

Corporate Governance

Basic Approach

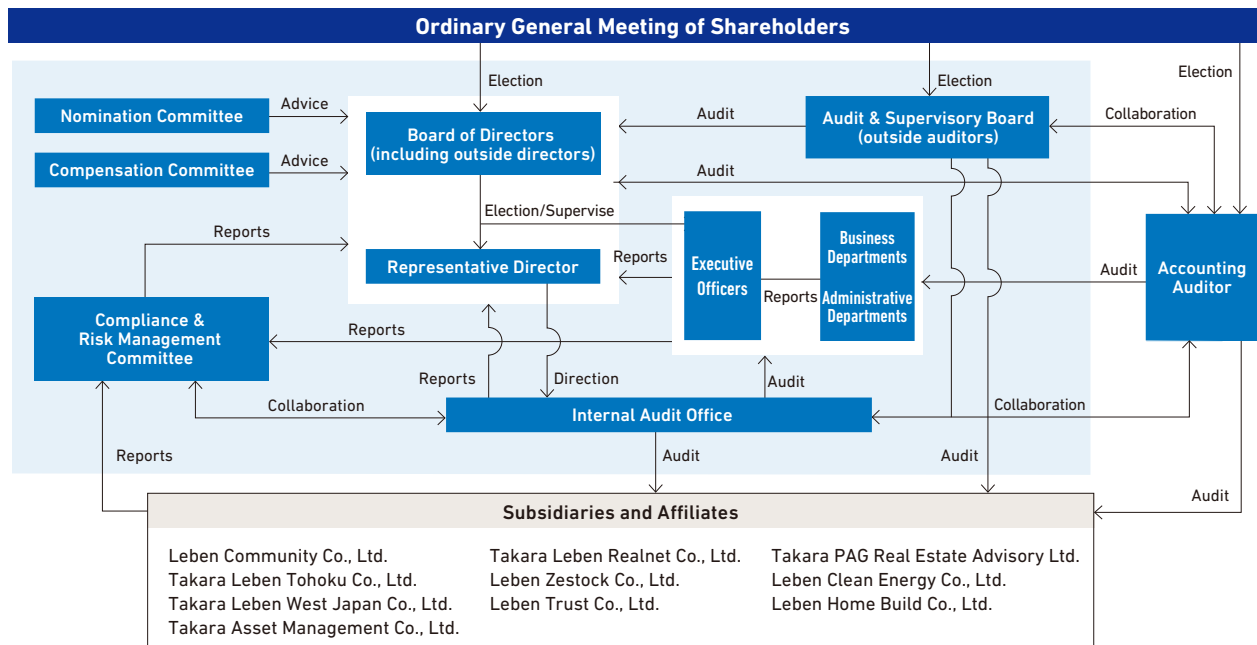
Rather than simply pursuing profit, Takara Leben strongly believes that it must comply with laws and corporate ethics and carry out its duties as a responsible member of society.

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 rooting ourselves in indexes and systems, we will ensure 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 of the state of business execution as well as audit and supervision by auditors of directors’ state of business execution. We have also introduced an executive officer system to clarify the management supervisory roles of directors and the business execution responsibilities of executive officers.



○ Corporate Governance System Trends

There are 12 directors, four of whom are independent outside directors with diverse backgrounds. The term of office of directors expires at the conclusion of the annual general meeting of shareholders relating to the last fiscal year ending within one year of their election. In fiscal year 2021, the Board of Directors held 21 meetings.

The Company has three corporate auditors, three of whom are independent outside corporate auditors, and has established a system that enables it to adequately fulfill its management oversight function from the outside. The Board of Corporate Auditors held 14 meetings in fiscal year 2021.

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
FY2022	Company with Audit & Supervisory Board	12	4	3	3

○ 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 who 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, both meet once a 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.

