

Last Update: June 27, 2022

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The state of corporate governance of Takara Leben Co., Ltd. (“the Company”) is described below.

## [I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information](#)

### 1. Basic Views

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

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

### [\[Reasons for Non-compliance with the Principles of the Corporate Governance Code\]](#)

Note: The reason is presented based on the Code revised in June 2021.

The Company implements each principle of Japan’s Corporate Governance Code.

### [\[Disclosure Based on the Principles of the Corporate Governance Code\]](#)

Note: Information is presented based on the Code revised in June 2021.

#### [Principle 1-4]

##### Policy on reducing cross-shareholdings

The Company’s main purpose in cross-shareholding is the facilitation of business relationships. The Company makes decisions regarding the continuation of its cross-shareholding primarily in consideration of stock prices. It continues its cross-shareholding if the cross-holding is reasonable. If the significance of cross-shareholding declines, the Company will sell the shares in stages, considering the situation of the companies.

##### Examination of cross-shareholdings

The Board of Directors and other bodies examine cross-shareholdings in detail to determine if their purpose is appropriate and the benefits and risks related to the cross-shareholdings are worth the capital cost. Summaries of these examinations are disclosed.

##### Criteria for exercising voting rights related to cross-shareholding

The Company’s main criteria for ensuring the appropriateness of cross-shareholdings are their economic rationality and their improvement of corporate value. In making comprehensive judgments, the Company examines the medium- to long-term economic rationality of and outlook for individual stocks in consideration of return and risks and examines whether each shareholding will contribute to the increase of corporate value over the medium and long term.

#### [Principle 1-7]

The Company’s Board of Directors Regulations stipulate that conflict of interest transactions involving Directors shall require the advance approval of the Board of Directors. The regulations also stipulate that the terms and conditions of conflict of interest transactions should be the same as the general terms and conditions. The terms and conditions are disclosed in the notice of the General Meeting of Shareholders and the securities report.

#### [Supplementary Principle 2-4-1]

The Company believes that hiring and cultivating diverse human resources will improve corporate value over the medium and long term. One of the priorities in the mid-term management plan is personnel development and establishment of a rewarding workplace environment. The Company has been steadily developing and implementing a system that enables employees to be hired and promoted to managerial positions based on their abilities regardless of their gender, race, nationality or other attribute.

The Company will continue to actively promote women. The Company aims to achieve the following targets by the end of FY2030: (i) 30% of all employees will be women (As of December 1, 2021, 19.5% of all employees are women.) and (ii) the ratio of female managers to all female employees will equal the ratio of managers to all employees (as of December 1, 2021, 8.5% of all female employees are managers; and managers are 28.2% of all employees).

To promote more women, the Company is undertaking the initiatives below. The Company will build an environment where all employees, including women, can work without concerns.

- Introducing a system helping employees hire babysitters (2021)
- Expanding the range of jobs where teleworking is possible (2020)
- Creating a project team to promote women’s participation (2021)

As of December 1, 2021, 59.7% of all of the Company’s employees joined the Company mid-career, and 86.4% of all managers were hired mid-career. The Company will continue to promote employees to managers according to their abilities regardless of their being hired as new graduates or mid-career employees.

At the same time, the Company will actively hire foreign nationals and promote them to management positions according to the development of its businesses.

The goal of the Company is to become a company that is more trusted and loved by continuing to create new value through its enablement of its diverse human resource to fully demonstrate their capabilities.

[Principle 2-6]

The Company does not have a corporate pension fund plan.

Note: To enable employees to steadily accumulate assets, the Takara Leben Group has introduced a retirement allowance system and the SME retirement allowance mutual aid plan.

[Principle 3-1]

(1) Company objectives (e.g., business principles), business strategies, and business plans

- The Company's objectives (e.g., business principles) are described on the vision and mission page of the Company's website (<https://www.leben.co.jp/corporate/vision.html>).

- The Company's business strategies and business plans are described on the Mid-Term Management Plan page of the Company's website (<https://www.leben.co.jp/en/ir/midterm.html>).

(2) Basic views and guidelines on corporate governance based on the principles of the Code (draft) are described in I. 1 Basic Views of this Report.

(3) Board policies and procedures in determining the remuneration of the senior management and Directors

The Board policies and procedures in determining the remuneration of the senior management and Directors are described in the securities report and II. 1. Organizational Composition and Operation of this Report.

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member

Basic policies and procedures for appointment/dismissal and nomination

The appointment and dismissal of senior management and the nomination of candidates for Directors are discussed by the Nomination Committee, a voluntary advisory body, and decided upon by the Board of Directors in consideration of the sustainable improvement of the Company's performance and the appointment and nomination criteria and dismissal criteria below.

(a) Appointment and nomination criteria

- Having a passion for improving the Company's business or greatly contributing to the operating results of the Company

- Having a good personality and considerable insight and being very law-abiding

- Having remarkable foresight

- Being physically and mentally healthy

- Being able to look at the entire Company and make fair and objective decisions, and being able to respect others

(b) Dismissal criteria

- Events revealing that senior management members obviously do not meet the appointment and nomination criteria

The Board of Directors determines the nomination of candidates for Audit & Supervisory Board Members after the Nomination Committee is consulted with and the Audit & Supervisory Board agrees on it.

(5) In the explanations of the individual appointment or dismissal of senior management and the nominations of candidate Directors and Audit & Supervisory Board Members, the reasons for the individual appointment or dismissal are described in the notice of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 3-1-3]

Information regarding the Company's initiatives regarding sustainability and investment in human capital and intellectual property and risks and revenue opportunities related to climate change is available on the Company's website. Please refer to the following URL:

<https://www.leben.co.jp/sustainability/>

[Supplementary Principle 4-1-1]

The Company has established the Board of Directors Regulations under which the Board of Directors shall decide on matters set out in laws and regulations and the Articles of Incorporation and basic matters in the management execution and shall supervise the execution of these decisions. The Company has also established the Regulations for Administration Authority, which sets out the scope of the responsibilities delegated to management. Under the regulations, the Representative Director, President and Executive Officer shall represent the Company governed by the Articles of Incorporation and the resolution of the Board of Directors and execute the duties delegated by the General Meeting of Shareholders or the Board of Directors. The Representative Director, President and Executive Officer shall also decide on matters delegated to them by the Board of Directors, including the approval of the operating plans of divisions based on the annual business plan determined by the Board of Directors, and shall execute these decisions. The matters listed below must be discussed by the Board of Directors.

