Corporate Governance Report

Last Update: July 1, 2021

Leopalace21 Corporation
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The corporate governance of Leopalace21 Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company see the construction and reinforcement of corporate governance as one of our most critical management tasks, and will aim to realize our corporate philosophy, achieve business plans, improve corporate value in the medium to long term, and grow continuously by reinforcing the corporate governance.
Our fundamental goal of corporate activities is to pursue efficient, fair, and highly transparent operations to attain greater corporate value for the sake of all our stakeholders.
To achieve the above goal, the Company endeavor to improve our management system and management organization mainly through appropriate and rapid decision-making, reinforcing the monitoring function of our decision-making, establishment of a compliance system, improvement and strengthening of an internal control system, and establishment of good relations with stakeholders.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

Principle 1-4 Cross-held shares
The Company has a basic policy of not acquiring cross-held shares and does not hold any shares of listed companies. However, if the acquisition of shares of business partners and business alliance partners is deemed useful for maintaining and strengthening relationships with such partners and if the medium- to long-term economic benefits from acquiring the shares are expected to be greater than the expenses for the acquisition, the Company may acquire the shares according to the procedures set forth in the internal regulations.
The Company verifies the economic rationality of each company at the Board of Directors, such as the propriety with the purpose of acquisition, dividends, and the effectiveness of the business relationship. If there is any doubt about the economic rationality as a result of the verification, the Company will examine the necessity of maintaining the holding of the shares.
With respect to the exercise of voting on the proposals, the Finance and Accounting Department comprehensively takes into consideration the purpose of holding the shares as well as the governance system of the issuer and whether there is an improvement in shareholder value. The Department exercises voting rights after making decisions based on the Company's decision-making rules.

Principle 1-7 Related party transactions
If the Company needs to conduct a transaction with its officers, affiliates or major shareholders, the Company will conduct the transaction based on the Regulations on Related Party Transactions, which set forth the scope of the covered transactions, approval procedures and ex-post confirmation for the purpose of eliminating the impairment of the Company's interest and common interest of the shareholders and avoiding the violation of laws and regulations that should be observed by the officers.

Based on the Regulations, the Board of Directors will make a prior approval for the transaction and make an ex-post confirmation to see whether the transaction is conducted with the approved content by receiving a confirmation letter from the related party on the details and obligations arising from the transaction.

Principle 2-6 Roles of Corporate Pension Funds as an asset owner
The Company's Corporate Pension Fund is a defined contribution type pension plan, and employees have control over investment decisions. The Company provides employees with various investment products to choose from, as well as the opportunity to learn about asset management.

Principle 3-1 Enhancement of information disclosure
(1) What the Company aims for (corporate philosophy, etc.), management strategies and business plans
The Company's corporate philosophy is to create new value in its own unique way by keeping a close eye on modern-day needs, constantly work to improve the products, services and technologies and grow as a company, and provide new value throughout society to help create a more comfortable and affluent society.
The Company disclosed in June, 2020 new business plans considering drastic strategies reconstruction. The main policy and medium- to long-term strategies consists of "Reconstructing the business foundation through selective concentration," "Structural reforms," and "Restoring social trust," which are mentioned as three major points in the announcement of "Drastic Business Strategies Reconstruction" disclosed in June, 2020.

(2) Fundamental view and policy of corporate governance
The Company regards the construction and enhancement of corporate governance as one of the most important management issues. The fundamental goal of corporate activities is to pursue efficient, fair and highly transparent management to attain greater corporate value for all the stakeholders.
To achieve the above goal, the Company endeavors to improve the management system and management organization mainly through appropriate and rapid decision-making, reinforcing the monitoring function of our decision-making, establishment of a compliance system, improvement and strengthening of an internal control system, and establishment of good relations with stakeholders.

(3) Policy and procedures for the Board of Directors to determine remuneration for management executives and Directors
Remuneration for Directors of the Company is provided for the purpose of motivating the Directors to execute their business to the maximum extent possible to achieve business plans and enhance the corporate value in the medium to long term.
For this purpose, the Company pays remuneration for Directors consisting of four components, namely basic remuneration, stock options, performance bonus for a single fiscal year and performance bonus for the period of the medium-term management plan.
The remuneration will be determined through deliberations by the Nomination and Compensation Committee so that the remuneration for individual Directors should be appropriate. The Nomination and Compensation Committee consists of four outside Directors and the President and CEO. Please refer to the policy and procedures for determining the remuneration for Directors which are stated in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this Report and the Annual Securities Report.

(4) Policy and procedures for the Board of Directors to appoint and dismiss management executives and nominate candidates for Directors and Audit & Supervisory Board Members
To achieve the business plans and enhance the corporate value in the medium to long term, we set a policy of structuring the Board of Directors by giving due consideration to securing the speediness of decision making and strengthening the management supervisory function.
Accordingly, the Board will nominate the candidates for Directors from talent pool with extensive knowledge of the Company's business and the business environment surrounding the Company as an Executive Director, and at the same time, nominate persons with deep expert insight as Outside

Directors to strengthen the management supervisory function. The Company adopted a policy of making the majority of Board of Directors consists of Outside Directors in order to emphasize the supervisory function.
With regard to candidates for Audit & Supervisory Board Members, the Board will nominate persons with in-depth knowledge of finance and accounting to strengthen the management supervisory function. Particularly for outside Audit & Supervisory Board Members, the Board will nominate persons with deep expert insight in an independent position.
Candidates for Outside Directors shall meet the independence criteria that the Company formulated in accordance with the independence standards of the Guidelines for Listing Examination, etc. of the Tokyo Stock Exchange.
To nominate candidates for Directors and Audit & Supervisory Board Members in accordance with these policies, the Board of Directors will determine through deliberations at the Nomination and Compensation Committee.
When a Director or an Audit & Supervisory Board Member is determined that they are not fulfilling their roles, a proposal for dismissing the subject Director and/or Audit & Supervisory Board Member will be brought up to the General Shareholders' Meeting, after deliberations at the Nomination and Compensation Committee and resolution of the Board of Directors.

(5) Explanation of individual election and nomination when management executives are elected and dismissed and when candidates for Directors and Audit & Supervisory Board Members are nominated
At the General Shareholders' Meeting held on June 29, 2021, the election of eight Directors were approved. The reasons for nominating them are disclosed in the reference materials for the General Shareholders' Meeting. Please refer to the reasons for the individual election and nominations stated on pages 9 through 17 of the Notice of the 48th Ordinary General Shareholders' Meeting. For Outside Directors and outside Audit & Supervisory Board Members, please refer to the relevant sections of this Corporate Governance Report as well.

Principle 4-1-1 Roles and duties of the Board of Directors (1) (Scope of delegation to management)
The Board of Directors Rules stipulate that the major roles of the Board of Directors of the Company are to make decisions on important matters for business operation, such as business plans, to resolve legally defined matters, and to monitor business activities.
However, certain judgment is delegated to the management to operate business promptly, and the Company's decision-making rules clearly define the scope of the delegation to management.

Principle 4-9 Independence criteria and qualifications for independent Outside Directors
To ensure the independence of outside officers, including Outside Directors, the Company developed independence criteria, taking into consideration issues for the business operation of the Company, with meeting the independence standards of Tokyo Stock Exchange, Inc. as the minimum requirement. For details, please refer to the relevant sections of this Corporate Governance Report.