○ Evaluating the Effectiveness of the Board of Directors

With respect to the effectiveness of the Board of Directors as a whole in fiscal year 2021, an anonymous questionnaire was sent to all directors and auditors, including outside directors, with the assistance of an outside consulting organization, and, based on the responses to the questionnaire, the Board of Directors analyzed and evaluated its own effectiveness. The questionnaire generally revealed a positive evaluation, confirming that the effectiveness of the Board of Directors has been secured. In addition, improvements have been made in such areas as “diversity in the composition of the Board of Directors” and “provision of information necessary for discussion,” which were identified as issues in the previous year’s evaluation of the effectiveness of the Board of Directors. Future issues identified include enhancing discussions on management strategy, including the Group-wide crisis management system and investment in human capital, as well as reflecting the opinions of shareholders and other investors. We will continue to fully examine the issues identified and make ongoing efforts to enhance the functions of the Board of Directors.

○ 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. Auditors’ remuneration is limited to an annual amount of ¥60 million or less.

○ Audit & Supervisory Board

As a check and balance system on decision-making, all three auditors of Takara Leben are outside corporate auditors. Each auditor has the requisite background, experience, and mettle to objectively carry out assessments and verifications.

Besides audits for Takara Leben, the auditors are involved in audits of 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 has 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 the 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

We have established the Nominating Committee and the Compensation Committee as voluntary advisory bodies to the Board of Directors for the purpose of enhancing objectivity and transparency in the decision-making process regarding personnel matters and compensation of directors, etc. and further improving and strengthening the corporate governance system by ensuring appropriate opportunities for involvement and advice by outside directors. Each committee consists of three or more directors selected by resolution of the Board of Directors, at least half of whom are independent outside directors. The chairperson of each committee is selected by a resolution of the Board of Directors. In addition, each committee deliberates and reports mainly on the matters listed below, based on the advice of the directors.

Nomination Committee

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

Message from an Outside Director

We interviewed Kenji Kawada, who has served as an outside director of Takara Leben since 2017, about how he regards the new Medium-Term Management Plan, initiatives to enhance the governance system, and the roles of directors.

With his many years of involvement in the management of financial and business firms, Mr. Kawada has a wealth of experience in business management and governance system building, including his appointment as Representative Director and President of Resona Holdings in 2003, where he led the effort to become the first financial institution in the banking industry to make the shift to a Company with three Committees system.



Kenji Kawada

Director (Outside)

> The full text can be found here. [PDF 512KB](#)

Excerpted from the Annual Report 2021

Corporate Governance Report

> Corporate Governance Report [PDF 588KB](#)

Compliance

○ Compliance Basic Policy

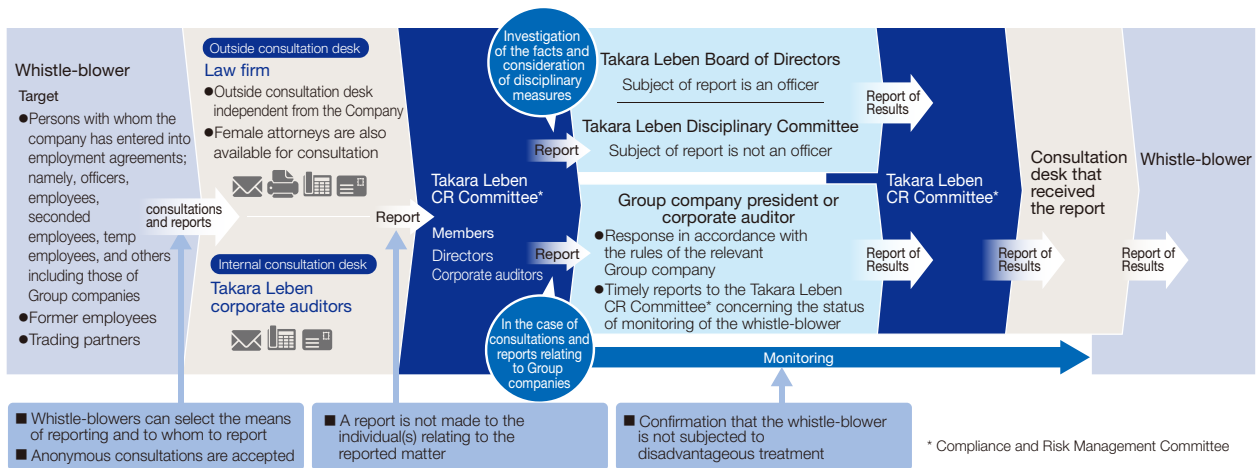
The basic policy provides that in order to comply with our CSR, all organizations, officers, and employees of the Takara Leben Group shall comply with laws, regulations, and social norms as well as separately established ethics rules and shall strive to serve as an example for society.

