

Basic Approach

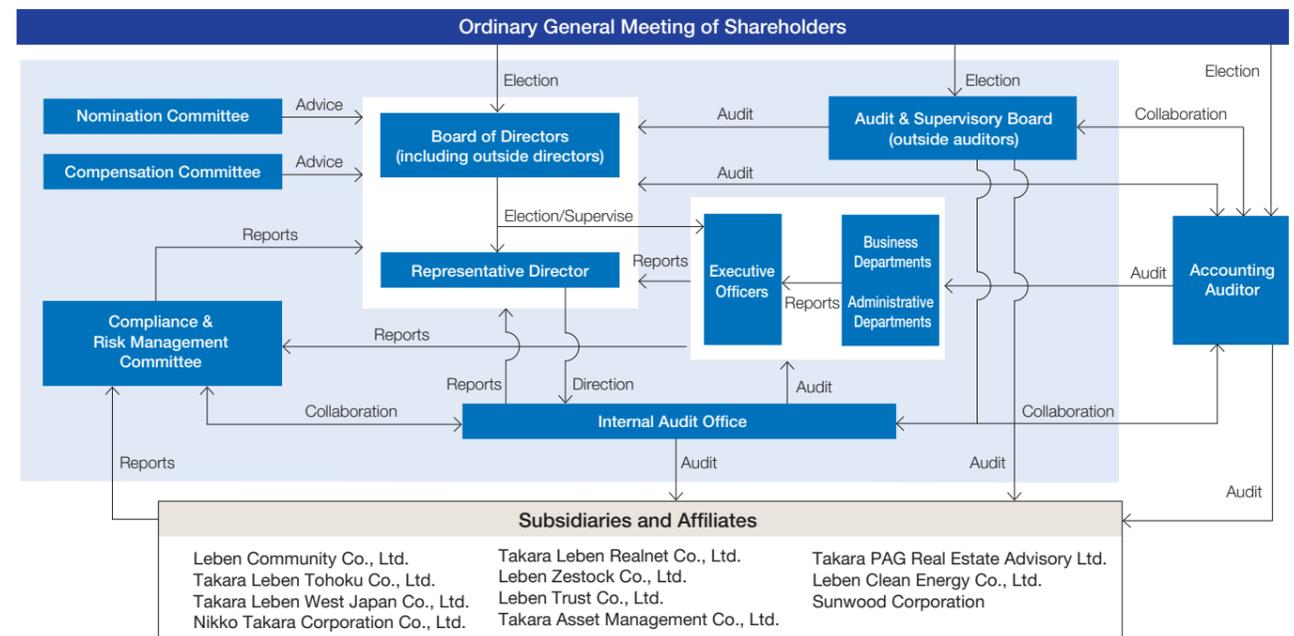
Rather than simply pursuing profit, Takara Leben strongly believes that it must comply with laws and corporate ethics and carry out its duties as a responsible member of society.

While maintaining close relationships with customers, shareholders, and employees—our core stakeholders—we continuously consider how we can deliver further satisfaction. In addition, we believe that reflecting the feedback received from various other stakeholders in our business while responding in ways that keep in mind what our company should achieve and for whom will lead to sound and efficient business management as a going concern.

Furthermore, by not limiting ourselves to a systematic check and balance function but rather by spreading the roots as indexes or systems, we will work so that the check and balance across the entire company will function in sync with each person’s awareness.

Corporate Governance System

In addition to prudent and swift decision-making by the Board of Directors, Takara Leben has built a system to ensure management proprieties, such as appropriate mutual supervision by directors over the state of business execution, and audit and supervision by auditors over directors’ state of business execution. We also introduced an executive officer system to clarify the management supervisory roles of directors and the business execution responsibilities of executive officers.



Board of Directors

Takara Leben has appointed 12 directors, four of whom are outside directors. All four outside directors have been designated as independent officers. In addition to carrying out prudent and swift decision making, directors mutually supervise the status of business execution at Board of Directors’ meetings, which in principle are held once a month, and also at extraordinary board meetings which are held on an as-required basis.

Auditors are always in attendance at the Board of Directors’ meetings and state their opinions as necessary. At the same time, auditors work closely with outside directors and, as necessary, audit and oversee the running of the Board of Directors’ meetings and the status of business execution. Also, in attendance at the Board of Directors’ meetings are executive officers, the head of the Internal Audit Office, and the heads of other departments, who have received requests from the Board of Directors based on internal regulations, and express their opinions on each issue or reporting matter.