Principle 4-11-1 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Policy and procedures for the appointment of Directors)
To achieve the medium-term management plan and enhance the corporate value in the medium to long term, the Company set a policy of structuring the Board of Directors by giving due consideration to securing the speediness of decision making and strengthening the management supervisory function.
Accordingly, candidates for Directors will be nominated from persons who have extensive knowledge about the Company's business and the business environment surrounding the Company as an Executive Director, and at the same time, persons with deep expert insight will be nominated as Outside Directors to strengthen the management supervisory function. The Company adopted a policy of making the majority of Board of Directors consists of Outside Directors in order to emphasize on the supervisory function.

The Company pays attention to structuring the Board of Directors to avoid extreme disparity in the length of service of the Directors in order to strike a balance between the enhancement of experience and knowledge and creativity from a new perspective.
With respect to the number of Directors on the Board, the Articles of Incorporation stipulate twenty as the maximum number and the Company pays attention to setting a number that can secure fulfilling deliberations and is suited to the scale of business activities. The current Board of Directors consists of total eight Directors; three executive Directors (one of them is female) and five Outside Directors (none of them is female).

Principle 4-11-2 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Concurrent serving as an officer in another listed company)
The Company limits in principle the number of other listed companies to three where a Director or an Audit & Supervisory Board Member of the Company can concurrently serve as an officer, so as not to pose a problem for their execution of duty in the Company.
With respect to the Directors and Audit & Supervisory Board Members who are concurrently serving as officers in another listed company, Mr. Akira Watanabe, a Director, serves as director of ASIA PILE HOLDINGS CORPORATION and as outside director of Maeda Road Construction Co., Ltd., and as outside Audit & Supervisory Board Member of KADOKAWA CORPORATION and Mr. Takao Yuhara, an outside Audit & Supervisory Board Member, currently serves as a outside director of T.HASEGAWA CO., LTD and an outside auditor of KAMEDA SEIKA CO., LTD.

Principle 4-11-3 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Analysis and evaluation of the Board of Directors)
After the end of the fiscal year, the Company evaluated the function and others to be fulfilled by the Board of Directors mainly for the purpose of improving management issues. The evaluation method was an individual evaluation using a questionnaire to all the members of the Board of Directors. The secretariat of the Board of Directors aggregated data, undertook an analysis and made a report to the Board of Directors to hold discussions. In the evaluation for the fiscal year ended March 31, 2021, it was confirmed that the Company's Board of Directors and governance system functioned effectively in general.
Specifically, based on the evaluation of the Board of Directors in the previous fiscal year, the Board of Directors got involved in surely implementing the structural reform, increasing profitability of the Leasing Business, and resolving the construction defects problem. The outcome of collective evaluation was that the Board of Directors worked effectively to monitor the progress of implementing the structural reform to realize the business turnaround, improving the profitability of the Leasing Business and increasing interaction opportunities between the management and employees and shared the common understanding that it was important to make timely discussions and decision making including redirection where necessary.
In addition, each Audit & Supervisory Board Member evaluated for the fourth time the effectiveness of the Audit & Supervisory Board and submitted a report in writing to the President and CEO and Corporate Planning Department.
The concern of insufficiently streamlining and operating the internal control system was specified in the wake of large-scale leavers triggered by the voluntary retirement and subsequent reorganization. Since the Auditing Department, the Compliance Promotion Department and the Corporate Auditor worked together to carry out the effective audits and managed to enhance the effectiveness through dispelling the specific concern. However, the spread of COVID-19 forced to replace the local offices audit in person by the remote audit and questionnaire fulfillment. The analysis concluded that the quality and the number of audits yielded disappointing evaluation scores.

Principle 4-14-2 Training of Directors and Audit & Supervisory Board Members (Training policy)
In the belief that facilitating the acquisition of the necessary knowledge by the Directors and the Audit & Supervisory Board Members will contribute to the execution of business operation and the enhancement of corporate value in the future, the Company provided and supported opportunities for acquiring knowledge.

Specifically, the Company provided training that will contribute to the resolution of management issues such as corporate governance and corporate finance as well as understanding the business environment, development of human resources and strengthening the organization. The Company also provided training on legal responsibilities after the Directors and the Audit & Supervisory Board Members have taken office.

Principle 5-1 Policy for constructive dialogues with shareholders
To promote the sustainable growth of the Company and enhance its corporate value in the medium to long term, the Company runs a department specializing in IR headed by the Director in charge of IR to promote constructive dialogues (meetings) with shareholders. Specifically, the Company provides clear explanations about the Company's management policies and others to stakeholders including shareholders by holding results briefings and Japanese and foreign institutional investors' meetings.
With respect to the policy and efforts for the development of a system for promoting constructive dialogues with shareholders, the Company developed a Disclosure Policy and disclosed it on its website. Please refer to it.

2. Capital Structure

Foreign Shareholding Ratio	Between 10% and 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Chidori Godo Kaisha	84,507,700	25.66
Ardisia Investment, Inc.	48,683,600	14.78
Noriyasu Shimada	11,474,500	3.48
STATE STREET BANK AND TRUST COMPANY 505103	9,295,392	2.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,416,200	1.95
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY	5,415,256	1.64
Leopalace21 Business Partners Stock Ownership Association	5,319,200	1.61
SBI SECURITIES Co., Ltd.	5,029,512	1.53
Leopalace21 Owners Stock Ownership Association	4,712,500	1.43
Leopalace21 Employees Stock Ownership Association	3,093,090	0.94

Controlling Shareholder (excluding Parent Company)	–
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From JPY 100 billion to less than JPY 1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company has been in the progress of implementing various countermeasures based on what the External Investigation Committee recommended in the wake of a series of construction defects. The Company set up on February 27, 2019 as a result of the construction defects problem a third-party External Investigation Committee which is independent and does not hold any interest with the Company. The Company received an investigation report from the Committee and took special notice of the overall and fundamental causes of the problem which the Committee specified in the report. The Company is trying to restore the credibility by all the stakeholders and put the three-pointed countermeasures in execution: Introduce radical reform of corporate culture to develop customer-oriented culture, rebuild the structure and system for compliance and risk management, and revise the construction subcontracting business system. Please refer to the details which are disclosed on the Company website.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Member

[Directors] Updated

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President and CEO
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kazuyasu Fujita	From another company											
Yutaka Nakamura	From another company								△			
Akira Watanabe	From another company								○			
AkioYamashita	From another company							○				
Jin Ryu	From another company							○				

