident and elucidation of the entire incident (since there is some information, which was shared through social media, etc., indicating that some Sekisui House insiders had a connection with the Land Fraud Group, including verification of the authenticity of that information);
- (b) Cause analysis of the failure to prevent the Transaction Incident (reason for being defrauded);
- (c) Occurrence of similar incidents within Sekisui House before and after the Transaction Incident;

⁸ This means that this Comprehensive Evaluation took into consideration the results of interviews conducted in the 2017 Investigation and that it relied on the contents of the judgments in the criminal trials.

- (d) Analysis of implemented recurrence prevention measures and evaluation of the degree of dissemination and to which employees have become aware of those measures, and evaluation of the effectiveness of those recurrence prevention measures;
- (e) Evaluation of the investigation of the Transaction Incident by the committee for investigation and countermeasures (the “2017 Committee”), which was provisionally set up after the meeting of the Board of Directors of Sekisui House held on July 20, 2017 and was officially approved for establishment at the Board of Directors meeting held on September 7 of that year (the “2017 Investigation”), and evaluation of the investigation report dated January 24, 2018 prepared by the 2017 Committee (the “2018 Report”);
- (f) Evaluation of the process of formulating recurrence prevention measures; and
- (g) Evaluation of Sekisui House’s approach to information disclosure regarding the Transaction Incident.

3. Composition of the Committee

The Committee consists of Shin Kikuchi (Head of the Committee), Satoko Kuwabara and Junichi Tobimatsu, attorneys-at-law, who belong to Gaien Partners and do not have any interest in Sekisui House. In addition, Hisafumi Sato and Miki Lee, attorneys-at-law, who belong to Gaien Partners, served as assistants.⁹

As mentioned above, none of those persons has ever been entrusted with any service by Sekisui House or any of its affiliates except for the Comprehensive Evaluation, nor have they ever had any interest in Sekisui House. They complied with the provisions of the “Guidelines for Third-Party Committees Relating to Corporate Scandals” of the Japan Federation of Bar Associations by virtue of their independence in the performance of their duties on the basis of their professional conscience and, in particular, they strictly satisfied the essential parts of the Guidelines. Support from the Legal Department of Sekisui House was provided for clerical work such as obtaining materials and arranging the interview schedule.

II. Overview of the Evaluation Procedures

⁹ In this Evaluation Report, the members and assistants of the Committee are referred to simply as “the Committee,” “we,” “our” or “us.”

1. Evaluation Period

Immediately after the Committee was established on September 10, 2020 based on a resolution of the Board of Directors of Sekisui House, the Committee commenced consideration of the details and methods of the Comprehensive Evaluation. The Committee conducted the evaluation until November 30, 2020, and prepared this Evaluation Report based on the results of the evaluation.

2. Period Covered by the Evaluation

In view of the scope of the Comprehensive Evaluation, as indicated in Section I. 2 (2) above, the Committee has set the period covered by the evaluation as follows.

(1) Investigation of Facts concerning the Transaction Incident

The specific period of activity in the Transaction itself by Sekisui House was from around March 27, 2017, when Mr. A1, the then Deputy Chief Manager of Sales of the Tokyo Condominium Department,¹⁰ Sekisui House (“Deputy Chief Sales Manager A1”), received information on the Real Property (as defined in Section III. 5 (1) below) for the first time, until June 9 of that year, when the application for registration of the transfer of the ownership of the Real Property was rejected. The investigation also mainly covered that period.

However, in order to also take into consideration the measures taken by Sekisui House after the Transaction was found to be based on fraud, as to e-mail forensic investigation, the investigation covered the full year from January 1, 2017 to December 31, 2017. In addition, regarding Deputy Chief Sales Manager A1, who obtained information on the Real Property, the investigation covered the e-mails sent and received from January 1, 2014 to October 31, 2018 in order to confirm whether there was a prior relationship with any member of the Land Fraud Group or its related parties that carried out the Transaction, and the period of investigation was extended.

¹⁰ Titles of officers and employees of Sekisui House referred to in this Evaluation Report are, in principle, the titles at the time of the Transaction.

- (2) Evaluation of the Occurrence of Similar Incidents and Effectiveness of Measures to Prevent Recurrence, etc.

The evaluation covered the period from the detection of the Transaction Incident to November 30, 2020.

- (3) Evaluation of the 2017 Investigation, Process of Formulating Recurrence Prevention Measures and Approach to Information Disclosure concerning the Transaction Incident

The evaluation covered the period from the detection of the Transaction Incident to November 30, 2020.

3. Overview of the Evaluation Procedures

- (1) Confirmation and Review of a Documents relating to the Transaction

We reviewed the following documents. (Copies (not originals) of documents were provided to the Committee. The same applies in this paragraph 3.)

- (a) Contract documents, identity verification documents, etc., and internal request for approval of the Transaction
 - “Land Purchase and Sale Agreement” dated April 3, 2017 between X¹¹ as the seller and KK H as the buyer, a statement of material matters (*juyo jiko setsumeisho*), a power of attorney and a receipt (receipt for a deposit of 20 million yen)
 - Real Property Purchase and Sale Agreement dated April 24, 2017 between X as the seller and H KK as the buyer
 - Agreement on Cancellation of Contract dated April 24, 2017 between X and KK H
 - Real Property Purchase and Sale Agreement dated April 24, 2017 between H KK as the seller and Sekisui House as the buyer
 - Identity Verification Information dated June 1, 2017 (prepared by attorney G1)
 - Amendment Agreement dated June 1, 2017 between H KK and Sekisui

¹¹ This refers to Fake X, defined in Section III. 5 (1) below. Hereinafter, the same applies in this (1).

House

- Receipts and other documents regarding the payment of earnest money and the purchase price
- The following documents as identity verification documents of X
 - Notarized Certificate dated April 3, 2017
 - Passport
 - Written Commitment letter dated May 23, 2017
 - National Health Insurance Card
 - Certificate of Residence
 - Certified Copy of Invalidated Family Register
 - Certified Copy of Family Register
 - Seal Registration Certificate
 - Tax Certificate
- The following documents as identity verification documents of KK H or H1
 - Certificate of All Historical Matters of KK H
 - Identification Certificate of H1
- The following documents as identity verification documents of H KK or H2
 - Certificate of All Historical Matters of H KK
 - Family Register, Seal Registration Certificate, Identification Certificate, and Certificate of Non-Registration of H2
- Request for Approval of Real Property (*ringisho*) (2017 (Purchase) No.146)

(b) Documents regarding events occurring up to the time of the settlement of the Transaction

- Each of the following content-certified mails
 - “Notice” dated May 8, 2017
 - “Notice” dated May 9, 2017
 - “Notice” dated May 10, 2017
 - “Demand for Restoration to Original Condition” dated May 22, 2017
- Documents prepared by I1 dated May 17, 2017

(2) Confirmation and Review of the Following Documents related to the 2017 Investigation

We reviewed the documents listed below:

- (a) 2018 Report (attached as an Appendix to this Report)
 - (b) Records of interviews with a total of 17 relevant persons of Sekisui House in the course of the 2017 Investigation (including the attached documents)
 - (c) The following reports, etc. that were prepared in the course of the 2017 Investigation (including the attached documents)
 - “Background Explanation for Gotanda” dated September 7, 2017, prepared by Mr. Kazushi Mitani, Managing Officer and General Manager of Condominium Headquarters
 - Memo (with handwritten “H29.9.1, From Chief Manager Kuroda”)
 - “Report on Fraud Case for Condominium Land in Nishi Gotanda” dated September 5, 2017, prepared by Mr. Koji Nakata, Managing Officer and Chief Manager of Legal Department (including the attached documents titled “Record of Responses of Legal Department” and “Measures to Prevent Real Estate Transaction Incidents”)
 - “My Response until the Occurrence of Incident (additional report)” dated September 29, 2017, prepared by Mr. Koji Nakata, Managing Officer and Chief Manager of Legal Department
 - “‘Nishi Gotanda Incident’ History of Responses from the Detection of Incident to Public Announcement” dated September 29, 2017, prepared by Mr. Koji Nakata, Managing Officer and Chief Manager of Legal Department
- (3) Other Related Documents concerning the Transaction Incident and the Follow-up Measures

We reviewed the following documents.

- (a) Minutes and related materials of the Board of Directors and Risk Management Committee meetings
 - Minutes and related materials of the Board of Directors meetings held during the period from June 2017 to September 2020, which are related to the Transaction Incident
 - Minutes and related materials of the Risk Management Committee meetings held during the period from December 2016 to November 2020, which are

related to the Transaction Incident

(b) Disclosed Materials

Press releases for the period from June 2017 to November 2020, which are related to the Transaction Incident (including the following)

- “Notice Regarding Problems with the Purchase of the Land for Condominiums” dated August 2, 2017
- “Notice Regarding Establishment of the Committee for Investigation and Countermeasures on Problems with the Purchase of the Land for Condominiums” dated September 7, 2017
- “Report of Summary of Development of the Problems with the Purchase of the Land for Condominiums” dated March 6, 2018

(c) Other Documents

- Chronology entitled “2017.07.10 (Mon) #7 Version,” which describes the related facts regarding the Transaction Incident, prepared by Mr. A2, Manager of the Business Development Office of the Tokyo Condominium Department
- “Disclosure of the Investigation Report” dated March 15, 2018, prepared by lawyers from City-Yuwa Partners
- Opinion dated April 18, 2018, Opinion dated June 6, 2018, Opinion dated May 28, 2019 and Opinion dated November 1, 2019, prepared by lawyers from Midosuji LPC
- Materials provided by Sekisui House to lawyers from Midosuji LPC with regard to the aforementioned Opinion dated April 18, 2018, including statements (two) by Deputy Chief Sales Manager A1 dated July 20, 2017, e-mails of related personnel and other documents

(4) Interviews with Relevant Persons

In this Comprehensive Evaluation, from the standpoint of evaluating the adequacy and appropriateness of the 2017 Investigation, we conducted a supplementary interview with the following relevant persons of Sekisui House and the members of the 2017 Committee. In addition, with regard to some of the relevant persons, additional interviews were conducted by telephone or in person after the interviews conducted by the Committee.

[Relevant persons of Sekisui House]

- Mr. B1, Chief Manager of the Technology Department of the Condominium Headquarters
- Mr. Toshinori Abe, President and Representative Director
- Mr. Shiro Inagaki, Executive Vice President and Director
- Mr. Takashi Uchida, Director and Senior Managing Officer and Chief Manager of the Personnel Department
- Mr. Kazuchika Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office
- Mr. C, Senior Manager of the Real Estate Department
- Mr. A1, Deputy Chief Sales Manager of the Tokyo Condominium Department
- Mr. Hideyuki Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Department
- Mr. B2, Chief Manager of the General Affairs Department of the Condominium Headquarters
- Mr. A2, Manager of the Business Development Office of the Tokyo Condominium Department
- Mr. A3, Manager of General Affairs of the Tokyo Condominium Department
- Mr. A4, Deputy Chief Manager of Technology of the Tokyo Condominium Department
- Mr. Yoshihiro Nakai, Director and Managing Officer
- Mr. Koji Nakata, Managing Officer and Chief Manager of the Legal Department
- Mr. B3, Chief Manager of the Real Estate Department of the Condominium Headquarters
- Mr. Kazushi Mitani, Managing Officer and General Manager of the Condominium Headquarters
- Mr. E, Chief Manager of the Corporate Management Planning Department
- Mr. F1, Senior Manager of the Secretariat

[2017 Committee Members]

- Mr. Takashi Kobayashi, Outside Audit & Supervisory Board Member
- Mr. Shiro Wakui, Outside Director

(5) Review of Various Regulations, Meeting Materials and Other Related Materials

We reviewed the following documents.

- Organization Chart and Organizational Rules
- Rules on Approval Procedure and Requirements for Approval
- Corporate Governance Report
- Operation Flow of the Operations for Acquiring Land for Condominiums and other materials within the condominium department

(6) Digital Forensic Investigation

During the 2017 Investigation, with regard to business e-mail data from March 1, 2017 to July 31, 2017 of 23 persons involved in the Transaction, a search was conducted with the keyword “Gotanda” and the important e-mails were reviewed (while the 2018 Report says “25 persons,” the investigation was actually conducted with regard to the e-mail data of only 23 persons because the data of two persons could not be obtained). However, in this Comprehensive Evaluation, for the purpose of conducting a more precise review, we conducted an independent e-mail review with the assistance of FRONTEO, Inc. (“FRONTEO”), a completely independent company specializing in forensics, which had no previous dealings with Sekisui House.

(i) Scope of the investigation

The investigation covered the business e-mails of 26 persons (Mr. Toshinori Abe, President and Representative Director and two other people who were not included in the 2017 Investigation were added to the 23 persons included at that time) who were involved in the Transaction.

(ii) Investigation period

In principle, the investigation covered the period from January 1, 2017 to December 31, 2017. However, with regard to Deputy Chief Sales Manager A1, who was the direct contact person for the Transaction, the investigation covered the period from January 1, 2014 to October 31, 2018.

(iii) Data preservation and extraction methods

The Committee received from Sekisui House one laptop PC (Fujitsu LIFEBOOK A552/E, S/N:R2905910) in which e-mail data (PST)¹² for 23 persons, who were the subject of the 2017 Investigation, was stored, and on September 28, 2020, at GAIEN PARTNERS, to which the members of the Committee belong, and FRONTEO staff connected the RAID containing the preservation tool (FTKImager manufactured by AccessData) to the laptop PC, started the PC and ran FTKImager while logged on, to preserve the entire disk on the PC. Separately, via the FRONTEO FTP site (FRONTEO Online-Storage), e-mail data for 3 people not included in the above 23 people was provided by Sekisui House to FRONTEO.¹³ For deleted e-mail data, FRONTEO used the recovery function in the analysis tools Encase and FTK, which FRONTEO uses, to recover deleted e-mails from the devices subject to investigation and received mail data.¹⁴

In the case of e-mails exchanged among several persons, duplicate e-mail data might exist between the persons who sent and received the e-mails. Therefore, from the standpoint of improving work efficiency, data with the same hash value (32 digits), which is mechanically calculated on the basis of the e-mail text and related information, such as the subject and sender/receiver, was regarded as duplicate data, and those duplications were eliminated.

(iv) Review method

The Committee reviewed the e-mail data collected through the above process and scrutinized relevant e-mails, including attachments, using keyword searches, etc.

(7) Case Records and Judgments in Criminal Cases against the Land Fraud Group

To the extent available, the Committee reviewed the records of criminal cases against the Land Fraud Group. We relied on the findings in the criminal court judgments related to the Transaction, where those findings are made, and the Committee has not made any independent review of those findings based on the evidence presented to the court.¹⁵

(8) Evaluation using a Questionnaire

¹² This refers to the e-mail data preserved when the 2017 investigation was conducted.

¹³ However, of those, e-mails of two people from the time of the Transaction Incident had nearly all been lost.

¹⁴ About 70% of the deleted e-mails were recovered, but the rest were not.

¹⁵ See Footnote 7

(i) Purpose

We surveyed employee opinions with a questionnaire as a reference for determining the real cause of the Transaction Incident, as well as evaluating the degree of dissemination and to which employees have become aware of the recurrence prevention measures taken so far by Sekisui House as well as their effects.

(ii) Targets

We selected 44 employees who were engaged or involved in land purchase operations prior to the Transaction Incident and belonged to the Condominium Headquarters or any of its four subordinate Regional Condominium Departments (Tokyo, Nagoya, Osaka and Fukuoka), the Development Department, the Real Estate Department or the Legal Department for five years or more in total as of October 21, 2020, as the targets of the questionnaire.

(iii) Method and response rate

The questionnaire request and response forms were distributed by e-mail to each target person from the Legal Department at Sekisui House. In order to ensure the objectivity of the responses, we employed a method in which each respondent directly sent the responses to the fax number or e-mail address of Gaien Partners, to which the members of the Committee belong. In addition, the questionnaire responses were anonymous.

The questionnaire request and response forms were distributed on October 21, 2020, and the deadline for collection was October 29, 2020. The response rate to the questionnaire, including the responses submitted several days after the response deadline, was approximately 98% (43 out of 44 target respondents answered).

4. Assumptions

This Comprehensive Evaluation was conducted based on the following assumptions.

- (i) All relevant materials submitted by Sekisui House to the Committee are authentic and complete originals or accurate copies thereof.
- (ii) The Committee's evaluation is not based on compulsory investigative powers

but on the voluntary cooperation of Sekisui House and relevant persons.

- (iii) The Committee's evaluation is not aimed at pursuing the legal liability of the relevant persons involved in the Transaction or any follow-up actions and this Evaluation Report is not intended to be used for that purpose.

5. Limitations

This Comprehensive Evaluation was subject to the following limitations.

- (i) We could not interview Mr. Akira Kuroda, Executive Officer and the Chief Manager of the Real Estate Department, and Mr. A5, Chief Manager of the Tokyo Condominium Department, both of whom affixed their seals on the request for approval of the Transaction, due to retirement or other reasons.
- (ii) A considerable number of e-mails and attachments to those e-mails that were the subject of the forensic investigation were unrecoverable for technical reasons.¹⁶
- (iii) We could not interview two (Mr. Yoshinori Shinohara and Mr. Teruyuki Saegusa) of the four 2017 Committee members or Ms. J1, judicial scrivener, and we only received answers from those persons by e-mail.

III. Facts Found in the Comprehensive Evaluation

1. Outline of Sekisui House

(1) Corporate Information

The following is an outline of Sekisui House.

Company Name	Sekisui House, Ltd.
Stock Listings	First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange (Stock Code 1928)
Closing Date	January 31
Composition of Shareholders	The Master Trust Bank of Japan, Ltd. (trust), Custody Bank of Japan, Ltd. (trust), SEKISUI CHEMICAL CO., LTD., and others
Representatives	Toshinori Abe Chairman & Representative Director

¹⁶ See Footnote 14

	Shiro Inagaki Vice Chairman & Representative Director Yoshihiro Nakai President & Representative Director Takashi Uchida Executive Vice President & Representative Director
Location of Head Office	1-1-88, Oyodonaka, Kita-ku, Osaka
Number of Employees	Non-consolidated: 14,801 employees Consolidated: 27,397 employees (as of January 31, 2020)
Description of Business	Custom detached houses, rental housing, architectural/civil engineering business, remodeling, real estate management fee business, houses for sale, condominiums, urban redevelopment business, overseas business, and others
Accounting Auditor	ERNST & YOUNG SHINNIHON LLC

(2) Overview of Sekisui House's Business

Sekisui House is a company that develops housing-related businesses in Japan and overseas with (1) a built-to-order business, (2) a supplied housing business, (3) a development business, and (4) an overseas business as its business areas. (1) The built-to-order business consists of a custom detached house business (widely known for its Sekisui House or SHAWOOD brand) and a rental housing business, (2) the supplied housing business consists of a remodeling business and a real estate management fee business, (3) the development business consists of a houses for sale business, condominiums and an urban redevelopment business, and (4) the overseas business consists of a houses for sale business and a rental housing development business, etc. in overseas markets.

As shown in the table below, Sekisui House has been performing well.

[Unit: 100 million yen]

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net Sales	18,588	20,209	21,593	21,603	24,151
Operating income	1,496	1,841	1,955	1,892	2,052

Ordinary income	1,605	1,909	2,036	1,951	2,139
Net income	843	1,218	1,322	1,285	1,412
Operating income/sales	8.1%	9.1%	9.1%	8.8%	8.5%
EPS	120.1 yen	185.4 yen	193.96 yen	186.53 yen	205.79 yen
ROE	7.9%	11.3%	11.6%	10.8%	11.5%

Business results by segment are shown in the table below.

[Unit: 100 million yen]

		FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
		Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income
Built-to-order	Detached house	3,937	472	3,831	495	3,711	480	3,579	422	3,909	459
	Rental	4,006	519	4,403	608	4,428	608	4,160	503	4,106	489
SUBTOTAL		7,493	991	8,234	1,103	8,140	1,089	7,740	926	8,016	948
Supplied housing	Remodeling	1,344	158	1,334	175	1,368	197	1,414	211	1,527	235
	Real estate management fees	4,487	268	4,691	312	4,898	311	5,140	394	5,348	410
SUBTOTAL		5,822	426	6,026	488	6,267	528	6,554	605	6,876	645
Development	Houses for sale	1,374	119	1,420	88	1,554	134	1,488	110	1,512	122
	Condominiums	814	80	661	22	774	92	895	64	1,039	101
	Urban redevelopment	930	247	1,304	234	1,037	169	1,733	404	1,319	170
SUBTOTAL		3,118	446	3,386	344	3,367	396	4,118	579	3,871	394
International business		895	(56)	1,821	251	3,067	297	4,118	579	3,871	394
Others		797	25	800	7	751	12	730	(0)	1,489	42
Eliminations			(336)		(353)		(369)		(381)		(424)
TOTAL		18,588	1,496	20,269	1,841	21,953	1,955	21,693	1,892	24,151	2,052

(3) Status of Sekisui House's Condominium Business

Sekisui House has developed mainly in the custom detached house business of the built-to-order business, and with regard to its development and sales of condominiums, Sekisui House has lagged behind major condominium developers and been surpassed by them in terms of scale, etc. The Condominium Headquarters has made it a strategy to develop and supply well-selected, well-located and high-priced condominiums, and the “Grand Maison” series, a condominium brand of Sekisui House, is an established brand of high-quality and high-priced condominiums. Since it is not easy to purchase land with a good location, the development and supply of that type of land is limited, and at the time of the Transaction, the Condominium Headquarters was always looking for an opportunity to acquire well-located land.

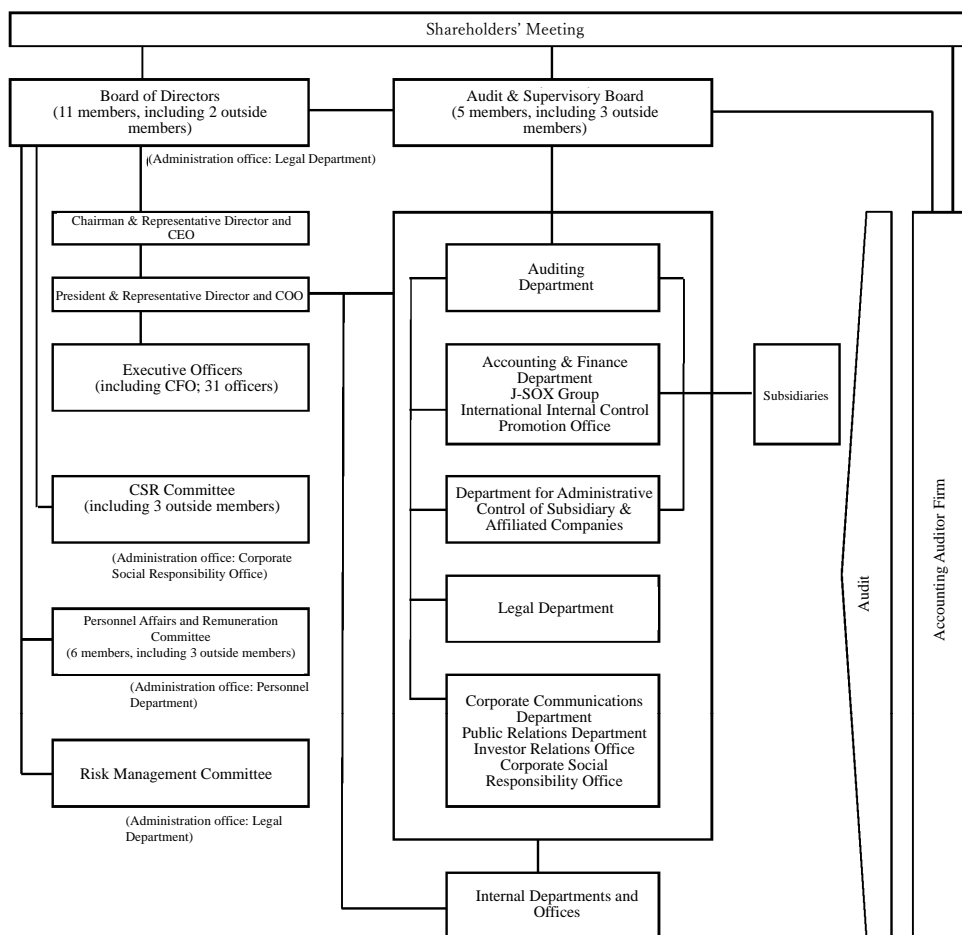
Trends in net sales, operating income and operating income/sales of Sekisui House’s condominium business are as shown below (figures in parentheses indicate the percentage to total net sales or operating income, respectively). The percentage of net sales ranges from 3.26% to 4.38% (3.92% on average over the past five fiscal years), and the percentage of operating income/sales ranges from 1.20% to 5.35% (3.91% on average over the past five fiscal years).

[Unit: 100 million yen]

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net Sales	814 (4.38%)	661 (3.26%)	774 (3.53%)	895 (4.13%)	1,039 (4.30%)
Operating income	80 (5.35%)	22 (1.20%)	92 (4.71%)	64 (3.38%)	101 (4.92%)
Operating income/sales	9.9%	3.4%	11.9%	7.2%	9.7%

2. Sekisui House’s Organizational Structure

The organizational structure of Sekisui House at the time of the Transaction is as shown below.



The functional authority and responsibilities of the Chairman, the President, and Executive Officers in Charge of Sekisui House at the time of the Transaction were as follows (Organizational Rules revised in February 2017).

(1) Functional authority and responsibilities of the Chairman

The Chairman, as the chief executive officer (CEO) of the company, concurrently serves as the Chairman of the Board of Directors, in which he or she is generally responsible for the decision-making of the company, including drawing up management policies established by the Board of Directors, and has all authority necessary for the execution thereof (Article 11, paragraph 1 of the Organizational Rules).

(2) Functional authority and responsibilities of the President

The President, as the chief operating officer (COO) of the company, comprehensively

operates the business of each division, gives instructions for and exercises control over overall business execution in accordance with the management policies established by the Chairman and the Board of Directors, and is generally responsible for the execution and results thereof, and has all authority necessary for the execution thereof (Article 11, paragraph 2, item (1) of the Organizational Rules).

(3) Functional authority and responsibilities of Executive Officers in Charge

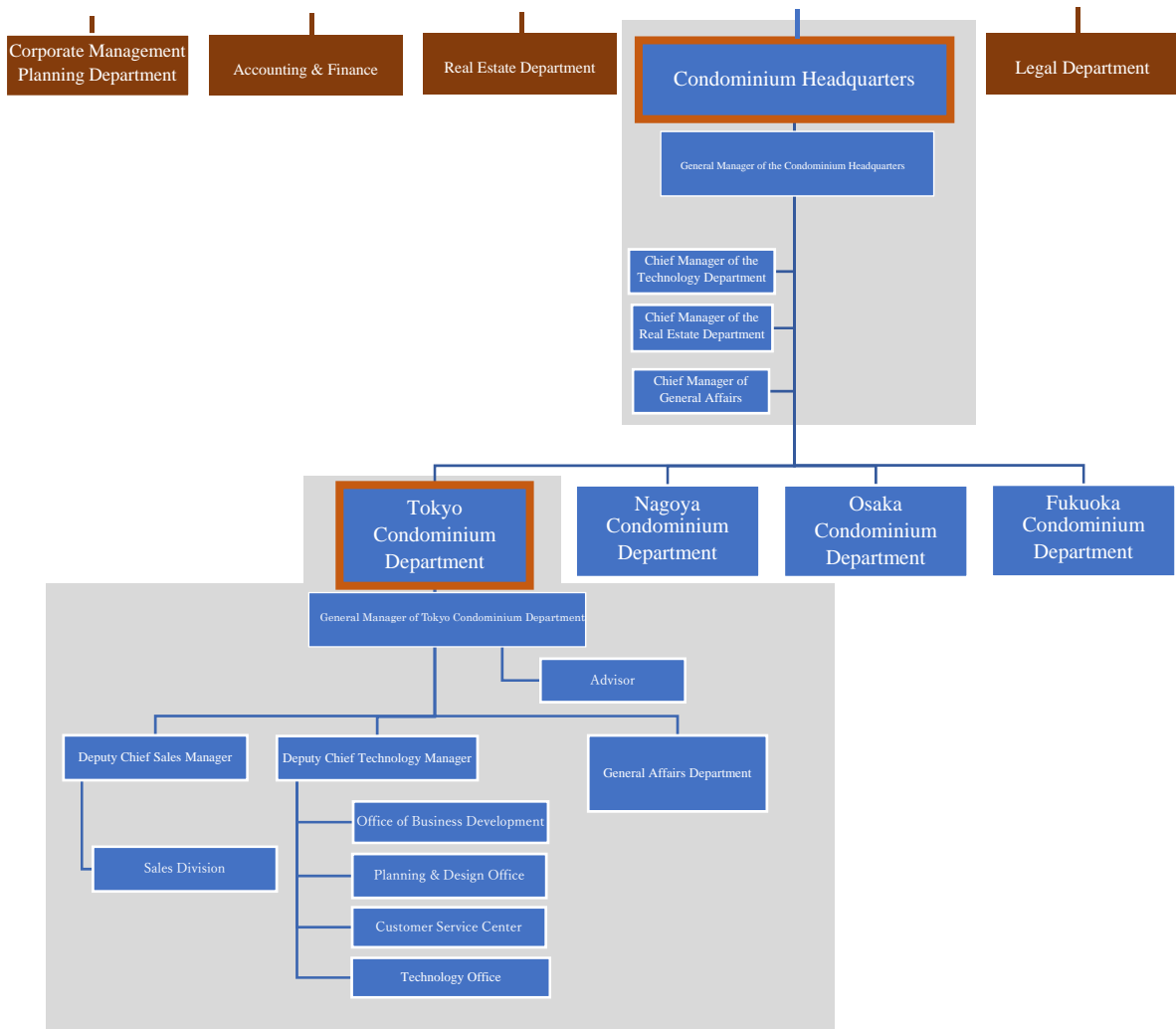
Executive Officers in Charge work to improve management efficiency and promote management innovation with respect to their assigned duties determined by resolution of the Board of Directors, direct and supervise their respective departments for which they are responsible in relation to their assigned duties, and are fully responsible to the Board of Directors for the execution and results of their assigned duties (Article 11, paragraph 4, item (1) of the Organizational Rules).

3. Organization and Division of Duties concerning the Transaction

The Transaction involved the acquisition of land for the development of condominiums. At Sekisui House, the Condominium Headquarters was in charge of the Transaction as an activity falling under the condominium business. The operations for purchasing land for condominiums were handled by each department belonging to the Condominium Headquarters (Tokyo Condominium Department, Nagoya Condominium Department, Osaka Condominium Department, and Fukuoka Condominium Department), depending on the respective areas of which they were in charge. In principle, the Condominium Headquarters is not directly in charge of land purchase operations, but since the Condominium Headquarters was located in the same office in Tokyo as the Tokyo Condominium Department, the Condominium Headquarters had relatively close coordination and involvement in the operations handled by the Tokyo Condominium Department. Under those circumstances, not only the Tokyo Condominium Department, but the Condominium Headquarters was also involved in the Transaction from the beginning.