The Takara Leben Executive Committee, which deliberates on management issues, and the Sales Conference, which discusses the progress of sales, each meet once each month. In addition to sharing the achievement status of management targets at these and other meetings, the Company gleans information on problem areas and issues in the form of performance reports from each department and deliberates important matters relating to overall management. The content of those reports is raised at the Board of Directors’ meetings on an as-required basis.

Evaluation of the Effectiveness of the Board of Directors

To examine the effectiveness of the Board of Directors as a whole in fiscal 2020, all directors including outside directors as well as corporate auditors completed an anonymous questionnaire, and based on the results, the Board of Directors analyzed and evaluated its effectiveness with cooperation from an external consulting agency. The questionnaire results revealed generally positive evaluations and confirmed the effectiveness of the Board, but also identified some issues. Going forward, the Board will carefully examine the identified issues and take ongoing measures to enhance its performance.

Executive Remuneration

Directors’ remuneration is determined on the basis of the degree of each director’s contribution to business expansion and improvement in corporate value towards sustainable growth. The limit of the annual amount of remuneration is deemed to be ¥600 million (not including, however, the employee portion of the salary), and the limitation of the special stock option remuneration to ¥600 million annually, is decided by a resolution at the Ordinary General Meeting of Shareholders. The remuneration of the Audit & Supervisory Board member is limited to an annual amount of ¥60 million or less.

Audit & Supervisory Board

As a system for check and balance of decision making, all three auditors of Takara Leben are outside corporate auditors. Each auditor is equipped with adequate background, experience, and mettle to objectively carry out assessments and verifications.

Besides audits for Takara Leben, the auditors are also involved in audits for our Group companies, such as attending their board meetings and interviewing their directors, maintaining firm relationships with these companies. Furthermore, the auditors and the accounting auditor work to further improve the effectiveness and efficiency of audits by understanding and adjusting each other’s annual schedules; going together to events such as ground inspections and checks on show rooms, and exchanging information as appropriate.

Takara Leben also established guidelines on internal audits and established an Internal Audit Office as an independent organization reporting directly to the representative director to enhance and strengthen internal audits. In the proposal and execution of the internal audit plan, the office coordinates the schedules of auditors and the Accounting Auditor and adjusts the scopes of audits to seek efficient operation of various functions. Auditors accompany and witness operation audits conducted by the Internal Audit Office, and work on building an effective and efficient audit system by means such as verifying the scope of the audit and collecting opinions as appropriate.

Nomination and Remuneration Committees

With the objectives of increasing objectivity and transparency in decision-making processes relating to personnel appointments and compensation of directors and others and further enhancing and reinforcing corporate governance structures by providing appropriate opportunities for outside directors to participate and give advice, Takara Leben established Nomination and Remuneration Committees as voluntary advisory bodies of the Board of Directors.

Each committee comprises three or more directors selected by resolution of the Board of Directors, of which a majority are independent, outside directors. The chairman of each committee is also selected by resolution of the Board of Directors. The committees deliberate and submit reports primarily on the matters indicated to the rights based on advice from directors.

Nomination Committee

- (1) Matters relating to nomination of candidate directors, executive officers, and others;
- (2) Matters relating to nomination and succession of the representative director;
- (3) Matters relating to basic policies and criteria on nomination of directors and others; and
- (4) Other matters referred to the Nomination Committee by the Board of Directors.

Remuneration Committee

- (1) Matters relating to remuneration of directors and executive officers;
- (2) Matters relating to basic policies and criteria on remuneration of directors and others; and
- (3) Other matters referred to the Remuneration Committee by the Board of Directors.

Compliance

Compliance Basic Policy

The basic policy provides that in order to carry out our corporate social responsibilities, all organizations, officers, and employees of the Takara Leben Group shall comply with laws, regulations, and social norms as well as separately established ethics rules and shall strive to serve as an example for society.