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director themselves only)
i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director themselves only)
j. Executive of a company or organization that receives a donation from the Company (the director themselves only)
k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Designa-tion as Indepen-dent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazuyasu Fujita	Yes	Important concurrent post ・President and Representative Director, Management Consulting Partner, Inc.	Mr. Kazuyasu Fujita fulfilled an appropriate role as an Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings. He also served as a member of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer election and remuneration decision procedures. Moreover, he possesses keen insight accumulated through his career as a senior manager and deep knowledge and experience in corporate management, most notably of which has been his active involvement in the planning of proposals for rehabilitation plans in accordance with the Private Rehabilitation Guidelines at Toyo Shutter Co., Ltd. along with his implementation of a seven-year reconstruction plan as President and Representative Director of the said company where he completed reconstruction in a three-year shorter period. For these reasons, it is judged that he can make a contribution based on his experience and knowledge regarding business revitalization; construction and technology in pushing through fundamental structural reforms and in efforts to realize early recovery of the Company's social trust and business performance which were undermined by the construction defects problem, and he can play a role in supervising business

			execution in the Board of Directors from an independent and fair perspective. Therefore, the Company has nominated him again as a candidate for Outside Director. Mr. Fujita meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Directors. As such, the Company judged that his independence is secured.
Yutaka Nakamura	Yes	Important concurrent post ・Nothing in particular	Mr. Yutaka Nakamura fulfilled an appropriate role as an Outside Director in supervising the business execution of the Company by actively providing advice from an independent and fair perspective during the Board of Directors meetings and other meetings. He also served as a member of the Nomination and Compensation Committee, thereby increasing the transparency and objectivity of officer election and remuneration decision procedures. After joining Panasonic Homes Co., Ltd, he had been consistently involved in quality and environmental management, and achieved strong results in lifting that company's quality and environmental management to the top level in the industry. Moreover, he had experiences in serving in important positions at multiple organizations in the housing industry. Although he has never participated in the management of a company in the past other than as an Outside Director or Outside Audit & Supervisory Board Member, he possesses keen insight accumulated through the aforementioned careers and deep knowledge and experience in the fields of quality control and environmental management. For these reasons, it is judged that he can make a contribution based on his experience and knowledge regarding construction and technology in pushing through fundamental structural reforms and in efforts to realize early recovery of the Company's social trust and business performance which were undermined by the construction defects problem, and he can play a role in supervising business execution in the Board of Directors from an independent and fair perspective. Therefore, the Company has nominated him again as a candidate for Outside Director. Mr. Nakamura meets the independence standards set forth by the Tokyo Stock

			Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Directors. As such, the Company judged that his independence is secured.
Akira Watanabe	Yes	Mr. Akira Watanabe is an Outside Director, Maeda Road Construction Co., Ltd. While the Company has a business relationship with Maeda Road Construction Co., Ltd., the amount was less than 0.1% of the past consolidated net sales of the Company, it does not have an impact on the independence of the Outside Director. Important concurrent posts ・ Director, ASIA PILE HOLDINGS CORPORATION ・Outside Director, Maeda Road Construction Co., Ltd. ・Audit & Supervisory Board Member, KADOKAWA CORPORATION ・Partner, Comm & Path Law Office	Mr. Akira Watanabe possesses specialized knowledge as an attorney at law and keen insight accumulated through his career as an outside director of other companies as well as deep knowledge and experience in corporate management. For this reason, it is judged that he can make a contribution based on his experience and knowledge regarding legal compliance in pushing through fundamental structural reforms and in efforts to realize early recovery of the Company's social trust and business performance which were undermined by the problem concerning construction defects, and he can play a role in supervising business execution in the Board of Directors from an independent and fair perspective. Therefore, the Company has nominated him as a candidate for Outside Director. Mr. Watanabe meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Directors. As such, the Company judged that his independence is secured.
Akio Yamashita	No	Mr. Akio Yamashita is the Representative of Fortress Investment Group (Japan) GK and he is compatible with the Independence Criteria of the Company stipulated in this Corporate Governance Report. The specific reason is that Chidori Godo Kaisha, a major shareholder of the Company and a related business entity of Fortress Investment Group LLC, holds 25.7% of the voting rights as of end of March 2021. Important concurrent post ・Representative in Japan, Managing Director, Fortress Investment Group (Japan) GK	Mr. Akio Yamashita possesses extensive work experience and achievements as an officer and employee of financial institutions and others. He has been involved in many projects, including real estate-related business, real estate finance, urban redevelopment funds, management buyouts, and corporate rehabilitation. With his keen insight and deep knowledge and experience in corporate management, it is judged that he can make a contribution to the Company's growth strategies, and the Company has therefore nominated him as a candidate for Outside Director.

Jin Ryu	No	Mr. Jin Ryu is a Managing Director of Fortress Investment Group (Japan) GK and he is compatible with the Independence Criteria of the Company stipulated in this Corporate Governance Report. The specific reason is that Chidori Godo Kaisha, a major shareholder of the Company and a related business entity of Fortress Investment Group LLC, holds 25.7% of the voting rights as of end of March 2021. Important concurrent post ・Managing Director, Fortress Investment Group (Japan) GK	Mr. Jun Ryu possesses extensive work experience and achievements as an officer and employee of an investment fund. He has been involved in many projects, including real estate-related business, investments into companies, and corporate rehabilitation. With his keen insight and deep knowledge and experience in corporate management, it is judged that he can make a contribution to the Company's growth strategies, and the Company has therefore nominated him as a candidate for Outside Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson Updated

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	an Outside Director	an Outside Director

Supplementary Explanation Updated

The Company established policies for nominating candidates for Directors and Audit & Supervisory Board Members and for determining remuneration recommendations for these officers as well as procedures for making decisions through deliberations by the Nomination and Compensation Committee, an advisory body to the Board of Directors, according to the policies for making the best nomination and determination of remuneration.

The Nomination and Compensation Committee was held seven times in the fiscal year ended March 2021.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation between Audit & Supervisory Board Members, Accounting Auditor and Internal Auditing Department

The Audit & Supervisory Board Members and the Accounting Auditor exchange opinions by holding quarterly briefing meetings on the settlement of accounts four times a year, and ad-hoc meetings as required. The Company entered into an auditing contract with Grant Thornton Taiyo LLC, an accounting firm to conduct audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. With regard to the Internal Audit organization, the Auditing Department, which is independent from the business departments, was established as a department under the direct control of the President and CEO and reports the audit results to the Directors and the Audit & Supervisory Board Members at the monthly meetings of Auditing Council to share information. The Auditing Department informs the Outside Directors of the major results of the internal audits at the meeting with Outside Directors; and the Accounting Auditor of results of their internal audits.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takao Yuhara	From another company										△			
Jiro Yoshino	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member themselves only)
k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member themselves only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member themselves only)
m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Takao Yuhara	Yes	Mr. Takao Yuhara held several executive positions such as the managing executive director of Zensho Holdings Co., Ltd. and retired from it in January 2013. He assumed the office of an Outside Audit & Supervisory Board Member of the Company in June 2015. While the Company has a business relationship with Zensho Holdings with the amount of less than 0.1% of the consolidated net sales of the Company, and more than seven years have passed from the time when he was a managing executive director of Zensho Holdings, it does not have an impact on his independence as an Audit & Supervisory Board Member.	Mr. Yuhara serves as Auditor of a number of companies after served as CFO of a listed company. Mr. Yuhara fulfills the monitoring function of the Company's management from an objective standpoint based on his deep insight and considerable business experiences. Mr. Yuhara meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Officers. As such, the Company judged that his independence is secured.