1. Basic management

2. Development, purchase and disposal of land

3. Overseas business

4. Accounting and finance

5. Human resources, general affairs, labor, education, etc.

6. Officers, etc.

7. Legal affairs and intellectual property

8. Affiliates

9. Real estate (excluding real estate for business), goods, etc.

10. Research, fees, etc.

[Supplementary Principle 4-3-2, 4-3-3]

The Board of Directors consists of 15 members, seven of which are outside officers. The supervisory functions of the Board of Directors are effective and it consults with the voluntary Nomination Committee, whose majority are independent Outside Directors, on the appointment/dismissal of Directors, Audit & Supervisory Board Members, the CEO and other members of management. Through fair and transparent discussion, the Board makes decisions flexibly according to the situation in consideration of evaluations of the Company's performance, etc. The Board of Directors nominates or appoints people who are able to fulfill their duties and responsibilities as Director, Audit & Supervisory Board Member, the CEO or other member of management regardless of gender, age or nationality, fully considering their personality and insight. In addition, the Board of Directors selects people who are able to contribute to corporate value over the medium and long term to be Director candidates, the CEO or other members of management and people who are able to contribute to the establishment of a fair management oversight system to be Audit & Supervisory Board Member candidates.

[Principle 4-8]

The Company appoints four independent Outside Directors who possess sufficient qualities that enable them to fulfill their roles and responsibilities in order to contribute to achieving the sustainable growth of the Company and increasing corporate value over the medium and long term.

[Principle 4-9]

The Company appoints Outside Directors who are independent officers in accordance with requirements for Outside Directors stipulated in the Companies Act and the independence criteria stipulated by the Tokyo Stock Exchange.

[Supplementary Principle 4-10-1]

The Company has established two voluntary committees, the Nomination Committee and the Compensation Committee, to enhance the objectivity and transparency of the processes for selecting Directors and determining remuneration, etc. and to enhance and strengthen the corporate governance system.

Each committee consists of three or more Directors selected by resolution of the Board of Directors and the majority of each committee are independent Outside Directors. The chairperson of each committee is an independent Outside Director. In this way, the Company provides appropriate opportunities for the independent Outside Directors to be involved and to advise the Company.

The Board of Directors consults the Nomination Committee about the matters listed below prior to its decisions and the Nomination Committee advises the Board of Directors and is involved in the Board's deliberations appropriately, including on issues related to gender, diversity and skills.

- Composition of the Board of Directors and the balance of Board members
- Appointment/dismissal of Directors
- Selection and dismissal of the Representative Director and senior Executive Officers
- Criteria for assessing independence of Outside Directors
- Succession planning

The Compensation Committee determines remuneration for individual Directors. Remuneration for individual Directors is determined based on the policy for determining remuneration, etc. for individual Directors determined by the Board of Directors based on advice from the Compensation Committee.

[Supplementary Principle 4-11-1]

The Company believes that the Board of Directors must be composed of Directors whose knowledge, experience and abilities are well balanced so that they are able to effectively fulfill their roles and responsibilities. In addition, the size of the Board of Directors must be appropriate and the Board must be diverse.

The Company's policies and procedures for the nomination of Directors are determined to ensure that nominated Director candidates have good personalities, insight and track records and are familiar with company management or have a high level of expertise. The Board of Directors selects Director candidates in consultation with the Nomination Committee. A skill matrix that shows each Director's expertise and experience is disclosed on the final page of this Report and the Notice of the 50th Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-11-2]

The concurrent posts of the Directors and Audit & Supervisory Board Members are disclosed every year in the securities report and the notice of the general meeting of shareholders.

[Supplementary Principle 4-11-3]

The Company evaluates and analyzes the effectiveness of its Board of Directors for the purpose of improving the Board's function.

In FY2021, to evaluate the effectiveness of the Board of Directors, the Company, in cooperation with a consulting firm, conducted an anonymous survey of all Directors, including Outside Directors and Audit & Supervisory Board Members on the composition and operation of the Board of Directors, discussions at Board meetings, training for officers, and the performance of the Directors.

The overall results of the survey are positive, and the Company affirms that the Board of Directors is effective. The Company sees improvement in the diversity in the Board of Directors and the provision of information necessary for discussions, areas which the Company considered to be challenges in the previous evaluation.

The challenges pointed out in the survey include the enhancement of discussions about management strategies, including strategies related to the Group-wide crisis management system and investment in human capital, and the reflecting of the opinions of shareholders and investors in the Company's actions.

The Company will fully examine the challenges and continue to implement initiatives to enhance the functionality of the Board of Directors.

[Supplementary Principle 4-14-2]

The Company regularly provides training to the Directors and asks that the Audit & Supervisory Committee Members participate in external seminars and workshops continually to acquire necessary knowledge and update it.

[Principle 5-1]

At the Company, the Office of the President is in charge of IR. The Company believes that reflecting the voices of many shareholders in its business will result in the healthy, efficient and stable growth of the Company and actively accepts shareholder requests for discussion (interview). The Company's policies on system development and initiatives are described in III. 2. IR Activities.

[Principle 5-2]

The Company accurately calculates capital cost (the cost of equity capital and the weighted average cost of capital (WACC)) and formulates management strategies and management plans based on its management philosophy. The Company discloses outlines of its management strategies and plans. The Company reviews and analyses the progress of its management strategies and plans every year and revises them as necessary, including changes in business structures, additional investment in businesses and capital expenditures, and changes in plans for the allocation of management resources, including investments for the cultivation of human resources.

## 2. Capital Structure

Percentage of Foreign Shareholders	10% or more and less than 20%
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### [for trust account]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Yoshio Murayama	25,633,600	23.51
The Master Trust Bank of Japan, Ltd. (Trust account)	11,365,500	10.42
Custody Bank of Japan, Ltd. (Trust account)	2,874,400	2.64
Murayama Kikaku Co., Ltd.	2,000,000	1.83
RUDEN HOLDINGS Co., Ltd.	1,600,000	1.47
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,495,500	1.37
Takara Leben Business Partner Shareholding Association	1,309,800	1.20
Sumitomo Mitsui Banking Corporation	1,184,000	1.09
JP MORGAN CHASE BANK 385781	1,091,339	1.00
SSBTC CLIENT OMNIBUS ACCOUNT	1,069,983	0.98

Controlling Shareholder (except for Parent Company)	-----
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Existence of Parent Company	None
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### Supplementary Explanations

- The above information about the Status of Major Shareholders is as of March 31, 2022.
- The Company owns 11,948,807 shares as treasury stock which are excluded from the number of shares held by major shareholders above.
- The shareholding percentage is calculated based on the number of shares of stock excluding treasury stock.