The organizational structures of the Condominium Headquarters and the Tokyo Condominium Department are shown in the diagram below (the Corporate Management Planning Department, the Accounting and Finance Department, the Real Estate Department and the Legal Department, which affixed their seals to the request for

approval of the Transaction, are also listed). In the diagram below, “Chief Manager of the Technology Department,” “Chief Manager of the Sales Department” and “Chief Manager of the Real Estate Department” are all positions within the Condominium Headquarters (for example, the Chief Manager of the Real Estate Department in the Condominium Headquarters is not a position within the Real Estate Department of the Head Office of Sekisui House, and the Head Office also has a separate position called the “Chief Manager of the Real Estate Department” in its Real Estate Department).



According to the Organizational Rules, the matters that were under the charge and functional authority of (1) the Condominium Headquarters and the General Manager of the Condominium Headquarters, (2) the Chief Manager, the Deputy Chief Sales Manager and the Deputy Chief Technology Manager of the Tokyo Condominium Department, and (3) the Real Estate Department and the Legal Department at the time of the Transaction

are as described below, respectively.

- (1) Matters under the charge of the Condominium Headquarters and functional authority of the General Manager of the Condominium Headquarters
 - (i) The Condominium Headquarters is responsible for matters relating to general planning and business promotion of the condominium business, has four branches, (the Tokyo Condominium Department, the Nagoya Condominium Department, the Osaka Condominium Department, and the Fukuoka Condominium Department), and handles the following matters (Article 66 of the Organizational Rules):
 - (a) General planning of the condominium business and planning, drawing up and implementation of sales policies for sales promotion;
 - (b) Setting up and management of sales plans and profit plans at the stage of the Headquarters;
 - (c) Matters relating to guidance and supervision over each branch of the Condominium Headquarters, including the Tokyo Condominium Department; and
 - (d) The President's special mission for sales promotion.
 - (ii) The General Manager of the Condominium Headquarters, as the head of the condominium business division, oversees and manages the operations of the Condominium Headquarters and its affiliated departments, at all times, from a company-wide perspective, in accordance with the company's basic policy, strives to improve management efficiency and promotes management innovation, and is fully responsible for the execution and outcomes of those operations (Article 11, paragraph 12, item (1) of the Organizational Rules).
- (2) Functional authority of the Chief Manager, the Deputy Chief Sales Manager, the Deputy Chief Technology Manager and the Deputy General Affairs Manager of the Tokyo Condominium Department
 - (i) The Chief Manager, as the person responsible for heading the sales operations of Sekisui House products in the region under his or her responsibility, strives to promote sales, secures and expands orders under the direction and supervision of the General Manager of the Condominium Headquarters, oversees and manages

the operations of which the Tokyo Condominium Department is in charge, at all times, from a company-wide perspective, in accordance with the company's basic policy, strives to improve management efficiency and promote management innovation, and is fully responsible for the execution and outcomes of those operations (Article 11, paragraph 15, item (1) of the Organizational Rules).

- (ii) The Deputy Chief Sales Manager assists the Chief Manager of the Tokyo Condominium Department, and under the direction and supervision of that Chief Manager, manages and is responsible for regional projects, business projects and other projects under a special mission in accordance with the Chief Manager's directives (Article 11, paragraph 15, item (2) of the Organizational Rules).
- (iii) The Deputy Chief Technology Manager assists the Chief Manager of the Tokyo Condominium Department, and under the direction and supervision of that Chief Manager, manages and is responsible for specific operations such as architecture, design and management in accordance with the Chief Manager's directives (Article 11, paragraph 15, item (3) of the Organizational Rules).
- (iv) The Deputy General Affairs Manager assists the Branch Manager, and under the direction and supervision of that Manager, manages and is responsible for specific operations such as general affairs in accordance with the that Manager's directives (Article 11, paragraph 15, item (4) of the Organizational Rules).

At the time of the Transaction, in the Tokyo Condominium Department, in view of the focus on condominium sales activities, Deputy Chief Sales Manager A1, the then Deputy Chief Sales Manager of the Tokyo Condominium Department, was supposed to be mainly in charge of condominium sales, while Mr. A4, the then Deputy Chief Manager of Technology of the Tokyo Condominium Department, who was in charge of architecture, design and management ("Deputy Chief Technology Manager A4"), was also in charge of the Business Development Office, which was responsible for the operations for acquiring land for condominiums. On the other hand, there were times when Deputy Chief Sales Manager A1 was involved in operations for acquiring land on a case-by-case basis, based on his experience of having been in charge of purchasing land in the past.

In addition, at the time of the Transaction, the position of Deputy General Affairs Manager was vacant and was filled by the General Affairs Manager, who is subordinate to that

position.

(3) Matters under the charge of the Real Estate Department and the Legal Department

- (i) The Real Estate Department is responsible for the purchase, development and management of land for sale, as well as matters relating to planning and promotion of the real-estate leasing business, the real estate management business and the EVER LOOP business (owner-occupied home purchase and rehabilitation business), including the following matters (Article 25 of the Organizational Rules):
 - (a) Planning, drawing up, promotion and implementation of basic policies and basic plans for the purchase and development of land for sale;
 - (b) Purchase, development, maintenance, management and sale of land for sale;
 - (c) Planning and management of budgets for the purchase of land for sale;
 - (d) Guidance, coordination and general management of purchases, sales and management of land for sale carried out by the sales department; and
 - (e) Planning, administration and management of the system for requesting approval for the purchase of land for sale, as well as preservation of approval documents.

- (ii) The Legal Department is responsible for matters relating to legal affairs, shares and intellectual property management, including the following matters (Article 20, paragraph 1 of the Organizational Rules):
 - (a) Research and guidance on business-related legislation;
 - (b) Preparation, review and storage of important contracts and other documents;
 - (c) Legal proceedings such as general litigation, mediation, registration and public notices;
 - (d) Promoting and general management of compliance;
 - (e) Preparation and management of a compliance manual, etc.;
 - (f) Operation and management of the Sekisui House Compliance Support System (SCS System) and operation of the SCS Secretariat;
 - (g) Planning and administration of the approval system and the system for requesting approval; and
 - (h) Procedures for planning, drawing up charts, reorganization and abolition of organizations.

4. Flow of the Operations for Acquiring Land for Condominiums and Roles of the Departments in Charge at the Time of the Transaction

At the time of the Transaction, the Tokyo Condominium Department,¹⁷ purchased land for condominiums in the following operational flow, led by the Business Development Office and the Deputy Chief Technology Manager, who is the supervisor of that office.¹⁸

(1) From Field Survey to Request for Approval of Purchase of Real Property

When considering the purchase of prospective land for purchase following a field survey¹⁹ of the land, the Tokyo Condominium Department, holds a meeting²⁰ before making an application for a request for approval (in which the General Manager and the Chief Managers of the Condominium Headquarters also participate, and in many cases, guidance and advice, etc. are provided as needed), and prepares a request for approval.²¹

¹⁷ As shown in the table in III. 3, the Tokyo Condominium Department, had the following six sections and offices at the time of the Transaction: (1) Sales Section (which is primarily engaged in condominium sales), (2) Business Development Office (which is primarily engaged in the purchase of land for condominiums), (3) Design Office (which is primarily engaged in the design of condominiums), (4) Technology Office (which is primarily engaged in the supervision of construction at the site and initial regular inspections), (5) Customer's Center (which is primarily engaged in regular inspections, after-sales services and complaint handling), and (6) General Affairs Department (which is primarily engaged in the provision of administrative and legal support).

¹⁸ Flowchart entitled "Condominium Headquarters Operational Flow Chart 20161117 Revised Version" and the Real Estate Business Manual and the Rules on Approval Procedure (which came into effect on October 20, 2016; the same applies hereinafter unless otherwise noted.)

¹⁹ First, the Tokyo Condominium Department, conducts a basic survey on the matters concerning the prospective land for purchase. Specifically, it is a survey based on the cadastral map, transcripts and land value map, etc., a survey of the status of land lease, housing lease and lease for use, etc., a survey of road conditions, and a survey of laws and regulations and guidance, etc. related to construction, and the boundary lines and conditions in the neighborhood and surrounding areas are confirmed through a field survey.

²⁰ The Tokyo Condominium Department, holds discussions and meetings on the outline of the land, the condominium plan, the outline of the project, the income and expenditure of the project, and the terms and conditions of the contract, etc. It is stipulated in the Rules on Approval Procedure that, in making a request for approval of the purchase of real estate, it is necessary to thoroughly investigate and study the purpose, execution method, timing and effect, etc. of the purchase, and to make an effort to ensure the smooth progress of the request for approval by holding a prior meeting with related parties (Article 9, paragraph 1 of the Rules on Approval Procedure), and such meeting is held prior to making a request for approval of the purchase of the real estate.

²¹ It is stipulated that a request for approval of the purchase of real estate shall be made by the Chief Manager of the Tokyo Condominium Department, (Article 8 of the Rules on Approval Procedure), but in actual practice, the General Affairs Manager of the Tokyo Condominium Department, was in charge of making a request (in case of urgency, a person in charge of the Business Development Office

²² A request for approval is circulated within the Tokyo Condominium Department to the persons in charge, such as the Chief Manager, the Deputy Chief Sales Manager, the Deputy Chief Technology Manager, and the person responsible for general affairs (the General Affairs Manager), and each of them confirms the details of the request and affixes his or her seal thereto. The request is then circulated by the General Affairs Manager of the Tokyo Condominium Department to the Condominium Headquarters, and each of the General Manager of the Condominium Headquarters, the Chief Manager of the Real Estate Department, the Chief Manager of the Technology Department and the Chief Manager of the General Affairs Department then confirms the details of the request and affixes his or her seal thereto.

A request for approval approved by the Condominium Headquarters is submitted to the Real Estate Department (Article 10, paragraphs 1 and 2 of the Rules on Approval Procedure), and thereafter, the Real Estate Department takes charge of affairs such as receiving and circulating requests for approval as the “department responsible for affairs relating to requests for approval” (Article 10, paragraph 1 and Article 13 of the Rules on Approval Procedure). After examining the details of a submitted request for approval, including whether it corresponds to the matter for approval, whether the descriptions are appropriate, and whether it has an attached document, the Chief Manager of the Real Estate Department, who is in charge of affairs relating to requests for approval,²³ will accept that request for approval, register it in the ledger of requests for approval in a separately specified form, and manage the progress of the decision-making process and the procedures after the decision (Article 14, paragraph 1 of the Rules on Approval Procedure). In addition to the above examination, in the case of a request for approval of the purchase of real property, the Chief Manager of the Real Estate Department may conduct a substantive examination and add his or her opinion before circulating that to the person with authority or the councilors²⁴ (Article 14, paragraph 2 of the Rules on

sometimes made a request by himself or herself).

²² The procedures for making, receiving, deliberating, examining and approving a request for approval using the intranet system that enables a request to be processed on a computer using a web browser, etc. (“Electronic System for Requesting Approval”) are also contemplated, and although it was possible to use the same under the rules (Articles 35 through 37 of the Rules on Approval Procedure), the Electronic System for Requesting Approval was not utilized at the time of the Transaction.

²³ It is stipulated that the head of the department responsible for affairs relating to requests for approval shall serve as the “person in charge of affairs relating to requests for approval” (Article 13 of the Rules on Approval Procedure), and in the case of a request for approval of the purchase of real estate, the Chief Manager of the Real Estate Department serves in such position.

²⁴ In fact, prior to the circulation of the request for approval of the purchase of real property, the Real Estate Department pointed out various matters, such as that the investigation and examination, etc. were insufficient, and gave corrective instructions to the department making the request.

Approval Procedure).

In the submitted request for approval, the Chief Manager of the Real Estate Department, in principle, specifies up to five councilors in an order of priority closely related to the relevant matter and passes the request on for approval (Article 15 of the Rules on Approval Procedure).

At the time of the Transaction, the Real Estate Department had established rules regarding the parties to whom a request for approval of the purchase of real estate was to be passed on for approval in the form of a document entitled “List of the Parties Authorized to Approve a Request for Approval of the Purchase of Real Property and the Councilors, etc.” According to those rules, with regard to land for condominiums in the Tokyo metropolitan area with a total purchase price of 1 billion yen or more, the three departments: the “Corporate Management Planning Department,” the “Legal Department” and the “Accounting and Finance Department” were defined as the “related departments” and a request for approval was to be passed on to those departments first. It was stipulated that following that, the request for approval is to be passed on to four persons, namely, Mr. Kazuchika Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office (“Managing Officer Uchiyama”), Mr. Yoshihiro Nakai,²⁵ Director and Managing Officer (“Managing Officer Nakai”), Mr. Takashi Uchida,²⁶ Director and Senior Managing Officer (“Senior Managing Officer Uchida”), and Mr. Shiro Inagaki,²⁷ Director and Executive Vice President and Executive Officer (“Executive Vice President Inagaki”), and that request is to be approved by the President in accordance with the provisions of Appendix (2) of the Rules on Approval Procedures.

As an exceptional provision, it is stipulated that in cases where an examination is delayed or in urgent cases, the person in charge of affairs relating to requests for approval may designate a representative person for a councilor or omit passing the request for approval on to that councilor, and may pass that request for approval on to other councilors or immediately submit it to the person with authority (Article 18, paragraph 2 of the Rules on Approval Procedure). In fact, also in relation to a request for approval for the purchase of real property, there was a case where the President’s approval was obtained before the request was passed on to the councilors, at the discretion of the Chief Manager of the Real

²⁵ Person in charge of accounting and finance, and corporate management planning

²⁶ Person in charge of related companies and the Chief Manager of Personnel Department

²⁷ CFO, person in charge of corporate management planning, accounting and finance, audit management, and IT operations

Estate Department, who was the person in charge of affairs relating to requests for approval.

It is stipulated that, if any material change occurs to the content of a matter for approval after a request for approval is approved, another request for approval is to be made again for that matter (Article 30, item (2) of the Rules on Approval Procedure). However, a change to the settlement date, which is a matter to be stated in a request for approval of the purchase of real estate, was not treated as a material change when the Transaction was executed, and it was believed it was possible to change the request for approval with the approval of the Real Estate Department.

(2) Conclusion of Sales Contracts

The Business Development Office was supposed to confirm in advance (1) contracts, (2) statements of material matters (only in the case where a broker is involved or the seller is a licensed real estate broker), (3) identity verification documents, (4) documents necessary for registration (documents necessary for registration of the transfer of ownership and cancellation of security interest), (5) assessment certifications, and (6) boundary confirmation documents.²⁸ Of those documents, (3) identity verification documents and (4) documents necessary for registration were to be confirmed by the person in charge at the Business Development Office, together with a judicial scrivener designated by the General Affairs Department,²⁹ in person with the seller or the owner of the land by the day immediately preceding the date of conclusion of the sales contract.³⁰ In exceptional cases, the person in charge at the Business Development Office and a judicial scrivener designated by the General Affairs Department are to confirm the original documents together on the date of the conclusion of a sales contract if the original documents cannot be confirmed in person with the seller or the owner of the land by the

²⁸ If there is a broker, in addition to these documents, (7) the mediation contract and (8) the real estate broker license are to be confirmed in advance.

²⁹ This refers to the General Affairs Department within the Tokyo Condominium Department, (see the organizational structure diagram in Section III. 3) and is separate from the General Affairs Department of the Head Office. Hereinafter in this Evaluation Report, the General Affairs Department refers to the General Affairs Department within the Tokyo Condominium Department.

³⁰ With regard to identity verification documents, they "...are to be confirmed in person with the customer, etc." (page 7 of the "Manual for Responding to the Act on Prevention of Transfer of Criminal Proceeds"; the "APTCP Manual"). After one's identity has been confirmed based on identity verification documents, a "confirmation record sheet" was to be prepared and stored in a prescribed form (page 14 of the APTCP Manual). The work of confirming identity verification documents and the preparation of "confirmation record sheets" were carried out by the person in charge at the Business Development Office.

day immediately preceding the date of conclusion of the sales contract.

(3) Payment of Earnest Money and Provisional Registration

In the case of the purchase of land for condominiums, when it was deemed necessary to make a provisional registration of the right to claim transfer of ownership (purchase-sale reservation) at the same time as the payment of earnest money, considering matters such as the ratio of the earnest money to the purchase price and the amount of the earnest money, the provisional registration was made after negotiations with the seller. In those cases, the person in charge at the Business Development Office had a judicial scrivener designated by the General Affairs Department accompany him or her when concluding the sales contract, and had the judicial scrivener confirm that there was no defect in the documents necessary for provisional registration of the purchase-sale reservation, and then paid the earnest money. Payment of the earnest money is usually made by bank transfer, but it is possible to choose payment by bank check at the seller's request.

(4) Confirmation before Settlement

At the time of settlement, the person in charge at the Business Development Office is to confirm the status of the performance of the contract conditions (including, acquisition of letters of boundary confirmation and completion of vacation) and confirm the documents necessary for registration with a judicial scrivener by the day immediately preceding the date of settlement. Even if the documents necessary for registration of the transfer of ownership, etc. have already been confirmed at the time of the conclusion of the sales contract, the documents necessary for registration are to be confirmed again by the day immediately preceding the date of settlement. In exceptional cases, the person in charge at the Business Development Office and a judicial scrivener designated by the General Affairs Department confirm the original documents together on the settlement date if the original documents cannot be confirmed in person by the day immediately preceding the date of settlement.

(5) Settlement

On the date of settlement, the person in charge at the Business Development Office was to have a judicial scrivener designated by the General Affairs Department accompany him or her. At the time of settlement, firstly, the person in charge at the Business Development

Office was to confirm the related documents and documents related to the delivery of the real property, which are the conditions of the contract, and a judicial scrivener designated by the General Affairs Department was to confirm that there were no defects in the documents necessary for registration. After those were confirmed, the person in charge at the Business Development Office was to contact the person in charge at the General Affairs Department by telephone and process the bank transfer (or the delivery of a bank check).

(6) Roles of the Real Estate Department and the Legal Department of the Head Office in the Condominium Business

As mentioned above, requests for approval of the acquisition of land worth 1 billion yen or more, made by the Tokyo Condominium Department, were to be circulated within the Condominium Headquarters and submitted to the Real Estate Department, and those were also to be passed on to the Legal Department. However, the Real Estate Department checked the requests for approval mainly from the perspective of whether the estimated purchase price and sales price were appropriate, and the Legal Department checked the requests for approval from the perspective of legal compliance only in regard to the descriptions in the request, such as whether there were any doubts about the descriptions in the request.

In addition, the Tokyo Condominium Department dealt with legal affairs related to the preparation and conclusion of sales contracts and settlement of the acquisition of land for condominiums in consultation, as appropriate, with the legal counsel of the Tokyo Condominium Department. As a result, the involvement of the Legal Department in the acquisition of land for condominiums was limited to dealing with specific legal problems after the fact in the event of their occurrence.

The Tokyo Condominium Department itself dealt with legal affairs in this way because the following conditions existed in the Legal Department. In other words, the Legal Department was in charge of preparing templates of standard contracts for a large number of customers in the detached house business, the rental housing business and the houses for sale business, receiving consultation on legal issues related thereto, and handling lawsuits, etc. However, due to the small number of staff in the Legal Department, it was not able to deal with the legal issues of other businesses or individual complaints. Accordingly, each department (or, if the department is further divided by region, by region) entered into advisory agreements with lawyers to deal with complaints and legal

issues.

Moreover, although, under the Organizational Rules, “guidance, coordination and general management concerning the purchase, sale and management of land for sale by the sales division” was included in the responsibilities of the Real Estate Department, in fact, in most cases, the Real Estate Department confirmed the judgment of the Condominium Headquarters and the Tokyo Condominium Department concerning the acquisition of land for condominiums and rarely provided in-depth guidance and advice concerning the acquisition of land since the Headquarters and Department had expertise in the acquisition of land for condominiums.

5. Facts Related to the Transaction

(1) Summary of the Case

This case is a case of fraud related to the purchase and sale of four parcels of land and three buildings in Nishi-Gotanda 2-chome, Shinagawa, Tokyo (collectively, the “Real Property”) in which Sekisui House was deceived by Z2 (“Fake X”), who posed as the real owner, Ms. X (“Ms. X,” and the name of “Ms. X” might be mentioned, depending on the context, when referring to certain acts of Fake X posing as Ms. X), and multiple other fraudulent land brokers (the “Land Fraud Group”) into believing that Fake X had ownership of the Real Property, that ownership of the Real Property was actually transferred by way of a purchase and sale from Fake X to H KK (“H KK”), which is effectively managed by H1 (“H1,” his former name), and that it was possible for Sekisui House to obtain ownership of the Real Property through a purchase and sale from H KK, and Sekisui House delivered 6,381,933,309 yen as the purchase price of the Real Property and related expenses (see Exhibit 1 (Personal Relationship Chart)).³¹

(2) Criminal Convictions in the Criminal Case

³¹ The amount of 6,381,933,309 yen delivered by Sekisui House is equal to the amount obtained by deducting 700 million yen, which is the amount (unpaid reserve amount) payable at the end of July, from 7 billion yen, which is the purchase price of the Real Property, and then adding 8,193,309 yen, which is the fixed asset tax and city planning tax settlement amount. Also, as a result of Sekisui House executing a condominium purchase and sale agreement for approximately 750 million yen with Fake X, and receiving the purchase price, the amount of damage incurred by Sekisui House was approximately 5.559 billion yen. As shown in Footnote 2, the entire amount was recorded as extraordinary losses (bad debt losses) in the settlement of accounts for FY 2017.

With respect to the Transaction Incident, as shown in the attached list of criminal convictions, a total of ten members of the Land Fraud Group, including a person posing as the owner of the Real Property, were charged with fraud and other crimes, and all of the indicted persons were convicted between October 2019 and June 2020 (the “Criminal Convictions”).³²

It was found in the Criminal Convictions that Sekisui House was defrauded by crimes committed by an extremely sophisticated and deliberate crime committed by the Land Fraud Group. For example, the appellate court affirmed the following findings in the court of the first instance against Z3’, whose sentence became final and binding upon dismissal of the appeal.³³

“This case involves highly organized crimes that were carried out while the accomplices liaised with each other, in which many roles were divided, including a superior group who collected detailed information about the Real Property and its owner and who drew up a plan, the role of pretending to be an owner as well as the role of arranging for an imposter and acting as a liaison between the imposter and the superior group, the role of teaching the imposter detailed information about the owner and the role of acting as a manipulator so as to prevent the imposter from being exposed to the other party during negotiations. The modus operandi of that group was to use forged a passport and official identification documents obtained through the use of that passport and to involve lawyers and notaries to have the identity of the imposter verified, which allowed the manipulator mentioned above to gain the trust of the other party and execute a purchase and sale agreement...and the crimes were extremely sophisticated and deliberate and the manner in which they was carried out was extremely vicious...in addition, the exercise of each of the documents in this case was so elaborate that even experts involved in real estate transactions did not realize that the passport was forged...it is natural that the representative directors from the affected company are calling for severe punishment.”

The details of the crimes in the above criminal case have not been completely clarified because three superior group’ members (Z4, Z7, and Z6) who planned and led the crimes deny all or part of the crimes. Nevertheless, taking the Criminal Convictions as a whole into account, at least the following acts are clear and it can be found that the crimes in

³² As stated above, convictions were finalized for six members and four of them are on appeal.

³³ Judgment of the Tokyo High Court dated November 28, 2019. A final appeal against that judgment was dismissed on March 4, 2020.

this case were committed in an organized manner and were extremely sophisticated and deliberate.

(i) Formation of the Conspiracy

The Real Property used to be a Japanese style hotel called *Umikikan*, but it has been out of operation for a long time. The Real Property is a rare property in a good location near Gotanda Station, but it was well-known among real estate agents because its owner never wanted to sell it.

The Land Fraud Group intended to fraudulently obtain funds as the purchase price of the Real Property, and the Land Fraud Group conspired as follows by late March 2017 (unless otherwise specified, if a year is not mentioned in a date, the year is 2017).

The Land Fraud Group conspired as follows: (i) by around January 2017 Z4 (“Z4”) made preparations for the impersonation of Ms. X, who was the owner of the Real Property, and conspired with Z5 (“Z5”) and Z3’ known as “Z3” (“Z3” or “Z3”) with respect to committing the so-called land fraud, (ii) Z4 and Z5 also conspired with Z7 (“Z7”) by around that time, and Z7 made a request, either directly or through Z8 (“Z8”), to Z9’ (known as Z9, “Z9”), to arrange for an imposter, while at the same time, Z4 and Z5 conspired with each of Z7, Z8, Z9’, and Fake X in turn by, for example, arranging through Z9’ for Z2 (“Fake X”) to act as an imposter and having Z8 liaise with Fake X, and (iii) whenever it was necessary for the landowner to be present during negotiations and preparations for the sale of the Real Property, Z7 instructed Z8 to call Fake X through Z9’ and have Fake X to take part in negotiations on repeated occasions.

At the same time, (iv) in March, Z6 (“Z6”) conspired with Z1’, known as Z1, (“Z1”), who is responsible for finding potential buyers and other functions and introduced Z1 to Z8, and further, (v) on March 23, Z4 introduced Z1 to Z3’ as “a person who knows everything” and instructed Z3’ to follow Z1’s instructions, and Z1 was present at negotiations for the purchase and sale of the Real Property together with Fake X, claiming to be in charge of X’s finances, and from the time of negotiations between Z3’, Fake X, Z1, and potential buyers at that time (not Sekisui House) at a law office on March 27, Z3’ claimed to be X’s common-law husband based on a prior meeting, and by that day, Z4, Z3’, and Fake X also conspired with Z1.

(ii) Preparation of Crimes by the Land Fraud Group

The Land Fraud Group prepared to commit the crimes in the following way.

(A) Collection of information on the Real Property and Ms. X

The Land Fraud Group collected detailed information about the Real Property and its owner, Ms. X (including the register and a fixed asset tax assessment certificate of the Real Property and Ms. X's resident record) and it also visited the site of the Real Property and collected information about the status of use of the land.

(B) Arrangement of imposters, etc.

The Land Fraud Group arranged for Fake X, who was close to the age of Ms. X, to pose as Ms. X, the owner of the Real Property, and educated and instructed Fake X to impersonate Ms. X by giving her information about Ms. X.

(C) Assignment of roles

In addition to the above imposters, the Land Fraud Group also assigned roles such as preventing the imposter from being exposed to the other party in negotiations (front-end role), finding buyers and real estate brokers (client end role), and communicating instructions from superiors to the imposter and other co-conspirators and mediating in the delivery and receipt of documents for identity verification necessary for the crimes (tools used to commit the crimes such as a forged passport) (liaison role).

(D) Preparation of forged documents, etc.

The Land Fraud Group prepared a forged passport in the name of Ms. X with a picture of Fake X, a seal impression in the name of Ms. X, a forged title certificate of the Real Property, and a forged health insurance certificate in the name of Ms. X. Those forged documents were so elaborate that even experts such as registrars and judicial scriveners did not notice that they were forged.

In addition, the Land Fraud Group reported the loss of Ms. X's seal registration by using a forged passport and carried out procedures to change that seal registration to a new one, and it then used that seal impression, etc. to obtain documents necessary for the sale of the Real Property such as the certificate of all matters of the Real Property, an amended original family register, a resident record, a seal registration certificate, and a fixed asset tax assessment certificate.

(iii) Main roles of the Land Fraud Group members

The main roles of the members of the Land Fraud Group are shown in the Personal Relationship Chart attached as Exhibit 1 and the Assignment of Roles in the Land Fraud Group attached as Exhibit 3.

The only members who were in contact with Sekisui House personnel were Fake X, who was an imposter, and Z1, who dealt with clients (front-end role), but behind that, as explained above, there were multiple superiors who planned the crimes and instructed the person playing the front-end role and the imposter and there was a person who acted as a liaison and communicated on the receipt and delivery of tools necessary for the crimes (such as the forged passport) and matters such as times and locations of that receipt and delivery.

(3) Circumstances leading to Sekisui House becoming a victim of fraud

The circumstances in which Sekisui House was deviously deceived by the Land Fraud Group and became a victim of fraud are as follows.

(i) Approach to H1 of the Land Fraud Group

As explained above, as members of the Land Fraud Group, which conspired in connection with the Real Property, searched for a potential buyer of the Real Property,³⁴ they learned through a brokerage firm from a real estate broker they knew that H1 was interested in purchasing the Real Property, and the Land Fraud Group introduced Z1 to that real estate broker as someone close to the landowner, and that real estate broker brought Z1 and H1 together.

H1 wanted to acquire the Real Property for the purpose of reselling it, and while he was discussing the acquisition of the Real Property with Fake X and Z1, who were on the seller side, he was also having discussions on the sale of the Real Property with a number of real estate agents. One of the places H1 approached was Sekisui House.

³⁴ The criminal conviction found that the Land Fraud Group negotiated with a Chinese investment company, and that besides H1, the Land Fraud Group had been negotiating with KK U and one other company, and that the president of the Chinese investment company and the representative of KK U suspected or realized that the Land Fraud Group was an imposter and they suspended those transactions (Tokyo District Court Judgment 2(12) dated March 17, 2020 and Judgment 2(2)a(o) dated May 29, 2020).

(ii) Solicitation of Sekisui House by H1 for the purchase of the Real Property

Deputy Chief Sales Manager A1 was introduced to H1 by an acquaintance in around 2015. Since H1 seemed to be widely known in various industries, Deputy Chief Sales Manager A1 thought he might be useful in terms of Sekisui House's business, and so he attended several dinner parties that H1 hosted.

On around March 27, 2017, H1 sent property information titled "Nishi-Gotanda, Shinagawa-ku, Tokyo Property Materials" to Deputy Chief Sales Manager A1 and offered to purchase the Real Property. At around that time, Deputy Chief Sales Manager A1 heard a rumor that the Real Property might be sold, but he thought it was not a property that H1, who is not a real estate expert, could handle, so he told H1 to be careful not to be deceived.

On March 30 and 31, Deputy Chief Sales Manager A1 sent the property information he received from H1 to A2, Manager of the Business Development Office of the Tokyo Condominium Development, ("Business Development Office Manager A2"), who was in charge of purchasing real property.

(iii) Execution of a land purchase and sale agreement by H1

On April 3, H1, together with his girlfriend, H2 ("H2"), met Fake X, Z3, and Z1, and they executed a land purchase and sale agreement for the Real Property (the "April 3 Purchase and Sale Agreement") with Ms. X as the seller and KK H as the buyer (whose representative director is H1, "KK H"). On that day, a notarized Certificate confirming (certifying) that Fake X was Ms. X was prepared at a notary public's office, and following that, H1 delivered 20 million yen to Fake X as an application deposit.