Internal Whistle-Blowing System (Help Line)

The Takara Leben Group established an internal whistle-blowing system (help line) as a means of reporting or consulting on issues such as harassment and compliance violations. The earlier whistle-blowing system was reviewed in August 2018, and we outsourced responses to inquiries to a law firm with which the Group has not conducted business in the past to serve as an outside consultation desk and also established an independent internal consultation desk that directs inquiries to the corporate auditors. We reinforced the protection of reporting individuals, the subjects of reports, persons who cooperate with investigations and others by establishing a mechanism to prevention access to information concerning consultations and reports by involved directors and took other measures. We are working to strengthen compliance management through the early detection and rectification of improper conduct and other issues.



Pocket-size card



Corporate Governance System Trends

Takara Leben has 12 directors, four of whom are independent outside directors with diverse backgrounds. The terms of office of directors end at the conclusion of the final Ordinary General Meeting of Shareholders held by the end of the fiscal year that ends within one calendar year of the date of the director's appointment. In fiscal 2020, 21 Board of Directors meetings were held.

There are three auditors, all three of whom are independent outside auditors. Our structure ensures that outside management supervision functions can be fully leveraged. The Audit & Supervisory Board meets so that auditors can share issues and information with each other, request information from directors and departments when necessary, and improve the overall auditing level of the company. In fiscal 2020, 14 Audit & Supervisory Board meetings were held.

FY	Form of Organization	Total Number of Directors	Number of Outside Directors	Total Number of Auditors	Number of Outside Auditors
FY2016	Company with Audit & Supervisory Board	10	2	3	3
FY2017	Company with Audit & Supervisory Board	10	3	3	3
FY2018	Company with Audit & Supervisory Board	11	3	3	3
FY2019	Company with Audit & Supervisory Board	13	3	3	3
FY2020	Company with Audit & Supervisory Board	13	4	3	3
FY2021	Company with Audit & Supervisory Board	12	4	3	3

Employee Awareness-Raising

Takara Leben administers compliance education with a variety of themes to employees and strives to create a corporate culture of legal and regulatory compliance and respect for human rights.

Personal Information Protection

We consider the protection of personal information to be part of our corporate social responsibility, and we have established a management system for appropriately protecting personal information. To ensure that all employees handle valuable personal information appropriately while carrying out their business duties, we have created a personal information protection manual, distribute a personal information usage and protection handbook, and make all employees thoroughly aware of basic knowledge and rules. We also provide internal training led by instructors that are legal experts.

Preventing Unfair Business Dealings

We actively carry out specialized training to ensure that all transactions with customers are fair. The training, which addresses conflicts of interest, aims to ensure that basic principles are thoroughly implemented, and introduces numerous case examples to expand the knowledge of attendees. Furthermore, we strive to foster greater understanding of laws such as the Real Estate Brokerage Act, the Consumer Contract Act, and the Act against Unjustifiable Premiums and Misleading Representations.

Harassment Prevention

We promote the creation of a harassment-free corporate culture in which the rights of each and every employee are respected. In fiscal 2020, we expanded the scope of training to include mid-level employees below the management level and conducted programs to raise awareness of harassment with content such as examples of workplace harassment and communication methods that help combat harassment. Furthermore, for members of sales departments, we provided training with the theme of harassment issues that involve subordinates or customers.

Dealing with Anti-Social Forces

The Takara Leben Group's basic policy against anti-social forces is to adopt a firm stance in dealing with them. In addition to actively participating in activities to eliminate organized crime under the guidance from our legal advisor, we also collaborate with external specialized agencies, such as local police stations and legal advisors, establish a system to deal with anti-social forces.

With regard to our trading partners, we are also thorough in implementing measures for the elimination of anti-social forces through steps such as exchanging memorandums on severing ties with anti-social forces, and including clauses on the elimination of anti-social forces in our various contracts and agreements.

Social Media Policy

The Takara Leben Group sees social media as an effective means of strengthening relationships with various stakeholders and formulated a Social Media Policy as a guideline on proper use. We comply with laws, regulations, the Takara Leben Code of Conduct, and rules established by individual Group companies, and as a member of society with good judgment, we use social media with responsibility for our conduct and strive to engage in communications through effective information disclosures with awareness and an understanding of our responsibilities regarding the dissemination of information and responses on social media.

With regard to business-related and personal use of social media by employees, we also established a Privacy Policy and Guidelines on the Protection of Personal Information.