## 3. Corporate Attributes

Listed Exchange and Market Division	Prime Market of the Tokyo Stock Exchange
Fiscal Period	March
Type of Business	Real estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	At least 1,000
Net Sales (consolidated) for the Previous Fiscal Year	100 billion yen or more, but less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 subsidiaries to less than 50 subsidiaries

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

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

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Kenji Kawada	From another company													
Chiaki Tsuji	Attorney-at-law													
Keiko Yamahira	From another company													
Naohito Yamagishi	Other													

\* Categories for “Relationship with the Company”

\* “○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.

\* “●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.

- Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Other

#### Relationship with the Company (2)

Name	Independent officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kenji Kawada	○	-----	Mr. Kenji Kawada has been involved in the management of financial institutions and business companies and has extensive experience and achievements in management and a wide range of knowledge and insight. The Company considers that he will make a significant contribution to the management of the Company and therefore nominates him as an Outside Director. He has no interests in the Company and his position is independent. Therefore, the Company believes that he is not at risk of having any conflict of interest with the general shareholders and therefore designates him as an independent officer.
Chiaki Tsuji	○	-----	While not previously involved in the Company’s management other than her service as an Outside Director, Ms. Chiaki Tsuji has expertise, extensive experience, and an established track record as a lawyer in Japan and Germany. Therefore, the Company believes that she will contribute to the improvement of the transparency and supervisory functions of the

			Board of Directors and nominates her as an Outside Director. She has no interests in the Company and her position is independent. Therefore, the Company believes that she is not at risk of having any conflict of interest with the general shareholders and therefore designates her as an independent officer.
Keiko Yamahira	○	-----	Ms. Keiko Yamahira has extensive experience and broad knowledge as a business manager in the real estate industry. Therefore, the Company believes that she will contribute to the improvement of its supervisory functions and nominates her as an Outside Director. She has no interests in the Company and her position is independent. Therefore, the Company believes that she is not at risk of having any conflict of interest with the general shareholders and therefore designates her as an independent officer.
Naohito Yamagishi	○	-----	While not previously involved in the Company's management, Mr. Naohito Yamagishi has expertise and extensive experience developed over many years in the National Police Agency and an established occupational track record and experience at the Ministry of Construction (current Ministry of Land, Infrastructure Transport and Tourism). Therefore, the Company believes that he will contribute to the improvement of the transparency and supervisory functions of the Board of Directors and nominates him as an Outside Director. He has no interests in the Company and his position is independent. Therefore, the Company believes that he is not at risk of having any conflict of interest with the general shareholders and therefore designates him as an independent officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee

Yes

#### Voluntary Establishment of Committee(s), Composition of Committee Members and Attributes of Committee Chairpersons

	Committee Name	Total Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntary committee corresponding to a Nomination Committee	Nomination Committee	6	0	2	4	0	0	Outside Director
Voluntary committee corresponding to a Compensation Committee	Compensation Committee	6	0	2	4	0	0	Outside Director

#### Supplementary Explanations

The Company has established the voluntary Nomination Committee and Compensation Committee to increase the objectivity and transparency of the processes for selecting Directors and determining remuneration, etc. and enhance and strengthen the corporate governance system.

Each committee consists of three or more Directors selected by resolution of the Board of Directors. The majority of each committee are independent Outside Directors, and they are given appropriate opportunities to be involved in and give advice to the Company.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	3

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

All three Audit & Supervisory Board Members are outside members, with the intent of acting as a check on decision making. Each outside Audit & Supervisory Board Member has sufficient professional experience, history and determination to objectively examine and make decisions. In addition to the audits inside the Company, the Audit & Supervisory Board audits affiliates through participation in Board of Directors meetings and the interviewing of affiliates' Directors. The Audit & Supervisory Board maintains tension with these affiliates. The Audit & Supervisory Board Members arrange annual schedules with the accounting auditor and conduct on-site inspections and visit mock-up rooms with them. The Board exchanges information with the accounting auditor as needed to improve the effectiveness and efficiency of audits.

To enhance internal audits, the Company has formulated internal audit regulations and established the Internal Audit Office, an independent body that directly reports to the President. The Internal Audit Office fully arrange schedules and tasks with the Audit & Supervisory Board and the accounting auditor to formulate and implement internal audit plans so that each body can play their roles efficiently. The Audit & Supervisory Board Members witness audits of operations conducted by the Internal Audit Office. They examine the audits and hold hearings as appropriate to build an effective and efficient auditing system.

Appointment of Outside Audit & Supervisory Board

Appointed

Members	
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Outside Audit & Supervisory Board Members	3

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Makoto Endo	From another company													
Asami Honma	From another company													
Yuuko Miura	Certified Public Accountant													

\* Categories for "Relationship with the Company"

\* "O" indicates that the Audit & Supervisory Board Member currently falls under the category, or did so recently, and "△" indicates that the Audit & Supervisory Board Member fell under the category in the past.

\* "●" indicates that a close relation falls under the category, or did so recently, and "▲" indicates that a close relation fell under the category in the past.

a Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

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 Corporate Auditor of a parent company of the Company

e Executive of a fellow subsidiary 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 remuneration as a director

i Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

j Executive of a client or supplier of the Company (which does not correspond to f., g., or h.) (the Audit & Supervisory Board Member him or herself)

k Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m Other

#### Relationship with the Company (2)

Name	Independent officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Makoto Endo	○	Mr. Endo is also an Auditor at two consolidated subsidiaries. He has been an Auditor at Takara Asset Management Co., Ltd. since June 2018 and an Auditor at Leben Trust Co., Ltd. since May 2022.	He is appointed to be an Outside Audit & Supervisory Board Member because he has extensive experience at financial institutions and other companies, a good track record and broad knowledge and insight. He has no interests in the Company and his position is independent. Therefore, the Company believes that he is not at risk of having any conflict of interest with the general shareholders and therefore designates him as an independent officer.
Asami Honma	○	Mr. Honma is also an Auditor at two consolidated subsidiaries. He has been an Auditor at Takara Leben West Japan Co., Ltd. since May 2020 and an Auditor at Takara Leben Realnet Co., Ltd. since May 2022.	He is appointed to be an Outside Audit & Supervisory Board Member because he has extensive experience at financial institutions and other companies, a good track record and broad knowledge and insight. He has no interests in the Company and his position is independent. Therefore, the Company believes that he is not at risk of having any conflict of interest with the general shareholders and therefore designates him as an independent officer.
Yuuko Miura	○	Ms. Miura is also an Auditor at two consolidated subsidiaries. She has been an Auditor at Leben Home Build Co., Ltd. since October 2020 and an Auditor at Leben Zestock Co., Ltd. since June 2022.	As a certified public accountant, she has worked at auditing firms and other companies. She is appointed to be an Outside Audit & Supervisory Board Member because the Company believes she will leverage the advanced expertise that she has developed as a certified public accountant in the audits of the Company and perform the duties of an Audit & Supervisory Board Member in an unbiased and fair manner. She has no interests in the Company and her position is independent. Therefore, the Company believes that she is not at risk of having any conflict of interest with the general shareholders and therefore designates her as an independent officer.