(iv) Consideration of the purchase of the Real Property within Sekisui House

On April 4, H1 sent to Deputy Chief Sales Manager A1 a sales contract between Fake X as the seller and KK H as the buyer along with a statement of material matters regarding the Real Property, a power of attorney, a Notarized Certificate, a photograph, a residence certificate and a seal certificate. The purchase and sale agreement was for a total purchase price of 6 billion yen, with a deposit of 20 million yen and earnest money of 1.18 billion yen, and the power of attorney delegated from Ms. X as the delegator to G2, attorney-at-law, as the delegate the authority to apply for the registration of the transfer of ownership of the Real Property. The Notarized Certificate stated that Hiroshi Terao, a notary public

of the Tokyo Legal Affairs Bureau, had certified in person that Ms. X proved her identity by submitting her passport, seal impression, and seal certificate on that day. The picture was of a woman who was identified as Ms. X and H1 at the notary public's office, which was taken in front of 20 million yen in cash.

Deputy Chief Sales Manager A1 thought that the purchase of the Real Property had suddenly become a realistic proposition after the identity verification of Ms. X, who is the owner of the Real Property, had been certified at a notary public's office and he sent the above materials to Business Development Office Manager A2. Those materials were shared with Business Development Office Manager A2's superior, Deputy Chief Manager of Technology of the Tokyo Condominium Department A4 ("Deputy Chief Technology Manager A4").

At that point, Deputy Chief Sales Manager A1 believed that the identity verification of Ms. X at the notary public's office was credible³⁵ and he did not suspect that Fake X was fake, but he was solely interested in whether H1 was able to properly hold the Real Property (he believed there was a concern that the sales contract with X would be cancelled because only an application deposit of 20 million yen had been paid) or that H1 would resell the Real Property to another company in the same industry. Around that time, Business Development Office Manager A2 first consulted with K, an attorney who had been engaged by the Tokyo Condominium Department as a legal advisor, ("Attorney K") about the Transaction. The contents of that consultation were related to whether the April 3 Purchase and Sale Agreement contained any terms that would be inconvenient for Sekisui House, and there was no consultation regarding the identity verification of Fake X.

(v) Meeting between Sekisui House employees and H1 and Z1 to discuss contract terms

On April 13, H1, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 had a meeting to discuss the terms and conditions of the contract. At that time, H1 offered 7 billion yen as a purchase price to Sekisui House.

On that day, there was another meeting in which Z1 participated.³⁶ H1 told Deputy Chief

³⁵ An identity verification certificate at a notary public's office can be a substitute for a registered title certificate and is generally understood to be highly reliable.

³⁶ Z1 is a member of the Land Fraud Group, and the Tokyo District Court Judgment dated June 10, 2020 found that he instructed a fiction setting to a person posed as a landowner and that, as the sole

Sales Manager A1 that Z1 was the person other than H1 who could discuss the sale of the Real Property, so Z1 came to participate in the meeting on that date, and that was the first time employees of Sekisui House met Z1.

Z1 explained to Deputy Chief Sales Manager A1 and Business Development Office Manager A2 that he would not be involved as a broker in the transaction because he was in charge of Ms. X's finances, and that he would be paid by Ms. X for his tax consultancy work.³⁷ Z1 also gave a false explanation that Ms. X was in a hurry to raise about 300 million yen for the purchase of a condominium, that Ms. X might change her mind if she is paid only 20 million yen as an application deposit, and that speed was important because many other potential purchasers were appearing. Z1 also gave a false explanation of how he met Ms. X, saying he met her through her common-law husband, Z3.

After hearing that explanation, Deputy Chief Sales Manager A1 thought that if Ms. X has to wait too long to purchase a 300 million yen condominium, she might start looking for a buyer other than Sekisui House on terms that would allow her to receive the payment quickly, so he believed it was necessary to take action.

(vi) Deciding on a policy for the purchase of the Real Property

On April 14, Deputy Chief Sales Manager A1 had a meeting with Mr. Kazushi Mitani, Managing Officer and General Manager of the Condominium Headquarters,³⁸ (“General Manager Mitani”), Mr. B3, Chief Manager of the Real Estate Department in the Condominium Headquarters, (“Real Estate Department Chief Manager B3”), A5, Chief Manager of the Tokyo Condominium Department, (“Chief Manager A5”), and Deputy Chief Technology Manager A4 and explained that the identity verification of Ms. X, the owner of the Real Property, had been certified at a notary public's office and that Ms. X was in a hurry to receive approximately 300 million yen to purchase a condominium and if H1 could not respond to that, it was possible the deal would be cancelled, so it was necessary to act quickly.

co-conspirator to accompany the imposter during the transaction with Sekisui House, Z1 proceeded with negotiations on matters such as the transaction terms and took steps to ensure that it would not be discovered that Fake X was fake.

³⁷ Tokyo District Court Judgment 1(2)ku dated June 10, 2020.

³⁸ The only officers and employees with extensive experience in purchasing condominium sites among those involved in the Transaction were General Manager Mitani and Deputy Chief Sales Manager A1, and the others seemed to respect the decisions of those two.

At that meeting, the Condominium Headquarters and the Tokyo Condominium Department decided to expedite the internal procedures for the purchase of the Real Property,³⁹ to add the Real Property to a property visit to be conducted by Mr. Toshinori Abe, President and Representative Director, (“President Abe”), scheduled for April 18, and to complete the request for internal approval by the morning of April 17, the day before the visit, with the aim of executing a purchase and sale agreement as early as April 24.

On April 17, General Manager Mitani, Real Estate Department Chief Manager B3, Mr. B2, Chief Manager of the General Affairs Department in the Condominium Headquarters (“General Affairs Department Chief Manager B2”), Chief Manager A5, A3, Manager of General Affairs of the Tokyo Condominium Department, (“General Affairs Manager A3”), Deputy Chief Technology Manager A4, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 had a meeting to discuss the terms of the contract for the purchase and sale of the Real Property.

At that meeting, the Condominium Headquarters and the Tokyo Condominium Department decided to propose paying at least 300 million yen to Ms. X as earnest money, by which a provisional registration of the right to claim the transfer of ownership of the Real Property by way of a purchase reservation (the “Provisional Registration”) shall be established, and then receiving the definitive registration of the transfer of ownership at the same time as the settlement at the end of July.

After that meeting, it was decided that the amount of the earnest money would be 20% of the purchase price (1.4 billion yen) to prevent the cancellation of the contract by paying an amount that is double the amount of the earnest money.

In accordance with the above decision, Deputy Chief Sales Manager A1 discussed the terms of the agreement with H1, and on April 19, H1 made a request to change the seller of the Real Property from KK H to H KK, a company of which H2 is a representative director, based on tax-saving advice from a tax accountant. Deputy Chief Sales Manager A1 thought that would be acceptable because H1 had substantial decision-making authority at that company, so Sekisui House agreed to that change.

³⁹ The people involved were aware that it was rare to have the opportunity to purchase a large property such as the Real Property on favorable terms.

(vii) Request for internal approval of the purchase of the Real Property

(A) On April 14, Business Development Office Manager A2 completed the request for internal approval for the purchase of the Real Property (the “Request for Internal Approval”) based on the decision made at the meeting held on that day and affixed his seal to the Request for Internal Approval as the person in charge, and the Request for Internal Approval was circulated to Chief Manager A5, Deputy Chief Technology Manager A4, Deputy Chief Sales Manager A1 and General Affairs Manager A3 of the Tokyo Condominium Department, and Mr. B1, General Manager of the Technology Department in the Condominium Headquarters and each of those people affixed their seal to the Request for Internal Approval.

Following that, Real Estate Department Chief Manager B3 and General Affairs Department Chief Manager B2 affixed their seals to the Request for Internal Approval on the 17th and General Manager Mitani affixed his seal on the 18th, and the Request for Internal Approval was then forwarded to the Real Estate Department, where Akira Kuroda, Executive Officer and Chief Manager of the Real Estate Department, (“Real Estate Department Chief Manager Kuroda”) affixed his seal on the 19th, and then Mr. E, Chief Manager of the Corporate Management Planning Department, Hideyuki Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Department, and Koji Nakata, Managing Officer and Chief Manager of the Legal Department, (“Legal Department Chief Manager Nakata”) each affixed their seals to the Request for Internal Approval as related departments. Real Estate Department Chief Manager Kuroda, who had received a request from General Manager Mitani and Chief Manager A5 to take immediate action, decided to postpone circulating that request for internal approval to four internal request approvers (Managing Officer Uchiyama, Managing Officer Nakai, Senior Managing Officer Uchida and Executive Vice President Inagaki), and on April 20, Real Estate Department Chief Manager Kuroda himself took the Request for Internal Approval to President Abe and obtained his approval. Managing Officer Uchiyama affixed his seal to the Request for Internal Approval on April 24, the execution date of the purchase and sale agreement, Senior Managing Officer Uchida and Managing Officer Nakai affixed their seals to the Request for Internal Approval on April 25, and Executive Vice President Inagaki affixed his seal to the Request for Internal Approval on April 26.

The Request for Internal Approval included the contents of the purchase and sale agreement, information about the Real Property, and a business income and expenditure plan. However, no information was provided to determine the credibility of the seller, H

KK, or the former owner, Ms. X (as noted above, the seller was changed from KK H, the originally planned seller, to H KK, and although it was stated in the Request for Internal Approval that the seller was KK H, it was only mentioned in a handwritten note that that company is an apparel company established in 2008 with capital of 100 million yen).

In the second document attached to the Request for Internal Approval (document in the section “Name of Lot for Sale”), in the “counterparty to the contract” in “2. counterparty to the contract,” “KK H” is crossed out and “H KK” is written in pencil in its place, and the section for the address has been rewritten in a similar manner, which reflected the change to the seller that was determined on April 19.

(B) On April 18, President Abe visited ten properties including the Real Property. At that time, General Manager Mitani, who accompanied President Abe (together with Chief Manager A5) during the visit, gave an explanation of the Real Property (he also explained that an intermediary buyer would be involved), and President Abe instructed him not to leave it up to the people in charge, but to check in person himself with the agent and the landowner.

(C) On April 19, General Affairs Manager A3 made an inquiry to the Tokyo Center for the Removal of Criminal Organizations regarding H1, the representative of KK H, and he received a response that H1 was “not registered.”

(D) On April 20, General Affairs Manager A3 received a report from Real Estate Department Chief Manager Kuroda that the Transaction had been approved by President Abe. Therefore, at 11:06 am, General Affairs Manager A3 informed Real Estate Department Chief Manager B3, General Affairs Department Chief Manager B2, Chief Manager A5, Deputy Chief Technology Manager A4, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 of that approval by email. That email said: “Please note that both President Abe and Real Estate Department Chief Manager Kuroda seem to have mentioned the importance of preserving our rights through provisional registration.”

At 1:37 pm on that day, General Affairs Manager A3 contacted Chief Manager A5 by email (and copied Deputy Chief Technology Manager A4, Deputy Chief Sales Manager A1, and Business Development Office Manager A2) with regard to verification of identity and said the following: “I checked with Attorney K about the matter we discussed by telephone. His view is that there is no effective way to do this. The only thing that can be done is to reduce the possibility of forgery by obtaining documents that only the person

in question could have (such as a passport, seal registration certificate, driver's license, and real estate valuation certificate). In addition, the person in question's contact details such as the actual address (the real place of residence rather than the address in the resident record) and phone number should be confirmed. Attorney K also instructed me to confirm the name of the attorney assigned to this case by the other party, so I have asked Deputy Manager A1 to confirm that."⁴⁰

(viii) Final meeting prior to the execution of the purchase and sale agreement

On April 20, Fake X, Z1, H1, H2, J1, a judicial scrivener who was requested by KK H to carry out the registration procedures,⁴¹ ("Judicial Scrivener J1"), and L, a judicial scrivener who was requested by Sekisui House to carry out the registration procedures, ("Judicial Scrivener L") were present at the Sekisui House meeting room and from Sekisui House, Deputy Chief Sales Manager A1 and Business Development Office Manager A2 attended the meeting and finalized the terms and conditions of the purchase and sale agreement for the Real Property. This was the first time Sekisui House employees met Fake X. Deputy Chief Sales Manager A1 had been told by H1 that Z3, who had a common-law relationship with Ms. X, would also attend the meeting, but Z3 did not show up. Fake X explained that that was because she had a fight with Z3, but that was a false explanation that was thought up by Z1.⁴²

At that meeting, it was confirmed that the April 3 Purchase and Sale Agreement between Ms. X and KK H would be cancelled and that a purchase and sale agreement under which H KK would purchase the Real Property from Ms. X for 6 billion yen would be executed, and then H KK would sell the Real Property to Sekisui House for 7 billion yen.

Fake X behaved throughout the meeting as if she was the real owner of the Real Property⁴³ and agreed to the terms and conditions of the contract presented by Sekisui House.

⁴⁰ General Affairs Manager A3 commented that he did not have a clear recollection of that email, but he thinks that after the email sent at 11:06 am, Chief Manager A5 instructed him to consult with Attorney K about an effective method of confirming the identity of the seller, and based on that, he consulted with Attorney K by telephone, and then circulated the result of that consultation. It is unclear how the matters in that email were subsequently handled because there is no record.

⁴¹ Judicial Scrivener J1 was a judicial scrivener who was introduced to H1 by Deputy Chief Sales Manager A1.

⁴² 2(2) *Ke* of Tokyo District Court Judgment dated June 10, 2020.

⁴³ Before Sekisui House appeared, Fake X had learned to behave in that manner by repeatedly pretending to be the owner of the Real Property with a number of potential buyers (Judgment dated July 17, 2019).

At that meeting, Fake X presented originals of her passport, seal certificate, and resident record, as well as a color copy of the registered Title Certificate of the Real Property (the “Title Certificate”) as identification documents, and Judicial Scrivener J1 examined those documents, but no particular problems were indicated.

Judicial Scrivener L also asked Fake X about her inheritance. In response, Fake X gave an answer about her family relationships based on a lecture she had received beforehand from other members of the Land Fraud Group.

When Deputy Chief Sales Manager A1 asked Fake X to fill out the necessary matters in a document titled “Confirmation Record Form (for individuals)” that was used to ascertain personal information,⁴⁴ Fake X entered her current address, which was different from the address on her resident record, but she made a mistake when entering the numbers in her address and she rewrote that part.

(ix) Execution of the purchase and sale agreement (April 24) and Provisional Registration procedures

(A) On April 24, Fake X, Z1, H1, H2, Judicial Scrivener J1, Judicial Scrivener L, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 met at a conference room at Sekisui House to cancel the April 3 Purchase and Sale Agreement and to execute a purchase and sale agreement between Ms. X as the seller and H KK as the buyer and a purchase and sale agreement between H KK as the seller and Sekisui House as the buyer (collectively, the “Purchase and Sale Agreement”) with respect to the Real Property.

At that time, the two judicial scriveners mentioned above checked the original passport, the original seal certificate, the original resident record and the original Title Certificate brought by Fake X (the Title Certificate was not an attachment to the application for provisional registration so it was returned to Fake X at the meeting. It was later revealed that the Title Certificate had been forged, but it was so elaborate that the two judicial scriveners mentioned above did not notice that it had been forged).

Following that, Judicial Scrivener J1 and Judicial Scrivener L applied for a Provisional Registration at the Shinagawa Office of the Tokyo Legal Affairs Bureau. After it was

⁴⁴ This was requested in anticipation of a possible future sale of a condominium, and this was not a document for verification of identity regarding the purchase and sale agreement of the Real Property.

confirmed that the application for registration by those judicial scriveners had been accepted, Sekisui House delivered 1.2 billion yen of the earnest money of 1.4 billion yen to H1 by way of a deposit check, and H1 delivered that check to Fake X. Sekisui House transferred the remaining 200 million yen to an account in the name of H KK on that day.

(B) On April 29, Deputy Chief Sales Manager A1 called Judicial Scrivener J1, who was in charge of the Provisional Registration procedures, to confirm that the registration had been successfully completed. At that time, Deputy Chief Sales Manager A1 told Judicial Scrivener J1 that a real estate agent he knew, who had heard that Sekisui House purchased the land in Nishi-Gotanda, had asked him if X was okay. After hearing that, Judicial Scrivener J1 sent an email to Deputy Chief Sales Manager A1 informing him that the Provisional Registration process for the Real Property had been completed and gave the following advice: “That means the Legal Affairs Bureau determined that there was nothing missing in the submitted documents. However, that is only the result of a formal review, so if there are doubts about the seller’s identity, it will be necessary to conduct a further investigation to see if the seller can provide information and documents that only she could have. That is difficult because there must be a balance with laws protecting personal information, but because of the large amount of the payment, I am considering investigating matters such as (1) having the seller present multiple identity verification documents (with a photo of the seller’s face is the best), (2) hearing information that only the seller could know after informing her that it is necessary to also prepare identity confirmation information that her lawyer has prepared, just in case, (3) obtaining personal information to the extent necessary for the registration procedures (such as a copy of the family register), and (4) making an inquiry to the lawyer about the background to the preparation of the identity confirmation information and confirming the identity of the seller. Before that, a background check of the registered name will be conducted at the Shinagawa Legal Affairs Bureau on Monday.” Further, on May 1, Judicial Scrivener J1 reported to Deputy Chief Sales Manager A1 that when a copy of the oldest register of the Real Property, which is dated March 30, 1962, was obtained and confirmed at the Shinagawa Legal Affairs Bureau, it was found that matters such as the background were consistent, and when Judicial Scrivener J1 asked a registrar to confirm a copy of the Title Certificate brought by Fake X, she received an answer that the registrar could not give a specific opinion because that was not the original and an application had not actually been made, but it could be said that the copy of the Title Certificate was not obviously unnatural compared to the format at that time.

(x) Occurrence of irregular events up to the settlement date of the Purchase and Sale Agreement

(A) Receipt of notifications from a person claiming to be the true owner

On May 10, a document titled “Notification” dated May 8 that was prepared in the name of X (“Written Notice 1”) was sent by content-certified mail to the Head Office of Sekisui House in Osaka (addressed to Sekisui House and H KK). Further, on May 11, a document titled “Notification” dated May 9 (“Written Notice 2”) and a document titled “Notification” dated May 10 (“Written Notice 3”) that were prepared in the name of X were sent by content-certified mail to the Head Office of Sekisui House in Osaka (addressed to Sekisui House and Judicial Scrivener Corporation J2, where Judicial Scrivener J1 is a representative partner). The Tokyo District Court Judgment dated May 29, 2020 found that these Notices were issued not by Ms. X herself, but by her younger brothers (the same applies to Written Notice 4 described below).

Written Notice 1 through Written Notice 3 requested the cancellation of the Provisional Registration created over the Real Property on the grounds that, among other things, Ms. X did not execute a purchase and sale agreement, the seal used for the Provisional Registration of the Real Property was forged and it was not Ms. X’s registered seal, Ms. X was not allowed to have visitors because she had been hospitalized for a long period, and she was in no condition to be present during the execution of the purchase and sale agreement on April 24, the card number of Ms. X’s seal registration certificate was shown and Ms. X was in possession of that card, and even though a passport and other documents were presented, the pictures in those documents were not of Ms. X.

In addition, on May 23, a document titled “Demand for Restoration to Original Condition” dated May 22 (“Written Notice 4”) that was prepared in the name of X was sent by certified mail to the Head Office of Sekisui House in Osaka (addressed to Sekisui House and Judicial Scrivener Corporation J2, where Judicial Scrivener J1 is a representative partner). Written Notice 4 stated that Ms. X never met with Sekisui House, H KK, or Judicial Scrivener J1 and demanded that the Provisional Registration created over the Real Property is invalid.

Written Notices 1 through 4 set out the address of the Real Property, which is an unoccupied building, as the address of Ms. X and they did not list Ms. X’s current residence or contact information or list her attorney or agent.

(B) Complaints from third parties such as real estate brokers

On May 11, a person claiming to be M visited the Tokyo Condominium Department and complained to General Affairs Manager A3 that he had introduced the Real Property to H1, but H1 removed him from the Transaction.

On May 12, N, President of Sekiwa Real Estate Kansai, Ltd. (“Sekiwa Real Estate Kansai”), told Real Estate Department Chief Manager Kuroda that, with respect to the Transaction, there is a rumor that the landowner has only been paid a small amount of the earnest money paid by Sekisui House and asked if the intermediary is trustworthy.

On that day, a person claiming to be I1 came to the Tokyo Office to protest that the transaction with H1 was inappropriate and said that he would intervene to resolve the matter.

On May 18, Sekisui House received a fax from the I1.⁴⁵ That fax stated that the hotel had executed an “Agreement on the Provision of Security” dated February 21, 2017 with Ms. X and complained about the Provisional Registration made by Sekisui House. That fax also stated that the place where H KK is located is a notorious office with a mixture of a support group for O, representatives of the P, and fraudulent groups.

(xi) Internal Response by Sekisui House to the occurrence of irregular events

(A) Written Notice 1, which was received at the head office of Sekisui House in Osaka on May 10, was shared with the Tokyo Condominium Department and the Condominium Headquarters via the Legal Department.

Mr. D1, the Senior Manager of the Legal Department, (“Legal Department Senior Manager D1”) instructed D2, who is the Assistant Manager of the Legal Department and is qualified as an attorney, (“Legal Department Assistant Manager D2”) to track the situation because it seems like the above company⁴⁶ might be deceiving Sekisui House. Therefore, Legal Department Assistant Manager D2 checked with the Tokyo Condominium Department and received a response that Ms. X, H KK, Sekisui House personnel, judicial scriveners and others were present and confirmed Ms. X’s identity at the time of the execution of the Purchase and Sale Agreement, and that Ms. X is around

⁴⁵ This fax was addressed to “President & Representative Director, COO, Toshinori Abe, Sekisui House KK,” but no report was made to President Abe at that time.

⁴⁶ This is referring to H KK.

70 years old and does not seem to be capable of writing a document such as Written Notice 1, and that the Tokyo Condominium Department was currently confirming the situation with Ms. X through H KK.

At the same time, on that day, the Tokyo Condominium Department also had discussions about how to respond to Written Notice 1. However, the Tokyo Condominium Department believed it was suspicious that the address of the sender was at the Real Property, which is currently unoccupied, and that no contact information was provided, whereas since the identity verification of Ms. X was carried out at a notary public's office, a judicial scrivener confirmed that using multiple documents, and the Provisional Registration of the right to claim the transfer of ownership had been completed, it judged that it was inconceivable that Ms. X, who was present at the sale of the Real Property, could be an imposter. However, it was decided that Ms. X's identity would be properly confirmed again.

Based on the above, a meeting was held on that day with Deputy Chief Sales Manager A1, Business Development Office Manager A2, H1, H2, and Z1, and it was decided that Ms. X's identity should be confirmed again to be sure.⁴⁷

At the same time as the above-mentioned internal review, General Affairs Department Chief Manager B2 consulted with Attorney K about how to respond to Written Notice 1 and received advice from Attorney K on the materials to be collected and matters to be done to confirm the identity of Ms. X. That advice was shared within the Tokyo Condominium Department as follows.

[Materials to be gathered to the extent possible]

- Postmarked mail addressed to the address in Nishi-Gotanda (old letters, postcards, etc. of various ages, the older the better)
- Notifications of tax to the address at Nishi-Gotanda
- Utility bills addressed to the address at Nishi-Gotanda
- Health insurance certificate
- Pension book

⁴⁷ Tokyo District Court Judgment 2(2) *sa* dated June 10, 2020.

- Deposit passbook

- My Number Notification Card

* Collect the above materials to increase the likelihood that the seller is who she claims to be.

[Other matters to be confirmed]

- Identity confirmation with longtime acquaintances and member associations (hotels) using a photograph

- Building inspection

On that day, Deputy Chief Sales Manager A1 also consulted with Judicial Scrivener J1 about how to respond to Written Notice 1. In response, Judicial Scrivener J1 submitted a business report dated May 10⁴⁸ at the time of the execution of the Purchase and Sale Agreement and responded by email saying that other means by which a judicial scrivener could confirm the identity of the seller are (i) identity confirmation by a post office...using postal mail to be received only by the person him/herself (*tokutei jikō dentatsu gata* [special matter delivery type]), (2) identity confirmation by a government office...by obtaining an identity card, and (3) submitting documents such as a copy of the family register used in the registration of inheritance, a notification of fixed asset tax, and receipts.

(B) Written Notices 2 and 3, which were received at the head office of Sekisui House in Osaka on May 11, were shared with the Tokyo Condominium Department via the Legal Department. An email sent by Legal Department Senior Manager D1 to General Affairs Manager A3 and Legal Department Assistant Manager D2 at that time stated, “The three notices were well crafted and undeniably suspicious.”

General Affairs Manager A3 told Legal Department Senior Manager D1 that Ms. X had indeed been identified in the presence of Sekisui House employees; that Ms. X is currently traveling overseas and will check the details of Written Notices 1 through 3 as soon as she returns to Japan; that Sekisui House is consulting with its legal counsel, Attorney K,

⁴⁸ Report on the method of identity verification (such as confirming the original of the registered Title Certificate and verifying the seal impression with the seal certificate) actually performed by Judicial Scrivener J1 at the time of the execution of the Purchase and Sale Agreement.

about that matter; and that H1 said that Written Notices 1 through 3 might have been sent by Ms. X's common-law husband in an attempt to get Sekisui House to back off in order to sell the Real Property to another party.

The contents of the above report from General Affairs Manager A3 were shared and reported within the Legal Department. Upon receiving the report, Legal Department Chief Manager Nakata instructed Legal Department Senior Manager D1 to confirm the identity of the person in question again and, if the identity was definitely confirmed, to obtain a note from her stating that she did not send the notices and that the transaction and registration were based on her true intentions. Legal Department Senior Manager D1 conveyed that instruction to General Affairs Manager A3, and told him to prepare a draft to be obtained from Ms. X to that effect (the "Confirmation Letter") and to consult with Attorney K. That instruction was intended as a precautionary measure to prevent any interference with the Transaction and any concern about Ms. X changing her mind about selling the Real Property as a result of interference, assuming that Sekisui House was able to confirm that the person with whom it was negotiating was in fact Ms. X.⁴⁹

Upon being contacted by Legal Department Senior Manager D1, General Affairs Manager A3 sent Written Notices 2 and 3 to Attorney K and asked for his advice on the contents of those notices, and prepared and sent a draft of the Confirmation Letter and asked Attorney K to review the contents of that letter. In response, Attorney K pointed out that there were several doubtful points in relation to Written Notices 2 and 3: "The titles of the two notices are different," "The post office from which they were sent is different," "In the first place, how was a person who was hospitalized and not available for visitors able to confirm the registration and how was she able to prepare the notices using a computer or other means?," "How did she know the judicial scrivener who made the registration (did she have access to the registration application and other documents? From my memory, the application was only available to interested parties)." Attorney K also revised and commented on the text of the draft Confirmation Letter.

At the same time, Judicial Scrivener J1, to whom Written Notices 2 and 3 were addressed, was surprised that the party that gave those notices knew that Judicial Scrivener J1 had applied for the registration, and she contacted the Shinagawa Office of the Tokyo Legal Affairs Bureau to find out how a third party could know the judicial scrivener who had

⁴⁹ However, that intent was not conveyed to the Condominium Headquarters or the Tokyo Condominium Department, which might have taken it as an instruction from the Legal Department to verify the identity of the owner.

applied for the registration. In response, the Shinagawa Office said, “Owners of real property have access. In the case of an agent, the owner’s power of attorney is necessary. A registered seal does not have to be affixed to the power of attorney.” Therefore, Judicial Scrivener J1 doubted the identity of Fake X, considering the possibility that the true owner might have viewed the register, and she advised Deputy Chief Sales Manager A1 to meet with X herself to confirm the facts in the Written Notices.

(C) On May 12, General Manager Mitani, Real Estate Department Chief Manager B3, General Affairs Department Chief Manager B2, General Affairs Manager A3, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 had a meeting regarding the response to Written Notices 1 through 3.

At that meeting, the Condominium Headquarters and the Tokyo Condominium Department determined that Written Notices 1 through 3 were probably harassment letters that were sent to interfere with the purchase and sale agreement of the Real Property for the reasons set out in (a) through (d) below:

- (a) The sender of the notices claimed that she was Ms. X, but she also claimed that she was in hospital for a long period and not available for visitors and that she was unable to even sign the agreement. If that is the case, it would mean that the person who prepared the written notices was not Ms. X, but it is unclear who that was.
- (b) The notices do not provide any contact information, so it is not possible to make inquiries to check the authenticity of their contents.
- (c) If the sender of the notices was Ms. X, she would normally make a more honest assertion, but it is hard to believe that Written Notices 1 through 3 could constitute a serious action.
- (d) The sender knew that the Provisional Registration was made immediately after the registration and even that Ms. X’s passport was verified at the time of the identity confirmation, which suggests that someone close to Ms. X sent the notices.

Meanwhile, it was also confirmed at the meeting that it was necessary to confirm Ms. X’s identity again, and a decision was made to obtain the documents for identity verification and the Confirmation Letter as instructed by the Legal Department. However, it was

concluded that photo identification by old acquaintances and affiliated associations (hotels), among those advised by Attorney K, would be difficult to carry out because that would probably upset Ms. X. Deputy Chief Sales Manager A1 thought the most important thing was whether Ms. X had the keys to the building and whether he could inspect the building.

In addition, it was decided that Sekisui House would not respond to the real estate brokers and others that made the complaints referred to in (x)(B) above because Sekisui House was not in a position to be involved in that.

(xii) Sharing information internally about the irregular events

On May 12, General Manager Mitani sent an email with the subject “Re: Gotanda Land” to Mr. F2, Chief Secretary of the Secretariat, (“Chief Secretary F2”) and he also called President Abe to inform him that, among other things, letters (referring to Written Notices 1 through 3; however, he did not mention that the letters were sent by content-certified mail) have been received from a person claiming to be the true owner of the Real Property, and that M, who came to Sekisui House to complain that he had been removed from the Transaction, stated that he had done business with President Abe before. General Manager Mitani also reported that there was no problem with Ms. X’s identity because her identity had been confirmed, and that the notices appeared to be harassment by a competing real estate agent.

When President Abe received that report, he said that he did not know that person named M and instructed General Manager Mitani to closely consult with Legal Department Chief Manager Nakata to deal with the matter and he called Legal Department Chief Manager Nakata and told him that General Manager Mitani would contact him. Legal Department Chief Manager Nakata responded that he had already discussed how to deal with the matter with General Manager Mitani, so President Abe gave him a further instruction to consult with legal counsel to ensure that there were no problems.