		Important concurrent positions ・outside director, T. Hasegawa Co., Ltd. ・Auditor, Kameda Seika Co., Ltd.	
Jiro Yoshino	Yes	Mr. Jiro Yoshino held positions such as an executive officer and the full-time auditor of MS&AD Insurance Group Holdings, Inc. and retired from it in June 2017. He assumed the office of a full-time outside Audit & Supervisory Board Member of the Company in June 2017. While the Company has a business relationship with MS&AD Insurance Group Holdings with the amount of less than 0.1% of the consolidated net sales of the Company, it does not have an impact on his independence as an Audit & Supervisory Board Member. Important concurrent positions Nothing in particular	Mr. Yoshino held important positions in MS&AD Insurance Group Holdings, Inc and possesses deep insights and considerable business experiences through his career as management at the listed company. He served as a full-time auditor of MS&AD Insurance Holdings, Inc. The Company nominated Mr. Yoshino again as a candidate for Outside Audit & Supervisory Board Member to properly monitor the Company's management due to his knowledge and experiences. Mr. Yoshino meets the independence standards set forth by the Tokyo Stock Exchange in the Article 436-2 of its Guidelines for Listing Examination and the Company's own Independence Criteria for Independent Officers. As such, the Company judged that his independence is secured.

[Independent Directors/Audit & Supervisory Board Members] Updated

Number of Independent Directors/Audit & Supervisory Board Members	5

Other matters relating to Independent Directors/Audit & Supervisory Board Members

The Company's criteria for independence at the time of appointing an Outside Director and an Outside Audit & Supervisory Board Member stipulate that they shall not fall under any of the following.

(a) A person who executes business in the Group (a person who executes business such as a Director (excluding an Outside Director), an Executive Officer, an employee who executes business, an Administrative Officer or any other similar manager or employee of the Company or the Group)

(b) A major shareholder of the Company (a shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business at the major shareholder

(c) A person who executes business in a corporation in which the Company is a significant investor (a person who directly or indirectly holds 10% or more of the total voting rights)

(d) An entity of which the major business partner is the Company (a business partner which provides products or services to the Company and whose transactions with the Company in the immediate preceding fiscal year accounted for 2% or more of its net sales or total revenue) or a person who executes business at the entity

(e) A major business partner of the Company (a business partner to whom the Company provides products or services and the Company's transactions with which, in the immediate preceding fiscal year, accounted for 2% or more of the Company's net sales) or a person who executes business at the major business partner

(f) A person who executes business at a major financial institution of the Company (a financial institution from which the Company borrows and the amount of borrowings of the Company which, in the immediate preceding fiscal year, accounted for 2% or more of the Company's total assets)

(g) A person who belongs to an audit firm that conducts statutory audits of the Company

(h) A person who receives a fee of at least JPY 10 million a year, or 2% of net sales or total revenue of an accounting expert such as a certified public accountant, a tax expert such as a certified tax accountant, a legal expert such as a lawyer or other consultant (hereinafter collectively referred to the "Consultant and the like"), whichever is higher, from the Company in the immediate preceding fiscal year, except for their officer's remuneration, or a person who belongs to a group in cases where the Consultant and the like is the group, such as a corporation and an association

(i) A person who executes business in the Company, if they serve as an outside officer at present or within the past three years at some other company

(j) An entity which received a donation of JPY 10 million a year or 2% of the entity's net sales or total revenue, whichever is higher, from the Company in the immediate preceding fiscal year, or a person who executes business at the entity

(k) An entity which or a person who has fallen under any of (a) through (j) in the past three years

(l) A relative within second degree of kinship of any of the persons listed in (a) through (j) above or a person who depends on any of the persons listed in (a) through (j) above (however, in the "person who executes business" listed in (b) through (f), (i) and (j) above, this is limited to a director (excluding an outside director), an executive officer, an employee who executes business, an executive board member or a person who executes important business such as a responsible person of a department, and in the "person who belongs to" listed in (g) and (h) above, this is limited to a person who has a professional qualification such as a certified public accountant or a lawyer)

(m) A person who is reasonably judged to give rise to conflicts of interest with shareholders who is equivalent to that in (a) through (l) above

[Incentives]

Incentive Policies for Directors	Stock Options

Supplementary Explanation

At the meeting of the Board of Directors held on May 15, 2009, we resolved to reform the Directors' remuneration system. That is, the Company decided to introduce an incentive bonus system linked to the business performance of the Company to create a fair and transparent Directors' remuneration system by clarifying the Directors' responsibility for the business results and abolish the current retirement benefit plan. For Executive Directors, the Company decided to change the system to a method of incorporating some of the current payment amount in their monthly

remuneration and granting the remaining payment amount as a stock option. These measures were approved and passed at the Ordinary General Shareholders' Meeting held on June 29, 2009.

Recipients of Stock Options	Inside Directors

Supplementary Explanation
The Company will provide the equivalent amount of remuneration right to those eligible Directors who receive the allotment of share acquisition rights and offset their rights to request remuneration from the Company against their payment obligations to be paid for the allotment of share acquisition rights.

[Director Remuneration] Updated

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation
Content of Directors' and Audit & Supervisory Board Members' remuneration (the payment amounts in the most recent fiscal year) The payment amounts to 5 Directors, 3 Audit & Supervisory Board Member and 11 outside Officers for 19 in total aggregated to JPY 170 million. The Annual Securities Report and the Business Report in which the above content is stated are posted on the Company's website.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
The Company holds a basic policy of the remuneration system for Directors, namely the amount and calculation method, which will contribute to an improvement in the Company's business performance in various ranges and the enhancement of its corporate value. The remuneration has four components: the basic remuneration as a fixed portion, the stock options which is designed to boost medium- to long-term Company earnings and corporate value by sharing the advantages and disadvantages of stock price fluctuations with the shareholders, the annual performance bonuses on the attainment of a single fiscal year management targets, and the medium-term performance bonuses on the attainment of the medium-term management plan. Each of the four types of remuneration will be determined considering the following: the basic remuneration is paid as a fixed amount dependent on the job responsibility and job-associated risks; the stock options are granted in light of the Company performance and in calculation of respective Directors' comprehensive contribution according to the internal regulations; the performance bonuses for a single fiscal year is payable based on the respective Directors' comprehensive contribution in achieving the numerical targets and qualitative targets such as strengthening management bases; the performance bonuses for the period of the medium-term management plan is payable based on the respective Directors' comprehensive contribution against the numerical targets and qualitative targets including reinforcing the business foundations. Outside Directors are not eligible for the stock options and the performance bonuses for a single fiscal year as well as for the period of the medium-term management plan. The resolution date for the Directors' remuneration was June 29, 2017 at the ordinary general shareholders' meeting. The annual remuneration for Directors are capped at JPY 800 million which excludes employee-portion of salaries and that for Outside Directors is limited to JPY 100 million. The stock option scheme as

stock-linked compensation is granted JPY 300 million at maximum which excludes employee-portion of salaries. The General Shareholders' Meeting also decided upon leaving the individual amount of remuneration with the Board of Directors. The maximum number of Directors are stipulated as 20 in the Articles of Incorporation.
The Board of Directors has the authority of determining the calculation method and individual amount of remuneration, accordingly the Board approves the respective Directors' amount of remuneration in accordance with the internal regulations. The Nomination and Compensation Committee, a voluntary organ, submits the proposal to the Board of Directors for approval. For this fiscal year the Committee deliberated the proposal and the Board approved it on July 22, 2020.
The General Shareholders' Meeting determined on June 29, 2004, the maximum amount of remuneration for the Audit & Supervisory Board Members as JPY 60 million and the individual amount is discussed and mutually agreed in the Audit & Supervisory Board.