## [Independent Directors/Auditors]

Number of Independent Directors/Auditors

7

Matters Related to Independent Directors/Auditors

## [Incentives]

Implementation of Measures to Provide Incentives to Directors

Introduction of a stock option program

Supplementary Explanation

The Company grants two types of stock options, Type A Stock Options and Type B Stock Options, under different exercise conditions. The total value of the stock options to be allocated is a maximum of 600 million yen annually.

Recipients of Stock Options

Inside Directors / Employees / Other

Supplementary Explanation

The Company allots stock acquisition rights to its Directors and Executive Officers, aiming to more clearly link executive remuneration to the Company's results and stock value and increase their motivation to contribute to increasing results and corporate value in the medium and long term through the introduction of stock-linked remuneration.

## [Remuneration for Directors/Executive Officers]

Disclosure of Individual Directors' Remuneration

Individual disclosure for some officers only

Supplementary Explanation

- Total remuneration for all officers is disclosed in the securities report.
- Remuneration for individual officers whose remuneration is 100 million yen or more is disclosed in the securities report.

Policy on Determining Remuneration Amounts and Calculation Methods

Yes

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

A resolution regarding the remuneration payable to the officers of the Company was passed on June 27, 2017. Under the resolution, total annual remuneration is 600 million yen or less (excluding salary for officers who are concurrently employees). At the General Meeting of Shareholders held on June 25, 2021, a resolution to limit the stock options granted annually to a maximum of 600 million yen was passed separately.

At a meeting held on February 15, 2021, the Board of Directors passed a resolution on the following policy regarding the determination of remuneration for the Directors.

### (i) Basic policy

The Company shall determine remuneration etc. for officers within a range resolved by the general meeting of shareholders, in comprehensive consideration of results, potential risks, the degree of responsibility for Group management, progress of the mid-term management plan, etc., based on the opinions of the remuneration advisory committee, a voluntary committee. A certain percentage of remuneration for the executive directors shall be linked to results and each Director's contribution to give incentive to them for sustainable growth and a sound, efficient, stable going concern.

The details of the basic policy on remuneration for executive directors are as follows:

- Contributing to increasing the corporate value of the Company
- A level and a structure of remuneration that enable the retention of high-quality human resources
- Designed to reflect the Company's medium- to long-term management strategies and motivating executive directors to achieve it
- Giving transparency, fairness and reasonableness to shareholders, employees, and other stakeholders and determined through an appropriate process to ensure transparency, fairness and reasonableness
- Determined based on a remuneration structure that is designed to include base remuneration, linkage with individual evaluation and results

### (ii) Policy for determining the amount of basic remuneration (monetary remuneration) for individual Directors (including the policy for determining the time or conditions for giving remuneration, etc.)

The Company shall determine basic remuneration (monetary remuneration) for the Directors based on scores on a five-point scale in five criteria stated below (P-C-F-P-A assessment) according to their achievements for every fiscal year and a comprehensive consideration of their job titles, responsibilities and years in office, as well as remuneration levels in the industry and at other companies and employees' salaries, among other factors. Basic remuneration is determined after the remuneration advisory committee has given its opinion. Annual remuneration is divided by 12, and monthly remuneration shall be paid.

- Performance: results in the division for which each Director is responsible
- Compliance: legal compliance, morals, etc.



- Foresight: the ability to assess and analyze the situation, the ability to prepare business plans
- Physical: the ability to promote business
- Affinity: the ability to build relationships

(iii) Policy for the determination of the content and amount of, or method of calculation of, performance-based remuneration, etc. and non-monetary remuneration, etc. (including a policy for the determination of time or conditions for granting remuneration, etc.)

The Company's non-monetary remuneration is remuneration through stock options. In principle, stock options shall be issued if the performance targets in a fiscal year are achieved. Whether stock options as remuneration will be granted and the number of stock options granted, if they are granted, will be determined depending on the evaluation of each executive director's achievement of results. Performance indicators, or targets, shall be set each year and shall be reviewed in response to changes in the environment as needed.

Stock options as remuneration consist of Type A Stock Options, which may be exercised after a certain period, and Type B Stock Options, which may be exercised when Directors retire.

(iv) Policy for the determination of the ratio of the amount of basic remuneration, performance-based remuneration, etc. or non-monetary remuneration etc. to the amount of remuneration, etc. for individual Directors

In principle, the ratio of the Directors' basic remuneration to remuneration through stock options (Type A Stock Options, which may be exercised after a certain period) to Type B Stock Options (which may be exercised when Directors retire) shall be 5 to 4 to 1.

Remuneration for individual Directors shall be determined by the remuneration advisory committee. The remuneration advisory committee shall report the total amount of payments to the Board of Directors each time payments are made.

### **[Supporting System for Outside Directors (and Outside Auditors)]**

The Company has established a system to support the duties of and work performed by the outside officers at any time upon their request. Corporate Planning Division is responsible for supporting the outside officers. Upon request from an outside officer, Corporate Planning Division provides explanations and materials about the agenda items of the Board of Directors meetings and other meetings prior to the meetings and arranges and communicates the schedules of the meetings.

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

### **Business Execution**

The Company has 12 Directors, including four Outside Directors. All the Outside Directors are designated independent officers. In principle, the Board of Directors meets every month and holds extraordinary meetings as necessary to make decisions carefully and quickly. The Directors monitor each other's performance of their duties.

The Audit & Supervisor Board Members always attend Board of Directors meetings and express opinions as necessary. They work closely with the Outside Directors to audit and oversee the management of the Board of Directors and execution of business by the Board as necessary.

