

Improving Management System

Corporate Governance

Policy and Concept

To enhance the corporate value of Tokyo Tatemono, we strive to build optimal corporate governance while

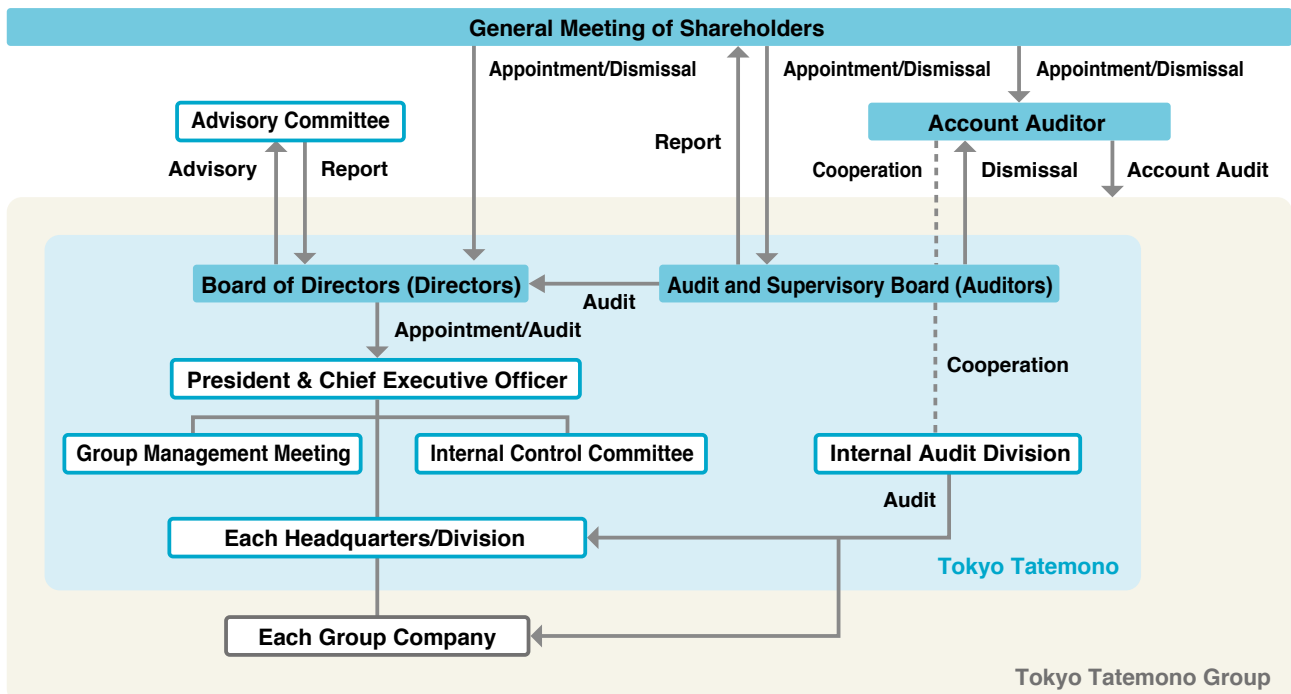
securing soundness and transparency of management and increasing its effectiveness.

System

Tokyo Tatemono has adopted a corporate governance system as the structure for corporate governance and we have established a board of directors and an audit and supervisory board. In addition, we clarified the division of functions for management and the execution of operations to strengthening the auditing functions and business execution functions. We are also strengthening the auditing

functions and transparency of management by appointing outside directors and auditors. We believe that we have built a system able to sufficiently execute the supervising and auditing functions of management and directors. Furthermore, we established the Group Management Meeting in an effort toward efficient and sound Group management.

Corporate Governance Structure



● Directors (Board)

There are 12 directors and four are external directors. As a general rule, Tokyo Tatemono holds a regular Board of Directors meeting once a month and an extraordinary meeting when a need arises to decide on important matters related to execution of operations and auditing of the operations of the directors.

Auditors also attend Board of Directors meetings and share their opinion when necessary. (Number of members as of April 2018)

● Auditors (Audit & Supervisory Board)

Audit & Supervisory Board consists from four auditors (two full-time auditors) and two external auditors.