Privacy Mark System Contributor

Leben Community received Privacy Mark certification in January 2008, and has repeatedly updated its personal information management and operation measures. In January 2020, in recognition of the company's long years of efforts to maintain and improve its personal information protection management system, and its contributions to the promotion of the Privacy Mark system, JIPDEC presented the company with a certificate of appreciation. We also focused on training to raise awareness of employees concerning the handling of the personal information and putting it to practical use. In fiscal 2020, we conducted training programs on foreseeable instances of the provision of personal information to third parties in condominium management operations and points for consideration when teleworking.



Risk Management

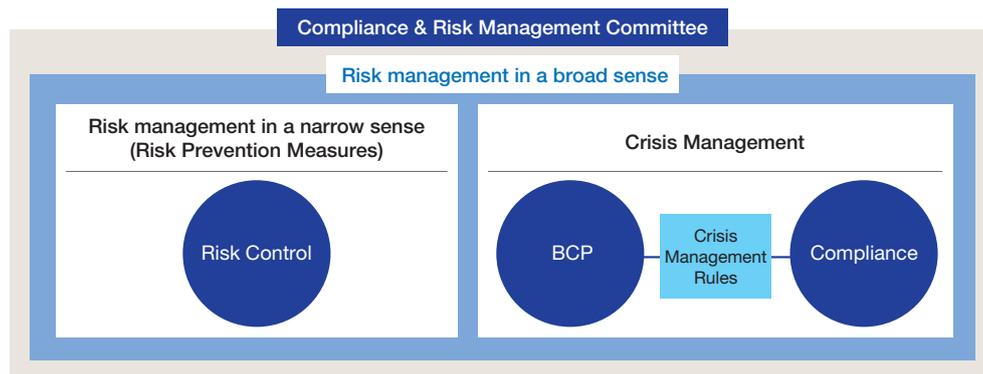
● Policies

The basic risk management policies of the Takara Leben Group are to ensure the safety of customers, business partners, officers, employees, and their family members, fulfill our social responsibilities, protect the global environment, maintain ongoing business activities, and raise corporate value. To this end, we identify and manage individual risks. We established the Compliance & Risk Management Committee as a body to carry out these measures, and we implement comprehensive risk management throughout the Group.

● Management Structures

The Takara Leben Group established a Compliance & Risk Management Committee chaired by the president. The Committee verifies and reports on all business-related risks, deliberates and makes decisions on measures and management to avoid or mitigate risks, and takes comprehensive measures to strengthen internal controls and prevent misconduct, non-compliance, and other similar incidents. In addition, subcommittees—such as for business strategy, finance, IT & administration, and compliance—are established as necessary to establish systems that make proactive proposals appropriate to management of individual risks.

Furthermore, the scope of deliberations within each subcommittee is reported to and verified by the Compliance & Risk Management Committee as appropriate in accordance with the Compliance & Risk Management Committee Rules. These matters are also reported to the Board of Directors as necessary, forming a structure for timely decision-making in preparation for the occurrence of risks.



● Preventive Approach to Risk

In order to respond promptly to the occurrence of emergency situations such as corporate scandals, accidents, natural disasters, administrative action, serious criminal conduct by employees, and so on, the Takara Leben Group has established crisis management structures and adopted Crisis Management Rules and a Crisis Management Manual. The Crisis Management Rules define crises and specify procedures from initial responses to formation and disbanding of response organizations. There are also two sets of detailed crisis control rules regarding crisis responses and disaster countermeasures.

With regard to crisis responses, rules specify crisis management levels, responsibilities and authority, and information sharing lines, as well as responsive measures to be implemented as disaster countermeasures during a disaster.

In addition, each division works with the division responsible for crisis management to formulate risk recovery and prevention plans and makes reports to the Compliance & Risk Management Committee at its monthly meetings. As a part of our business continuity planning (BCP), we adopt a preventive approach to risk management including the preparation of manuals for the continuation and recovery of business operations in the event that an emergency situation occurs.

Business Risks

- Natural disasters such as earthquakes
- Legal restrictions
- Overreliance on borrowed funds
- Effects from purchaser attitudes
- Effects from housing loans
- Effects from supply trends
- Effects from competition, etc.
- Subcontractors
- Opposition by neighboring residents when constructing condominiums
- Possibility of litigation, etc.
- Personal information