Upon request from the Board of Directors, people other than the Directors, including the Executive Officers, the head of the Internal Audit Office and the managers of other departments, participate in Board of Directors meetings under the bylaws of the Company and express opinions regarding agenda items and reports as appropriate.

The Company has introduced an executive officer system and has clearly defined the Directors' responsibilities regarding management oversight and the Executive Officers' responsibilities regarding the execution of business to expedite decision making and enhance the execution of business. In addition, the Takara Leben Executive Committee holds monthly meetings to discuss management issues and the Sales Conference is held monthly to discuss progress in sales. At these and other meetings, each department shares information about the progress toward business targets. Each department reports their results monthly, quarterly, semiannually and annually to identify problems and issues and discusses important issues in the overall management of Takara Leben, including management strategies. Some issues are placed on the agenda of the Board of Directors as necessary.

### **Audit Structure**

The Company has three Audit & Supervisory Board Members. All the three members are outside Audit & Supervisory Board Members and are designated as outside officers. In principle, the Audit & Supervisory Board meets every month. Each Audit & Supervisory Board Member is independent and has established a system that enables them to keep in touch with and work closely with each other. Each Audit & Supervisory Board Member cooperate with the internal audit division and the accounting auditor and participates in Board of Directors meetings and other important meetings, reviews important documents, inspects the performance of duties, and carries out audits at important business sites under the audit policy and the audit plans formulated by the Audit & Supervisory Board.

The Audit & Supervisory Board Members oversee and examine the audits conducted by the accounting auditor. They receive reports and explanations from the accounting auditor about their performance of duties and audit financial statements.

The Company has established the Internal Audit Office, an independent body that directly reports to the President. The office has four dedicated staff members. They carry out audits related mainly to the effectiveness of the internal control system. The Internal Audit Office carries out audits efficiently according to the audit plan. The results of audits are reported to the Board of Directors in audit reports as appropriate and these reports are disseminated companywide. They serve as an internal check.

### **Accounting Audit**

Mr. Toshio Yagishita and Mr. Takafumi Shimokawa, certified public accountants of Grant Thornton Taiyo LLC., conducted an accounting audit for the Company.

This is the fifth consecutive year that Mr. Yagishita has conducted an audit for the Company, and Mr. Shimokawa's first year. The people assisting the Company's accounting audit work includes 11 certified public accountants and 25 other people. Grant Thornton Taiyo and the managing partners of the auditing firm that conducted the audit for the Company have no interests in the Company. The Company avoids having the same managing partner engage in its audits for more than a certain period of time. The Company has concluded an audit agreement and pays audit fees under the agreement.

Grant Thornton Taiyo LLC. and the Company have concluded an agreement to limit liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum liability for damages under the agreement is the minimum liability amount set out in laws and regulations.

## **3. Reasons for Adoption of Current Corporate Governance System**

Four Outside Directors oversee the management decisions and decision making process of the Company from an objective perspective. They provide opinions and advice as needed based on their experience, track record, knowledge and insight. The Audit & Supervisory Board consists of three full-time outside Audit & Supervisory Board Members. The Audit & Supervisory Board Members participate in Board of Directors meetings and other important meetings. They express their opinions from their position as Audit & Supervisory Board Members as needed and always audit and oversee the Directors' execution of business. Full-time Audit & Supervisory Board Members who are familiar with the Company's affairs and have a deep understanding of management actively work to develop an environment for auditing and gather information. They also routinely oversee the establishment and operation of the internal control systems and provide objective opinions and advice. The Company thus believes that its management is appropriate.

### III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Scheduling the General Meeting of Shareholders avoiding the peak days	The Company schedules the general meeting of shareholders to avoid peak dates.
Exercising of voting rights by electronic means	The Company has made it possible to exercise voting rights online.
Participation in an electronic voting platform and other initiatives to improve the environment for institutional investors to exercise their voting rights	Since the Ordinary General Meeting of Shareholders held in June 2018, the Company has been participating in the Electronic Voting Platform for institutional investors operated by ICJ Incorporated.
Provision of summaries of convocation notices in English	The Company provides a narrowly defined version of its convocation notice and reference documents in English.
Other	The convocation notice is posted on the Company's website prior to the date of dispatch.

#### 2. IR Activities

	Supplementary Explanations	Explanation by representative
Preparation and publication of disclosure policy	- URL: <a href="https://www.leben.co.jp/ir/policy.html">https://www.leben.co.jp/ir/policy.html</a> - We post the disclosure policy on the Company's website.	
Regular briefings for individual investors	Every year, the Company holds a few briefings for investors sponsored by securities companies and IR support companies.	Yes
Regular briefings for analysts and institutional investors	Every year, the Company holds two results briefings, a full-year results briefing and a first-half results briefing.	Yes
Regular briefings for overseas investors	The Company conducts investor relations activities overseas after the earnings announcements and on other occasions as needed to disseminate information to investors overseas.	Yes
Posting of IR materials on website	IR information, including financial information, past press releases, results briefing materials and mid-term management plans is published on the Company's website.	
Establishment of department and/or manager in charge of IR	Office of the President is responsible for IR and has staff responsible for IR.	

#### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Internal rules stipulated for respecting the position of stakeholders	The Company distributes a booklet titled Our Brand, which describes Takara Leben's vision, mission and promises, to the officers and employees of the Group companies to make them fully aware of Takara Leben's vision "Think happiness and make the happiness," and to enable them to always confirm the mindset necessary for the Company to continue to be preferred by its customers: always thinking about the happiness of all stakeholders.
Implementation of environmental activities, CSR activities, etc.	The Group reduces environmental impact by developing renewable energy power generation facilities and selling high environmental performance housing, including ZEH (net zero energy house) condominiums. The Company positions the energy business as part of its contributions to society
Development of policies on information provision to stakeholders	The Company has established a disclosure policy which sets disclosure standards and methods for the appropriate and fair disclosure of information.

## **IV. Matters Related to the Internal Control System**

### **1. Fundamental Views on Internal Control System and the Progress of System Development**

The Company has formulated a vision — what we should be like — and a mission, the mindset that we should have, under the concept of the housing the Company should provide that it has had since its foundation: ideal, affordable housing that anyone can buy with confidence and peace of mind. The vision and mission are as follows.