[Support for Outside Directors and/or Outside Audit & Supervisory Board Members] Updated

The Corporate Planning Department provides support for the activities of the Outside Directors. As a measure to realize the properly informed decision making, the Senior Department Manager of the Corporate Planning Department provides information on changes in important business environment and prior explanation on the individual agenda items as and when necessary. An employee who belongs to the Audit & Supervisory Board provides support for the activities of the Outside Audit & Supervisory Board Members. The Company established an Outside Directors Meeting where the Outside Directors, Outside Audit & Supervisory Board Members and the Auditing Department attend so that the Meeting can share the mutually complementary specialized knowledge and enhance the quality of supervision on the business execution.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

1. Corporate Governance System
The Company set up the Board of Directors which has the authority to decide important matters concerning business operations such as the decision of business plans, to make resolutions set out by the laws and regulations as well as the Articles of Incorporation, and to monitor the business activities with the objective of improving corporate value by responding dynamically to the changes in the business and management environment.
The Board of Directors consults before the meeting of the Board of Directors the Corporate Management Council which discuss important matters concerning business operation for the purpose of rapid decision-making of management and smooth business operation. In addition, the Board of Executive Officers meeting is held to share information about company management to aim at smooth business operation and further organizational cooperation.
Furthermore, the Board of Directors set up various committees as its advisory bodies to discuss the major management challenges of the Company and make recommendations back to the Board. Specifically, the Company set up the "Nomination and Compensation Committee" for nominating Director candidates and for preparing a proposal for Directors' remuneration, the "Risk Management Committee" to manage risks in the business operation, the "Compliance Committee" to maintain and manage the compliance structure, the "Personnel Committee" to confer about personnel utilization, the "IT Committee" to maintain IT environment, the "CSR Executive Committee" and "CSR Committee" to work on CSR challenges.
In the business operation structure, the Company holds four headquarters organizations: the Business Operation Headquarters managing each business division and mutual cooperation; Corporate Management Headquarters which formulates and monitors the management strategies, strengthens the ties between the business divisions, and supporting the business operations; Compliance Promotion Headquarters which maintains the legal compliance and monitor to see if the compliance is duly put in place; and Construction Defects Response Headquarters which deal with construction defects.

The Company also recognize that improving our capabilities to oversee business operations is a key management issue. That is why the Company has in place the Audit & Supervisory Board to monitor business execution of Directors, appointed Outside Directors, and in addition set up the Auditing Department to perform internal audits, through which we strive to enhance management oversight functions.
Under these systems, the Company is taking steps to clarify the scope of responsibilities and authority and make every effort to further strengthen our corporate governance.

The Board of Directors, composed of 8 Directors including 5 Outside Directors, emphasizes both securing speediness of decision-making process and improving monitor function. The Company thinks appropriate election of Directors is important to improve the corporate value and therefore incorporate in the decision process the deliberation at Nomination and Compensation Committee which has Outside Directors as committee members. The Board of Directors holds a monthly regular meetings and extraordinary meetings at any time as required, to make timely decisions on critical management matters as well as to monitor business operations and Directors' performance of duties.

The Director in charge of the Corporate Management Headquarters is responsible for supervising the management of Leopalace21 and its affiliates in order to achieve thorough governance throughout the Group. The Company holds a regular affiliates conference to facilitate smooth information exchange and to align all group activities. In addition, Directors of each affiliate are in charge of establishing CSR promoting framework, compliance system, and risk management system, in line with policies based on business plan and efficient business operation.

To strengthen the compliance system, the Company established the Compliance Committee as an advisory body to the Board of Directors, in addition to implementing the Corporate Ethics Charter and the whistle-blowing hotline. With one of the Outside Directors serving as chair, the Compliance Committee consists of the members which include lawyers and other external experts. In the efforts to bolster governance, the Committee develops various measures relating to compliance such as enhancing training and reinforcing the information management system as well as strengthening monitoring systems and identifying problems for improvement. Each department assigns a person responsible for compliance to ensure promoting compliance-related measures in the respective workplaces.

To reinforce risk management, the Company established the Risk Management Committee as an advisory body to the Board of Directors to comprehensively identify and manage the risks facing the entire Company. With the president serving as chair, the Risk Management Committee membership includes lawyers and other external experts. The Committee not only examines risk management conditions but also plans and implements training and other measures in its efforts to reduce risk and increase preparedness and prevention. Each department extracts and analyzes risks concerning their operations, establishes and supervises risk countermeasures, and reports these efforts to the Risk Management Committee. The Committee ensures the proper management of risks in each department through consultation and guidance.

The Company controls and maintains the proper operations of its subsidiaries by adhering to the management rules of the affiliated companies and by holding a regular affiliates conference to facilitate the smooth information exchange and to align all group activities. The decision on each subsidiary’s management issues require prior approval by and subsequent reporting to the Company’s Board of Directors, or Corporate Management Council, or responsible Board member in accordance with the decision rules. Furthermore, the Director in charge of the Corporate Management Headquarters is responsible for supervising the Company’s affiliates and he performs his overseeing duty by receiving reports by the relevant subsidiaries at the affiliates conference.
The respective Directors are responsible for overseeing each subsidiary’s business while respecting its autonomy, ensuring its business activities aligned with the corporate business plans, and implementing the Group’s compliance system and risk management system to support the efficient operations.
Such Directors collect relevant information through regular and ad-hoc meetings with the relevant subsidiaries and report the state of managing subsidiaries to the Board of Directors and the Corporate Management Council.

Our Group's basic policy of the internal control system is to base our corporate activities on legal compliance and compliance with social ethics. Specifically, the Audit & Supervisory Board, the Compliance Committee, the Compliance Promotion Division, the Human Resources and General Affairs Department, and the Auditing Department supervise and check if all departments comply with relevant laws and regulations, with the Corporate Ethics Charter as a fundamental reference. Additionally, the Company established the Auditing Council to prepare proper financial statements while aiming to comply with relevant laws and regulations, to safeguard the company's assets, and to carry out efficient business activities. The Company also created the Risk Management Committee, which operates a system to investigate in advance all management risks within the company group to sort them into categories of significance. The Company set up a function of internal hotlines to collect and grasp various risk issues and others to further improve and reinforce the internal control system.

2. Internal Audit and Audit by the Audit & Supervisory Board Members

The Auditing Department, directly reporting to the President, oversees the internal control and internal audit functions and conducts audits not only for the Company but for affiliated companies as well. The Auditing Council was set up to maintain sound internal control such as monitoring management activities and risk management and thereby strengthens governance. The Auditing Department reports the results of audits to the Directors and the Audit & Supervisory Board Members at monthly meetings of the Auditing Council and also to the Accounting Auditor for information sharing.

The Audit & Supervisory Board, composed of four Members including two Outside Members, makes audit plans, and the Members attend important meetings, including meetings of the Board of Directors, according to the audit plans to monitor important decision-making processes and the Directors' performance of their duties. They also conduct operational status investigations and regularly exchange opinions with the President to enhance the effectiveness of audits. All of the four Members have considerable knowledge of finance and accounting, for Jiro Yoshino having experience of an executive officer and an audit & supervisory board member of a listed company, for Kenichiro Samejima for his wealth of experience in the Leasing Business of the Company, for Takao Yuhara having experienced CFO roles in several listed companies, and Yoshitaka Murakami with his experience of serving as a Director of a listed company and as an audit & supervisory board member of a listed company. The Audit & Supervisory Board Members and the Accounting Auditor exchange their opinions at quarterly briefing sessions on closing of accounts and hold other meetings as needed.
As described above, the Auditing Department, the Audit & Supervisory Board Members, and the Accounting Auditor work together to carry out efficient internal audits and auditor's audits.