Information about Written Notices 1 through 4 was shared in the Legal Department and the Condominium Headquarters, but not with the Real Estate Department.

On the other hand, the content of the communication from Sekiwa Real Estate Kansai, Ltd. on May 12 mentioned in (x)(B) above was conveyed to General Manager Mitani by Real Estate Department Chief Manager Kuroda, but that was not shared with the Legal Department.

(xiii) Meeting with Z1 and others in response to the Written Notices

As explained above, on May 10, when Written Notice 1 was received, Deputy Chief Sales Manager A1, Business Development Office Manager A2, H1, H2 and Z1 held a meeting, and on May 15, the same members met again at Sekisui House to discuss that matter.

During that May 15 meeting, H1 said that X was on a trip to Okinawa and that he believed the Written Notice was the work of Z3, but those were false explanations that the Land Fraud Group had come up with.⁵⁰ At the building inspection, Z1 also made a false statement suggesting that he call a person named “Satou,” who was a longtime acquaintance of Ms. X.

Deputy Chief Sales Manager A1 asked H1 and Z1 to, among other things, meet Ms. X as soon as she returns to Tokyo and obtain her signature on the Confirmation Letter to the effect that she did not prepare the Written Notices, conduct a building inspection of the Real Property, and obtain additional documents for identity verification from Ms. X. As a result, it was decided that a site inspection of the Real Property would be conducted from 1:00 pm on May 19.

(xiv) Site inspection of the Real Property (May 19)

On May 19, a site inspection was conducted at the Real Property. The participants were G1, an attorney-at-law, (“Attorney G1”), Z1, H1, H2, Deputy Chief Sales Manager A1, and Business Development Office Manager A2.

The prior plan was for Ms. X herself to bring the keys to the building of the Real Property to open the door. However, Fake X did not show up at the site, and Attorney G1 arrived with the key instead. Attorney G1 explained that Ms. X asked him to go to the site of the building inspection on her behalf because she had to go to the hospital,⁵¹ and he used the key he brought to open the pad lock on the back door of the building in the Real Property and enter the building.

The inspection lasted about one hour, and the participants inspected the entire building. Deputy Chief Sales Manager A1 saw some mail addressed to Ms. X left behind and

⁵⁰ Tokyo District Court Judgement 2(2)*a(ki)* dated May 29, 2020.

⁵¹ Fake X and others visited the office of Attorney G1 and explained the details (Tokyo District Court Judgement 2(2)*(su)* dated June 10, 2020).

thought that could be another form of identity verification.

Z1, who participated in the inspection, said that he was not informed beforehand that Ms. X would not be there and that Attorney G1 would be there in her place, so he called Ms. X. Then Z1 told Deputy Chief Sales Manager A1 and others that he was told that Ms. X was not feeling well and she asked Attorney G1 to take her place.⁵² That was another misrepresentation conceived by the Land Fraud Group.

Since Fake X did not show up, a decision was made to have another meeting with Fake X on May 23 at Attorney G1's office, where Fake X would sign the Confirmation Letter.

(xv) Internal meeting on May 22 (to discuss the acceleration of the settlement date for the remaining balance)

On May 22, Legal Department Chief Manager Nakata, General Manager Mitani, General Affairs Department Chief Manager B2, Real Estate Department Chief Manager B3, Chief Manager A5, General Affairs Manager A3, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 held a meeting to discuss how to deal with this matter. At that meeting, General Manager Mitani and others expressed the view that the series of events, including the sending of Written Notices 1 through 3, were probably made by people who were not pleased with the contract with the aim of obstructing the transaction. There was a proposal at Sekisui House around that time to move the settlement date up from July 31 to June 1 in order to counter that interference, although it is not clear whether that proposal was made at that meeting.

After that meeting, the Tokyo Condominium Department and the Condominium Headquarters consulted with Attorney K about Ms. X being the true owner and accelerating the settlement date. Attorney K advised, among other things, that even if there were other heirs to inherit the Real Property, Ms. X has already acquired the ownership of the Real Property due to the statute of limitations; if the settlement date is to be moved forward, it will be necessary to provide for reserve funds for demolition (demolition cost plus extra); it is better to move the settlement date forward because if it takes longer, the possibility of provisional seizure, etc. will increase, but the concern is that there might not be enough time to confirm Ms. X's identity.

⁵² Tokyo District Court Judgement 2(2)(a)(ke) dated May 29, 2020.

(xvi) Meeting on May 23

On May 23, Fake X, Attorney G1, Z1, H1 and H2 met with General Manager Mitani, Real Estate Department Chief Manager B3, Deputy Chief Sales Manager A1 and Business Development Office Manager A2 at Attorney G1's office. At that time, General Manager Mitani explained to Fake X that the Written Notices had been received, in which the sender claims to be X. Fake X said that she was present and did not send such notices, and she signed and sealed the Confirmation Letter prepared by Sekisui House on the spot.

At the same time, Z1 gave a false explanation that he had consulted with his lawyer and received an answer that there was no intention to take legal action against the notices because they did not contain any contact information, and that if the sender of the notices was really Ms. X, she would file a petition for a disposition prohibiting the disposition of property, but the fact that the sender had not done that meant that whoever send the notices was completely lying. Z1 also suggested that if notices such as those are sent, it is better to settle the transaction promptly and transfer the ownership of the property so that the interference would go away.

In response to that, the Sekisui House participants stated that they would consider bringing forward the settlement of all funds other than the reserve funds until it is possible to carry out the demolition and boundary confirmation, and Z1 said he was in favor of that.

(xvii) Internal procedures for accelerating the settlement date of the remaining balance

After the meeting described in (xv) above, General Manager Mitani, Real Estate Department Chief Manager B3, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 decided to submit a proposal to H1 to "move the settlement forward by changing the settlement date from July 31 to June 1 and pay the remaining 4.9 billion yen on the same day and pay the reserve funds of 700 million yen at the end of July after the demolition and boundary confirmation."

On the following day, June 24, General Manager Mitani, Real Estate Department Chief Manager B3, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 informed Z1, H1, and H2 that the payment of the remaining amount would be moved up from July 31 to June 1 and obtained their consent to that acceleration. The next day, on the 25th, they discussed the matter with Attorney G1 and decided to bring the date for payment of the remaining amount forward.

At the same time, on June 24 at the latest, General Manager Mitani obtained consent from Legal Department Chief Manager Nakata to bring the settlement forward and explained to Real Estate Department Chief Manager Kuroda that they consulted with the Legal Department and decided to move the settlement forward to June 1 on the condition that 700 million yen would be left as reserve funds and the demolition would be conducted at the seller's responsibility. Real Estate Department Chief Manager Kuroda said "that in spite of the risk of interference after the settlement, it would be better to expedite the registration of the transfer and that since the amount of money is large and there is negative information from various sources, the President's approval should be obtained," and General Manager Mitani agreed.

General Manager Mitani sent President Abe, who was on an overseas business trip, a document describing the broker's correlation chart and, immediately after President Abe returned to Japan on May 30, General Manager Mitani sat in the car with the president and explained that, as a result of discussions with the Real Estate Department, the Legal Department and an attorney, they planned to accelerate the settlement of the remaining amount to June 1 in order to dispel various harassment and sabotages. President Abe asked for the views of the attorney and the Legal Department, and General Manager Mitani responded that the attorney and the Legal Department had concurred with that acceleration.

The fact that the explanation to the President Abe was completed without any particular issue was immediately reported to the Real Estate Department (due to the time needed to prepare multiple deposit checks), and the remaining balance was deposited in the Tokyo Condominium Department's account on May 31, the day before the settlement.

After the explanation from General Manager Mitani as described above, President Abe called Legal Department Chief Manager Nakata and asked him whether there would be a problem arising from acceleration of the payment of the remaining amount. Legal Department Chief Manager Nakata responded there would be no problem.

(xviii) Final meeting on May 31 (change of the transfer registration application document from the Title Certificate to an identity verification certificate)

On May 31, Fake X, Attorney G1, Z1, H1, H2, Deputy Chief Sales Manager A1, Business Development Office Manager A2, and Judicial Scrivener J1 and Judicial Scrivener L, among others, participated in the final meeting at the office of Attorney G1.

At that meeting, after checking the necessary documents such as the seller's passport, national health insurance card, seal registration certificate, certified copy of the family register, resident record, certified copy of a removed family register, three copies of tax payment certificates, and a fixed asset tax assessment certificate, an amendment agreements between Ms. X and H KK and an amendment agreements between H KK and Sekisui House to change the timing of the payment and other matters were signed. At that time, an ultraviolet light inspection⁵³ of Ms. X's passport was conducted, but no problems were found in that inspection. However, Judicial Scrivener J1 pointed out that a part of the characters in the passport seemed slightly different from others.

Fake X did not bring the Title Certificate, which is one of the documents required for the definitive registration, to that final meeting. On the 30th, the previous day, Z1 said that Ms. X could not pick up the Title Certificate because she was fighting with Z3 and she wanted to avoid a dispute with Z3, and that they would have to think of a way to make the registration other than by using the Title Certificate. Deputy Chief Sales Manager A1 asked Z1 to go with Ms. X to pick up the Title Certificate, and Z1 agreed to that, but in the end, Fake X did not bring the Title Certificate.

Therefore, the application for registration was made with the identity confirmation information prepared by Attorney G1. No one at Sekisui House other than Deputy Chief Sales Manager A1 and Business Development Office Manager A2, who were present at the meeting, was informed that registration would be made using identity confirmation information.

In addition, Judicial Scrivener J1 reported that Fake X had checked her passport, saying that she forgot her own birthday, and made a mistake in writing her oriental zodiac sign (*eto*) when preparing her identity confirmation information. However, there were some remarks from Z1 to correct those mistakes, and no further questions were raised.

(xix) Settlement of the remaining balance

On June 1, Fake X, Attorney G1, Z1, H1, H2, Deputy Chief Sales Manager A1, and Business Development Office Manager A2 met in a meeting room at Sekisui House. Fake X arrived after 10:00 am, more than half an hour after the meeting time of 9:30 am.

⁵³ This is a method of identifying hidden logos and photos by exposing the passport to ultraviolet black light.

At the time of the meeting of the people, A6, Manager of the Technology Office of the Tokyo Condominium Department, (“Technology Office Manager A6”), who had been waiting at the Real Property, called Business Development Office Manager A2 and said that the electricity was on in the building and the back door of the building was nailed shut. While Deputy Chief Sales Manager A1 told Z1 that the electricity was on in the building, Z1 said that he had turned on a light a couple of days earlier. Following that, Technology Office Manager A6 called Business Development Office Manager A2 again and said that police officers asked him to voluntarily accompany them because a report had been made. When Deputy Chief Sales Manager A1 told those present at the meeting about that, they concluded that that was probably the work of people trying to sabotage the transaction, just as they had sent the Written Notices, and they proceeded with procedures to settle the remaining balance. Then, after Judicial Scrivener J1 at the Legal Affairs Bureau reported that the application for registration of the transfer of ownership (the “Registration Application”) had been accepted, Sekisui House paid H1 4,908,193,309 yen by eight deposit checks, and H1 gave six of those checks (for 4,457,901,309 yen) to Fake X. On top of that, one of those six checks (worth 749,708,000 yen) was handed to Sekisui House for the purchase price of a condominium which Fake X purchased from Sekisui House.

(xx) Circumstances after payment of the remaining balance up until the refusal of the registration application

(A) Interview at the Osaki Police Station with a people claiming to be relatives of Ms. X (June 1)

After the settlement of the balance, Real Estate Department Chief Manager B3, General Affairs Department Chief Manager B2, Deputy Chief Sales Manager A1, and Attorney K went to the Osaki Police Station where Technology Office Manager A6 had been taken voluntarily. There, they met with two people who claimed to be the younger brothers of the real owner of the Real Property (“Q1 and Q2”) and R, an attorney at law, (“Attorney R”). Attorney R stated that he was not yet the representative of Ms. X, and explained that Written Notices 1 through 4 were sent by Ms. X, the real owner of the Real Property,⁵⁴ and that Ms. X is currently hospitalized and is not available for visitors and that she has never sold the Real Property, and asked that the Provisional Registration be cancelled. In

⁵⁴ As described in III.5(3)(x)(A) above, it was found by the court that the written notices were sent by Ms. X’s younger brother.

response, Attorney K asked how Ms. X could have prepared and sent Written Notices 1 through 4 if she was in a condition in which she could not have visitors, and he requested to meet with Ms. X, but Attorney R repeated that Ms. X sent Written Notices 1 through 4 without explaining the reasons and refused Attorney K's request to meet with Ms. X on the grounds that she could not have visitors. After that, Attorney R only insisted that Sekisui House was being deceived, and he continued to refuse to answer questions from Attorney K and others (and refused to let the Q1 and Q2 answer them).

(B) Interviews with neighbors of the Real Property (June 1)

Technology Office Manager A6 and others interviewed the neighbors of the Real Property for identity confirmation using a photo of Fake X. As a result, Mr. S, who has run an okonomiyaki restaurant for a long time, and Mr. T, the president of the neighborhood association, both denied that the person in the photo was Ms. X. However, the caretaker of a neighboring building said that he had seen the person in the photograph entering and cleaning the Real Property⁵⁵.

(C) Internal meeting (June 1)

After meeting the Q1 and Q2 at the Osaki Police Station, Real Estate Department Chief Manager B3, General Affairs Department Chief Manager B2, Deputy Chief Sales Manager A1, and Attorney K returned to the Tokyo Office and had discussions with General Manager Mitani of the Condominium Headquarters and Business Development Office Manager A2. At that time, they discussed, among other things, that the suspicious way Attorney R and the Q1 and Q2 acted suggested that the purpose of their act was to obstruct the Transaction; that Ms. X's identity was confirmed several times and the application for registration of the transfer of ownership had been accepted, so there seemed to be no problem; and, just to be sure, the authenticity of the passport should be checked at a passport center.

(D) Meeting at H1's house (June 1)

After the internal meeting described above, Deputy Chief Sales Manager A1 and Business Development Office Manager A2 visited H1's house and had a discussion with H1, H2 and Z1. When Deputy Chief Sales Manager A1 told them about the exchange at the Osaki

⁵⁵ Even when the neighbors were interviewed, some answered that Fake X was not Ms. X, while others said she was. No one seemed to strongly suspect Fake X was an imposter.

Police Station, they all concluded that the Q1 and Q2 were also suspicious because of the suspicious behavior of Attorney R. During that discussion, they called Fake X several times, but she did not answer the phone, so they decided to wait for her the next morning at the Keio Plaza Hotel where Fake X was supposed to be staying to check with her directly.

(E) Meetings at the Keio Plaza Hotel (June 2 and 6)

At around 8:00 am on June 2, Deputy Chief Sales Manager A1, Business Development Office Manager A2, H1, H2 and Z1 gathered at the Keio Plaza Hotel and waited for Fake X near the front desk. However, Fake X never showed up in the end. Fake X called Z1's cell phone at that time and, according to Z1, told him that she was at Shuzenji-temple in Shizuoka Prefecture, so Z1 got her to promise over the phone to meet them at 11:30 am on June 6 at the Keio Plaza Hotel under the guise of showing her a model room of a new condominium without telling her about the communication with the Q1 and Q2.

On June 6, Deputy Chief Sales Manager A1 went to the Keio Plaza Hotel in Shinjuku with Z1, H1, H2 and Attorney K. He intended to meet with Fake X, accompany her to a passport center to verify the authenticity of her passport, and confirm her identity with neighbors of the Real Property. However, Fake X did not appear at the appointed time of 11:30 a.m.

(xxi) Refusal of the registration application by the Tokyo Legal Affairs Bureau

The Tokyo Legal Affairs Bureau conducted an investigation of the actual condition after a request to prevent wrongful registration was filed by a relative of Ms. X on May 9, 2017, and it found that the copy of the national health insurance card that was attached as a document to the identification information prepared by Attorney G1, which was one of the application documents, was forged. As a result, the Tokyo Legal Affairs Bureau determined that the application for registration was not authentic.⁵⁶

On June 6, the Tokyo Legal Affairs Bureau announced its intention to reject the

⁵⁶ Since all of the documents for the registration application were formally in order, it was possible the forged document would not have been noticed and the registration would have been transferred if that request to prevent wrongful registration had not been filed.

Registration Application.⁵⁷

Immediately after receiving that information, Business Development Office Manager A2 and others went to the Chitose Inn in Yugawara, where Fake X was believed to be staying, but they were unable to find her.

On June 9, the Tokyo Legal Affairs Bureau issued a notice of rejection of the Registration Application.

(xxii) Measures to recover the damage

On June 6, after being informed by the Tokyo Legal Affairs Bureau of its intention to reject the Registration Application, Sekisui House took the following measures to recover the damage.

(A) Dealing with that as a criminal case

Sekisui House attempted to file a damage report at the Shinjuku Police Station on June 9, but that was not accepted. Following that, Sekisui House filed a criminal complaint and on September 15, the Second Investigations Division of the Metropolitan Police Department accepted that complaint with respect to the uttering of counterfeit official documents, the uttering of counterfeit private documents, and fraud.

(B) Measures for preservation and collection of claims

On June 6, Sekisui House carried out procedures to freeze seven accounts in the name of Ms. X at the Shinjuku Police Station.

On June 7, Deputy Chief Sales Manager A1 asked H1 to return to Sekisui House the 650 million yen of the purchase price of the Real Property that was delivered to H KK. However, H1 replied that he had already used that money to pay off his own debts. An examination of H KK's account declared by H1 revealed that as of June 6, the balance was 2,719 yen.

On June 9 and 12, Sekisui House sent a notice to H KK to cancel the purchase and sales agreement for the Real Property between Sekisui House and H KK (received on June 13),

⁵⁷ None of the people from Sekisui House were convinced that they had been victims of fraud and they were skeptical until they were told by the Tokyo Legal Affairs Bureau that the Registration Application would be rejected.

and on June 14, Sekisui House filed a petition for a provisional seizure of H KK's deposit claims, etc., and on June 20, it obtained a decision of provisional seizure.

On June 22, Sekisui House sent a notice of cancellation of the purchase and sale agreement for the condominium that Fake X purchased from Sekisui House to Fake X, and on July 11, it filed a petition for service by publication with respect to that notice.

On December 16, 2019, Sekisui House filed a lawsuit against H KK, H1, and H2 claiming restoration to original condition, etc., and then, on September 30, 2020, a lawsuit for damages was filed against ten people in the Land Fraud Group, and both of those lawsuits are currently pending.

VI. Similar Cases to the Transaction Incident

Cases of fraud by so-called land fraud such as the Transaction Incident come to light when the victim discovers that the authentic title to the real estate cannot be, or has not been able to be, acquired in spite of having paid money, such as when the victim becomes unable to contact the seller of the real estate after paying an earnest money deposit or when the true owner of the real estate asserts the title after the victim has completed the procedures for registering the transfer of title. In these cases, the damage becomes apparent right away, and it is unlikely that the relevant parties are unable to recognize that they were involved in a case of fraud. On the other hand, in cases where, for example, there is no successor or the relationship between the predecessor and successor is tenuous, even though the procedures for registering the transfer of title have been completed by land fraud, a long period of time might pass without the true owner (or their successor) noticing the unauthorized transfer, but it is extremely difficult for the transferee to discover such cases of fraud that have not come to light.

Based on the above understanding, this Committee carried out interviews and surveys with the relevant people at Sekisui House in order to confirm, at a minimum, whether there were cases similar to the Transaction Incident in the past that came to light. No information was discovered as a result of those interviews and surveys that Sekisui House was victimized by fraud committed by land fraud or that there is any evidence of participation in land fraud in any real estate transaction by Sekisui House outside of the Transaction Incident.

Based on the above, we could not identify any cases similar to the Transaction Incident

where damage was incurred by Sekisui House in past real estate transactions.

V. Cause Analysis

In this case, Sekisui House was the victim of fraud by the Land Fraud Group. As demonstrated in Section III, no one from within Sekisui House was complicit in the act of fraud by the Land Fraud Group. Therefore, in this section, we analyze the reason why the relevant parties at Sekisui House who participated in the Transaction were completely deceived.

1. Direct causes in the course of the Transaction

(1) Insufficient identity verification before executing the agreement

The identity verification documents that Sekisui House confirmed in the Transaction in the period leading up to the execution of the sale and purchase agreement on April 24, 2017 are as provided in Exhibit 3 (List of Identity Verification Documents). Here, the documents required in a typical real estate transaction were confirmed, and the judicial scriveners who confirmed the documentation did not express any suspicions before the execution of the agreement. Therefore, it would not have been considered that there were any problems with the identity verification process before executing the agreement if the Transaction had been an ordinary one.

However, the Transaction was to indirectly purchase real estate from the owner through a third party (a company wholly controlled by H1). There was no reliable past record of transactions with H1 or his company, and so Sekisui House was in a position where it could not have relied upon that third party and it had to determine at its own responsibility that that was a genuine sale by the true owner. Furthermore, verification of the identity of the owner of the Real Property required greater caution than a general transaction given that the owner was an absentee landowner who did not actually reside in the Real Property and that there was no mortgage, etc. on the Real Property and no financial institution was involved in the Transaction as a security interest holder.

Taking those matters into account, as detailed below, it cannot be judged that Sekisui House handled the Transaction with sufficient caution in the period until the execution of

the sale and purchase agreement on April 24, 2017, considering the characteristics of the Transaction described above (see Exhibit 5 (Measures Taken by Each Department) for measures taken by each department of Sekisui House).

First, the Tokyo Condominium Department obtained and confirmed the identity verification documents required for the real estate registration application as detailed in Exhibit 4 (List of Identity Verification Documents), but it relied upon the fact that H1 obtained a Notarized Certificate for identity verification when executing the sale and purchase agreement with Fake X,⁵⁸ and greater caution and care was not taken when verifying X's identity taking into consideration the characteristics of the Transaction. Before the execution of the sale and purchase agreement, Sekisui House only talked face to face with the seller on April 20,⁵⁹ ⁶⁰ and did not get any information about the seller by conducting interviews with people in the area around the Real Property.

Second, the Condominium Headquarters, which should have been in a position to check transactions carried out by the Tokyo Condominium Department, did not warn the Tokyo Condominium Department of the need for an additional identity verification of the owner in light of the special characteristics of the Transaction, and it focused solely on ensuring that the sale and purchase agreement was not terminated by Fake X and that other competitors did not appropriate the Real Property.

Third, it cannot be considered that the Real Estate Department, which is in charge of the process of requests for approval at the head office, the Legal Department, the Corporate Management Planning Department, and the Accounting and Finance Department, which are in charge of reviewing requests for approval, carried out any investigation based on the characteristics of the Transaction such as those above.

⁵⁸ See Section III. 5(3)(iv)

⁵⁹ Deputy Chief Sales Manager A1 stated in the interview conducted by this Committee that because an intermediary seller is generally apprehensive that, if an intermediary seller has the purchaser and the real estate owner meet directly, the intermediary seller might be removed from the transaction, and therefore, a purchaser is inclined to be cautious about having direct contact with the real estate owner. However, we believe that it would be possible to move ahead cautiously with identity verification, because, at the very least, a face-to-face meeting with Fake X was actually being arranged during the Transaction.

⁶⁰ There is no indication that, when Fake X made a mistake at the face-to-face meeting regarding the lot number in the address of her actual residence, they intended to hold further conversations with her to verify her identity. See Section III. 5(3)(viii).

- (2) Multiple events that raised suspicions about the authenticity of the Transaction at the time of settlement were carelessly overlooked and appropriate measures were not taken⁶¹

At the time of settlement of the Transaction, Deputy Chief Sales Manager A1 and Business Development Office Manager A2, who were involved in the practical work for the settlement, concentrated on completing the transfer procedures for registering the transfer of title, and in spite of multiple events raising suspicions about the authenticity of the Transaction, they did not take any measures to clarify or resolve the doubts raised by those events, and they proceeded with the settlement without considering the option of postponing the settlement.

Specifically, on May 31 (i.e., the day before the settlement date), Fake X did not bring her certificate of registration of title, which is one of the documents required for the definitive registration of transfer of title,⁶² and as a result, the application for registering the transfer of title was carried out using identity verification information provided by a lawyer. With regard to the certificate of registration, on May 30, the immediately preceding day, Z1 said that Fake X could not go and collect her certificate because she did not want to get into trouble with Z3, with whom she was quarreling. Deputy Chief Sales Manager A1 asked Z1 to accompany her to collect the certificate, but Fake X did not bring the certificate on May 31.⁶³ However, not bringing a certificate of registration of title that is not lost is an abnormal situation, and in light of the large amount of the sale price, Sekisui House should have made efforts to make Fake X bring the certificate of registration of title with Z1's support. However, the registration application was approved without any resistance using the identity verification information. At that time, there were also no consultations with the Legal Department or the Real Estate Department on whether or not to use that method.

In addition, when Fake X provided identity verification information, she said that she forgot her date of birth and filled it in while looking at her passport, and made a mistake regarding her zodiac sign, and Judicial Scrivener J1 pointed out that, in addition to these facts, the section in the passport brought in by Fake X for the alphabetical description of

⁶¹ See Exhibit 5 (List of the Measures Taken by Each Division) for the measures taken by each division.

⁶² Fake X brought the certificate at the time of the execution of the sale and purchase agreement.

⁶³ See Section III.5(3)(xvii) and (xix)

the name of the holder was slightly different to other sections. Despite these issues that were clearly raised by the judicial scrivener,⁶⁴ Deputy Chief Sales Manager A1 and Business Development Office Manager A2 continued with the settlement without taking those comments seriously or having any further doubts about the identity of Fake X.

Furthermore, a situation arose on the settlement date when Technology Office Manager A6 in the Tokyo Condominium Department attempted to enter the Real Property, but he was asked by the police to voluntarily accompany them.⁶⁵ The relevant persons from Sekisui House who were at the place of the transaction should have considered confirming the situation with the police, such as making X contact the police, because contact had been made about that situation at the time of settlement. However, they did not follow up on the situation and went through with the settlement after arbitrarily deciding that it was an act to obstruct the Transaction.

As detailed above, in spite of multiple events occurring at the time of settlement of the Transaction that raised suspicions about the authenticity of the Transaction, no action was taken to clarify or resolve the doubts that arose from those events—they were simply overlooked—and the decision to move forward with settlement was a far too careless response, and there is no option but to state that there was a failure to take the appropriate measures.

(3) Lack of appropriate response to irregular events⁶⁶

Moreover, there were multiple events that provided an opportunity to carefully investigate the suspicions that were harbored about the owner's identity in the period from the execution of the agreement until settlement.

A real estate agent who heard of the execution of the agreement immediately after its execution contacted Deputy Chief Sales Manager A1, calling attention to whether everything was truly alright with X. Deputy Chief Sales Manager A1 inquired with Judicial Scrivener J1 about whether the provisional registration was completed without

⁶⁴ See Section III.5(3)(xvii). Judicial Scrivener J1 received a notice addressed to her, which made her suspicious about the fact that a judicial scrivener who applied for a provisional registration could be identified. She had doubts about the identity of the Fake X, calling attention to that fact as stated in the above texts.

⁶⁵ See Section III.5(3)(xix)

⁶⁶ See Exhibit 5 (List of the Measures Taken by Each Division) for the measures taken by each division.

issue, and obtained advice about how a person's identity can be confirmed if there is any doubts on it⁶⁷.

When Notice 1 through Notice 3 arrived at the Legal Department, the Legal Department considered the possibility that Sekisui House was being deceived and instructed the Tokyo Condominium Department to thoroughly verify Ms. X's identity. The Condominium Headquarters and the Tokyo Condominium Department also made inquiries with Lawyer K about methods for verifying someone's identity, from which they received a response regarding various methods through obtaining documents, as well as conducting interviews with old acquaintances or affiliated associations (of hotel businesses) showing a photograph of X.⁶⁸

The president of a subsidiary, Sekiwa Real Estate Kansai, also expressed doubts to the Real Estate Department about H1,⁶⁹ and the department expressed those doubts to General Manager Mitani of the Condominium Headquarters.⁷⁰

Several real estate brokers sent information regarding the Transaction.⁷¹

However, the Condominium Headquarters and the Tokyo Condominium Department were drawn in by the Land Fraud Group's solicitation and blindly believed that all of those doubts were sabotage by Fake X's de facto husband or by competing business operators, and they did not verify Fake X's identity through means such as conducting interviews with old acquaintances or affiliated associations (of hotel businesses) showing a photograph of X.⁷²

While the Legal Department instructed the Tokyo Condominium Department to thoroughly verify X's identity, it did not confirm how the Tokyo Condominium

⁶⁷ See Section III.5(3)(ix)(B)

⁶⁸ See Section III. 5(3)(xi) (A)

⁶⁹ See Section III. 5(3)(x) (B)

⁷⁰ See Section III. 5(3)(xii)

⁷¹ See Section III. 5(3)(x) (B)

⁷² See Section III. 5(3)(xi) (C). Immediately after settlement, Sekisui House verified Ms. X's identity by showing a photograph of Fake X to people in the vicinity of the Real Property. The chairperson of the neighborhood association and other people stated that the person in the photograph was not the owner. This clearly shows how the forgery could have easily been confirmed by conducting interviews (see Section III. 5(3)(xx)(B)). During the interviews for this report, it was suggested that there were concerns that, if interviews were conducted in the vicinity of the Real Property, the owner would hear about that and she would be offended, leading to the Transaction not going ahead. However, it must be said that, by overly attaching importance to the establishment of the agreement and the performance of the transaction, the situation was handled without enough caution.

Department carried out that identity verification.

The Real Estate Department, which also received expressions of doubt from the president of Sekiwa Real Estate Kansai, told General Manager Mitani of Condominium Headquarters about that, but it did not follow up on the issue further.⁷³ The Legal Department did not share information about having received the Notices.

As detailed above, while the Condominium Department and the Tokyo Condominium Department were made aware of doubts regarding Ms. X's identity and various irregular events that occurred before the Transaction that provided an opportunity to cautiously investigate those doubts, they concentrated on the acquisition of the Real Property and overlooked those events. The Condominium Headquarters, the Legal Department, and the Real Estate Department were unaware of, and did not achieve, their role of checking the Transaction by sharing information and collaborating with each other.

2. Cause analysis of internal environment and internal control system

Sekisui House has not been victimized by fraud and does not appear to have been involved in fraud previously in its long history. This might be the result of good luck in the real estate industry, in which one must be shrewd in the frequent dealings with various parties with unknown background, but it could be considered that, as a result of that luck, there was an underestimation of the importance of the internal control system in the viewpoint that it was safeguarding against criminals, and the Transaction Incident brought that to light.

In response to the Transaction Incident, it is necessary not only to carry out cause analysis of and create preventative measures against such damage resulting from fraud (such as the creation of a system that cannot be subject to deception), but also to clarify the inadequate parts of Sekisui House's internal control system against the various risks. Following is a detailed explanation.