○ Internal Whistle-Blowing System (Help Line)

The Takara Leben Group has established an internal whistle-blowing system (helpline) as a means of reporting or consulting on issues such as harassment and compliance violations. The previous 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; moreover, we 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 prevent access to information concerning consultations and reports by involved directors and taking other measures. We are working to strengthen compliance management through the early detection and rectification of improper conduct and other issues.



Pocket-size card



○ Employee Awareness-Raising

Takara Leben administers compliance education on 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 CSR, and we have established a management system for the appropriate protection of 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**

Takara Leben conducts ongoing employee training to ensure that each and every employee is aware of harassment and to create a corporate culture that prevents harassment. Harassment training, mainly for managers, focuses on themes such as “laws related to power harassment,” “communication in the workplace,” and “anger management,” to instill the basic concepts and specific actions needed to eliminate harassment. In addition, we actively hold online training sessions for not only Takara Leben employees but also managers of Group companies to create a Group-wide culture that does not tolerate power harassment.

○ 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 of our legal advisor, we collaborate with external specialized agencies, such as local police stations and legal advisors, to 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 memoranda on severing ties with such forces and including clauses on their elimination 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 has 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 disclosure with an awareness and 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 have also established a Privacy Policy and Guidelines on the Protection of Personal Information.

○ Privacy Mark System Contributor

Leben Community was granted the Privacy Mark in January 2008 and has been working on and updating the management and operation of personal information. In January 2020, we received a letter of appreciation from the Japan Information Processing Development Corporation (JIPDEC) for our efforts over the years to maintain and improve our own personal information protection management system (PMS) and for our contribution to the promotion of the Privacy Mark System. We also focus on training our employees to raise their awareness of the handling of personal information and to apply this awareness to their work. In fiscal year 2021, we conducted training on “Case Studies of Personal Information Leakage Accidents in Condominium Management” and “Overview of New PMS Standards.”



○ Political Contributions

The Takara Leben Group complies with the Political Funds Control Act and does not make political contributions.

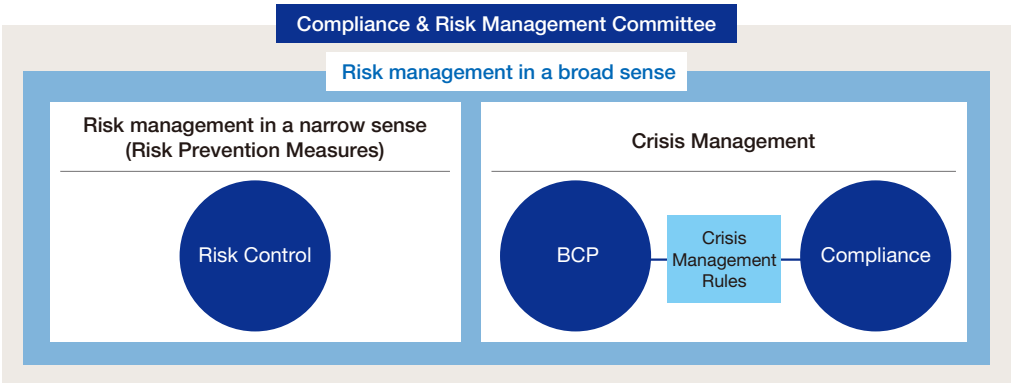
Risk Management

○ Policies

The fundamental 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 have 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 has 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 the entire business management including financial reporting. In addition, subcommittees—such as for business strategy, finance, IT & administration, and compliance—are established as necessary to set up systems that make proactive proposals appropriate to the 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 the 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, the 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 of an emergency situation.