3. Outside Directors and Outside Audit & Supervisory Board Members

The Company has five Outside Directors: Kazuyasu Fujita, Yutaka Nakamura, Akira Watanabe, Akio Yamashita and Jin Ryu; and two Outside Audit & Supervisory Board Members: Jiro Yoshino and Takao Yuhara.
The Company expects that the appointment of the Outside Directors and the Outside Audit & Supervisory Board Members will help secure the transparency and fairness of management by strengthening the function of making proposals and of supervision from an objective standpoint based on the considerable knowledge and experience and deep insight as corporate executives they cultivated through their careers.

There is no personal, capital or business relationship or any other interest between the Company and the Outside Directors and the Outside Audit & Supervisory Board Members, except for their holding of the Company’s shares by the two Outside Audit & Supervisory Board Members Jiro Yoshino and Takao Yuhara.
Fortress Investment Group (Japan) GK where Mr Akio Yamashita and Mr. Jin Ryu, Outside Directors of the Company, work as Managing Directors, is the related business entity of Chidori Godo Kaisha, the leading shareholder of the Company and also the related business entity of Kaede Godo Kaisha, a major lender to the Company. There is no personal, capital or business relationship

or any other interest between the Company and the companies where the Outside Directors and the Outside Audit & Supervisory Board Members have a concurrent post.
The Company notified Tokyo Stock Exchange, Inc. of Kazuyasu Fujita, Yutaka Nakamura, and Akira Watanabe out of the Outside Directors as Independent Directors, and of Jiro Yoshino and Takao Yuhara, Outside Audit & Supervisory Board Members as independent.
With respect to their independence at the time of appointing them as Outside Directors or Outside Audit & Supervisory Board Members, they have independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines Concerning Listing Examination, etc.
For the details please refer to the relevant part of this Corporate Governance Report.

The Company believes that the objective and neutral management supervision is duly in place because eight members of the Board of Directors consists of five Outside Directors as majority, and three Independent Directors out of the five exceeding one third of the total.

The reference is made to the supervision by the Outside Directors and mutually coordinated audits between audits by the Outside Audit & Supervisory Board Members, internal audits, audits by the Audit & Supervisory Board and financial audits as well as the status of control by the departments responsible for the internal control. The Outside Directors fulfill their duty of supervision by attending the Board of Directors meetings and Auditing Council meetings to receive reports on the findings by the internal audits, audits by the Audit & Supervisory Board and financial audits as well as the things raised by the responsible departments for internal control, for making relevant proposals and recommendations as needed. The Outside Audit & Supervisory Board Members strive to perform efficient audits in mutual coordination between internal audits, audits by the Audit & Supervisory Board Members and the financial audits by receiving reports on the findings of these audits and the status of control by the departments responsible for internal control at the Board of Directors meetings and the Audit & Supervisory Board meetings.

3. Reasons for Adoption of Current Corporate Governance System

The Company adopted the current corporate governance system to strengthen the supervisory function over decision-making, to establish the compliance system, to enhance and strengthen the internal control system, and to build good relationships with stakeholders and so on.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Electromagnetic Means of Exercising Voting Rights	The Company developed and have been utilizing the voting environment by using the electronic voting platform for institutional investors operated by ICJ, Inc.
Participation in Electronic Voting Platform and Other Initiatives to Improve the Environment for Exercising Voting Rights by Institutional Investors	The Company developed and have been utilizing the voting environment by using the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	The Company has been preparing an English convocation notice (summary version).

2. IR Activities Updated

	Supplementary Explanations	Explanation by the Repre-sentative in Person
Preparation and Publication of Disclosure Policy	The Company makes disclosure in “Information for Investors” on the website.	—
Organize Regular Investor Briefings for Analysts and Institutional Investors	The Company holds, in principle, an online results briefing on the business day of the announcement of the half-year interim results and the annual results. The Company releases on the IR part of the website the presentation materials and transcription of the meeting.	Yes
Posting of IR Materials on Website	The URL of the IR site is http://eg.leopalace21.com/ir/. which contains the materials including monthly data, materials for timely disclosure, financial statements, Investor Meeting presentations, Integrated Reports, the medium-term management plans.	—
Dedicated Organization or Personnel Handling IR Matters	Department in charge of IR: IR Section, Corporate Planning Department Officer in charge of IR: Shinji Takekura, Executive Officer and Senior Department Manager, Corporate Planning Department	—

Other	Deliver monthly result of major indicators (occupancy rates and the like) to institutional and individual investors in Japan and overseas by email.	—

3. Measures to Demonstrate Respect for Stakeholders

	Supplementary Explanations
Stipulate Stakeholder-related Clauses in Internal Rules or other things	The Corporate Ethics Charter prescribes relationships with all stakeholders including customers, business partners, shareholders, investors and employees. It is disclosed on the website.
Implement Environmental Activities, CSR Activities etc.	As the basic policy on CSR activities, the Company set the following five themes: 1. “Providing high-quality services and supporting affluent living,” 2. “Contributing to local communities,” 3. “Creating pleasant work environments and developing diverse human resources,” 4. “Creating an environmentally friendly society” and 5. “Engaging in sound, constructive communication with stakeholders.” The Company continues its CSR activities based on this policy. Specifically, the Company works to propose and provide a living environment tailored to customers’ lifestyles by capturing their needs, and to increase their satisfaction through the technology enabled by IoT such as “promotion of smart apartments” and the “electronic contract services.” The Company also strives to reduce the environmental burden of our business activities through efforts to save electricity and water in our apartments nationwide and the promotion of a “Cool Biz” dress code for summer, the reuse of discarded materials and the introduction of more mini motor vehicles in the fleet. The Company places emphasis on work-life balance for the creation of pleasant workplace environments and the development of human resources. It works to ensure that the work-life balance prevail in practice with understanding the management policy focusing on diversity, including promoting female employees’ career development and harnessing the capability of global human resources. For communications with stakeholders, the Company built a careful follow-up system for customers. The Company also provides opportunities to actively share information on the Company’s business and performance by regularly holding events and seminars to enhance our IR activities. In addition, the Company publishes the Integrated Report annually for the purpose of comprehensively reporting our efforts through business activities for the fiscal year.
Develop Policies on Information Provision to Stakeholders	The Corporate Ethics Charter stipulates that “Officers and employees shall maintain appropriate and harmonious relationships with customers, shareholders, investors and other stakeholders, make every effort to disclose management information fairly, timely and adequately, and ensure that management is transparent and sound.” According to the Charter, the Company set the disclosure policy and established the IR Section in the Corporate Planning Department to provide information promptly to all stakeholders.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. Systems for execution of duties by Directors and employees of the Company as well as its subsidiaries to ensure compliance with laws and regulations and the Articles of Incorporation

(1) The Company and its subsidiaries ("the Group") shall conduct business based on its corporate philosophy of "creating new value." As part of that process, the Company created a Corporate Ethics Charter. The Company shall be determined to establish legal and social compliance be most important policy (compliance-first) in the business execution and as the cornerstone of all of its corporate activities. This is exemplified by the President and CEO and the Chief of Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO), whose role is to continuously share the spirit of this charter with all officers and employees of the Group.