(1) Analysis of internal environment that triggered the Transaction Incident

⁷³ The Real Estate Department only subsequently participated in the Transaction when requesting the president's prior approval to move up the settlement deadline, and preparing funds for settlement once that approval was obtained.

(i) Sectionalism in vertical organization

Sekisui House's core business is the custom detached housing business, and the operation of other businesses, such as the condominium business, is handled in a way that they are self-controlled within each independent business department. During our evaluation of the Transaction Incident, we found that there was a lack of awareness about providing information to or receiving information from other departments, and that there was a tendency not to interfere with other departments and an aversion to being interfered by others.⁷⁴ There is also a lack of awareness at the Legal Department and the Real Estate Department about supervising transactions conducted by Regional Condominium Departments.

This vertical organization sectionalism also extends to interactions of personnel between organizations, with employees with expert knowledge and know-how on purchases of land by other development departments not being provided to the Tokyo Condominium Department, which is believed has resulted in a lack of such personnel in the Tokyo Condominium Department, and that is a factor in the failure to maintain institutional guarantees for checks.⁷⁵

(ii) Lack of awareness of risk

⁷⁴ It can be surmised from the interviews carried out by the Committee that (i) while the condominium business was the business that General Manager Mitani of the Condominium Headquarters increased the scale of and it requires different expertise and experience to the detached housing business, the Legal Department and the Real Estate Department lacked expertise and knowledge regarding the condominium business, and there was a strong sense that those administrative divisions were not necessary, (ii) templates, etc. were also being prepared by the Legal Department for agreements requiring uniformity, such as for the detached housing business, but in terms of departments with a greater need for expertise, including Regional Condominium Departments, the Legal Department has a passive stance where it provides advice only if advice is sought, and (iii) even in the Real Estate Department, there is no proactive participation in the business of developing real estate. This is supported by the fact that the Legal Department did not provide information to the Real Estate Department about receiving the Notices, and that Real Estate Department Chief Manager Kuroda told the Condominium Headquarters about the concerns expressed by the president of Sekiwa Real Estate Kansai, but they did not share that with the Legal Department.

⁷⁵ Statement by Executive Vice President Inagaki and Senior Managing Officer Uchida in the minutes of the Extraordinary Risk Management Committee meeting held on November 1, 2017: "Training of personnel in development-type businesses is extremely difficult, so we feel there is a need to train people by rotation." "There are people in the Development Department, etc. who have a variety of experience and know details, including the bad side of things, but there might have been a lack of such people in the Tokyo Condominium Department."

The business of purchasing land for condominiums in the Tokyo Condominium Department is carried out through “route work,” based on introductions by general contractors such as Haseko Corporation and major real estate companies, and “area work,” which is conducted by the person in charge visiting unacquainted landowners of potential development sites,⁷⁶ and this means that employees of the Tokyo Condominium Department rarely have a chance to make contact with real estate brokers with unknown backgrounds. For this reason, there was a lack of awareness of the risk of deception by counterparties in that business.

(iii) High demand for optimal condominium land

Sekisui House focuses on the development and sales of condominiums in favorable locations selected in the Tokyo metropolitan area (according to General Manager Mitani, they mainly targeted “providing condominiums on sought-after land in the Josai area”), and so there was stiff competition with other business operators for land that Sekisui House wanted and it was not easy to purchase that land. Because a property like the Real Property that met the favorable location conditions was brought to Sekisui House without any competition within that business environment, the overriding imperative of the Condominium Headquarters and the Tokyo Condominium Department was the successful execution of the Transaction by any means necessary.

In organizations where sectionalism is dominant, if the top management (in this case, the General Manager of the Condominium Headquarters) leads a transaction, the management’s orders tend to be absolute.⁷⁷ As detailed in 1(2) and 1(3) above, in spite

⁷⁶ In the case of “route work,” issues regarding ownership of the land are made clear at the introduction stage, and “area work” is the business of continuously meeting face to face with the resident landowner. Therefore, there was no need for a strong awareness of the possibility of a fake owner in either case. In the surveys, 26 of 43 people knew the phrase “land fraud” before the Transaction Incident, and 12 of 42 people considered the risk of being defrauded by a land fraud in a transaction.

⁷⁷ In the surveys, multiple people indicated “Officers in the Condominium Headquarters, people whose role was purchasing for the head office, and people responsible for purchasing for the department at that time who wished to satisfy their desire for the recognition abandoned the checking procedures that they were originally meant to be responsible for, and ignored or suppressed other opinions within the company.” “Decisions by the general manager of the department at the time were thought to be in error. There were many matters that were instigated by the general manager of the department.” “There was intense pressure from the general manager of the department at that time to make sure we acquired [property].” “Top management of the department came to participate directly in the Transaction, and the surrounding controls ceased to be effective.”

of multiple, irregular events arising that provided the opportunity to entertain suspicions about the identity and authenticity of the Transaction, the fact that the people in the sales unit believed that those events were acts to obstruct the transaction (i.e., the factor that cause the people to be completely caught up in being solicited by the Land Fraud Group) was the result of the overriding imperative to have the Transaction successfully executed,⁷⁸ and Deputy Chief Sales Manager A1 and others in charge on the frontline got caught up in proceeding with the transaction, and they were eventually unable to turn back.⁷⁹ The Transaction was led by an even more closed group within the company's vertical organization,⁸⁰ so it was hard for people with limited purchasing experience to

⁷⁸ This is known as "normalcy bias." In the surveys, it was pointed out that "great importance was placed on the number of sales, and there was a strong sense that sales take priority and if a sale is possible, that will make up for other matters;" "while land for the business (appropriate land) decreased and competition for acquiring land intensified, there was a strong desire to establish transactions before other companies, and so to ensure negotiations did not break down, employees pushed forward prioritizing the execution of an agreement by accepting what other party said;" "improvements are required regarding the sense that contradictory opinions are received negatively in promoting business." Furthermore, it is believed that owners in ideal locations are in a superior position to consumers, and the tendency is for real estate companies, not just Sekisui House, to be excessively restrained with the landowner or their agent during the course of a transaction.

⁷⁹ We also considered the possibility that an underlying cause was the severe quotas and unrealistic targets for the land acquisition, and excessive incentives for the departments and people in charge. At the time the Transaction was performed, progress for the Tokyo Condominium Department's land acquisition targets was not entirely as expected, and it was surmised that there was possibly a certain level of pressure on the division to acquire land. In addition, if a purchase was successful, there was an incentive reward at a set rate (i.e., 0.018% of the gross profit) on the projected operating income paid to the person in charge. However, those incentives cannot be said to be excessive levels for a company, and that factor was not recognized as a cause of the damage incurred by Sekisui House as a result of the Transaction. In particular, Deputy Chief Sales Manager A1, who proactively proceeded with the Transaction, was, at that time, in the role of deputy general manager of sales at the Tokyo Condominium Department, and had no responsibilities in the business development group, which is the purchasing department, and he was neither in the position subject to a quota on purchasing, nor eligible for payment of the incentive reward, and therefore, it could be considered that the Transaction did not arise out of the harmful effects of a quota system. In FY 2016, of the target 12 properties and estimated sales of 40.0 billion yen (purchase price of 16.0 billion yen), the success rate was 50.2%, with 5 properties, estimated revenue of 20.0 billion yen, and purchase amount of 6.9 billion yen (in the first half of the fiscal year, 4 properties, with estimated revenue of 19.5 billion yen, and purchase amount of 7.0 billion yen, which was 98% of the target success rate, but in the second half of the fiscal year, 1 property, with estimated revenue of 3.6 billion yen, and purchase amount of 1.4 billion yen, which was 17% of the target success rate), and in the first half of FY 2017, as of March, of the 6 properties and first half target of 20.0 billion yen, 1 property was a definite prospect (i.e., 17% of the target success rate). According to General Manager Mitani, purchases must be good properties, and the company cannot control over whether such good property can be purchased. Therefore, the targets are tentative, with the same value presented [each year], and little concern was placed on achieving the targets. There were no comments observed in the surveys pointing out the quota system.

⁸⁰ There was a great level of trust in Deputy Chief Sales Manager A1 within the Condominium Headquarters and the Tokyo Condominium Department, and if there was a project brought in by Deputy Sale Manager A1 that General Manager Mitani approved, people with little experience in

express opinions even if they were on the decision-making line.

(2) Analysis of the internal control system

(i) Lack of risk map

At Sekisui House, there were also harmful effects from being a vertical organization, and there was no “risk map” or equivalent policy for risk perception to cross-sectionally and comprehensively identify various risks across the company and assess those risks. The same was true in the Real Estate Department and the Condominium Headquarters.

If work progresses by building up investigations into risks from the business front lines while at the same time comprehensively consolidating the investigated risks, “the risk of damage by being defrauded by a land fraud” could be identified as a risk category,⁸¹ which might be classified as a “risk that might cause extensive damage if it occurs, even though the possibility of occurrence is low.”

As a result of not preparing a risk map, people on the scene or in a position where they could check that situation could not have an organized, comprehensive point of view about which risks should be considered as check points in determining the adequacy of land purchasing transactions.

(ii) No checking function between departments

(A) Lack of checking function by the Condominium Headquarters

Although the Condominium Headquarters originally should have taken on the role of guiding and supervising the execution of business by the Tokyo Condominium Department, General Manager Mitani forged ahead with a top-down approach with respect to the Real Estate Acquisition,⁸² and there was no recognition of its responsibility

purchasing transactions, such as Deputy Chief Technology Manager A4, hesitated to openly draw attention to any vague sense of apprehension regarding the transaction (Deputy Chief Technology Manager A4 interviews).

⁸¹ As detailed in Note 82 above, 26 of 43 employees were aware of fraud by a land fraud before the Transaction Incident. This risk could have been identified by people from other departments (such as the Development Department) if there were company-wide risk investigation activities.

⁸² See Footnote 77

to guide and supervise the Tokyo Condominium Department.⁸³

(B) Lack of checking function by the Legal Department and the Real Estate Department

The head office of the Legal Department and the Real Estate Department, which should have taken on the role of checking the condominium business, lacked the self-awareness to fulfil their checking function and did not establish a system for guaranteeing the checking function. In addition, the transmission of risk information to top management was inadequate.

Although the Legal Department prepared templates for agreements, etc. regarding the various transactions (such as custom detached housing) dealing with a large number of customers across Japan in a uniform manner in the departments and gave advice on those transactions, certain departments such as the Condominium Headquarters and the International Business Department carried out transactions while consulting with experts, such as legal advisors, who were relied on by their respective headquarters (in each region), and the Legal Department perceived itself as having a passive role in responding to any discussions or if there were issues after the fact.⁸⁴ Even when reviewing requests for approval, the department mainly checked the matters detailed in those requests (which generally did not include information on risks regarding the counterparty) from the perspective of compliance (principally in relation to real estate regulations).

In the Transaction as well, the Legal Department relied on an explanation by the Tokyo Condominium Department that “we are moving forward in consultation with our legal advisor, and that legal advisor also believes the content-certified mails are suspicious and were prepared to obstruct the transaction,” and in spite of a direction from the president,⁸⁵ the Legal Department did not directly confirm with the legal advisor or ask for a second opinion from the Legal Department’s legal advisor,⁸⁶ and only followed the business

⁸³ It was also pointed out in the surveys that “the headquarters, which was originally the check organization, took the role of promoting the purchase of land and took initiative regarding purchasing, and so the original check function was not effective.”

⁸⁴ Interview with Legal Department Chief Manager Nakata.

⁸⁵ As detailed in Section III.5(3)(xii) above, President Abe instructed Legal Department Chief Manager Nakata to adequately consult with the legal advisor and to avoid any problems in the transaction process.

⁸⁶ This was pointed out by a former Legal Department employee in the survey.

department's decision without confirming how the landowner's identity was actually verified.

The Real Estate Department was also in the position of checking the Condominium Headquarters as the department that specializes in real estate, including land acquisition, but in the evaluation we found that it usually confirmed the Condominium Headquarters' decisions. In the internal approval for the Transaction, it cannot be recognized that the department adequately fulfilled its checking function in relation to real estate transaction risks, by obtaining the president's approval in the first instance as requested by the Condominium Headquarters, and by then circulating the Request for Internal Approval to the relevant officers for their post-review.⁸⁷ In addition, in response to the request to move the settlement date forward, the department only requested that the president's prior understanding be obtained, and it did not take any proactive steps to avoid risks (such as conveying risk information to the president).

(C) As detailed above, (a) the role of departments that should have performed a checking function was unclear in terms of the division of duties and there was no institutional guarantee, (b) due to the impact of sectionalism, there was a lack of self-awareness in carrying out checks, and (c) expert knowledge and know-how to carry out the checks had not been accumulated (or there was a lack of direct collaboration with outside experts to make up for that).

(iii) Inadequate internal approval system

Organizational decisions at Sekisui House on the adequacy of transactions were made by internal approval requests, except for projects to be discussed by the board of directors.⁸⁸ However, after reflecting on (i) and (ii) above, the person who drafted the internal approval request would have been unable to indicate risk factors in the transaction (in the first place, the request form was not formatted in a way that allowed that), and the checking departments and management could not be expected to share risk information

⁸⁷ As detailed above, Real Estate Department Chief Manager Kuroda instructed the Tokyo Condominium Department to properly secure the provisional registration when the internal approval was completed, but those were the only instructions given by him throughout the entire Transaction.

⁸⁸ Management meetings came to a natural end immediately after the Great East Japan Earthquake, and even though there was an internal meeting body, there tended not to be many opinions expressed at those meetings when the Transaction took place (see the minutes of the 11th Risk Management Committee meeting held on November 21, 2017).

and obtain risk checks.⁸⁹

It is unclear which department was responsible for examinations under the internal approval, each department that reviewed the request was positioned in parallel to the others, no department had been assigned to independently and proactively check the transaction as a whole, which, together with the sectionalism, resulted in excessive entrustment of decisions to business headquarters or business front lines. The roles and assignment of responsibilities of reviewers as to which viewpoint they should consider in internal approvals from was vague, and as a result, the discovery of any risks under a transaction was neglected and there was no intention to proactively gather information not included in the internal approval requests.⁹⁰

(iv) Inadequate checking function after internal approval

There was no established system for sharing information on events that arise after internal approval process was completed (such as specifics of events with respect to which information should be shared with other departments and recipients of information transfers), and there are no provisions on what decisions should be made or what verification procedures should be followed if there is a change in the terms and conditions of an agreement, such as accelerating the settlement date, or for settlement without a registration certificate.⁹¹ It was unclear which department is to decide whether to postpone or suspend a transaction due to circumstances that arise after internal approval is complete.

(v) Incomplete sharing and transmission of information

Information sharing and transmission between departments (specifically, the Legal Department and the Real Estate Department) that should have fulfilled a checking function in the Transaction was inadequate. That was due to a mutual lack of awareness that they were the departments that carried out the role of checking the sales department

⁸⁹ If there were checks under the internal approval system on whether strict identity verification had been carried out for an absentee landowner, the Tokyo Condominium Department might have been forced to carry out rigorous identity investigations into Fake X, and her identity could have been confirmed by conducting interviews in the neighborhood etc. and explaining to her that it is necessary to confirm her identity with neighboring residents because that is the company's rule.

⁹⁰ The examination by the reviewer attached importance to the assessed profitability.

⁹¹ The Real Estate Department approved the advancement of the settlement date; another request for internal approval was not required.

and a lack of a sense that the departments that are responsible for the checking function must cooperate to prevent significant risks to the company.

In other words, even though the Legal Department encountered events that could have provided an opportunity to recognize significant risks in the Transaction, such as receiving multiple content-certified mails from a person claiming to be the true owner and being contacted by multiple outside parties about the title and attributes of Fake X and H1, it did not share that information with the Real Estate Department.

Similarly, the Real Estate Department did not share information with the Legal Department when the president of Sekiwa Real Estate Kansai provided concerning information in relation to H1.

Reports on the irregular events that arose in the course of the Transaction but contained normalcy bias (i.e., a report involving the arbitrary decision that the various irregular events were sabotage against the transaction) was only provided by General Manager Mitani, who supervises the sales department, to the president, but the Legal Department and the Real Estate Department did not provide a risk assessment from an objective point of view to management (specifically, the directors who affixed their seals to the internal approval request). Management also did not have a forum to discuss the acquisition of land that did not meet the standards to be discussed by the board of directors.

(vi) Training regarding criminal risks

Training was carried out at Sekisui House in relation to real estate transactions as a whole, but there were no warnings during that training about crimes to which Sekisui House could be a victim, such as cases of fraud by land fraud. That training also did not touch on the progress that has been made in relation to document forgery technology.

VI. Recurrence Prevention Measures and Verification of Adequacy of Those Measures

1. Recurrence Prevention Measures

Following the Transaction Incident, Sekisui House carried out the following recurrence prevention measures.

(1) Changes to the internal approval system (introduction of the Electronic System for Requesting Approval)

Because the Transaction was an urgent project, the approval by the president, who gives final approval, was given ahead of the examination by the people involved in reviewing the internal approval request regarding the real estate approval, meaning that the examination by the reviewers of the internal approval was postponed. (The same thing often occurred in the course of operational procedures even before the Transaction Incident.) In order to change that practice of disregarding examinations and to share negative information and information on abnormal situations that is discovered in the course of a transaction between departments and enhance cooperation, the company introduced the Electronic System for Requesting Approval where all internal approval procedures, including internal approval for real estate projects, can be completed electronically. The Electronic System for Requesting Approval has enabled departments in charge of examinations to access information and start examinations at the same time, without waiting for the circulation of internal approval requests and taking turns to examine them. It has made it possible for matters pointed out by any department and their comments to be shared in a timely manner. Although the use of the Electronic System for Requesting Approval was possible under the Approval Rules before the Transaction Incident (Article 35 through Article 37 of the Approval Rules prior to revision), such a system was rarely used before the Transaction Incident. Sekisui House used the Transaction Incident as an opportunity to make the use of the Electronic System for Requesting Approval mandatory. As a result, almost all internal approvals at Sekisui House are currently conducted using the electronic approval system.

(2) Changes to the internal approval system and procedures

Major changes were made to the internal approval system and procedures, including those concerning real estate projects, as shown in (i) through (viii) below.

(i) Revision of the Approval Rules, establishment of the Approval Guidelines, and formulation of examination criteria for internal approval of real estate projects

The Approval Guidelines have been prepared as subordinate rules that supplement the

Approval Rules.⁹²

In the Approval Guidelines, the relevant departments involved in internal approvals are classified into the following three categories: the Department Responsible for Examinations, which has control over matters requiring examinations and assumes responsibility for examinations; the Examining Department, which examines matters requiring internal approval next to the Department Responsible for Examinations; and the Information Sharing Department, which shares information on matters requiring internal approval (Article 15, Paragraph 1 of the revised Approval Rules). When an internal approval is being requested for a real estate project, the Real Estate Department is the Department Responsible for Examinations, the Corporate Management Planning Department, the Accounting and Finance Department, and the Legal Department comprise the Examination Department, and the Planning & Design Department is the Information Sharing Department (see the table attached to the Approval Guidelines).

Also, the new provision that “the Department Responsible for Examinations shall formulate examination criteria when it considers that necessary with regards to the internal approval matters over which it has control” was set forth in the Approval Rules (Article 16, Paragraph 2 of the revised Approval Rules). The Real Estate Department established examination criteria for internal approvals of real estate projects based on that provision.

- (ii) Investigation and research into risks by people drafting internal approval requests and description of risk matters in internal approval requests

Before the Transaction Incident occurred, examinations by the examiners and reviewers of internal approvals put great importance on profitability and feasibility, and in internal approvals for real estate projects, risks for sellers and brokers were not actually examined.

That is why the revised provision that “any person drafting an internal approval request shall fully investigate and research risks, social impacts, and measures therefor, etc., in addition to the purpose, implementation method, timing, and effects of the matter for approval” (the revised parts are underlined; Article 9, Paragraph 1 of the revised Approval Rules⁹³) was set forth in the Approval Rules. By doing that, “risks, social impacts, and

⁹² This was to make it possible for the “approval matters” that were previously included in the Approval Rules to be revised flexibly without a resolution of the Board of Directors.

⁹³ This refers to the current Approval Rules revised on June 8, 2018. The same applies hereinafter.

measures therefor, etc.” was added to matters subject to investigation and research, and the obligation to use the best efforts set forth in the old provision was revised to establish a clear obligation.

That obligation was created for prior consultation with the Real Estate Department regarding the above investigations and research with the provision that “any person drafting an internal approval request shall consult with the Department Responsible for Examinations before drafting the request in accordance with the provisions set forth by the Department Responsible for Examinations regarding those internal approval matters (Article 9, Paragraph 2 of the revised Approval Rules).”

In addition, “risks, social impacts, and measures therefor, etc.” discovered as a result of investigations and research must be described in internal approval requests (Article 11, Item 6 of the revised Approval Rules).

(iii) Attachment of checklist that becomes the basis for risk assessments and sharing among the related departments

Before the Transaction Incident occurred, examinations by persons involved in internal approvals for real estate projects had put great importance on profitability and feasibility, and risks concerning sellers and brokers had not actually been examined. That is why Sekisui House changed the above practice by making it a requirement that checklists including matters that are the basis for risk assessments regarding sellers and brokers are attached to internal approval requests for real estate projects so that that information is shared among the related departments and examiners of the approval. Items to be checked in the checklist are wide-ranging, such as matters relating to (i) sellers and brokers of real estate and their representatives, (ii) real estate and registration, etc., and (iii) the transaction itself. The checklist is completed by the Real Estate Department after checking the items through an interview (see (iv) below) with the relevant business department once a request for approval has been accepted, and the checklist is attached to the request for approval.

(iv) Gathering of information on counterparties to transactions and examination of risks based on checklists before approval

When receiving an internal approval request, the Real Estate Department is required to conduct an interview with the office submitting the internal approval request (i.e., the

department that drafted the internal approval request) regarding the information regarding the counterparty to the transaction. Specifically, the Real Estate Department confirms the matters described in the Counterparty Information Form prescribed by the Department (for example, business history with Sekisui House or reasons for the sale of real estate) and facts corresponding any of the items in the checklist (see (iii) above), except in certain cases where it is obvious that the counterparty is invariably trustworthy because, for example, it is listed on the First Section of the Tokyo Stock Exchange or the deposit or transaction amount is less than a fixed amount.

(v) Addition of opinions of the Examination Department and the Department Responsible for Examinations

Because of the revisions to the Approval Rules, in principle, the Department Responsible for Examinations (i.e., the Real Estate Department for internal approvals for real estate projects) is required to examine internal approval requests before the Examination Department. The responsible department should specify “agree,” “agree with conditions,” or “disagree,” to each internal approval request, with a written opinion if necessary, and clarifying the details of the conditions in the case of “agree with conditions” (Article 16, Paragraph 1 of the revised Approval Rules). The Examination Department (i.e., the Corporate Management Planning Department, the Finance Department, and the Legal Department for internal approvals for real estate projects) is, in principle, required to examine each internal approval request after the Department Responsible for Examinations. The Examination Department is required to follow the same procedures as the Department Responsible for Examinations by specifying “agree,” “agree with conditions,” or “disagree” (including details of the conditions in the case of “agree with conditions”), and adding a written opinion if necessary (Article 17 of the revised Approval Rules).

With regard to the addition of opinions mentioned above, if it is believed a project involves risk based on a comprehensive consideration of factors such as the checklist, the Real Estate Department must have discussions with the related departments, and add a written opinion to an approval document to inform the final approvers whether it agrees to a certain condition (for example, a change to the payment method/period, additional investigation, or risk reduction/removal through an additional investigation on the seller’s part) or does not agree to that condition (opinion asking for disapproval in the attachment to the approval document).

(vi) Collection and identification of risk information after the approval of real estate projects

The Information Sharing Department (i.e., the Technology Department, for internal approval of real estate projects), as the department required to share information about internal approval matters, shares that information having received the internal approval request after it is approved by the person who gives final approval (Article 15, Paragraph 1 and Article 18 of the revised Approval Rules).

In light of the fact that information was not sufficiently shared in the Transaction in spite of several irregular events arising after the agreement was executed, if any of the following events occur, the office submitting the internal approval request must immediately report the respective information to the Real Estate Department, even if another internal approval is not required.

- a If there is any change to the contents of an internal approval application (limited to changes that do not require approval again), the details of that change
- b If risk information that was not identified at the time of the submission of the internal approval request is discovered, that risk information
- c Progress and results of an additional investigation conducted as a condition for approval

(vii) Decisions on the suspension of settlement or termination of agreements, etc. as necessary

If it is believed risks exist in terms of moving forward with a settlement as a result of an additional investigation or due to new circumstances that have been discovered, the Real Estate Department is required to discuss that with the related departments and give instructions on matters such as further additional investigations, changes to the settlement conditions (for example, a change to the settlement date), suspension of the settlement, or cancellation of the agreement.

In addition, as a prior arrangement to make the above possible, Sekisui House established an operational policy of requiring the inclusion in real estate sale and purchase agreements a provision that makes it possible to change the settlement date under certain conditions and a provision that enables the cancellation of the agreement if the seller, etc. does not

cooperate with additional investigations.

(viii) Individual examinations during registration procedures without using registration identification information or registration certificates

Considering that the Transaction Incident was caused by a settlement with the acceptance of the identity verification by a lawyer instead of using the registration certificate (title deed), all registration procedures that do not use registration identification information or a registration certificate must, in principle, be reported to the Real Estate Department and examined independently. The Real Estate Department will treat such projects as high-risk projects, have discussions with the related departments, comprehensively consider not only why a registration certificate cannot be used for the registration procedures but also other relevant information, and contemplate the use of a “pre-notification system by a registrar.” The company established an operational policy where, in principle, “identity verification information confirmed by a qualified agent” and “identity authentication by a notary” will not be accepted and the use of those methods will be examined individually, only when there are reasonable grounds for not using the pre-notification system.

(3) Establishment of the Management Meeting

Having reflected on the fact that there was a lack of a forum for sufficient discussions of risk, etc. in real estate transactions at the time of the Transaction Incident, the company established a Management Meeting for the purpose of sharing sufficient information on and flexibly discussing investment projects at a high level. Submissions to the Management Meeting must be based not only on the criteria of the value of a transaction, but also the seriousness of the risks. Also, the person examining an internal approval request can propose making a submission to the Management Meeting (the proviso of Article 19 of the revised Approval Rules).

From this, it is expected that important investment projects, including the purchase of real estate, will be sufficiently discussed at the Management Meeting, even in relation to matters that are not submitted to the board of directors.

(4) Introduction of a division system at head office

Before the Transaction Incident occurred, the sharing of information between

departments at the head office and cooperation between departments had been focused on business promotion, with little willingness to share risk and negative information between the head office departments.

Considering this problem, Sekisui House's head office departments, only some of which formerly belonged to the Technology Division, were entirely reorganized into "divisions" (i.e., six divisions consisting of the Business Strategy Division, the Stock Division, the Transaction Promotion Division, the IR Division, the Administration Division, and the Technology Division). This reorganization was an attempt to improve cooperation between departments within each division and enhance and improve human resource development, clarify the responsibilities and authority of the directors and executive officers in charge of each of the departments, and create a system that facilitates the sharing of information, including risk and negative information, between the relevant departments. The Real Estate Department and the Legal Department both belong to the Administration Division and share information with each other at Administration Division meetings held on a monthly basis. Separately, information identified as a risk is reported to directors and officers in charge and is shared between the relevant departments without delay.

(5) Other measures

Since the Transaction Incident, Sekisui House has taken or has been considering the following measures with the intention of redressing sectionalism and otherwise improving the corporate culture and enhancing overall governance, in addition to the direct measures to prevent recurrence of the Transaction Incident described in 1 above.

(i) Introduction of personnel rotation

Since April 2019, a personnel rotation program has been in place between the Condominium Headquarters and the Development Department by using an assignment system. Through this program, efforts have been made to share know-how and develop human resources. In addition, personnel transfers take place frequently within the same sales administrative headquarters, with some personnel transfers taking place between the sales division and the head office units as well. On the other hand, there is no company-wide organizational and systematic personnel rotation program. Even in the Administration Division, to which the Legal Department and the Real Estate Department belong, the main focus has been placed on enhancing the expertise of individuals with no

systematic personnel rotation program.

(ii) Creation of a “governance network”

From February 2020, for personnel in charge of general affairs who are responsible for risk management and compliance in sales departments, the following measures to strengthen the independence of those personnel have been implemented with the intention of, among other things, enhancing the function of those personnel to supervise and check the sales frontlines and the network with the Administration Division in the head office.

- (A) Senior managers of general affairs in the sales administration headquarters have been placed in the Auditing Department, forming a reporting line including Auditing Department Chief Manager.
- (B) The ultimate evaluator of senior managers of general affairs in the sales administration headquarters was changed from the general manager of the sales administration headquarters to the Auditing Department Chief Manager.

In addition, the following measures have been implemented with the intention of, among other things, enhancing supervision and checking of the regional branches.

- (C) Heads of general affairs at the regional branches have been placed under the control of the relevant headquarters, forming a reporting line including the general manager of the relevant sales administration headquarters and the senior manager of the general affairs department of the relevant sales administration headquarters.
- (D) The ultimate evaluator of the heads of general affairs at the regional branches was changed from the respective regional branch manager to the general manager of the general affairs department of the relevant sales administration headquarters.

Since the aforementioned measures have developed better communication between sales frontlines and the head office, a network for integrating information is being developed by clarifying the governance promoter at each organization of each group company. A foundation has been created for the continuous exchange of information between the person assigned to the post of governance promoter and each organization of the head office’s administrative divisions. The aim is to develop a new reporting line that is

different from the existing top-down reporting lines.

(iii) Clarification etc. of the policy and procedures for selecting candidate directors

As for the selection of candidate directors, discussions on requirements for eligibility started in May 2019. The qualification requirements (i.e., embodying the corporate philosophy and having a panoramic vision) and competence requirements (i.e., having a vision to resolve external problems, innovativeness for creating new markets, being able to cooperate with various stakeholders, and the capability to develop organizations that enhance the Group's comprehensive power) were specified.

The Personnel Affairs and Remuneration Committee is an advisory body to the board of directors regarding the appointment and removal of and remunerations for directors and executive officers. Its structure was changed in January 2018 so that a majority of the committee members are independent outside directors or independent outside audit & supervisory board members. Further changes to the structure were made in May 2020, so that a majority of the committee members are independent outside directors and the chairman of the committee is an independent outside director as well. These measures aim to improve the fairness and transparency of the management of the committee.