● Executive Officers

Executive Officer System is implemented to stimulate the Board of Directors by separating management and execution of operations and to accelerate decision making process related to operations.

● Group Management Meeting

Group Management Meeting consisting of executive officers assigned roles is implemented to deliberate on important matters related to the management of the Group.

In addition, full-time auditors participate in the Group Management Meeting to grasp the situation of the deliberations and share opinions when necessary.

● Internal Control Committee

Internal Control Committee discusses and monitors management of internal control (promoting compliance management and internal management risks), etc. and reports to the Board of Directors, Audit & Supervisory Board, and other bodies when necessary. (See risk management for details.)

● Advisory Committee

An advisory committee was put in place as a body to advise the Board of Directors when deliberating matters such as the selection of director candidates and the chief executive officer as well as the remuneration for directors (excluding external directors). Committee members are appointed from the directors, but we appoint more than half of the total of five directors as external directors to guarantee objectivity and transparency of procedures while leveraging the knowledge and advice of these external directors.

Supporting System for External Directors and Auditors

The Planning Division, which acts as a Board of Directors Secretariat, provides explanations and information as necessary to support the external directors and auditors at Tokyo Tatemono.

In addition, personnel are assigned as a staff of the auditors upon request from the Audit & Supervisory Board to smoothly execute the auditing duties.

Furthermore, full-time auditors participate in important meetings including the Group Management Meeting in addition to the Board of Directors meeting while receiving relevant reports from the accounting auditor, directors, and the employees of each division to build a system that enables the exchange of opinions with individual bodies at any time.

Policy on Remuneration and Calculation Method

The remuneration for directors is set to less than ¥35 million a month (equivalent to ¥420 million a year)*1 as fixed compensation and 1% of consolidated recurring income and less than 2% of the income*2 of the previous fiscal year is set as performance based remuneration as decided during the Board of Directors meeting.

Today, we have further clarified the link between remuneration, such as that for directors, and the share price of the company, and we have adopted a stock remuneration system via a stock bond trust at the 200th General Meeting of Shareholders held March 28, 2018 for the purpose of heightening awareness about the contribution to growth in the medium to long term corporate value. By adopting this policy, remuneration, such as that for directors, is composed of three types of payments; fixed remuneration, performance based remuneration, and share based remuneration. We limit payment of share based remuneration (excluding external directors) to a maximum of 40,000 points (equivalent to 40,000 shares) per each fiscal year.

Remuneration for auditors is limited to basic remuneration based on the role of the full-time and temporary auditors and it set to be less than ¥8 million a month (equivalent to ¥96 million a year).

● Status of Remuneration of Directors and Auditors (FY2017)

Position/Number of recipients/Total amount paid
Directors/12/¥422 million (excluding external directors)
Auditors/5/¥64 million (excluding external auditors)
Total/17/¥486 million

*1: Based on resolutions at the 190th General Meeting of Shareholders held on March 28, 2008

*2: Based on resolutions at the 195th General Meeting of Shareholders held on March 28, 2013

Risk Management

Policy and Concept

The Tokyo Tatemono Group strives to manage risks that have the potential to impact the businesses of the Group to heighten the stability of corporate value. We put in place a

risk management system to continually monitor and control risk and provide comprehensive risk management.