(2) The Company's Board of Directors, of which Outside Directors should consist of at least one third, develops the control environment including compliance system and enhances the function for overseeing the legality of the decision-making and the execution of business of the Board of Directors to ensure the transparency and fairness of management.

(3) The Company established the Compliance Committee as an advisory body to the Board of Directors and ensured a system related to compliance. The Committee is composed of one of the Outside Directors as the chairman and members including the external experts such as attorneys at law. The Compliance Committee as a part of the Group's efforts of strengthening governance, plans and implements the measures regarding Group's compliance framework including reinforcing the training and information management system, and monitors the corporate activities in accordance with the compliance regulations to identify the issues for improvement. In cases of suspected violations of laws and regulations, the Compliance Committee will have the authority to suspend operations.

(4) The Company established the Compliance Promotion Headquarters headed by the Chief of the Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO), who manages all the matters related to the legal compliance. The Compliance Promotion Headquarters is responsible for planning and implementing measures to promote the Group's compliance as well as improving issues to develop the autonomous corporate culture.

(5) The Company created under the Compliance Promotion Headquarters the Compliance Promotion Department which is responsible for planning and drafting functions related to compliance promotion within the Group, as well as for the function of checking the legal compliance, which is separated from business departments, particularly for verifying the products such as buildings comply with related laws and regulations. The Department is also responsible for supporting, progress management and monitoring of the compliance-related operations conducted by business departments, as well as legal functions such as confirming contracts and handling lawsuits.

(6) As a system that does not overlook compliance concerns, the Group assigns compliance coordinators to business sites to publicize compliance measures and report any violations of laws and regulations.
The internal reporting system has also been established, and a whistleblowing hotlines have been set up both inside and outside the Company to instruct officers and employees of the Group to immediately consult about or report any compliance violations. The Group organizes periodic survey on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness. The Group provides a clause about the protection of whistleblowers to the Internal Report Regulations to the effect that, if its officers and employees recognized an act, etc., which is doubtful based on the laws and regulations and the Articles of Incorporation, the Company shall prohibit treating the employee unfavorably by the reason of consultation or report.

(7) The Auditing Department was established as a department under the direct supervision of the Company's President and CEO, which oversees the internal control function and internal audit function. The Auditing Department shall examine the business audit items and implementation methods. In addition, to perform monitoring and risk management of business activities in the Group, as well as to implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities. The Company holds Auditing Council to increase the effectiveness of the auditing system.

(8) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs in light of hierarchical positions and jobs so that the Company can enhance the compliance awareness by officers and employees in the Group. In addition, in order to instill the concept that promoting compliance enhances corporate value, the performance appraisal system may include the measurement in terms of proactively demonstrating compliance behavior and multi-directional personnel rating method.

(9) The Company promotes the active dialogues between the management team and all the stakeholders so that it leads to develop the customer-oriented corporate culture by increasing the transparency of management and fostering the mutual understanding.

(10) Through the establishment of these systems, the Group put as basis development of a firm sense of compliance in the organization, and having in combination the structure that ensures legal compliance in an organizational manner spearheaded by the Compliance Promotion Headquarters and the structure that does not overlook the illegality assisted by the Auditing Department's audits and internal reporting system, the Group can pursue the concept of "compliance-first."

2. Systems for retention and management of information on execution of duties by Directors

The President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document Handling Regulations and Information Management Regulations. The Company conducts training with the aim of strengthening the information management system and strictly manages information.

3. Regulations and other systems concerning management of risk of loss by the Company as well as its subsidiaries

(1) The Company established a Risk Management Committee as an advisory organ of its Board of Directors to comprehensively identify and manage the Group's various risk. The Risk Management Committee is composed of the Company's President and CEO as the chairman and members including outside experts, such as attorneys at law.

(2) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations, related individual regulations, guidelines, manuals, etc. for the risk management of the Group, and conduct trainings for officers and employees of the Group. The Company's Chief of the Compliance Promotion Headquarters, and concurrently Chief Legal Officer (CLO) shall submit quarterly reports on risk management of the Group to the Company's Board of Directors.

(3) The Company's Auditing Department shall audits the conditions for the execution of business execution for each department of the Group. If an act with a risk of loss was found in business operations, the Auditing Department shall immediately notify the Company's President and CEO, as well as the department in charge of its details of the degree of loss to be thereby incurred.

4. Systems to ensure the efficient fulfillment of duties by Directors

(1) The Company set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of a fair and appropriate number of members with diverse background, considers important management functions and hold regular meetings once a month, while extraordinary meetings can be called at any time as required, in order for decisions to be made on critical management matters as well as to monitor the status of business performance.

(2) As a prior deliberative organ of the Board of Directors, regular meetings of the Corporate Management Council shall be held to discuss business operation policies and its implementation and to consider measures to be taken.

(3) The Company shall set up a Medium-term Management Plan for the Group, and determine the priority objective and budgetary allocation of the whole Group every fiscal year to materialize the Plan.

(4) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be extracted and counter measures will be executed.

5. Systems for reporting of matters concerning execution of duties of Directors of the Company's subsidiaries, and other systems to ensure appropriate business operations in the Group

(1) The Affiliated Companies Management Regulations shall be applied to subsidiaries of the Company. Each subsidiary shall obtain approval of the Board of Directors or the Officers of the Company in charge of the respective subsidiary for important matters of corporate management in accordance with the internal decision-making rules of the Company and ensure the appropriateness of business operations.

(2) The management of subsidiaries of the Company shall be supervised by the Chief of the Corporate Management Headquarters. The Company's Chief of the Corporate Management Headquarters shall periodically hold an affiliates conferenceg to smoothly exchange information and promote group activities, and mutually receive reports between the Company and its subsidiaries as necessary.

(3) The manager of the responsible department shall supervise and manage business conducted by subsidiaries to establish a compliance system, and a risk management system in line with measures based on management plans and efficient business execution while respecting the independency of subsidiaries. The manager of the responsible department shall make periodic reports on the condition of progress in the management of subsidiaries by exchanging information in regular and timely manners with the subsidiary to the Board of Directors and the Corporate Management Council.

(4) The Company's Auditing Department and Audit & Supervisory Board Members shall conduct a regular or special audit of each subsidiary while cooperating with Audit & Supervisory Board Members of subsidiaries and then report to the Company's President and CEO and the Auditing Council.

6. Matters concerning employees when Audit & Supervisory Board Members request the secondment of employees to assist with duties, matters concerning the independence of those employees from Directors and matters for securing effective direction of Audit & Supervisory Board Members

(1) When a Company's Audit & Supervisory Board Member requests to assign an employee to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall nominate an employee assisting the Audit & Supervisory Board Member from the members

of the Company's Auditing Department after consultation with the Company's Audit & Supervisory Board Member.

(2) In assisting the duties of Audit & Supervisory Board Members of the Company, the right of command over the appointed employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The appointed employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. An evaluation of the support work of Audit & Supervisory Board Member's duties shall be conducted by the Company's Audit & Supervisory Board. The Company's Audit & Supervisory Board Member and Department Manager of the Human Resources and General Affairs Department shall confer about personnel changes and treatment.