(iv) Provision of training to improve integrity

Since November 2018, a systematic training program has been provided with the intention of improving the integrity (a faithful and lofty sense of ethics) of chief managers. The effectiveness of the training program has been enhanced by running a management diagnosis program (multifaceted observation) and interviewing supervising officers. The company plans to extend the targets of these efforts to persons holding certain posts at the head office and officers of the group companies, etc.

2. Dissemination and increasing the awareness among employees of recurrence prevention measures

The Evaluation involved a survey of a total of 44 Sekisui House employees as to whether the recurrence prevention measures described in Paragraph 1 above are fully known and have been fully disseminated and made know to employees in the company and on the front line and as to the effectiveness of those measures, among other things. There were

43 employees who participated in the survey.⁹⁴ The results of the Investigation suggest that the recurrence prevention measures are fully known and have been fully disseminated and permeated in the company and on the front line. Specifically, in response to the question of whether the respondents think that the recurrence prevention measures described in Paragraph 1 above have been fully disseminated and permeated in the department to which the respondent belongs, eight out of the 43 respondents chose the answer that “the measures have been mostly disseminated and permeated, but not fully,” but the remaining 35 respondents chose the answer that “the measures have been fully disseminated and permeated,” and none of them chose the answer that “the measures have been inadequately disseminated and permeated.”

3. Effectiveness of recurrence prevention measures

All of the measures that have been implemented to prevent recurrence correspond to the findings of the cause analysis described in Section V above, as shown in the table below. The statements in the column titled *Evaluation* in the table below are comments on the effectiveness of the recurrence prevention measures to the extent that they are implemented normally.

Findings in the Cause Analysis		Corresponding recurrence prevention measures	Evaluation
Factors serving as direct causes in the process of the Transaction	(i) Inadequate identity verification before executing the agreement	<ul style="list-style-type: none"> ● Improvement of the internal approval system (investigation and research into risks by drafters of the internal approval requests, information sharing which is the basis for risk assessment, and risk examination based on these factors, etc.) 	More careful identity verification is expected to take place on a case-by-case basis.
	(ii) Multiple events that raised suspicions about the authenticity of the Transaction at the time of settlement were carelessly	<ul style="list-style-type: none"> ● Improvement of the internal approval system (such as investigation and research into risks by drafters of the internal approval requests, post-approval reporting 	These measures are expected to make employees more sensitive to information based on which risk decisions are made and promptly report that information when they become aware of it even after an

⁹⁴ See Section II.3(8).

	<p>overlooked and appropriate measures were not taken</p>	<p>obligation, and case-by-case examination of registration procedures that do not use registration identification information or a registration certificate)</p> <ul style="list-style-type: none"> ● Introduction of a division system 	<p>approval is received, and to allow sharing of that information between divisions. The measures are also expected to prevent the company from carelessly proceeding with exceptional registration procedures such as those that do not use registration identification information or a registration certificate.</p>
	<p>(iii) Lack of appropriate response to irregular events</p>	<ul style="list-style-type: none"> ● Improvement of the internal approval system (post-approval reporting obligation, etc., instructions to suspend payment, cancel the agreement, etc. as necessary) ● Introduction of a division system 	<p>Appropriate responses are expected to be generated, including the sharing of information on irregular events perceived by business departments with the Real Estate Department, the sharing of such information between departments in the Administration Division (including the Legal Department), and suspension of transactions.</p>

Internal environment	(i) Sectionalism in vertical organization	<ul style="list-style-type: none"> ● Establishment of the Management Meeting ● Introduction of a division system ● Improvement of the internal approval system (sharing of information based on which risk decisions are made, clarification of responsible departments for examinations, etc.) ● Introduction of personnel rotation ● Creation of a “governance network” 	<p>These measures are expected to produce certain effects of preventing department dogmatism through more active management-level discussions, inter-division information sharing, and suggestions and advice during the examination of internal approval. While certain parts of the company have undertaken personnel rotation, which contributes to improving the corporate culture, and have created systems for enhancing inter-department checks, personnel rotation has only been in place between two units. A comprehensive reform is necessary, including personnel rotation within the Administration Division and personnel evaluation focused on integrity.</p>
	(ii) Lack of awareness of risk	<ul style="list-style-type: none"> ● Improvement of the internal approval system (investigation and research into risks by drafters of internal approval requests, sharing of information that is the basis for risk decisions, etc.) 	<p>These measures are expected to increase employee risk awareness when conducting projects involving real estate transactions. However, a system is necessary not only for internal approvals of real estate projects but also for performing company-wide risk assessments.</p>
	(iii) High demand for optimal condominium land	-	<p>The level of demand itself is a given condition. This becomes a problem because of the circumstances summarized in (i) and (ii) above.</p>
Internal control system	(i) Lack of risk map	<ul style="list-style-type: none"> ● Improvement of the internal approval system (creation of a checklist) 	<p>The creation of a checklist is believed to be equivalent to the preparation of a risk map for real estate transactions. However, it is necessary to perform risk evaluation not only for real estate transactions but</p>

			also on a company-wide basis.
	(ii) (a) Lack of checking function by the Condominium Headquarters	<ul style="list-style-type: none"> ● Improvement of the internal approval system (investigation and research into risks by drafters of internal approval requests, sharing of information based on which risk decisions are made, etc.) ● Introduction of personnel rotation ● Creation of “governance network” 	These measures are expected to produce certain effects. However, improving the corporate culture requires a comprehensive reform, which includes, among other things, personnel rotation across the organization instead of just between certain departments, and personnel evaluation focused on integrity.
	(ii) (b) Lack of checking function by the Legal Department and the Real Estate Department	<p>[Both departments]</p> <ul style="list-style-type: none"> ● Introduction of a division system <p>[Real Estate Department]</p> <ul style="list-style-type: none"> ● Improvement of the internal approval system (the department’s authority to include opinions on internal approval requests in its capacity as the Responsible Department for Examinations, and systematization of interviews in real estate purchase transactions) <p>[Legal Department]</p> <ul style="list-style-type: none"> ● Improvement of the internal approval system (the department’s authority to include opinions on internal approval requests in its capacity as the Examination Department) 	These measures are expected to produce certain effects. However, in order for the departments’ checking function to be fulfilled with certainty, it is important that, in addition to taking these measures, the staff’s risk awareness is raised by providing internal training and education, and to share expertise through personnel rotation across the organization, including the Administration Division to which the Real Estate Department and the Legal Department belong.
	(iii) Inadequate internal approval system	<ul style="list-style-type: none"> ● Improvement of the internal approval system (classification of, and division of roles in, the departments involved in examinations) 	These measures will clarify the roles and responsibilities of the Examination Department, which is expected to cause the Department Responsible for Examinations to independently

			and actively check entire transactions.
(iv) Inadequate checking function after internal approval	<ul style="list-style-type: none"> ● Improvement of the internal approval system (post-approval reporting obligation) ● Establishment of the Management Meeting ● Introduction of a division system 		Post-approval information sharing is expected to generate active suggestions and guidance by related departments. The introduction of the Management Meeting and the division system is also expected to enhance information sharing and inter-department cooperation, resulting in invigorating discussions that had become inactive.
(v) Incomplete sharing and transmission of information	<ul style="list-style-type: none"> ● Improvement of the internal approval system ● Establishment of the Management Meeting ● Introduction of a division system 		This operating structure will facilitate transmission and sharing of information, including negative information, and is expected to be effective. In addition, a continuous change in attitude is necessary to facilitate the sharing of status information at the operational level.
(vi) Training regarding criminal risks	-		It is necessary to provide training to increase employee awareness of criminal risks across the company, including using the Transaction Incident as specific teaching material.

In the survey, in response to the question of whether the respondent thinks the recurrence prevention measures will be effective in preventing an incident involving a real estate transaction similar to the Transaction Incident, 19 out of the 43 respondents chose the answer that “while the measures might be effective to a certain extent, they do not think that the measures will be sufficiently effective,” and 24 respondents chose the answer that they “think that the measures will be sufficiently effective,” with none of the respondents choosing the answer that they “think that the measures will not be very effective.” However, some of the respondents who answered that while the measures might be effective to a certain extent, they do not think that they will be sufficiently effective, added the following comments: “As the details of the incident are unknown, I cannot measure how much is sufficient”; and “The circumstances surrounding the incident should be disclosed in detail. As I don’t know the details, I can’t judge whether the measures are

sufficient.” Comments on the current condition of Sekisui House in the specific response field suggest that the on-site culture has changed as a result of the implementation of the recurrence prevention measures, such as: “I think that now we have an environment where people speak frankly to each other, where people are allowed to express their opinions to each other, where people can share their awareness of governance...”; and “I feel that the sharing of information, including risk information, and inter-department cooperation have now become far more active than at the time of the accident, as a result of increased mutual communication with the Real Estate Department, which collects and records client information, etc. during examinations for internal approval for real estate purchases, as well as due to the division system of the head office departments and the clarification of reporting lines.”

On the other hand, the survey revealed that Sekisui House has not given detailed explanations about the actual situation and cause of the Transaction Incident or provided internal training and education using the Transaction Incident as specific teaching material, each of which is considered useful in preventing recurrence of damage similar to that suffered in this case. Specifically, in response to the question of whether the respondent received an explanation about the overall picture of the Transaction Incident, 16 out of the 43 respondents chose the answer that they have “received an explanation, but do not feel that it was sufficient,” and 10 out of the 43 respondents chose the answer that they “have not received any explanation.” In addition, as described above, several respondents wrote in the specific response field about the effectiveness of the measures for prevention of recurrence that they were unable to judge the effectiveness of the measures since they did not know the details of the Transaction Incident.

However, in order to ensure that damage similar to that suffered in the Transaction Incident will not be suffered ever again, it is extremely important to: (i) first help individual employees become aware of the actual risk of suffering damage in real estate transactions resulting from land fraud by thoroughly ensuring that the details of the Transaction Incident are known to all employees and (ii) help individual employees form a habit of carrying out their work by constantly watching out for those risks in projects in which they are involved. The survey revealed that, in response to the question of whether the respondent considers the risk that the other party to the transaction might be a land fraud when the respondent is involved in a land purchase transaction in the course of his or her work, 31 out of the 43 respondents have started to consider the risk since the discovery of the Transaction Incident. The survey also revealed an opinion that it is important to raise individual employees’ risk awareness because developing a system is

not enough to prevent criminal activities such as those seen in the Transaction Incident, and that advice to prevent accidents needs to be provided by the company. The recurrence prevention measures will not be effective if systems are merely developed; the measures serve to prevent recurrence of similar damage only if they are operated appropriately. To prevent Sekisui House from suffering similar damage, it is extremely important to improve the awareness of individual employees who operate the systems. In particular, given that meticulously forging documents has become extremely easy with the development and spread of various technologies, a situation has arisen where various fraud risks surrounding real estate transactions cannot be sufficiently dealt with if employees carry out their work by relying solely on formal checks of documents. While it is naturally assumed that Sekisui House's officers and employees must abide by applicable rules and manuals, they also need to develop an attitude when they work on real estate transactions with a level of risk awareness and by relying on their intuition based on their social awareness, expertise, experience, etc.

Taking this into consideration, the recurrence prevention measures of the Transaction Incident will not be sufficient without giving detailed explanations about the Transaction Incident and providing internal training and education using the Transaction Incident as specific case material. The Transaction Incident has long been the subject of investigations and trials in criminal cases, but the modus operandi of the Land Fraud Group to carry out the fraud was not entirely exposed in that process. It might have been difficult in some ways to use a case under investigation and on trial as specific material. However, now that the first-instance judgments on all criminal cases have been rendered, we believe that it would be extremely useful not only in preventing recurrence of damage from fraud but also in strengthening the company's resistance to various risks, to learn why Sekisui House was deceived and why no one was able to stop that from happening, using the Transaction Incident as case material to thoroughly ensure that all employees know, among other things, the risk of incurring damage from fraud such as that suffered in the Transaction Incident, as well as the measures and correct ways to carry out their work to avoid such risk, and to create an opportunity for employees to acquire and share front line knowledge and experience.

VII. Evaluation of Sekisui House's Response after the Discovery of the Transaction Incident

In this section, we will verify each of the responses by Sekisui House after the discovery of the Transaction Incident, classifying them into (i) the establishment of the 2017 Committee, implementation of the 2017 Investigation, and submission of the 2018 Report, (ii) the process for formulating the recurrence prevention measures, and (iii) the process for and contents of information disclosure.

1. Establishment of the 2017 Committee, Implementation of the 2017 Investigation, and Submission of the 2018 Report

(1) Establishment of the 2017 Committee

Sekisui House presented the *Progress Report on Purchase of Land for Condominiums in Nishigotanda, Shinagawa-ku* to its directors as report item 4 at the board of directors meeting held on July 20, 2017. At that time, several outside officers indicated the need to investigate the cause and work to prevent any recurrence. The then Chairman & Representative director stated that he would like to set up a forum for discussions and verification, obtaining opinions from outside directors/audit & supervisory board members. Accordingly, after that board meeting, Sekisui House, tentatively established the 2017 Committee with outside directors/audit & supervisory board members playing a lead role, and officially established the committee with approval obtained at the board of directors meeting held on September 7, 2017.

On this point, Business Development Office Manager A2 learned at around noon on June 6, 2017 that, in relation to the Transaction Incident, the application for registration was rejected at the Shinagawa Branch of the Tokyo Legal Affairs Bureau, and reported the history of the Transaction and the situation in which the application for registration was rejected at the board of directors meeting held on June 9, 2017. Meanwhile, since the tentative establishment of the 2017 Committee was after the board of directors meeting held on July 20, 2017 and the official establishment was on September 7, and substantial investigation activities were commenced in September or later, it took more than one month from the discovery of the Transaction Incident and the report to the board of directors to the tentative establishment of the committee, and it took approximately three months before the official establishment. It is therefore undeniable that there was a slight lack of speed before the official establishment of the 2017 Committee.

However, as stated in the facts in Section III, 5 above, Sekisui House is a genuine victim of crime in the Transaction Incident, and the company's lawyer in charge of the criminal complaint was conducting investigation and preparing to bring a criminal complaint against the Land Fraud Group as well as cooperating with the police. In addition, since the rejection of the application for registration concerning the Transaction, Sekisui House has been successively considering and introducing various measures to prevent Sekisui House from being involved in the same type of criminal victimization as the Transaction Incident. Considering these factors, it cannot be deemed that the timing of the official establishment of and the commencement of activities by the 2017 Committee was unduly delayed.

(2) Purpose of establishing the 2017 Committee

Agenda Item No. 1 *Making the Committee for Investigation and Countermeasures the Investigation Body of the Board of Directors*, presented at the board of directors meeting held on September 20, 2017, clearly states that the 2017 Committee is an investigation body of the board of directors. It is also stated that the purpose of the 2017 Committee is "to investigate the causes of the incident from a fair and equitable perspective, discuss and verify the measures to prevent recurrence, etc., compile the details of those measures, and submit a report to the board of directors." We believe that the purpose of establishing the 2017 Committee is a legitimate response by Sekisui House, which suffered substantial economic damage in the Transaction.

However, the initial purpose of establishing the 2017 Committee was changed immediately before the board of directors meeting held on January 24, 2018 (i.e., the board of directors meeting at which the 2018 Report was submitted). In Chapter 1, Section 2 *Background and Objectives of the Committee for Investigation and Countermeasures* of the 2018 Report, the 2017 Committee states "the committee will clarify the factual background from a fair and equitable perspective, investigate the causes of the incident, and clarify what actions the Company should have taken and how the incident could have been prevented. The purpose of those activities is to report to the board of directors on what to do in future in order to create a better business system based on the findings." In other words, the initial purpose of "discussion and verification of measures to prevent recurrence" delegated by the board of directors was retracted and changed to "what to do in future in order to create a better business system."

The board of directors has not given approval, etc. for that to the purpose of establishing

the 2017 Committee, and there is no recognition of the fact that the 2017 Committee was authorized to change its purpose. It also appears that this change to the purpose of the investigation was made somewhat forcefully without sufficient discussion with certain members of the 2017 Committee. This point is tied to problems concerning the 2018 Report described below.

(3) Composition of the 2017 Committee

The 2017 Committee was composed of the following four members and one assistant (all titles are as of 2017).

- Chairman Yoshinori Shinohara (Outside Audit & Supervisory Board Member, Certified Public Accountant)
- Member Takashi Kobayashi (Outside Audit & Supervisory Board Member, Attorney at Law)
- Member Teruyuki Saegusa (Outside Director, Representative Director of Saegusa Circulation Research Co., Ltd.)
- Member Shiro Wakui (Outside Director, Distinguished Professor of Tokyo City University)
- Assistant⁹⁵ Shinji Maeda (Certified Public Accountant)

Thus, the 2017 Committee does not constitute a third-party committee under the *Third-Party Committee Guidelines for Corporate Misconduct* (enacted on July 15, 2010 and revised on October 17, 2010) prepared by the Japan Federation of Bar Associations, but it was created to conduct internal investigations at Sekisui House. However, this matter is not a case of misconduct carried out and triggered by Sekisui House and its related parties, so it can be deemed that the 2017 Committee was sufficiently appropriate as a body for investigating the Transaction Incident.

Since 2018 in particular, there have been several suggestions on the internet and in the mass media, etc. that Sekisui House might have had some sort of connection with antisocial forces or had collaborators in the fraud. This should also be taken into consideration when establishing the investigation body. However, at the time of establishing the 2017 Committee, it was not found that any suggestions such as those were generally made, and as stated in Section III, Paragraph 5 above, there was no specific

⁹⁵ Appointed at the board of directors meeting held on September 7, 2017.

evidence or situation that gave rise to suspicions in the Comprehensive Evaluation that the any of those suggestions were true (there are no suggestions on the internet or in the mass media that seem to be based on any evidence). Therefore, with regard to the Transaction, it cannot be assessed that there was a problem with the establishment of the 2017 Committee with the aforementioned structure.

(4) Content of the 2018 Report

The 2017 Committee compiled the 2018 Report dated January 24, 2018 and presented the report at the board of directors meeting on that day. The results of the Committee's evaluation of the contents of the 2018 Report are as follows:

(i) Fact finding regarding the Transaction Incident

Details of the fact finding by the 2017 Committee regarding the Transaction Incident are disclosed in Chapter 2 *Background to the Incident* of the 2018 Report. The facts found in that investigation were different in some respects to the facts found by the Committee in Section III, Paragraph 5 above, including the following points, but they were basically consistent with the findings by the Committee. Therefore, the fact findings regarding the Transaction Incident in the 2018 Report can be assessed as justifiable and reasonable as a whole, considering points such as the fact that the report was conducted while the criminal investigation was still in progress.

- Page 6 of the 2018 Report states that “a lawyer and others suggested that ‘identification by an acquaintance’ is also necessary” after receiving the content-certified mail from a person claiming to be the true owner of the Real Property. However, according to the evidence obtained, the fact had been established that the lawyer explained that identity verification by showing photographs to old acquaintances, etc. was one of the means to verify the identity, but various other methods of identity verification were also proposed, and the lawyer advised that the identity should be verified by accumulating as many methods as possible. Therefore, it is found that the lawyer did not necessarily advise that identity verification by an acquaintance was “necessary.”⁹⁶
- Page 11 of the 2018 Report states that the Condominium Headquarters and the Legal

⁹⁶ On the other hand, on page 10 of the 2018 Report, the lawyer's advice on identity verification is described with the correct nuance.

Department assessed that the four warnings sent by content-certified mail (Written Notices 1 through 4) were suspicious documents. While this is true, it is also true that there were many unnatural points in Written Notices 1 through 4 other than the statement that X refused to see visitors, and it should also have been mentioned that that assessment was based on the opinion of the lawyer on the content-certified mails.⁹⁷

- Page 11 of the 2018 Report states that the Legal Department instructed the Condominium Headquarters to obtain the Written Commitment from Fake X as a specific means to ensure thorough identity verification. However, according to the investigation by the Committee, it was found that the advice given by Legal Department Chief Manager Nakata that the Written Commitment should be obtained did not mean that X's identity could be verified using the Written Commitment.⁹⁸ Legal Department Chief Manager Nakata intended to advise that if there were concerns about sabotage, etc. by someone such as Fake X's de facto husband, it would be better to also obtain the Written Commitment from Fake X, on the assumption that the identity of Fake X as the true owner of the Real Property would be verified separately. However, it also appears that the Condominium Headquarters and the Tokyo Condominium Department did not correctly understand the intent of that advice and obtained the Written Commitment to assist with identity verification.

(ii) Cause analysis

Chapter 3 *What Actions Were Necessary* of the 2018 Report was established as an item that seems to correspond to the cause analysis of the Transaction Incident, and various causes of the Transaction Incident were indicated as follows:

- Insufficient initial information and over-reliance on the judgment of person in charge
 - Deputy Chief Sales Manager A1, who was directly in charge of the project, carelessly placed his trust in H1, with whom he did not have a particularly close relationship
 - Deputy Chief Sales Manager A1 placed undue trust in the fact that the Notarized Certificate had been prepared
 - Deputy Chief Sales Manager A1 raised no suspicions about the personal relationship, etc. between Fake X and H1, i.e., the intermediary

⁹⁷ See Section III. 5(3)(xi)

⁹⁸ See Section III. 5(3)(xi)(B)

- No suspicions were raised as to the motives for or background to the sale of the Real Property, which allowed H1 to receive a large profit
- Inadequacy of internal approval procedures
 - Details included in the internal approval request were insufficient
 - Approval was given in a short period of time by having the president give approval in advance of other management, and the content of the Request for Internal Approval was not thoroughly examined
 - No suspicions were raised as to the last-minute change to the corporation that was the intermediary
- Indications of fraud were overlooked at a meeting immediately before the execution of the sale and purchase agreement
 - No suspicions were raised as to the fact that Fake X had written the wrong address
 - The original of the title deed was not confirmed
- Indications of fraud was overlooked after the execution of the sale and purchase agreement
 - Despite having received four content-certified mails in Ms. X's name, it was immediately concluded that that mail was linked to sabotage
 - The emergence of a broker-like person was immediately determined to be linked to sabotage
 - The president of a subsidiary provided information about the reliability of H1, but that was ignored
 - Identity verification by acquaintances was not carried out while obtaining the Written Commitment from Fake X
 - No suspicions were raised as to the fact that Fake X, who claimed to be the owner, was not present at the visit to the Real Property
 - A certificate of identity verification prepared by a lawyer was accepted in lieu of a title deed
 - No suspicions were raised in spite of information that Fake X had mistaken her birthday and zodiac sign
 - On the day of settlement of the remaining balance, settlement was completed while recognizing the unusual situation of being asked to voluntarily accompany the police

Each of the aforementioned facts indicated in the 2018 Report is justifiable in the sense that the damage from fraud resulting from the Transaction could have been prevented if

persons related to Sekisui House had been more cautious in each situation.

However, many of the aforementioned facts are merely a list of possible clues that could have prevented damage from fraud by the Land Fraud Group, taking into consideration the individual, specific circumstances of the Transaction Incident. As a more essential cause analysis for formulating future measures to prevent recurrence, it was necessary to conduct a more in-depth examination into the fundamental causes of those events, such as Sekisui House's management environment and corporate culture, lack of internal control systems, and low risk awareness in land purchases.⁹⁹ Nevertheless, it seems that the 2018 Report did not refer to a more in-depth cause analysis possibly because the formulation of recurrence prevention measures was excluded from the purpose of establishing the 2017 Committee.

From that perspective, the Committee has no major objection to the specific contents of Chapter 3 *What Actions Were Necessary* in the 2018 Report. However, this is only an appropriate indication of the points to be reflected on in the individual case of the Transaction Incident, and cannot be assessed as a true cause analysis that would lead to recurrence prevention measures.

In Chapter 3 of the 2018 Report, it is suggested that suspicions of a personal and inappropriate relationship between H1 and Deputy Chief Sales Manager A1 naturally arose. However, in the course of the Comprehensive Evaluation by the Committee, no evidence was found that Deputy Chief Sales Manager A1 or any other officer or employee of Sekisui House had any improper relationship with the Land Fraud Group or H1 (and there was no such finding in the criminal judgment). The 2018 Report itself acknowledges that there is no evidence for the aforementioned suggestion. Therefore, it was deemed inappropriate to make such a statement in the 2018 Report.

(iii) Recurrence prevention measures

The 2018 Report lacks a detailed description of recurrence prevention measures as a result of the exclusion of examination, discussion, and report to the board of directors of those measures from the purpose of establishing the 2017 Committee immediately prior to the board of directors meeting held on January 24, 2018. In other words, Chapter 5 of the 2018 Report avoids making proposals on recurrence prevention measures, stating that "it

⁹⁹ It was found that Chapters 3 through 5 of the draft titled *Draft Investigation Report (12/21)* as of December 2017 contained details related to various cause analysis and measures to prevent recurrence.

is not sufficient to point out individual matters that need improvements” and proposes to establish a project team under the leadership of the chief executive officer and fundamentally review personnel and systems.

The fact that the contents of the 2018 Report were limited to the aforementioned level is extremely regrettable, in light of the fact that the 2017 Committee had the role of giving recommendations for cause analysis and prevention of recurrence, delegated at the board of directors meeting held on September 7, 2017, and that Sekisui House had an opportunity to establish more effective corporate governance and internal controls as a result of the Transaction Incident.

(iv) Discussion on responsibilities

Although it was not originally included in the matters delegated by the board of directors, Chapter 4 *Committee Views on Responsibility for the Incident* in the 2018 Report asserts the responsibility of the departments and officers, etc. involved in the Transaction Incident. The Committee evaluates the contents of those responsibilities below.

(A) Condominium Headquarters and Tokyo Condominium Department

The 2018 Report indicates that the Tokyo Condominium Department was responsible for the fact that it ultimately completely ignored several suspicious clues about the Transaction. The report also indicates that although the Condominium Headquarters was in a position to grasp the overall picture of the transaction and make correct decisions, it failed to fulfill its responsibility.

This is not so much an argument of responsibility for individual officers and employees, as it describes the problems and insufficiencies of the department, which can be said to substantially belong to cause analysis. The Committee’s investigation also revealed that the Condominium Headquarters, led by General Manager Mitani, took an extremely strong stance that the Transaction should be realized and acted in a manner that underestimated the risks involved, and did not perform an adequate guidance and supervision function to the Tokyo Condominium Department, which was directly in charge of the Transaction. In addition, it was found that the chief managers of the General Affairs Department and the Real Estate Department, both of which belong to the same headquarters, also failed to play an adequate role in guiding and supervising the response to the potential risks in the Transaction. Therefore, the matters indicated in the 2018

Report on this point are found to be justifiable in principle.

(B) Legal Department

The 2018 Report indicates that the Legal Department was responsible for easily trusting the Notarized Certificate and the passport, and for allowing the settlement of the remaining amount to be moved forward by using the Written Commitment from Fake X, despite having received Written Notices 1 through 4 in the form of content-certified mail. As in the case of the Condominium Headquarters, etc., that indication in the 2018 Report does not find fault with individual officers and employees, but rather states problems or malfunctions by the department, which can be said substantially belong to the cause analysis.

On this point, the Committee does not believe that the Legal Department should be strongly condemned for having placed a certain amount of trust in the Notarized Certificate and passport in accordance with common social norms. It was also found that the proposal by Legal Department Chief Manager Nakata to obtain the Written Commitment was not for the purpose of identity verification, but as a countermeasure against sabotage by persons around Fake X (however, it is possible that this intention was not accurately conveyed to the Tokyo Condominium Department). Therefore, it is not appropriate to overestimate this point as the fault of the Legal Department.

However, in light of the descriptions of Written Notices 1 through 4, it can be said that the Legal Department, which specializes in legal risk management, was expected to have suspicions about the identity of Fake X in the Transaction and to proactively participate in the Transaction without leaving it to people on the front line.¹⁰⁰ In this sense, the Legal Department was expected to be more proactively involved by, for example, questioning the specific identity verification methods used by the Tokyo Condominium Department and guiding the department to use other more effective methods to ensure identity verification, and obtaining a second opinion from a lawyer. It can be deemed that the result of allowing the settlement of the remaining amount to be moved forward without that involvement means that the department did not fulfill a sufficient checking

¹⁰⁰ However, the lawyer with whom the Tokyo Condominium Department consulted was also skeptical that those content-certified mails were sent by the true owner, and it does not seem remarkably unreasonable at the time for the Legal Department to consider them as a kind of interference by someone else. As described in Section III.5(3)(x), the criminal court found that these content-certified mails were sent by Ms. X's brother, not by Ms. X herself.

function, as the 2018 Report indicates.

(C) Responsibility of Real Estate Department

The 2018 Report indicates that the Real Estate Department was responsible for the decision to postpone the examination of the internal approval for the Transaction by the key officers, as a result of being urged by the Condominium Headquarters to get internal approval, and that the Real Estate Department did not share negative information from the president of Sekiwa Real Estate Kansai with the Legal Department. As in the case of the Condominium Headquarters, etc., these indications state the problems or malfunctions by the department, which can be said substantially belong to the cause analysis.

On this point, in light of the circumstances at the time, it is not clear whether the Transaction Incident could have been prevented if the Real Estate Department had circulated the internal approval properly and provided risk information to the Legal Department. However, as stated in Section V above, it cannot be denied that the Real Estate Department did not adequately fulfill the checking function that was originally expected of it as a specialized department of the headquarters, especially in relation to the condominium business. On this point, the Committee agrees with the assessment in the 2018 Report that the Real Estate Department's risk management was insufficient.

(D) Responsibilities of the four key officers and the chief operating officer

The 2018 Report analyzes the responsibilities of four key officers (i.e., Executive Vice President Inagaki, Senior Managing Officer Uchida, Managing Officer Nakai, and Managing Officer Uchiyama) and the chief operating officer (President Abe) and concludes that they are all responsible.

However, unlike the relevant departments involved in the Transaction stated in (A) to (C) above, it is unclear what any discussion of the responsibilities of those directors would mean for the cause analysis and the recurrence prevention measures. It is also unclear whether the responsibilities of those directors, as indicated in the 2018 Report, means legal responsibility or moral responsibility. If the former is the case, the basis for the assessment that it falls under the category of neglect of duties as a director is not clearly shown in the 2018 Report, and there is no premise for discussing responsibility. Simply stating that "the examination was insufficient" or "[they are] the last line of defense" cannot be a basis of legal liability.

Furthermore, even if it is highlighted from the perspective of moral and management responsibility, the Transaction Incident is not a case of misconduct by Sekisui House and its related parties, but a case in which damage caused by fraud by the Land Fraud Group could not be prevented. As already stated in Section V, the causes of the failure to prevent the aforementioned damage are recognized in terms of Sekisui House's then internal approval system, internal environment and internal controls, or lack of risk awareness. This does not mean that a heavy responsibility should only be placed on some of the executive directors, but it is a shared issue for people who managed Sekisui House in the past and up to the Transaction Incident.