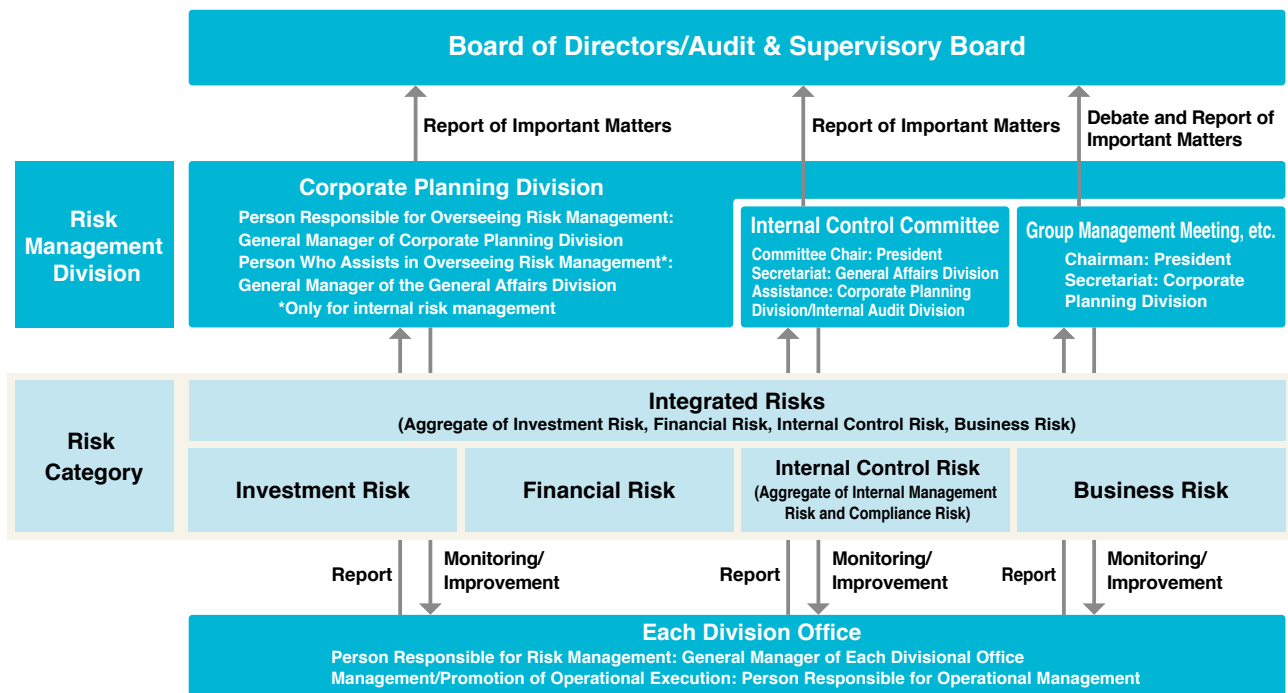
System

We categorize and manage investment risks, financial risks, operational risks, internal control risks and general risks that are aggregate risks as vital risks that have a potential to greatly impact the management of the Tokyo Tatemono Group.

General risks are stored in the Corporate Planning Division, which is the department in charge of managing risk, and the Internal Control Committee debates and manages the internal control risks (internal control risks and compliance

risks) among those general risks with the President as chair. We also review policies to respond to general business risks through the Group Management Meeting and other means. Furthermore, important matters related to these risks are reported to the Board of Directors and Audit & Supervisory Board as well as other bodies as necessary. We are thoroughly managing risk through a series of processes that include monitoring and improving the operational status of this risk management.

Risk Management by Internal Control Committee



Index	Message from the President	Feature	Environmental Initiatives	Safety & Security Initiatives
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Joint Training in Earthquake Measures with Group Companies

The Tokyo Tatemono Group defined basic policies when an earthquake strikes in the Basic Plan of Earthquake Measures and prepared a manual that includes the initial response, stockpiling and safety confirmation. In October every year, we conduct collective training in

earthquake measures unified with each Group company and confirm procedures such as the chain of command, the division of roles, informational collection and distribution and safety confirmation.

Comprehensive Informational Management

The Tokyo Tatemono Group has defined informational management rules, rules for the handling of personal information, and rules for handling personally identifiable information in order to properly handle the information handled in our operations. Furthermore, we have put in place an informational management system with the person

responsible for supervising the management of information at the core. We are also strengthening management such as that of personal information and confidential information through informational management audits through the Internal Audit Division.

Compliance

Policy and Concept

Tokyo Tatemono Group defines compliance as complying not only with laws but also social standards and corporate ethics to gain everlasting trust from society, and it continues engaging in sound corporate activities. Corporations need to respond to the expectations of customers, business partners, shareholders, investors, local society, employees, and other stakeholders, and responding to the needs of these stakeholders with integrity is important.

Tokyo Tatemono Group has established the Compliance Charter to promote corporate activities that observe compliance in June 2009, and it is advancing those efforts.