Business Risks

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

○ Response to New Coronavirus Infections

■ Basic Stance on Response

To protect the health, safety, and security of our employees, their families, and customers and to ensure the continuity of our business, Takara Leben is promoting the “Basic Policy for Responding to Outbreaks of New Coronavirus Infections,” led by the Crisis Management Committee.

In the event that an employee is confirmed to be infected, a report is made to the local public health center, and a system has been established whereby the head of each division reports the case to the general manager of the division and the General Affairs Section of the General Affairs Department. In the event that an officer is infected, the General Manager of the General Affairs Department is to report to the Crisis Management Committee as appropriate.

For employees and executives who are confirmed to be infected, the rules clarify when they are able to return to work after hospitalization or home stay under the direction of the public health center. In addition, the system addresses cases such as “an infected person is confirmed in the section but you are not identified as a close contact by the competent public health center,” “a business partner tested positive,” or “a cold or other symptoms occur and the doctor determines that the possibility of Covid-19 is low” and specifies the details of responses, such as taking PCR tests, staying at home, and working from home. In addition, offices where infected persons have been found are disinfected as necessary, in accordance with the judgment of the local health center, office administrator, and our company.

■ Company-wide System

Takara Leben has created a flowchart regarding “actions to take if you feel a cold or feel unwell or if you test positive in a PCR test” and “criteria for determining whether you are a close contact person if a family member living with you tested positive” in an effort to prevent the spread of new COVID-19 infections.

In the model rooms, which are the points of contact with customers, each staff member strictly adheres to “confirmation of being negative by PCR test” and “taking a PCR test or prompt consultation with a medical institution when getting a positive test result or having COVID-19 symptoms.” In addition, since basic infection control measures such as “wearing masks and gloves,” “regular ventilation,” and “sterilization of equipment” are thoroughly implemented in the model rooms, it is our policy that customers who were served before testing positive will not be considered to have been in close contact unless the health center judges them to be a close contact.

■ Employee Initiatives

To reduce the risk of infection among employees, we continue to implement a variety of measures, including telework and flexible work schedules.

Since January 2022, when infection began to spread again due to the mutated strain (Omicron), we have adopted a work system that conforms to the emergency declaration for all employees working at the head office, branch offices, sales offices, and each office (model rooms), based on the judgment that “the number of infected persons is likely to increase for some time to come.” In addition to allowing shortened working hours (five hours within normal working hours), based on the judgment of each division, we prohibit business trips in principle and promote web conferencing with people outside the company and short in-house meetings with a minimum number of people. In addition, we prohibit, as a rule, the holding of dinners, farewell parties, and participation in outside events that are considered a high risk for infection and encourage employees to refrain from having lunch or dinner outside the company with two or more people.

■ Initiatives in the Value Chain

Since August 2020, employees who trip for participating in previews and information sessions in regional areas from the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, Chiba), where the number of infected people is high, have been required to prove their negative status by PCR and antigen tests, in an effort to alleviate customer concerns.

In addition, in June 2021, the Group introduced “vaccination leave” to encourage employees to receive vaccinations that will not only improve their own health, but also provide peace of mind to their families and customers. Besides taking off the day of vaccination itself, employees who feel ill due to adverse reactions can take leave the day after vaccination. We have encouraged employees who do not receive the vaccination to undergo antigen testing by covering the cost.

Furthermore, we support the prevention of infection at home. If an employee or a family member living with him/her tests positive, we subsidize the cost of hotel accommodation and other expenses for voluntary quarantine.