(v) Responsibilities of the board of directors and the audit & supervisory board

The 2018 Report indicates that the board of directors and the audit & supervisory board do not have any direct responsibility for the Transaction and that there is "responsibility for the consequences" for the fact that there were defective parts in the operation of the system. However, it is not necessarily clear what is meant by the term, "responsibility for the consequences." Furthermore, although that refers only to the operation of the system, it is not clear whether the determination is that there was no problem with the structure of the system.

In any case, according to the evaluation by the Committee, the cause of Sekisui House being unable to prevent the Transaction Incident is as detailed in Section V above and the Committee believes that all members of the board of directors are responsible for using Transaction Incident as an opportunity to review the internal environment of Sekisui House and strive for more enhanced internal control and improvements to risk awareness (that is to say, the responsibility should not be borne solely by the chairman and representative director at that time).

(4) Summary

Based on the above analysis, while there are some inconsistencies with regard to the contents of the 2018 Report for the fact-finding in relation to the Transaction Incident, the Committee recognizes that, generally, the investigation and report are adequate.

On the other hand, the cause analysis could not fully clarify the underlying causes of why Sekisui House was unable to prevent the damage caused by the Transaction and, as a whole, only pointed out individual facts specific to the Transaction. The 2018 Report does

not contain any analysis or argument for recurrence prevention measures, which was supposed to be the purpose of the 2017 Committee, but only recommended to establish a project team under the leadership of chairman and representative director at that time and to “fundamentally review personnel and systems.” Meanwhile, it was pointed out that four key officers and the chief operating officer were responsible for the Transaction Incident without any clarification of the nature of that responsibility.

Even though we put aside the question that clarification of the responsibility of officers and employees was not included in the purpose of the 2017 Committee, it does not seem appropriate to only accuse a particular director of some responsibility without conducting an in-depth cause analysis on the failure to prevent the Transaction Incident or showing specific grounds of the responsibility.

For the reasons stated above, the Committee generally endorses the investigation of facts and fact finding in the 2017 investigation; however, the Committee believes that the cause analysis on the failure to prevent the Transaction Incident has not been conducted sufficiently. We believe it also a problem that, despite the initial commissioning by the board of directors, no specific recommendations on recurrence prevention measures have been offered.

2. Assessment of the Process for Formulating the Recurrence Prevention Measures

In this section, the process by Sekisui House so far to formulate recurrence prevention measures will be evaluated.

- (1) Formulation of a checklist and the commencement of application of new real estate purchasing procedures

After the Transaction Incident and following mutual consultation, the Legal Department and Real Estate Department, which are risk management departments of the head office, commenced the following operations from August 2017 as specific initiatives to prevent any recurrence, as mentioned in Section VI, to deal with the specific issues in the real estate purchasing process.

- (i) Maintenance of a checklist that is the basis for risk assessments and sharing among the relevant departments

- (ii) Collection (through interviews) of “counterparty information” before internal approvals based on the checklist, risk reviews, and opinions of examiners before internal approval
 - (iii) After internal approval, enhanced project management and expansion of the gathering of risk information from the execution of the agreement to transaction settlement
 - (iv) Individual examinations regarding registration procedures not using registration identification information or registration certificate
- (2) Formulation of recurrence prevention measures by the Risk Management Committee

The Risk Management Committee comprising Executive Vice President Inagaki, Senior Managing Officer Uchida, Managing Officer Nakai, Managing Officer Miura, Managing Officer Nakata, Executive Officer Yamada, and Executive Officer Teramura discussed the initiatives introduced at the Legal Department and the Real Estate Department detailed above, as well as the revision of internal approval requests and the establishment of a management meeting, among other things, at the committee meetings on June 26, July 28, August 30, November 1 (extraordinary), November 21 and December 20, 2017, and January 23 and February 27, 2018, after the Transaction Incident. At the committee meeting on November 21, discussions were based on an oral report by the 2017 Committee given at the board of directors meeting on November 20. The specific details of the deliberations are detailed in the following table:

Meeting Date	Deliberation Matters
June 26, 2017 (5th)	Report on the Transaction Incident
July 28, 2017 (6th)	Deliberation of <i>Preventive Measures Against Real Estate Transaction Incidents</i> , including a checklist formulated by the Legal Department and the Real Estate Department
August 30, 2017 (7th)	Same as above
November 1, 2017 (extraordinary)	Deliberation on additional matters proposed in the internal approval (including revision of the Approval Rules)
November 21, 2017 (8th)	Deliberation on review of internal approval (including the Electronic System for Requesting Approval)
December 20, 2017 (9th)	Deliberation on the establishment of a management

	meeting
January 23, 2018 (10th)	Deliberation on the establishment of a management meeting
February 27, 2018 (11th)	Deliberation on the establishment of a management meeting

(3) Deliberation on the recurrence prevention measures at board of directors meetings

The status of deliberations at board of directors meetings regarding the Transaction Incident and the recurrence prevention measures are as follows:

Meeting Date	Matters Reported/Resolved
June 9, 2017	Report on the occurrence of the Transaction Incident
July 20, 2017	Progress report on the Transaction Incident
September 7, 2017	Establishment of the 2017 Committee and resolution for punishment of directors by reduction of remuneration
November 20, 2017	Summary report of the 2017 Committee
January 24, 2018	Submission of a final report by the 2017 Committee
February 15, 2018	Resolution on the establishment of a management meeting
March 22, 2018	Resolution on the introduction of a division system
June 8, 2018	Resolution on the revision of the Approval Rules and the Electronic System for Requesting Approval

(4) Public announcement of the recurrence prevention measures

A summary of the recurrence prevention measures was announced in a press release on March 6, 2018 after discussions by the Risk Management Committee, and the specific measures shown in the release have been successively implemented. Following that, other measures that are effective in improving the issues pointed out in this Comprehensive Evaluation Report have been successively taken by the company. Details are shown in Section VI.

(5) Evaluation of the process for formulating the recurrence prevention measures

Certain recognition can be given with regard to the fact that the Legal Department and the Real Estate Department, which are the risk management departments of the head office, have promptly responded to a certain degree in taking the recurrence prevention measures as well as that the recurrence prevention measures have been taken after much consultation by the Risk Management Committee, and the process has progressed with involvement by the relevant departments, and multiple directors and executive officers. The effectiveness of these recurrence prevention measures is as detailed in Section VI above.

On the other hand, discussions by the board of directors on measures to prevent recurrence regarding the Transaction Incident have followed the sequence detailed below.

As detailed in Paragraph 1 above, the 2017 Committee was provisionally established (formally approved on September 7) after the board of directors meeting on July 20, 2017 as an investigation body of the board of directors in relation to the Transaction, and the purpose of the committee was to investigate the cause and discuss and verify recurrence prevention measures, among other matters. Therefore, it is believed that at that time the board of directors put the discussion and verification of recurrence prevention measures into the hands of the 2017 Committee.

However, the 2018 Report compiled on January 24, 2018 does not contain any specific description of measures to prevent recurrence and makes not the slightest mention of the recurrence prevention measures already introduced or any measures under consideration at the time of preparing the report.

The board of directors received a report from the Risk Management Committee, which contained the recurrence prevention measures of the Transaction Incident, and the establishment of a management meeting and the reform of the internal approval system as well as other matters as specific recurrence prevention measures that had been taken on as individual matters to be resolved at a board of directors meeting.

However, there is no evidence of discussions at board of director meetings on what the recurrence prevention measures should be based on the result of the 2018 Report or comprehensive analysis of the cause of the Transaction Incident, and, once again, the policy to analyze the Transaction Incident and the recurrence preventive measures, including cause analysis, in the current Comprehensive Evaluation Report has been adopted.

While the effectiveness of the measures taken to prevent recurrence can be recognized to

a certain degree, as detailed in Section VI, not all of the direct and indirect causes that encompass the Transaction Incident have been presented for consideration, and comprehensive recurrence prevention measures have not been established to date (although various measures introduced afterward in fact respond to the problems identified in this Comprehensive Evaluation Report). Therefore, the Committee truly expects that the board of directors will sincerely double check whether every problem pointed out in this report has been dealt with, that it accumulates the process to complement the missing measures, and that it improves the weakness inherent in Sekisui House's organization.

3. Stance Regarding Information Disclosure

(1) Information disclosure on the occurrence of the Transaction Incident

(i) Disclosure immediately after the occurrence of the Transaction Incident

(A) What was disclosed

Sekisui House announced that the Transaction Incident had occurred through a press release titled "Notice Regarding Problems with the Purchase of the Land for Condominiums" on August 2, 2017.

(B) Matters for consideration regarding the disclosure

Although the press release was a voluntary disclosure by Sekisui House because the occurrence of the Transaction Incident is not subject to statutory disclosure under the Financial Instruments and Exchange Act or timely disclosure on a financial instruments exchange, consideration is given to whether the information disclosure was timely and appropriate in light of the fact that it took nearly two months after June 9, 2017 (i.e., when notice was received of the Registration Application Rejection) before the above press release was announced and the fact that the explanation of the circumstances in the press release was very brief.

(C) Circumstances leading to the disclosure

On this point, from middle through to the end of June 2017, immediately after the

Transaction Incident was detected, Sekisui House proceeded with the preparation of a draft document for voluntary disclosure and a Q&A, etc. internally, recognizing that, although prompt voluntary disclosure is desirable, it is necessary to closely observe the intention of criminal investigating authorities, and it was conducting preparatory work, such as obtaining advice from a lawyer at a law firm that dealt with civil and criminal matters (the “Lawyer in Charge”) for the matter and seeking prior consultation with the investigating authorities through the Lawyer in Charge.

Given that background, with regard to the timing of the announcement, it was tentatively decided, based on the advice from the Lawyer in Charge, to essentially adopt a plan of making an announcement at the stage of accepting a criminal complaint with an emphasis on the fact that the criminal complaint was being prepared and the secrecy of the criminal investigation.

However, as a result of further consideration from the viewpoint of accountability to investors and other stakeholders, a plan was made to announce the above press release on August 2, after an explanation to investigating authorities with an emphasis on the viewpoint of preventing any disadvantage to bondholders who purchase hybrid corporate bonds that were scheduled to be issued in August.

(D) Evaluation

As stated above, the Transaction Incident was announced on August 2, 2017 after comprehensively considered the advice from the Lawyer in Charge, accountability to shareholders and other stakeholders, the fact that Sekisui House was a victim of the fraud, the viewpoints of the criminal investigation status and cooperation with investigating authorities on the matter, the timing of deciding the terms of hybrid corporate bonds, and the situation surrounding press coverage, among other factors. In light of the above circumstances, the disclosure of the occurrence of the Transaction Incident on August 2, 2017 could not be considered inappropriate. In addition, the fact that the case was only explained very briefly in the press release cannot be considered a particular problem on the basis of the status of the case being under a criminal investigation and the advice given by the Lawyer in Charge.

(ii) Subsequent information disclosure on the Transaction Incident

(A) What was disclosed

The establishment of the 2017 Committee was subsequently announced in a press release titled “Notice Regarding the Establishment of the Committee for Investigation and Countermeasures on Problems with the Land for Condominiums” dated September 7, 2017, and a summary of the development and actions for preventing recurrence in response to the 2018 Report received on January 24, 2018 was announced in the press release titled “Report of Summary of Development of the Problems with the Purchase of the Land for Condominiums” (the “Development Report Press Release”) on March 6, 2018.

Specifically, that press release gives a summary of the developments of the matter, the causes of the failure to prevent damage in the matter, the opinions and the proposals for countermeasures of the 2017 Committee related to the responsibilities of this case and the recurrence prevention measures, each of which are only general statements.

The 2018 Report itself has not been disclosed at this stage (this Comprehensive Evaluation Report is supposed to be released and the 2018 Report is also to be disclosed as an attachment of this Comprehensive Evaluation Report).

(B) Matters for consideration regarding the disclosure

With regard to the subsequent state of information disclosure on the Transaction Incident mentioned above, consideration has been given to the timeliness and appropriateness of the information disclosure in light of the fact that the Development Report Press Release was announced about one and a half months after the date of receipt of the 2018 Report (about nine months after the Transaction Incident was detected), the fact that the contents are only general statements, and the fact that the 2018 Report itself has not been disclosed by Sekisui House so far.

(C) Circumstances leading to the disclosure

As mentioned above, the content and timing, etc. of the information disclosure on the occurrence of the Transaction Incident was carefully considered, mainly by the Public Relations Department and the Legal Department, before the announcement of the press release dated August 2, 2017 on the occurrence of the Transaction Incident, and the board of directors also carried out discussions.

However, it cannot be said that sufficient consideration or discussions have been carried

out internally on how to deal with information disclosure on the development of facts and recurrence prevention measures after the above press release on the occurrence of the Transaction Incident was made. As mentioned above, the 2017 Committee was provisionally established after the board of directors meeting on July 20, 2017 and its establishment was formally approved at the board of directors meeting on September 7, 2017. This information was disclosed in the press release titled “Notice Regarding the Establishment of the Committee for Investigation and Countermeasures on Problems with the Land for Condominiums” dated September 7, 2017. At that time, however, there were no particular discussions on what kind of information disclosure should be conducted regarding the investigation results of the 2017 Committee. In addition, the 2017 Committee gave an oral report at the board of directors meeting on November 20, 2017, and then the 2018 Report was reported to the board of directors on January 24, 2018; however, even with these reports given by the 2017 Committee, there is no evidence of any discussions on what disclosure should be made.

Under these circumstances, the Development Report Press Release was announced on March 6, 2018, at the same time as the press release titled “Notice Regarding Litigation Demand from Shareholder” regarding the litigation demand from shareholders of Sekisui House relating to the Transaction Incident.

Subsequently, at the board of directors meeting on March 8, 2018, some members of the 2017 Committee expressed an opinion to request the disclosure of the 2018 Report excluding names of individuals, etc. for the first time.

Furthermore, at the board of directors meeting on March 22, 2018, there were discussions on whether and how to disclose the 2018 Report. During those discussions, outside directors/audit & supervisory board members who were members of the 2017 Committee expressed various opinions, etc. to the effect that (i) the 2018 Report should be announced promptly after confirming with criminal investigating authorities, (ii) a sufficient legal check should be made with regard to the method of disclosing the 2018 Report, etc., and (iii) even though a seal was affixed, it was his understanding that the 2018 Report was not supposed to be disclosed and the main part of the report was up to the description that “the foregoing are all the investigation results,” and the case is still subject to a criminal investigation, the risk of defaming a third party should be taking into consideration, including whether only the deletion of individuals’ names is sufficient, and after doing that, he will leave the matter to the company’s decision.

In addition, when seeking advice on the disclosure of the 2018 Report from the Lawyer in Charge from the Legal Department of Sekisui House, the Lawyer in Charge expressed an opinion that “I think the company should strictly refrain from disclosing this report (note: meaning the 2018 Report). In the event of disclosure, it should prepare a simplified outline version and disclose only the outline.” The grounds of this opinion include that fact the 2018 Report was prepared only for internal use and not on the assumption that it would be disclosed publicly, as well as the fact that the impact that disclosure would have on the criminal investigation and trial would be profound, because “documents widely disclosed to the public should be prepared after being considered from every angle and eliminating any misleading expression or any description that is likely to be severely criticized by a third party as much as possible,” but “descriptions that might massively mislead a third party and descriptions including problems are found here and there.”¹⁰¹

(D) Evaluation

Based on the advice of the Lawyer in Charge, we believe it was unavoidable for Sekisui House to make the decision to not disclose the entire text of the 2018 Report while the criminal case trial is ongoing.

Further, it is understandable to some extent that the descriptions in the Development Report Press Release about the summary of developments of the case and the causes for Sekisui House being unable to prevent damage are only a general outline.

However, as mentioned above, we cannot say that there was sufficient consideration and discussion internally on how to deal with information disclosure on the development of facts and recurrence prevention measures after the press release on the occurrence of the Transaction Incident in August 2017, and it is also hard to say that the contents or level of the disclosure in the Development Report Press Release in March 2018 were determined through sufficient internal discussions and consideration. Information disclosure could have been made immediately after receiving the 2018 Report on January 24, 2018. In determining how information should be disclosed, greater priority should be given to shareholders and other stakeholders. The Committee expects that Sekisui House

¹⁰¹ Specifically, this refers to descriptions that might raise suspicions that Deputy Chief Sales Manager A1 had an inappropriate relationship with the Land Fraud Group, the fact that negligence by the employees of Sekisui House has been emphasized, which is likely to be misused by the Land Fraud Group, and the fact that it was arbitrarily determined that H1 was a member of the Land Fraud Group, which is likely to constitute defamation. It is acknowledged that this advice is somewhat rational in light of the fact that the grounds for those descriptions in the 2018 Report are not necessarily sufficient.

will bear that point in mind for the future.

As mentioned above, Sekisui House is a victim of fraud in this case and, as advised by the Lawyer in Charge, caution was required for the disclosure of information while the criminal investigation against the Land Fraud Group and the criminal case trial were pending, and now, one of the reasons why Sekisui House has entrusted this Comprehensive Evaluation to the Committee is to make the announcement in order to fulfill Sekisui House's accountability obligations, given that the indicted Land Fraud Group has been fully convicted in the first instance and most of those convictions have become final and binding. We believe this can be recognized as an indication of Sekisui House's attitude of achieving appropriate information disclosure and fulfilling accountability obligations to stakeholders.

VIII. Conclusion

The Transaction Incident is a case where the Condominium Headquarters and the Tokyo Condominium Department became excited to the point of carelessness at an opportunity to purchase an optimal condominium site with favorable conditions. They believed that the various yellow or red flag events were signs of interference with the transaction, without making careful checks based on the transaction characteristics. Eventually they made a payment that resulted in significant damage. The structural factors of Sekisui House that caused the Transaction Incident were considered to be: strong sectionalism (a corporate culture in which employees are resistant to interference by the head office or other departments and in which it is hard for them to raise objections to vertical, top-down decision making); a weak checking function (unclear checking authority, lack of self-awareness of checking duties, and lack of checking expertise); and low risk awareness (lack of measures to increase risk awareness).

Since its foundation in 1960, Sekisui House has achieved constant growth with a focus on its single-family housing business. Under the circumstances, the company may have had few opportunities, until the detection of this Transaction Incident, to become aware of the structural factors pointed out in this Comprehensive Evaluation Report as factors that may cause failures. However, for Sekisui House which has grown into a two-trillion-yen company with a wide range of businesses, a failure to eliminate the aforementioned structural factors might cause another unexpected failure.

It is hoped that the management of Sekisui House will become strongly aware of its accountability to the company's stakeholders, which should be fulfilled sincerely, instead of only looking inward. It is expected that this Comprehensive Evaluation Report will serve as a trigger for the company to again reflect on the Transaction Incident and, with this as the starting point, ask itself whether sufficient recurrence prevention measures have been implemented to resolve the structural issues. It is also expected the company will consider whether it has disclosed information and conducted dialogue sufficiently to fulfill its accountability, and make sure any inadequacies are corrected whenever a new event arises.

And, in order to ensure this, it is essential that independent outside directors who take pride in representing stakeholders will develop and reinforce a structure that provides governance to the management.

These efforts are still underway. It is keenly hoped that this Comprehensive Evaluation Report will be of some help to Sekisui House in making tireless efforts in the future without staying in the comfort zone associated with its business performance.

EXHIBITS

(omitted)

APPENDIX

Investigation Report

January 24, 2018

To: Sekisui House, Ltd.

Chairman of the Board of Directors

Isami Wada, Chairman and Representative Director

Submission of Investigation Report

We hereby present this report in response to the request at the meeting of the Board of Directors held on July 20, 2017 for an investigation of the transaction incident related to the purchase of a condominium site.

Committee for Investigation and Countermeasures

Chairman	Yoshinori Shinohara
Member	Takashi Kobayashi
Member	Teruyuki Saegusa
Member	Shiro Wakui

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Chapter I Introduction

1. Social Significance of the Case

This is a case where a company listed on the first section of the Tokyo Stock Exchange that specializes in a real estate business suffered a loss of 5.55 billion yen in the largest ever land fraud. It is also presumed that the lost money went to the underworld. Like a major financial institution suffering significant damage from bank transfer fraud, this is something that does not usually happen and should never happen.

2. Background and Objectives of the Committee for Investigation and Countermeasures

With an understanding that the Company is facing a serious situation, the Committee for Investigation and Countermeasures (the “**Committee**”) was provisionally established after the meeting of the Board of Directors held on July 20, 2017 at the request of the Chairman, and it was officially established after it was approved at the meeting of the Board of Directors held on September 7, 2017.

The Committee will clarify the factual background from a fair and equitable perspective, investigate the causes of the incident, and clarify what actions the Company should have taken and how the incident could have been prevented. The purpose of those activities is to report to the board of directors on what to do in future in order to create a better business system based on the findings.

* The Company reported the incident to the public on August 2, 2017 in a news release titled Notice Regarding Problems with the Purchase of the Land for Condominiums (the “**August 2 Announcement**”).

3. Committee Members

The Committee consists of the following four members.

Name:	Committee for Investigation and Countermeasures
Chairman:	Yoshinori Shinohara (Outside Audit & Supervisory Board Member of the Company, Certified Public Accountant)
Member:	Takashi Kobayashi (Outside Audit & Supervisory Board Member of the Company, Attorney-at-law)
Member:	Teruyuki Saegusa (Outside Director of the Company, Representative Director of Saegusa Circulation Research Co., Ltd.)
Member:	Shiro Wakui (Outside Director of the Company, Distinguished Professor of Tokyo City University)

The appointment of an assistant was approved at the meeting of the Board of Directors held on September 7, 2017.

Assistant: Shinji Maeda (Certified Public Accountant)

4. Overview of the Investigation Procedure

The investigation was conducted by interviewing officers and employees of the Tokyo Condominium Department and the Condominium Headquarters who were involved in the transaction, as well as related people from the Real Estate Department, the Legal Department, and other departments. The specific details of the investigation procedure are as follows.

- Interviews

Interviews were conducted in accordance with the following schedule. In addition, interviews were conducted with the real estate internal request approvers, President Abe and Chairman Wada.

Date	Interviewee	Interviewer	Notes
2017-09-01	Kuroda, Executive Officer and Chief Manager of the Real Estate Department Nakata, Managing Officer and Chief Manager of the Legal Department	Auditor Shinohara, Auditor Kobayashi, and Director Wakui	Preliminary interview
2017-09-07	Mitani, Managing Officer and General Manager of the Condominium Headquarters	Auditor Shinohara, Auditor Kobayashi, and Director Wakui	Preliminary interview
2017-09-14	Condominium Headquarters ****, Chief Manager of the Real Estate Department Tokyo Condominium Department ****, Chief Manager of the Tokyo Condominium Department ****, Deputy Chief Manager of Technology ****, Deputy Chief Manager of Sales ****, Manager of General Affairs ****, Manager of Business Development Office Tokyo Office Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office	Auditor Shinohara, Auditor Kobayashi, and Accountant Maeda	Conducted at a conference room of the Tokyo Administration Office
2017-10-16	Internal request approvers Inagaki, Director and Executive Vice President Uchida, Director and Senior Managing Officer	Auditor Shinohara, Auditor Kobayashi, Director Wakui, and Accountant Maeda	

	<p>Nakai, Director and Managing Officer Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Department ****, Chief Manager of the Corporate Management Planning Department People involved in the transaction Kuroda, Executive Officer and Chief Manager of the Real Estate Department Nakata, Managing Officer and Chief Manager of the Legal Department Mitani, Managing Officer and Chief Manager of the Condominium Headquarters</p>		
2017-10-19	President Abe	Auditor Shinohara, Auditor Kobayashi, Director Saegusa, Director Wakui, and Accountant Maeda	
2017-10-19	Chairman Wada	Auditor Shinohara, Auditor Kobayashi, Director Saegusa, and Director Wakui	

* Secretariat **** was present at all of the above interviews.

- Email review (conducted on 2017-10-02, Auditor Shinohara, Accountant Maeda, and **)**

Email data (31,277 messages) for the period from March 1, 2017 to July 31, 2017 was collected for the 25 key people involved in the transaction in the following table.

From this data set, we conducted a keyword search for “Gotanda” and visually checked the extracted data (2,756 messages) and selected important messages, mainly those for information sharing between departments. We also searched email messages that were sent before and after those emails to extract more important emails. As a result, we documented 52 emails related to decisions in the land fraud case and 10 emails related to information disclosure.

As a result, no emails were found that referred to circumstances that deviated significantly from the facts ascertained during the interviews.

[People subject to the email review]

Individuals related to Condominiums	Condominium Headquarters	Mitani, Managing Officer and General Manager, ****, Chief Manager of the Real Estate Department, ****, Chief Manager of the General Affairs Department, ****, Chief Manager of the Technology Department
	Tokyo Condominium Department	****, Chief Manager, ****, Deputy Chief Manager of Technology, ****, Deputy Chief Manager of Sales, ****, Manager of General Affairs, ****, Manager ****, Manager
Individuals related to the Real Estate Department	Real Estate Department	Kuroda, Executive Officer and Chief Manager of the Real Estate Department, ****, Senior Manager, ****, Manager ****, Assistant Manager
Individuals related to the Legal Department	Legal Department	Nakata, Managing Officer and Chief Manager of the Legal Department, ****, Senior Manager, ****, Assistant Manager ****, Assistant Manager
Individuals related to the internal approval		Inagaki, Executive Vice President, Uchida, Senior Managing Officer and Chief Manager of the Personnel Department, Nakai, Managing Officer Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Department ****, Chief Manager of the Corporate Management Planning Department
Individuals related to the President	Secretariat	****, Chief Secretary

- Materials obtained

Based on the written statement dated July 20, 2017 (prepared by Deputy Chief Manager of Sales **** and submitted to the Second Investigation Division of the Tokyo Metropolitan Police

Department), we prepared a background statement by adding to that written statement material facts in documents such as a background statement from the Condominium Headquarters, a request for internal approval, and a written report from the interviewees (see Investigation Data).

Chapter II Background to the Incident

1. Summary of the Case

The case developed through each of the steps detailed below in Section 2 (Obtaining Initial Information) onwards, but the following is a summary of the case.

In the course of business conducted by the Company through the Tokyo Condominium Department, the Company decided to purchase land and a building in Gotanda, Tokyo (the “**Property**”) (with earnest money of 20 million yen) from a person **** (who later turned out to be an imposter, “**Fake ******”), who claimed to be the owner, in a form in which the Property was resold by KK **** (“**KK ******”), which is a company that is effectively controlled by **** (“****”), who claims to be an acquaintance of Fake ****, as an intermediary purchaser and seller. Following that, the intermediary was changed from KK **** to **** KK (“**** **KK**”), and on April 24, 2017, **** KK executed a purchase and sale agreement for 6 billion yen with the owner and a purchase and sale agreement for 7 billion yen with the Company at the same time. The parties also carried out provisional registration application procedures for the transfer of ownership, the Company paid increased earnest money of 1.4 billion yen (of which, 1.2 billion yen was paid to the owner and 0.2 million yen was paid to the intermediary), and completed the provisional registration.

Later, the Company received multiple letters by contents-registered mail from the true **** stating that she is the true owner of the Property and that she did not plan to sell the Property and she has not made a provisional registration, and demanding that the provisional registration be cancelled. In addition, several broker-like people appeared who claimed that there were problems with ****’s business dealings, and they visited the Tokyo Administration Office and the Tokyo Condominium Department, sent letters to the President, and made phone calls to the head office of the Company. Information about the contents-certified mail was shared between the Condominium Headquarters and the Legal Department, but the Real Estate Department was not informed. Akira Kuroda (“**Kuroda**”), Executive Officer and Chief Manager of the Real Estate Department, was informed by the president of a subsidiary of the Company that there was a risk that **** might not be trustworthy, and that information was communicated to Kazushi Mitani (“**Mitani**”), Managing Officer and General Manager of the Condominium Headquarters, as a matter of concern, but that information was not communicated to the Legal Department.

With the appearance of a person claiming to be the true owner, there was initially an issue of re-confirming the identity of the owner, and a lawyer and others suggested that “identification by acquaintances” is also necessary, but in the end, Fake **** did not appear at the site during the building inspection on May 19, 2017, and “identification by acquaintances” was never conducted.

Meanwhile, at a meeting of the Condominium Headquarters held on May 22, 2017 attended by both Mitani and Koji Nakata (“**Nakata**”), Managing Officer and Chief Manager of the Legal Department, it was decided that payment of the remaining balance due on July 31, 2017 should be made as early as possible to avoid the involvement of the broker-like people.

Following that, the Company proposed to **** and Fake **** that the settlement be brought forward to June 1, 2017, and it amended the agreement so that the payment of the balance and the date of the transfer of ownership would be June 1, 2017. On that day (June 1, 2017), the police came to the site and asked an employee of the Company who went to inspect the site to voluntarily accompany them, but despite this, a total of approximately 4.9 billion yen was paid to **** KK as the sale price, leaving 700 million yen in reserve, and the registration of the transfer of ownership was carried out. However, on June 6, 2017, the Legal Affairs Bureau informed the Company that it intended to reject the application for registration, and on June 9, 2017, the Company received a formal notice of rejection of the application for registration, revealing that Fake **** was a false owner of the Property. At that point, the Company had already lost contact with Fake ****. The Company executed a condominium purchase and sale agreement with Fake **** for approximately 750 million yen and withheld the proceeds, so the Company’s actual damage was approximately 5.55 billion yen as a result of the setoff due to the cancellation of the condominium purchase and sales agreement.

As explained above, the Company was the victim of an extremely large land fraud case worth 5.55 billion yen.

2. Obtaining Initial Information

On March 30, **** (“*****”), Chief Deputy Sales Manager of the Tokyo Condominium Department, obtained information about the Property from ****, who met **** at a private meeting, but given that that was a well-known property owned by a landowner who would never sell, **** thought that ****, who had little real estate knowledge, would never be able to obtain that land.

Initially, **** indicated the following to **** because it was a matter of course that it was absolutely necessary to verify the identity of the true owner.

- (1) **** advised **** to be careful that the transaction is not a land scam suggesting that **** should check to see if the other party is the true owner and that he should not pay the deposit if not.
- (2) When **** asked **** about purchasing the land on March 30, 2017, **** doubted that that would be possible and assumed that **** would not have the funds to purchase the Property.
- (3) The Property was well known in the industry as a property owned by a person who would not sell, and sales representatives of the Company had not been able to contact the owner, so even

though there were rumors that the Property might be for sale, it was understood that the Property would cost 8–10 billion yen if it were to be sold in a bid.

However, on April 3, 2017, **** signed a purchase and sale agreement for a deposit in a small amount (20 million yen) and confirmed the seller's identity with her passport, seal impression, and seal certificate at a notary's office, where he was shown a Notarized Certificate (which was only verified with the forged passport that had been presented), and actions were taken to go ahead with purchasing the Land from Fake **** in the form of a resale from **** (**** KK).