7. Systems for Directors and employees, as well as Directors, Audit & Supervisory Board Members, and employees, etc. of the subsidiaries to report to Audit & Supervisory Board Members, other systems of reporting to Audit & Supervisory Board Members, and other systems to secure effective conduct of audits by Audit & Supervisory Board Members

(1) Officers and employees of the Group shall make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to the Company's Audit & Supervisory Board Members as necessary based on laws and regulations, and internal regulations such as the Audit & Supervisory Board Regulations and Auditing Standards for the Audit & Supervisory Board Members. In order to ensure thorough reporting to the Audit & Supervisory Board Members, the relevant system shall be regularly communicated to officers and employees. The Company's Audit & Supervisory Board Members may always require officers and employees to report as necessary.

(2) The Company's Audit & Supervisory Board Members may attend the meetings of important committees such as the Board of Directors, the Corporate Management Council, the Compliance Committee, the Risk Management Committee and affiliates conference to understand the process of important decision-making and the conditions of the execution of the duties by Directors of the Group, and may peruse important documents about the fulfillment of such duties, such as circular memos for approval. The Company's Audit & Supervisory Board Members shall periodically exchange opinions with the Company's President and CEO, and monitor and inspect each department of the Group and Audit & Supervisory Board Members of the subsidiaries through periodic hearings and on-the-spot audits.

(3) The Company's Audit & Supervisory Board Members, by the independence and authority based on the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of the audit, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving reports of audit situation of each department from the Auditing Department.

(4) The Group shall prohibit unfavorable treatment of officers and employees of the Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having made a report, and fully enforce this rule.

(5) In the case where an Audit & Supervisory Board Member demands payment in advance or redemptions of expenses incurred for duties executed, the subject expenses or liabilities shall immediately be paid or reimbursed, excluding the case where such expenses or the liabilities are not necessary for the execution of the duties of the Company's Audit & Supervisory Board Member.

8. Systems to secure reliable financial reporting

For the purpose of securing reliable financial reporting of the Company and effective and proper submission of internal control reports by the Company as provided in the Financial Instruments an Exchange Act, the Group shall set up a structure to establish and apply a proper internal control system under the command of the Company's President and CEO, continue to evaluate whether or

not the structure will function properly, make necessary corrections, and ensure conformity with the Financial Instruments and Exchange Act and other applicable laws and regulations.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

1. Development of a system to eliminate anti-social forces

(1) The Group's Corporate Ethics Charter shall clearly set out the Group's determination to "oppose all anti-social forces." The Group is committed to eliminate all ties, and dealing resolutely, with any anti-social forces or organizations posing a threat to public order or safety.

(2) The Group shall enact detailed regulations for opposing anti-social forces and establish a system that will not yield to unlawful demands from anti-social forces by appointing a person responsible for preventing unlawful demands in all branches and sales offices. The Human Resources and General Affairs Department and the Compliance Promotion Headquarters of the Company shall be generally responsible for establishing the system, and the cases shall be reported to or consulted with the Compliance Committee, the Risk Management Committee, related departments and external professional organizations.

V. Other

1. Adoption of Anti-Takeover Measures

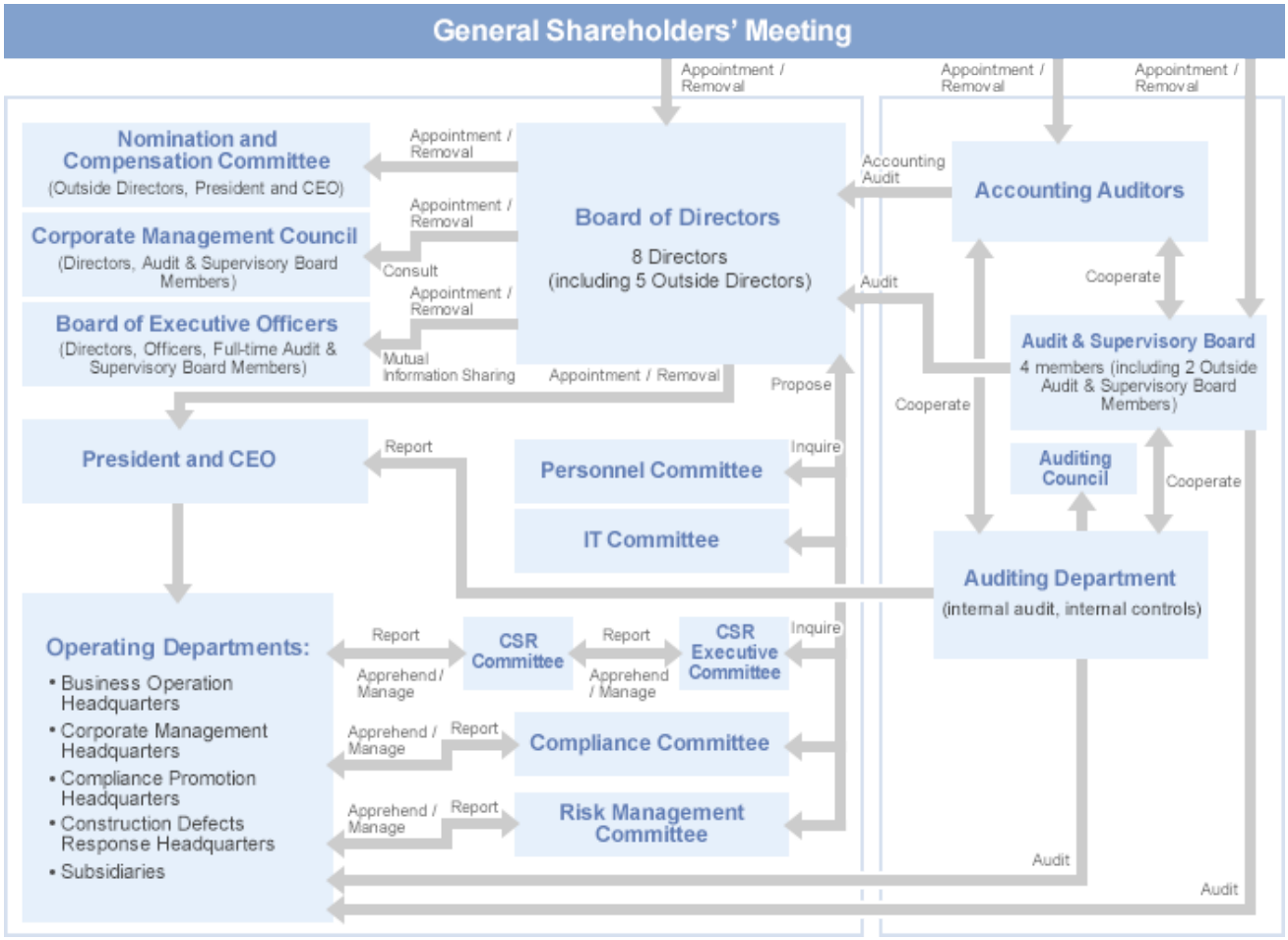
Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
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2. Other Matters Concerning to Corporate Governance System

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Corporate Governance System



Information Disclosure System