Tokyo Tatemono Group Compliance Charter

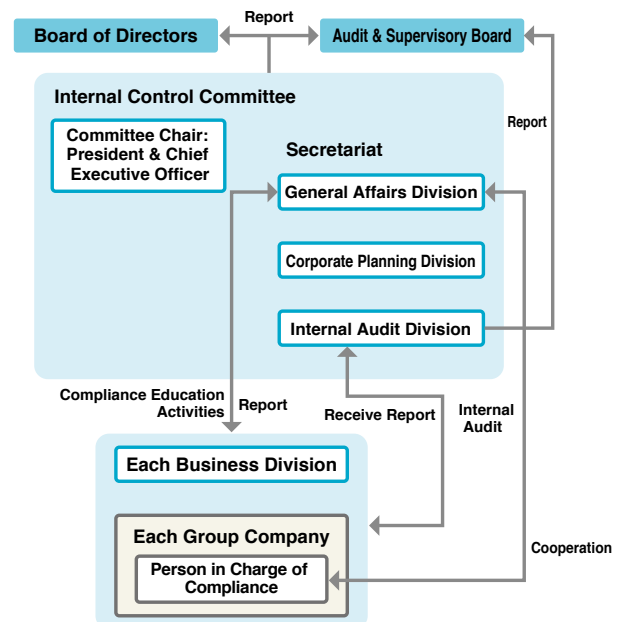
As we engage in corporate activities, we observe the Compliance Charter below:

- We adhere to laws, regulations, and other rules and engage in fair, sound corporate activities.
- We act faithfully by thinking from the customers' standpoint.
- We contribute to making society better through corporate activities.
- We respect the personalities and values of each other and maintain a comfortable working environment.

Established June 2009

System

The Tokyo Tatemono Group established the Internal Control Committee that discusses Group compliance as well as general internal control risks as a framework to promote compliance and to supervise Group compliance activities. In addition, the General Affairs Division of Tokyo Tatemono supports and instructs Group companies on their operations related to compliance while coordinating with Group companies to improve the compliance function of the entire Group.



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Index and Performance

Number of Students and Completion Rate of Compliance (e-Learning) Training

	2015	2016	2017
Number of Students and Completion Rate of Compliance (e-Learning) Training	657 people	814 people	847 people
Completion Rate of Compliance Training	99.4%	98.8%	98.5%

Number of Reports and Consultations to Helpline

	2015	2016	2017
Number of Reports and Consultations to Helpline	28	15	44

Compliance Manual

We formulated the Tokyo Tatemono Group Compliance Manual to ensure the practice of the Compliance Charter throughout the Tokyo Tatemono Group.

The Compliance Manual stipulates 16 compliance items as a code of conduct for all people engaged in operations of offices of Group companies regardless of their employee classification, office organization or the employment system. All employees who work in operations at offices in Group companies are given the Compliance Manual as a booklet or it is posted at each office to fully raise awareness.



Compliance Manual

<Compliance Items>

- | | | |
|--|---|--|
| 1. Observance of Laws and Regulations | 7. Ban on Relationships with Anti-social Forces | 11. Guarantee of a Comfortable Working Environment |
| 2. Proper Relationships with Partners | 8. Timely/Proper Informational Disclosure and Appropriate Tax Reporting | 12. Proper Management of Information |
| 3. Moderate Gifts and Entertainment | 9. Restriction of Insider Trading | 13. Restriction of Conflicts of Interest |
| 4. Sincere Response to Customers | 10. Respect for Human Rights/Restriction of Discrimination and Harassment | 14. Co-existing with Local Communities |
| 5. Environmental Considerations | | 15. Management of Information System |
| 6. Proper Relationships with Politics and Government | | 16. Respect for Corporate Assets |

Compliance Training

The Tokyo Tatemono Group conducts joint Group e-learning training every year. In 2017, we gained knowledge about harassment prevention, informational management, the Building Lots and Buildings Transaction Business Law and the Act on Prevention of Transfer of Criminal Proceeds as well as brushed up our knowledge following amendments to the laws and regulations for roughly 2,800 executives and employees in 13 Group companies, in addition to our foundation in compliance that includes the Compliance Charter and compliance items.

In addition, we have introduced stratified training, such as collective training for new Group employees, training for executives and general managers, training for new Tokyo Tatemono employees, and training for newly appointed supervisors.