3. Internal Approval Procedures

At a meeting held on April 14, 2017, Mitani, **** (“****”), Chief Manager of the Real Estate Department in the Condominium Headquarters, **** (“****”), Chief Manager of the Tokyo Condominium Department, **** (“****”), Deputy Chief Manager of Technology of the Tokyo Condominium Department, and **** agreed to proceed with the purchase of the Property and decided to prepare a request for internal approval for the purchase of the Property by the morning of April 17, 2017. In addition, they decided to include the Property in the properties to be visited by President Toshinori Abe (the “**President**”) on April 18, 2017. The Condominium Headquarters sent the request for internal approval to the Real Estate Department on the same day.

On April 19, 2017, the Real Estate Department accepted the request for internal approval, and on that date, ****, Chief Manager of the Corporate Management Planning Department, Hideyuki Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Department, and Koji Nakata (“**Nakata**”), Managing Officer and Chief Manager of the Legal Department, checked the contents of the request for internal approval as related departments. Prior to that, Kuroda, who had received an urgent request from Mitani and **** to take immediate action, decided to postpone circulating that request for internal approval to the four remaining internal request approvers (Kazuchika Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office, Yoshihiro Nakai, Director and Managing Officer, Takashi Uchida, Director and Senior Managing Officer, and Shiro Inagaki, Director and Executive Vice President), and on April 20, 2017, Kuroda himself took the request for internal approval to the President and obtained the approval of the President. The President did not ask any specific questions at that time, including the change to the counterparty, which is discussed below.

The request for internal approval mainly focused on matters such as business feasibility, and as for the seller, KK ****, there was only a note in the margin regarding communications between the people in charge stating “Seller ****, established in 2008, diversified operation focused on apparel, capital of 100 million yen, not a licensed real estate broker” and there was no mention that the credibility of KK **** was an issue, and there was not even a statement regarding an awareness that the question of how the credibility of the owner, ****, would be verified was an issue. The name of the seller was changed from KK **** to **** KK, whose representative was a woman named ****,

at ****'s request on April 19, 2017 just before the internal request was approved. That change was made in pencil on the request for internal approval.

4. Purchase and Sale Agreements

On April 20, 2017, the following people gathered at the Tokyo Condominium Department to review the necessary documents. That was the first time **** met Fake ****. In preparation for the meeting on April 24, **** explained that it was necessary to cancel the agreement between **** and KK ****, and he proposed that the deposit of 1.4 billion yen should be paid by deposit checks (divided into 1.2 billion yen and 200 million yen), which was approved.

- Fake ****
- **** (****) (“****”), the person claiming to be in charge of Fake ****'s finances
- ****
- **** (“****”)
- Judicial Scrivener **** (in charge of registration of transactions between **** and **** KK)
- Judicial Scrivener **** (in charge of registration of transactions between **** KK and Sekisui)
- ****
- ****, Manager of the Tokyo Condominium Department

Following the above internal approval, on April 24, 2017, as scheduled, Fake ****, ****, ****, ****, Judicial Scrivener ****, Judicial Scrivener ****, ****, and **** got together and the cancellation of the agreement between **** and KK ****, the execution of a purchase and sale agreement between **** and **** KK, and the execution of a purchase and sale agreement between **** KK and Sekisui were conducted. Under those purchase and sale agreements, the earnest money, which was originally 20 million yen, was increased to 1.4 billion yen, which was proposed by the Company for fear that the agreements would be cancelled by the fake owner with the forfeit of the deposit. Under the purchase and sale agreement between **** KK and Sekisui, the seller was responsible for the demolition of the building, so the remaining payment (5.6 billion yen), the registration, and the delivery of the land was scheduled for July 31, 2017 (Monday) to allow time for the seller to demolish the building. In the request for internal approval, the parties to the purchase and sale agreement were KK **** and the Company, but because of ****'s request on April 19, 2017, for the purpose of saving taxes, the party to the agreement was simply changed from KK **** to **** KK. The purchase and sale agreements were executed all together on April 24, 2017 (Monday), and a provisional registration of the transfer of ownership was made.

When the purchase and sale agreements were executed, two judicial scriveners checked the original passport, the original seal certificate, the original residence certificate, and a color copy of the title certificate brought by Fake ****. After confirming the acceptance of the application for provisional registration, the Company gave **** a deposit check for 1.2 billion yen and **** immediately gave that check to Fake ****. The remaining deposit of 200 million yen for **** was transferred on the

same day. The provisional registration procedures were completed on April 29, 2017.

5. Risk Information After Execution of the Agreement

After the provisional registration procedures were completed on April 29, 2017, the Company obtained the following risk information from May 10 to 23.

A) Warning by content-certified mail

On May 10, 2017, shortly after the deposit was paid and the provisional registration procedures were completed on April 29, 2017, the Company's Legal Department received Content-Certified Mail (1) (dated May 8) in the name of **** and titled "Notice" and it immediately shared that information with the Tokyo Condominium Department. That notice was addressed to the Company and **** KK and in it, the sender asserted "I am the owner of the Property and I am surprised that a provisional registration has been made. Since there is no purchase and sale agreement, the provisional registration is invalid and should be cancelled." After receiving that notice, **** and **** had a meeting with ****, **** and **** on the same day and agreed to conduct another thorough identity verification. On that day, the Company's legal advisor, ****, was consulted on how to confirm the identity of the seller and advice was obtained "to confirm as much as possible by (1) identification by acquaintances, (2) postmarked mail, (3) tax certificates and utility bills, (4) health insurance certificate, (5) pension book, (6) deposit passbook, etc."

Following that "Notice," on May 11, 2017, the Company and Judicial Scrivener **** received Content-Certified Mail (2) titled "Notice" (dated May 9) in the name of ****. That notice contained a demand to cancel the provisional registration and a warning that if that was not cancelled, civil and other legal proceedings would be taken. On May 11, 2017, the Company and Judicial Scrivener **** received Content-Certified Mail (3) titled "Notice" (dated May 10) in the name of ****. That notice even included the card number of ****'s own seal registration card and asserted "In the end, the transaction is with a different person and is therefore fraudulent and invalid" and "Since the registry is not indefeasible, it is not possible to acquire ownership of the Property unless that is purchased from the true owner." In addition, on May 23, 2017, the Company, Judicial Scrivener ****, and **** KK received Content-Certified Mail (4) titled "Demand for Restoration to Original Condition" (dated May 22) in the name of ****. That notice demanded that procedures be taken immediately to register the cancellation of the provisional registration and stated that "it might be none of my business but...I believe the victims and the parties involved, including Sekisui House, must conduct a thorough, detailed, objective, rational and reasonable investigation of the identity of the seller, who is not me, to prevent further damage, so I would like to advise you of that in this notice."

These four pieces of content-certified mail were delivered as content-certified mail in the name of the owner, ****, warning that she is the true owner and that the transaction was with an imposter.

B) Appearance of multiple broker-like people

On May 11, 2017, the day after the content-certified mail described in A) above was received, a person named **** of **** visited the Tokyo Condominium Department, and he told **** that **** had been removed from the transaction by ****. On May 12, 2017, the next day, a person named ****, representative director of ****, came to the Tokyo Administration Office to protest that the transaction with **** was inappropriate and said that he would intervene to resolve the matter. Since those were all complaints and distrust of **** and they did not directly question the identity of Fake ****, the Condominium Headquarters judged that those complaints were harassment by people who wanted to interfere with the Company's transactions.

On the same day (May 12, 2017), ****, President of Sekiwa Real Estate Kansai, Ltd., told Kuroda that there is a rumor that the landowner has only been paid a small amount of the earnest money paid by the Company and asked if the intermediary is trustworthy, which led to even more concerns about ****'s credibility. The warning from President **** was reported to Mitani on that day, but Mitani said "**** is a dummy of the Company and we have verified the seller's identity" so that warning was not especially considered.

C) Response to risk information (content-certified mail and brokers)

The Condominium Headquarters and the Legal Department determined that the four warnings by content-certified mail were anonymous defamatory letters (a type of sabotage by ****, ****'s common-law husband, whose relationship with **** was said to have soured) because there are some inconsistencies such as the fact that "the owner herself would not have any visitors and the letters are not in the name of somebody else representing her." However, although both departments were aware that it was necessary to verify the owner's identity again, as specific steps, the Legal Department instructed the Tokyo Condominium Department on May 11, 2017 to reconfirm the owner's identity and, if the owner says that she did not send the notices, to get a note confirming that (the "Confirmation Letter"). In response to that instruction, on May 23, 2017, the same day that the Company received Content-Certified Mail (4) (dated May 22) in the name of ****, the Company showed Fake **** the four content-certified mails, including that content-certified mail, and obtained a Confirmation Letter from Fake ****.

The Company refused to deal with the brokers who lodged the complaints, claiming that it was not in a position to be involved with them in the first place.

D) Identification by acquaintances and building inspection

With regard to the "identification by acquaintances" mentioned by Attorney ****, it seems that the Company employees were hoping something could be done when Fake **** was expected to come to the site during the building inspection on May 19, 2017, but Fake **** did not come to the site on that day, and instead her lawyer, Attorney ****, showed up with a key to the padlock on the back

door. **** called **** back to explain that she had asked Attorney **** to be present at the site because she was not feeling well. In other words, the fake owner has never visited the site. The Company had no choice but to schedule a meeting with **** at 3 p.m. on May 23 at Attorney ****'s office, during which the Confirmation Letter would be signed, and the building inspection ended without any issue. Because **** herself did not come to the site, an alternative to “identification by acquaintances” would be to ask neighbors about her identity using her photo, but the Company was concerned that would offend ****, so the Condominium Headquarters including Mitani decided to verify her identity by obtaining a Confirmation Letter without checking with any third party.

6. Advance Payment of the Remaining Balance

The Condominium Headquarters planned to accelerate the final settlement (originally scheduled for July 31, 2017), and on May 22, 2017, Nakata, Mitani, ****, ****, ****, ****, **** and **** attended a meeting to discuss future measures to be taken in relation to this transaction, and they decided to bring the payment of the remaining amount forward to avoid interference by broker-like people as much as possible. On the following day, May 23, 2017, Fake ****, Attorney ****, ****, ****, **** and Mitani, ****, ****, and **** met at Attorney ****'s office. Mitani presented to **** the four notices and the demand for restoration to original condition, which stated that ****, who was conducting the transaction, was an imposter, but Fake **** was not surprised and signed the Confirmation Letter that had been prepared by the Company during that meeting. Mitani said “one way to calm things down, for example, would be to bring the settlement date forward” and nobody present objected. After returning to the Company, Mitani, ****, ****, and **** decided to make the following proposal to ****: “Advance settlement: change the settlement date from July 31 to June 1. We will pay the remaining 4.9 billion yen on that day and the 700 million yen in reserve at the end of July, pending demolition and boundary confirmation.” On the following day, May 24, 2017, **** informed ****, ****, and **** that the payment date of the remaining balance would be moved up from July 31 to June 1, and **** obtained their approval, so on the following day, May 25, 2017, **** met with Attorney **** and decided to bring the payment date of the remaining balance forward.

In terms of internal measures, Mitani called Kuroda on May 23 or 24 (according to Kuroda around May 25) and explained that, after discussing the matter with the Legal Department, the settlement would be brought forward to June 1, with the stipulation that 700 million yen would be retained and that the demolition would be the seller's responsibility. Kuroda (who was unaware of the content-certified mail) said “in spite of the risk of interference after the settlement, if we can expedite the registration of the transfer, that would be better, but since the amount of money is large and there is negative information from **** and others, even though it is not required for ordinary projects, I would like the President's approval for the payment of the settlement money” and Mitani agreed.

The President was on an overseas business trip at that time (May 22–27), so **** contacted the Chief Secretary, and Mitani was to report to the President as the President went from his home to

Haneda Airport on May 30, 2017. Mitani informed the President that, the settlement of the remaining balance would be brought forward to June 1 with the approval of the Real Estate Department and the Legal Department. That was immediately reported to the Real Estate Department (due to the time needed to prepare multiple deposit checks), and the remaining balance was deposited in the Tokyo Condominium Department's account on May 31, the day before the settlement.

At that meeting on May 31, 2017, Fake **** said that she could not present the title certificate for the Property for an unreasonable reason (her relationship with her common-law husband had soured and she did not want to meet him), but when the Company was told by the opposing counsel and a judicial scrivener that it was possible to register the transfer with an identity verification certificate prepared by a lawyer, the Company readily accepted that method. The application for registration with an identity verification certificate was made at the sole discretion of ****. **** was told by Judicial Scrivener **** that Fake **** had made a mistake with her birthday and oriental zodiac (eto) when she prepared the identity verification certificate on that day.

7. Payment of the Remaining Balance and Voluntary Accompaniment to the Police

On June 1, 2017, the day of the settlement of the remaining balance, there was supposed to be a meeting at the Tokyo Condominium Department meeting room at 9:30 a.m., but Fake **** arrived at about 10:10 a.m., citing poor health. As already noted, she did not bring the title certificate with her. An employee of the Company who had been at the site since before 9:00 a.m. reported that the electricity was on in the building, and **** instructed the employee to go into the building to confirm that, and after receiving a report, a police officer arrived and asked the employee of the Company to voluntarily come with him. When **** told those present at the meeting that the police had been notified, they all said that that was probably the work of people trying to sabotage the transaction, just as they had sent notices and other documents, and they proceeded with settlement and closing. On the same day, after it was confirmed that the application for registration had been received by the Legal Affairs Bureau, the Company handed multiple deposit checks worth 4.9 billion yen to the intermediary, and the intermediary gave most of those checks to the fake owner in front of employees of the Company. With the police being involved and a situation where the truth was unclear, the Legal Affairs Bureau gave notice on June 6 (Tuesday) that the registration application would be rejected, and on June 9 (Friday) the Company received a formal notice of rejection of the registration application.

Chapter III What Actions Were Necessary?

1. Obtaining Initial Information

Despite the following suspicious facts at the time of obtaining the initial information, **** trusted **** solely because **** had the Notarized Certificate, and as a result, both the owner and the

contract were considered trustworthy in a simplistic way without knowing anything about how **** and Fake **** met or their relationship, which was the basis of that trust. Hence, since that time, the Company was in a hurry to secure the contract without any doubt. That was clearly not a prudent decision for a person who was directly in charge of high value land transactions, and it must be assumed that ****'s negligence was serious.

Another significant problem is that the executives, including Mitani, General Manager of the Condominium Headquarters, ****, Chief Manager of the Tokyo Condominium Department, and ****, Deputy Chief Manager of Technology, also relied on the judgment of **** and others, and had little idea about checking the creditworthiness of the seller. It is also difficult to understand why the question of the identity of Fake **** was resolved so easily and quickly.

At the time of the preparation of this Report, there were even suspicions raised in discussions by the Committee that some kind of personal and inappropriate relationship existed between **** and ****. Of course, no such evidence was obtained, but it is natural that those suspicions arose when we look back at the story of the case, including ****'s excessive trust in **** and his lack of interest in the relationship between Fake **** and ****.

The following matters should have been addressed at that stage.

- (i) Validity as evidence of a Notarized Certificate (fact that a Notarized Certificate can be obtained even with a forged passport)
- (ii) Forged passports are easily obtainable and inexpensive
- (iii) Actual situation and background of the intermediary and its representatives
 - ****'s relationships include, among others, former Diet member ****.
 - ****, who was in charge of the transaction, trusted **** even though they had met only a few times at parties.
 - Even if **** had relationships with celebrities and prominent figures, **** did not know much about what **** does for a living or about his background.
 - Most of the people who surrounded Fake **** were brokers, such as **** and ****.
- (iv) Motive of the landowner to sell
 - The Property is known to be a problematic property and the owner is known to have refused to sell for many years, so why did the owner suddenly decide to sell the Property?
 - It is unclear how ****, an amateur in real estate, was able to purchase the land, which is said to have a market value of 10 billion yen, for 6 billion yen, and there is no reasonable

explanation for that. It is also hard to understand the owner's attitude in accepting a high value purchase and sale agreement worth 6 billion yen with *****, who was supposedly cash-strapped.

- (v) The relationship between the intermediary and the landowner
- Reason the landowner allowed the intermediary to obtain a significant profit of 1 billion yen

* On April 19, 2017, after the submission of the request for internal approval, General Affairs Manager ***** (“****”) confirmed that ***** was not registered with the Tokyo Center for Removal of Criminal Organizations and that KK ***** was not yet registered with Teikoku Databank.

2. Internal Approval Procedures

Real estate internal approval requests are drafted by the Tokyo Condominium Department, with the attachment of opinions of the Condominium Headquarters, and after they are received by the Real Estate Department, the President decides whether to give approval after an examination by relevant departments (such as the Legal Department) and the approvers.

In this case, “post-review” procedures were taken to obtain the President’s decision before the examination by the approvers.

The request for internal approval was drafted on April 18, 2017, the Real Estate Department received that on April 19, 2017, the President’s approval was given on April 20, 2017, and the examination by the approvers was on and after April 24, 2017. The President visited the site on April 18, 2017 and the execution date of the purchase and sale agreement was April 24, 2017, which was five days (three business days) after the date on which the Real Estate Department received the request for internal approval.

The following matters should have been addressed at that stage.

- (1) The matters in the aforementioned initial information were rarely mentioned in the description of the request for internal approval.

The Real Estate Department and the Legal Department, which are the risk management departments, should have pointed out the lack of information written in the request for internal approval and been aware of the risk information.

- (2) The approval was given in a short period of time and the request was not adequately examined.

The Chief Manager of the Real Estate Department decided to proceed with the internal approval process without following the usual steps because that was an urgent request from

the General Manager of the Condominium Headquarters, but that also was influenced by the fact that the Chief Manager of the Real Estate Department had been told the President had completed a site visit.

(3) Change of sales intermediary

The intermediary at the time of the internal approval process was changed at the request of the intermediary, but the new intermediary that was changed from the initial intermediary, KK ****, was a paper company called ****KK, and the representative was changed to a woman. The Company should have questioned that change.

No background check was conducted for the husband of Representative Director ****, one of two female directors of **** KK, and the husband of Director **** is a former Diet member, ****. **** KK is a paper company whose purpose is to remove any connection with the fraudulent group after the incident, and the Company should have never done business with such a company.

3. Purchase and Sale Agreements

Even at the contract execution stage after the internal approval was granted, the following matters should have been noted and addressed.

- (1) Fake **** made a mistake when writing down the numbers in her address after her house number when she filled out the “Confirmation Record Form (for individuals)” on April 20, 2017.
- (ii) At a preparatory meeting on April 20, 2017, the Company only looked at a color copy of the title certificate and did not check the original.

* On the execution date of the contract on April 24, 2017, two judicial scriveners checked the original title certificate, but that was to confirm whether the description on the title certificate matched the contents of the registration, not to determine its authenticity. That means they were careless in checking the title certificate and they failed to see that that was a fake title certificate.

4. Risk Information After Execution of the Agreement

After the provisional registration procedures were completed on April 29, 2017, the Company obtained the following risk information from May 10 to 23.

The following matters should have been addressed at that stage.

- (1) Significance of the “content-certified mail” that was sent

Content-certified mail is used as evidence in lawsuits etc., and it is absurd to consider the four pieces of content-certified mail as attempts to interfere with the transaction.

The act of falsely sending content-certified mail to a business partner could constitute a crime depending on the contents.

* There is testimony that Fake ***** was calm when she saw the content-certified mail, but if a suspicious person claiming to be ***** had sent such a letter to a business partner, it would be natural for the true ***** to be upset and the normal reaction would be to try to prove that she is the true ***** and file a complaint with the police.

* The Company consulted with ***** on how to deal with to the “content-certified mail.”

- (2) Significance of the fact that the true owner’s personal information is written in “content-certified mail”

The content-certified mail warned that the true ***** was being impersonated by another person and contained the seal registration number of the true ***** , so that was highly credible.

- (3) Appearance of broker-like people and review of information from President ***** of Sekiwa Real Estate Kansai, Ltd.

Brokers appeared immediately after the Company had discussions with ***** about how to deal with the content-certified mail, so the Company should have considered the relevance between those two incidents (***** might have deliberately arranged for suspicious people to appear).

In addition, the information from President ***** was completely ignored without being taken into consideration. That information was invaluable in raising a suspicion of land fraud.

- (4) Identity confirmation that relies only on documents including a Confirmation Letter from a fake owner without checking with acquaintances is insufficient

After obtaining the risk information, the Company did not verify the identity of the seller through her acquaintances, but instead obtained a “Confirmation Letter” to reconfirm her identity.

The Confirmation Letter was a document that gave an assurance that Fake ***** did not send any content-certified mail and that there is no owner of the Property other than Fake ***** , and in the end, that was a document that allowed a perpetrator of fraud give an assurance that she had not committed fraud, which is meaningless.

* The Confirmation Letter, which raises a doubt as to whether the seller is the true ***** , was offensive to her, so that is inconsistent with the assertion by the person in charge that he did

not conduct “identification by acquaintances” because he assumed that would offend her, as described on page 12, “Chapter II, 5. D).”

With the Confirmation Letter, there was no confirmation with nearby acquaintances, but even though it is a well-known fact that **** had been running a hotel for many years, there was no inquiry to any hotel operator, request to inquire to a hotel organization, or any other inquiry in the vicinity of the land. There are ramen restaurants and Chinese restaurants in the vicinity of the land, so there were no circumstances that made it difficult to interview those neighbors. The Company should have also been able to confirm the seller’s identity with people in the vicinity of the land such as parking lot users and people who were business partners and customers of the hotel while it was managed by the seller.

(5) Significance of the fact that the seller did not come to the site for various excuses

The fact that the owner did not come to the site during the building inspection because of poor health and the fact that a lawyer who the Company had never heard of appeared at the site and unlocked the padlock on the back door without unlocking the front door should have given rise to serious suspicion.

Moreover, the owner operated the hotel business for many years and it is assumed she loved the property, so it is not common sense to think that she would not be present at the site even once during the sale process.

5. Advance Payment of the Remaining Balance

At the meeting on May 31, 2017, the Company accepted the use of an identity verification certificate prepared by an attorney as a substitute for a title certificate to the Property, but the Company should have been highly suspicious of the sudden request the day before the payment.

In addition, **** should have been suspicious when he was told by Judicial Scrivener **** that Fake **** had made a mistake with her birthday, zodiac sign, etc. when she prepared the identity verification certificate on that day, along with the fact that Fake **** incorrectly wrote her address, as mentioned above.

6. Payment of the Remaining Balance and Voluntary Accompaniment to the Police

On June 1, 2017, the day of the payment of the remaining balance, an incident occurred where an employee of the Company at the site was asked to report to the police just before the start of the transaction. This in itself is an unusual situation, and it is inconceivable that the police would be sent just to disrupt the transaction.

Therefore, the transaction should have been suspended and the seller and the intermediary should have been asked to accompany the police or to come to the site since they were present in the

conference room.

Obviously this is a very unusual situation, and even if the checks were given to the intermediary, measures should have been promptly taken to preserve them.

The foregoing are all the investigation results.

Chapter IV Committee Views on Responsibility for the Incident

1. Responsibilities of the Sales Departments

As mentioned above, as a result of the rush by the person in charge to get results, the departments proceeded with the transaction believing a Notarized Certificate with no evidentiary value. Furthermore, the person in charge involved a member of a land fraud group who tricked the Company in key decisions, which resulted in significant losses because the person in charge was controlled by that member and he completely ignored multiple suspicious facts.

In addition, the Condominium Headquarters was in a position to understand the entire picture of the transaction and make the right decision, but it failed to fulfill its responsibilities because it went with the above trend. That responsibility becomes heavier the more senior one's position is.

2. Responsibilities of the Sales Management Departments

The Legal Department and the Real Estate Department below have staff functions for sales departments at the frontline, and they are responsible for internal approval procedures and dealing with risk information.

A) Legal Department

The Chief Manager of the Legal Department did not give proper instructions at the initial stage because he did not know that a Notarized Certificate can be issued with a forged passport and that forged passports are relatively easy to obtain.

The Chief Manager of the Legal Department gave an instruction to obtain a Confirmation Letter, which was meaningless, while multiple pieces of content-certified mail were received. Also, he did not make a strong request for a "confirmation with acquaintances" and he did not confirm the results. He should have correctly recognized that content-certified mail is significant in confirming the authenticity of the owner and taken action with that recognition. Since that is extremely important risk information, it should have been reported to the relevant departments and the President and there should have been discussions on how to deal with that. In spite of that risk information, the Legal Department allowed the advance payment of the remaining balance, so it failed to fulfill the checking function that it is supposed to have done.

B) Real Estate Department

The Real Estate Department decided to postpone the examination of the internal approval request by the four key approving officers in response to a request to accelerate the internal approval process right after the President visited the site. Essentially, as long as the Real Estate Department had jurisdiction over the real estate business, regardless of the President's site visit, that department should have identified the risks associated with the real estate transaction and the lack of thoroughness of the review within the Condominium Headquarters and it should have thoroughly reviewed the risk information regarding the Property and included that in the request for internal approval.

In addition, while the Real Estate Department did not know about the content-certified mail, it did not share negative information from President **** with the Legal Department. Considering the size of the transaction in this case and other factors, a more prudent decision was needed, and the risk management of the Real Estate Department was inadequate as a department with company-wide jurisdiction over the real estate business.

3. Responsibilities of the Four Key Officers who Subsequently Examined the Internal Approval Request

At the time of their examination, the four key officers (Executive Vice President Inagaki, Senior Managing Officer Uchida, Managing Officer Nakai, and General Manager of the Tokyo Administration Office Uchiyama) who subsequently examined the internal approval request studied the profitability and other aspects, but they determined that the risks had been examined by the managing departments in charge of the transaction. However, with a result such as the one in this case, those key officers are to blame for the inadequate examination.

4. Responsibilities of the Chief Operating Officer

The Chief Operating Officer has responsibility for understanding the entire transaction and preventing it from being executed incorrectly, and he is the last defense.

As the Chief Operating Officer, he has a heavy responsibility for failing to have an overall understanding of the transaction and failing to recognize the serious risks.

5. Responsibilities of the Board of Directors and the Audit & Supervisory Board

The Board of Directors has the authority to supervise the execution of duties by the directors (including the representative directors) and the Audit & Supervisory Board is responsible for auditing the execution of duties by the directors, but since the decision to give internal approval was made on April 20, 2017 and the report on this incident to the Board of Directors was made on June 9, 2017, which was after the discovery of the incident, the Board of Directors and the Audit & Supervisory Board are not directly responsible, but if such a scandal occurs, it is due to the system

operation being incomplete in some areas, so they should be responsible for the consequences.

The Chairman and Representative Director is also responsible for the occurrence of this incident. As the person responsible for personnel and systems, the Chairman and Representative Director has the responsibility to exercise his leadership to promptly correct imperfections in the operation of personnel and systems to prevent a recurrence.

Chapter V Recommendations on Establishing a Project Team for Organizational Improvements

It is important to improve personnel and systems so that the underlying issues revealed through this incident can be removed. It is recommended that a project team be established under the leadership of the Chief Executive Officer to deal with the situation.

While the Company has seen growth potential and profitability in its business and it has the ability to break through in sales, this case occurred in a gap in the system and there might be a hidden underlying issue that is growing. Therefore, the areas for improvement are so diverse that pointing out individual improvements is not sufficient, and a project team needs to be established with top leadership to fundamentally review personnel and systems.

This is the unanimous opinion of the investigation committee members.

Investigation Data

1. Background and history of the incident
2. Announcements
 - (2017-08-02) Notice Regarding Problems with the Purchase of the Land for Condominiums
 - (2017-09-07) Notice Regarding Establishment of the Committee for Investigation and Countermeasures on Problems with the Purchase of the Land for Condominiums
 - (2017-09-07) Notice Regarding Salary Reduction of Directors, etc.
3. Newspaper reports, etc.
 - (2017-08-03) The Nikkei “Sekisui House may lose up to 6.3 billion yen in land purchase”
 - (2017-08-03) Similar articles as the above article in the Nikkei in the following newspapers: Yomiuri Shimbun, Asahi Shimbun, Mainichi Shimbun, Sankei Shimbun, Kyodo News, etc.
 - (2017-08-03) NHK “Kansai News”
 - (2017-08-03) TV news reports similar the above news report on TV Asahi “Good! Morning,” Kansai Television “FNN Speak,” TV Asahi “ANN News,” Yomiuri TV “Information Live Miyane-ya,” and Nippon TV “news every”
 - (2017-08-04) Yomiuri TV “Su-Matan!”, Nippon TV “Sukkiri!”, Mainichi Broadcasting System “Chichin Puipui”
4. Internal Approval Request Materials
 - (2017-04-20) Real Estate Internal Authorization Request Document (Purchase) 2017 (kou) No.146 Grand Maison Gotanda (tentative name) Purchase of Land for Condominiums (Drafted by the Tokyo Condominium Department on April 18, 2017)
5. Board of Directors Meeting Materials
 - (2017-06-09) Board of Directors Meeting Report Item 2. - Report on Purchase of Land for Condominiums in Nishi-Gotanda, Shinagawa-ku
 - (2017-07-20) Board of Directors Meeting Report Item 4. - Progress Report on Purchase of Land for Condominiums in Nishi-Gotanda, Shinagawa-ku
6. Transaction Documents
 - (2017-04-24) Land Purchase and Sale Agreement

7. Interview records for verifying past events

Condominium Headquarters

- (2017-09-07 and 2017-10-16) Mitani, General Manager of the Condominium Headquarters (Managing Officer)
- (2017-09-14) *****, Chief Manager of the Real Estate Department, Condominium Headquarters
- (2017-09-14) *****, Chief Manager of the Tokyo Condominium Department
- (2017-09-14) *****, Deputy Chief Manager of Technology
- (2017-09-14) *****, Deputy Chief Manager of Sales
- (2017-09-14) *****, Manager of General Affairs
- (2017-09-14) *****, Manager

Internal request examiners, etc.

- (2017-10-16) Inagaki, Director and Executive Vice President
- (2017-10-16) Uchida, Director and Senior Managing Officer
- (2017-10-16) Nakai, Director and Managing Officer
- (2017-09-14) Uchiyama, Managing Officer and General Manager of the Tokyo Administration Office
- (2017-10-16) Kamijo, Executive Officer and Chief Manager of the Accounting and Finance Division
- (2017-10-16) *****, Chief Manager of the Corporate Management Planning Department Head Office
- (2017-09-01 and 2017-10-16) Kuroda, Executive Officer and Chief Manager of the Real Estate Department
- (2017-09-01, 2017-09-07, and 2017-10-16) Nakata, Managing Officer and Chief Manager of the Legal Department
- (2017-10-19) Abe, President and Representative Director
- (2017-10-19) Wada, Chairman and Representative Director