#### **Vision**

THINK HAPPINESS AND MAKE THE HAPPINESS

We are most committed to giving thought to the happiness of people and lifestyles, and to realize housing which gives shape to each and every dream. We think on the happiness of communities and society, and contribute to the development of towns where all people can live at ease. We are most positive in a happy future, and propose the eco-friendly creation of a sustainable environment. Think happiness and make the happiness. This is what we, the Takara Leben Group, do.

#### **Mission**

Creating Together

(1) With a Rich Heart

Creating together new value for the market by cherishing our customers with a rich heart.

(2) With Sincerity

Creating together, safety and peace for people and society with sincerity toward partners.

(3) With Power to Act

Creating together perpetual growth into the future, with power to act demonstrated by each and every employee.

To achieve the vision and mission above, the Company has established the following internal control systems.

#### **1. Systems to store and manage information on the execution of duties by Directors**

The Company appropriately stores and manages information on the execution of duties by Directors under the Document Management Regulations, using the storage media set in the regulations and according to their duties. The Executive General Manager of Administration Headquarters is in charge of overall information management. The General Manager of Corporate Planning is responsible for the management of confidential information within the Company and reports the status of confidential information management and security to the Executive General Manager of Administration Headquarters as appropriate under the Information Security Management Regulations. Department heads are responsible for the management of information in their departments and oversee each other to ensure efficient information management.

#### **2. Regulations and other systems for managing the risk of loss**

The Company established the Compliance & Risk Management Committee chaired by the President. The committee examines and reports on every risk related to the overall management of the Company and discusses and decides on measures and management to avoid or mitigate risk, in order to strengthen internal controls and thoroughly prevent scandals related to operations as a whole, including financial reporting, and non-compliance incidents. Guided by the Compliance & Risk Management Committee, the Company establishes subcommittees, such as the business strategy, finance, IT and administrative operations, and compliance subcommittees, as needed to enable the active proposal of ideas for the management of individual risks. Discussions within each subcommittee are reported to the Compliance & Risk Management Committee and discussed as appropriate, and depending on the content of the discussion, discussions of the committee are reported to the Board of Directors under the Compliance & Risk Management Committee Regulations. This system enables prompt decision making when risks materialize.

#### **3. System to ensure the efficient execution of duties by Directors**

To ensure the efficient execution of duties by Directors, the Company works to strengthen its management structure along with the expansion of its business and the Company expedites decision making regarding the overall management of the Company. Each Director complies with the rules regarding their authority over the execution of business and their internal decision making authority set out in the Board of Directors Regulations, Regulations for Administration Authority and Internal Approval Regulations and convenes meetings such as Takara Leben Executive Committee meetings, Division meetings and Sales Conference meetings to improve their supervisory responsibilities for the execution of their duties and ensure the system for operational efficiency.

#### **4. System to ensure that the execution of duties by Directors and employees conforms to laws, regulations and the Articles of Incorporation**

The Company has established the Internal Audit Office, an independent body that directly reports to the President. The Manager of the Internal Audit Office appointed by the Board of Directors formulates the basic plans and action plans for internal auditing at the start of each business year under the Internal Audit Regulations. The Internal Audit Office conducts audits of the organization and systems, operation audits, accounting audits, audits of affiliates, and computer system audits. The audits of the Internal Audit Office and the audits of each Audit & Supervisory Board Member and the accounting auditor complement each other, and reports, including reports from expert perspectives, are regularly placed on the agenda of Board of Directors meetings. This system ensures that the execution of duties by each Director and all of the employees of the Company conforms to laws and regulations and the Articles of Incorporation.

#### **5. System to ensure the proper business operation of the Group consisting of the Company, the parent company and subsidiaries**

- To develop affiliates and promote the mutual interests of the Company and its affiliates, the Company has established the Affiliate Management Regulations. Under these regulations, the Company respects each affiliate's management decisions, and at the same time, dispatches Directors and Audit & Supervisory Board Members to the affiliates according to the stage of each affiliate's business and development. They report the operations and the execution of duties by the Directors and other officers at each affiliate to the Company's Board of Directors.

- The Company identifies each affiliate's business and financial condition and evaluates and manages risks under the Compliance & Risk Management Committee Regulations and the Affiliate Regulations.

- The General Manager of Corporate Planning at the Company dispatches employees from different departments to the affiliates as needed to generate synergy. The Directors of affiliates participate in meetings of the Company's Board of Directors and actively exchange opinions as appropriate. These systems are the foundation of the circulation-type management that the Company has adopted. The systems ensure the efficiency of the overall management of the Company.

- The Manager of the Internal Audit Office and each Audit & Supervisory Board Member regularly conduct audits of each affiliate. This system ensures that the execution of duties by the Directors and other officers and employees at each affiliate conforms to laws and regulations and the Articles of Incorporation.

#### **6. Matters concerning employees when an auditor requests that employees assist with his/her duties**

When an Audit & Supervisory Board Member requests that employees assist with the board member's duties, the Company will accept the request. The employees

to be assigned and other details will be determined in full consideration of the opinions of the board member.

**7. Matters concerning the independence of the employees assisting the duties of the Audit & Supervisory Board Members from the Directors and matters concerning the effectiveness of the instructions given to employees**

To ensure the independence of the employees assisting the duties of the Audit & Supervisory Board Members, the Company prevents the employees assisting the board members in their duties from following the instructions or orders given by Directors that are related to the instructions or orders given by the Audit & Supervisory Board Members. Any changes in the employees assisting the board members with their duties or other changes in human resources related to the board members will be determined in full consideration of the opinions of the Audit & Supervisory Board Members.

**8. Systems of reporting to auditors by Directors and employees of the Company and its subsidiaries and other systems regarding reporting to auditors**

Each Director and all employees of the Company and each affiliate comply with their obligation to report without delay any matters that should be reported by law to the Audit & Supervisory Board as well as the matters to be reported that are prescribed by the Company, including matters regarding the management and financial condition of the Group as a whole, matters that significantly impact the results of the Group, the status of internal audits, and serious violations of laws, regulations or the Articles of Incorporation.

All of the Audit & Supervisory Board Members of the Company participate in the meetings of the Company's Board of Directors. When they make objective judgments and serve as a check, they actively exchange opinions based on their sufficient professional experience and knowledge and enhance the checks and balances in the process of making decisions regarding the overall management of the Company.

**9. System for protecting those who submit reports to auditors from disadvantageous treatment as a result of the reports**

The Company and each affiliate has established a system ensuring that no one who has reported a matter to an Audit & Supervisory Board Member is fired or treated unfavorably because of their consultation with or report to the Audit & Supervisory Board Member.