We also hold seminars by inviting outside experts as lecturers around themes regarding the law and regulation field as well as taxes that have great importance in operations and share the latest judicial examples, tax amendments and other information related to our businesses throughout the entire Group.

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Implementation of Compliance Surveys

The Tokyo Tatemono Group conducts compliance surveys to periodically understand and review the awareness and penetration about compliance of Group employees every year since 2009.

This survey was held for approximately 6,800 employees from 16 companies throughout the entire Group in 2017 with a collection rate of roughly 80.5%.

We analyze the survey results for overall trends and traits of each Group company, and then report that information to the Internal Control Committee while providing feedback to each Group company. These results play a role in resolving issues before they happen and in compliance education activities as well as being reflected in the compliance system.

Setup of a Helpline

The Tokyo Tatemono Group setup the Tokyo Tatemono Group Helpline that can be used throughout the Group as a consultation and reporting window to prevent violations to the laws and illegal acts. Furthermore, the helpline establishes a contact window with an external law office to create a system for easy consultation and reporting. All employees who engage in the businesses of any of the Group companies can use this helpline.

Consultations and reports received at each contact window

are reported to the Tokyo Tatemono Internal Audit Division (organization under the direct control of the President) and the facts are reviewed and verified in accordance with the content from an objective standpoint.

We appropriately respond to actions that violate compliance, such as immediate corrective measures as well as steps to prevent recurrence. The Internal Control Committee is convened for more important matters to consider the response.

Responding to Anti-social Forces

Our ban on any relationship with anti-social forces has been clarified in the Exclusion of Anti-social Forces Rules of the Tokyo Tatemono Group and we have stipulated specific procedures for checks in the Anti-social Forces Check Manual.

Furthermore, we cooperate with external experts such as the police and attorneys at law to respond with a firm attitude to anti-social forces.

Respect of Human Rights

Policy and Concept

The Tokyo Tatemono Group raises the respect for personalities and values in the Compliance Charter. We formulated the Tokyo Tatemono Group Compliance Manual to ensure the Compliance Charter is put into practice, which defines compliance as a code of conduct related to the respect of human rights, the restriction of acts of

discrimination and harassment, and the guarantee of a work-friendly work environment. We have also raised the realization of a satisfying working place in the Human Resource Policy.

→Compliance Charter [P.56](#)

System

We established the Internal Control Committee to discuss general internal control risk, including compliance of the Tokyo Tatemono Group, to promote human rights and other compliance issues.

The Internal Control Committee supervises the Group compliance activities.

→Compliance System [P.56](#)

Human Rights Initiatives

The Tokyo Tatemono Group defines the restriction of acts of discrimination and harassment as well as the guarantee of a work-friendly environment as part of the Compliance Manual, which is a code of conduct to put into practice the Compliance Charter. We fully raise awareness about compliance by distributing the Compliance Manual to employees and posting it at offices. Furthermore, we are conducting compliance training every year. We are also preventing and quickly resolving harassment and other issues through the Tokyo Tatemono Group Helpline, which is a common consultation and reporting

window throughout the Group, and Compliance Surveys while also taking the appropriate response to the consultations and reports we receive on the helpline and the survey results.

Please see the pages below for specific initiatives.

→Compliance Training [P.57](#)

→Compliance Surveys [P.58](#)

→Setup of a Helpline [P.58](#)

Initiatives to Improve the Working Environment

The Tokyo Tatemono Group links to health insurance associations and conducts a wide range of initiatives to improve the health management of employees. In addition to support to quit smoking, we work to understand and prevent the health risk characteristics of employees and encourage early diagnosis. Furthermore, we support voluntary health management of employees through a welfare plan. As mental health initiatives, we also implement self stress checks for employees every year in addition to starting cooperation with psychiatric advisors to put in place a support system.

In addition, we have been continually introducing measures to prevent overtime since 2008 and are realizing a reduction in long working hours.

Please see the pages below for specific initiatives.

→Health Improvement Initiatives [P.47](#)

→Mental Health Initiatives [P.47](#)

→Initiatives to Reduce Overtime [P.49](#)