**10. Matters concerning expenses incurred by the auditors in the performance of their duties**

When an Audit & Supervisory Board Member requests that the Company make an advance payment of the expenses for the execution of its duties, such expenses or obligations will be handled promptly, except in the case where it is found that the expenses or obligations pertaining to the said request are not required for the execution of the duties of the said Audit & Supervisory Board Member.

**11. Other systems for ensuring the effective audit by auditors**

The Company has established the Audit & Supervisory Board Regulations. Under these regulations, in addition to the reception of reports from Directors and employees, each Audit & Supervisory Board Member gathers information about the operation audits conducted by the Internal Audit Office and the accounting audits conducted by the accounting auditor, participates in the Board of Directors meetings of affiliates, and interviews Directors about the business areas they are in charge of according to the audits that the board member conducts to carry out the effective and efficient auditing of the entire Group.

## **2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts**

**(1) Basic views on eliminating anti-social forces**

The Company's basic policy is to take a firm stance against anti-social forces that threaten social order and safety.

**(2) Status of efforts for eliminating anti-social forces**

The Company actively participate in activities to eliminate anti-social forces under the guidance of legal council. The Company is developing a system to address anti-social forces in cooperation with the relevant police departments, legal council and other outside specialized entities. To prevent damage caused by anti-social forces, the Company gathers information by participating in seminars held by police or other related organizations and by other means. The Company asks its contractual partners to sign a memorandum of agreement regarding the breaking of connections with anti-social forces or include provisions regarding the elimination of anti-social forces in agreements to enhance measures to eliminate anti-social forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures

No

#### Supplementary Explanation

### 2. Other Matters Concerning the Corporate Governance System

[Matters for consideration for the enhancement of corporate governance, goals]

To enhance the management oversight function, the Company is considering increasing the number of Outside Directors.

[Overview of Timely Disclosure System]

Person responsible for handling information and department responsible for timely disclosure

The Company has appointed the Executive General Manager of Administration Headquarters as the person responsible for handling information and has notified the Tokyo Stock Exchange of the appointment.

#### System for determining the disclosure information

To appropriately disclose information about the Company to investors, etc. in a timely manner, the General Manager of Corporate Planning gathers information in cooperation with the Board of Directors, each department, subsidiary and affiliate.

1. Corporate Planning Division is the administrative office of the Board of Directors. When timely disclosure items are placed on the agenda of a Board of Directors meeting, resolutions can be disclosed promptly.
2. In the event of a disaster, the Company has a system enabling information about the situation to be determined and shared using an emergency telephone contact network which includes officers, department heads and branch managers, so that responses can be discussed and results can be disclosed.
3. Each department is able to gather information regarding disclosure items at the monthly Takara Leben Executive Committee meetings.
4. Corporate Planning Division is responsible for the management of subsidiaries and affiliates. Directors, Executive Officers, and Audit & Supervisory Board Members are concurrently officers of subsidiaries and affiliates. They participate in the Board of Directors meetings of subsidiaries and affiliates and gather information for disclosure and information about operating results. The Presidents of the subsidiaries and affiliates report operating results, financial position and forecasts quarterly at meetings of the Company's Board of Directors. Regular meetings of the Representative Directors of the Group companies are held, and the Company gathers information, including results, at these meetings.

#### System for managing material facts about results, etc.

The Company manages the matters and information that is likely to significantly impact the management of the Company which has been obtained by officers and employees under the Information Security Management Regulations.

1. To prevent leaks of confidential information, the Company has designated the General Manager of Corporate Planning as the manager of material facts. Each department head manages material facts.
2. The disposal of confidential information and the revocation of the designation of confidential information requires the approval of the manager of confidential information.
3. The Company requests that officers and employees submit a confidentiality pledge. To ensure that confidentiality is thoroughly maintained, these confidentiality pledges continue to be in place even after the retirement of the officer and employee.

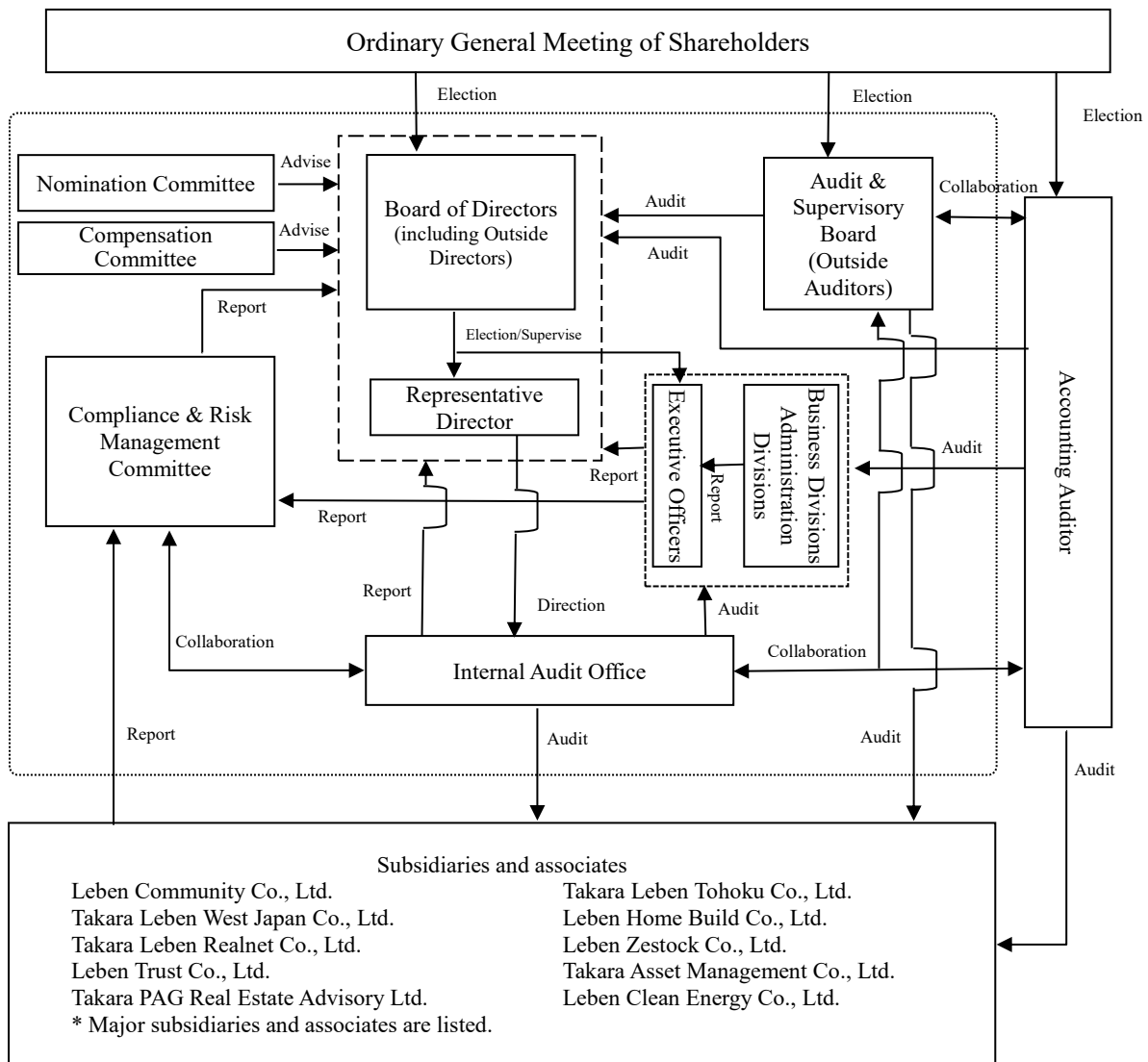
#### Prevention of insider trading

The Company prevents insider trading by training its officers and employees under the Regulations to Prevent Insider Trading. The Company has designated the Executive General Manager of Administration Headquarters as person responsible for handling information. Corporate Planning Division is the department that is designated as being responsible for the management of information.

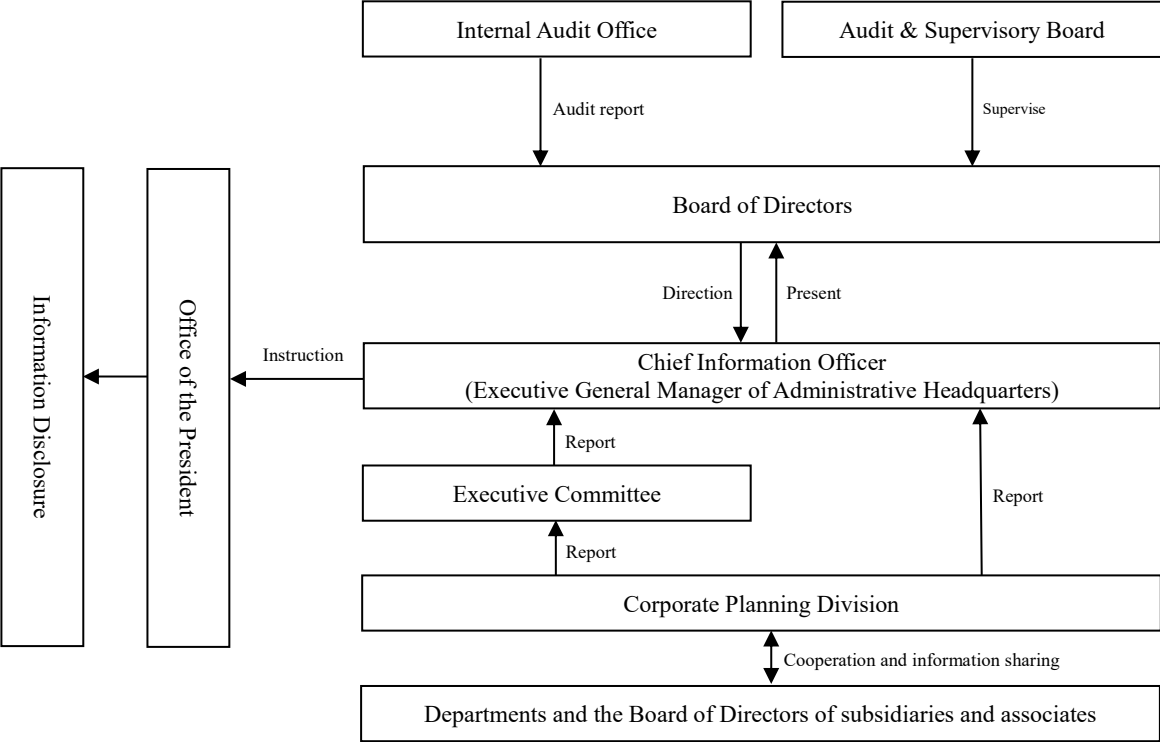
1. The Regulations to Prevent Insider Trading are posted on the intranet for the employees to see at any time.
2. The Company provides internal training for officers and employees. The new employees training program includes compliance and insider trading courses.
3. Trading the Company's own shares is all carried out through supervisors and requires the approval of Corporate Planning Division and the person responsible for handling information.

Charts depicting the Company's corporate governance system and timely disclosure system are as shown in the annex.

# Corporate Governance System Diagram



Timely Disclosure System Diagram



## Directors' Skill Matrix

Name	Title	Corporate management	Financial affairs and accounting	Legal affairs and risk management	Sales and marketing	Personnel and labor management	IT	Global business	Nomination Committee	Compensation Committee
Yoshio Murayama	Director and Chairman	•								
Kazuichi Shimada	Representative Director, CEO and President Executive Officer	•	•	•	•	•		•	•	•
Kazuyuki Shimizu	Director, COO and Vice President Executive Officer * Director in charge of Corporate Planning Division and Sustainability	•	•	•		•	•		•	•
Masashi Yamamoto	Director, CFO, Managing Executive Officer and Executive General Manager of Administrative Headquarters		•	•		•				
Masahiro Yoshida	Director, Managing Executive Officer and Executive General Manager of Condominium Businesses Headquarters	•	•		•					
Shoichi Akisawa	Director, Managing Executive Officer and Executive General Manager of Investment Development Business Headquarters	•	•	•	•					
Hiroshi Iwamoto	Director, Executive Officer, Executive General Manager of Urban Development Business Headquarters, and General Manager of International Business Division				•			•		
Mika Takaara	Director, Executive Officer, General Manager of Business Development Promotion Office, and Manager of Business Development Promotion Division				•		•			
Kenji Kawada	Outside Director	•	•	•		•	•		Chair	•
Chiaki Tsuji	Outside Director			•				•	•	•
Keiko Yamahira	Outside Director	•	•	•	•	•			•	Chair
Naohito Yamagishi	Outside Director			•		•			•	•