

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.

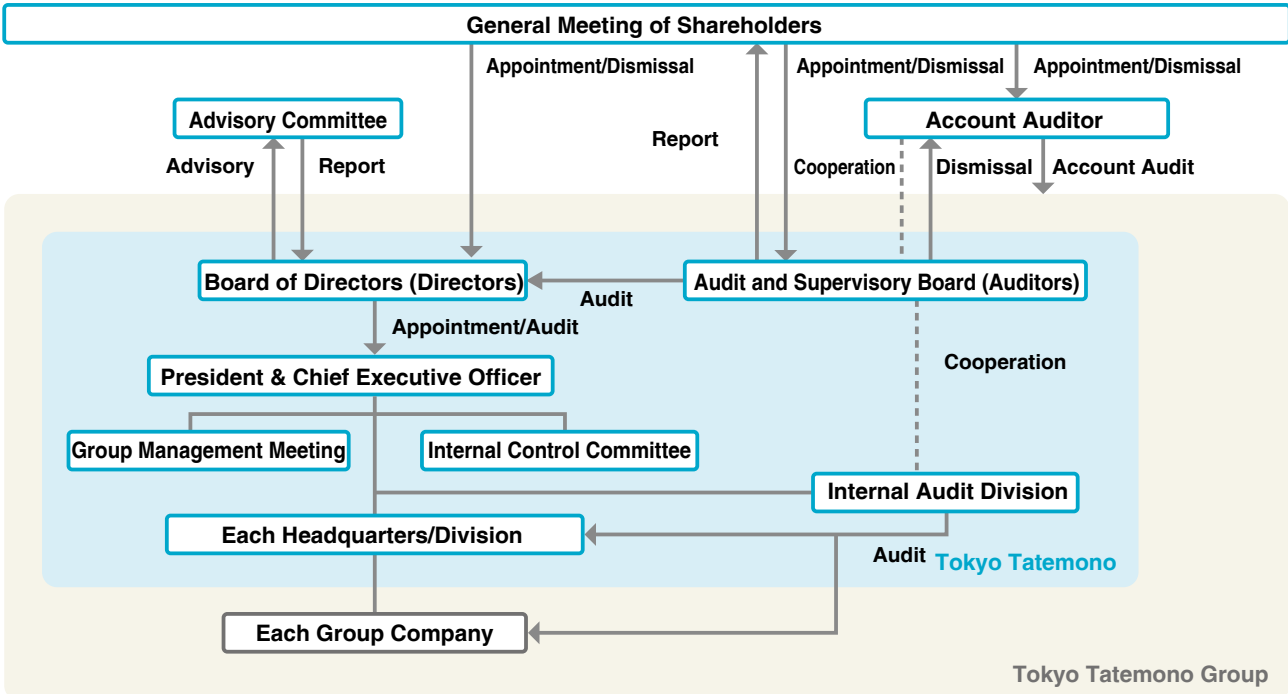
[Corporate Governance Report](https://tatemono.com/ir/library/governance.html)
<https://tatemono.com/ir/library/governance.html>

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 external 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 January 2019)

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

● 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.

→ Risk management **P.63**

● 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.

Indicators and Results

● Collection Period

- January to December each year. Data is as of December of each year unless stated otherwise.

● Collection Scope

- Tokyo Tatemono Co., Ltd.

Item	Unit	2014	2015	2016	2017	2018
Number of Board Meetings	Meetings	13	13	13	12	13
Number of Directors	People	7	9	9	11	12
Number of Executive Officers on Board	People	5	6	6	7	7
Number of Non-executive Officers on the Board (Excluding External Directors)	People	1	0	0	1	1
Number of External Directors	People	1	3	3	3	4
Board Meeting attendance	%	97.9%	94.6%	100%	100%	100%
Average Tenure of Directors (Including External Directors)	Year	9.3 (March)	6.7 (March)	5.3 (March)	5.0 (March)	5.8 (March)

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.

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

Evaluation for the Effectiveness of the Board of Directors

Tokyo Tatemono conducts a questionnaire about the constitution, proposals and management of the Board of Directors for all directors and corporate auditors once a year. The Board of Directors analyzes and deliberates the results of this questionnaire.

We have been able to sufficiently ensure and verify the effectiveness as a Board of Directors.

Evaluation Items

Field	Description
Structure	Ratio, number, and diversity of external directors
Proposals	Number, content, and financial criteria of proposals
Operation	Number and length of meetings, ideal form of advanced explanations, materials and time for explanations, time for debate, and content of matters to report
Other	Support systems and ideal form of training

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 Director and Auditor Remuneration (December 2018)

Executive Class	Employee Salary (People)	Total Amount by Type of Remuneration			Total Salary (Million Yen)
		Fixed Compensation (Million Yen)	Performance Based Remuneration (Million Yen)	Share Based Remuneration (Million Yen)	
Directors	12	314	155	35	505
(External Directors)	-4	-27	(-)	(-)	-27
Auditors	4	64	-	-	64
(External Auditors)	-2	-12	(-)	(-)	-12
Total	16	379	155	35	570
(External Executives)	-6	-39	(-)	(-)	-39

*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. We have established risk management regulations and put in place a risk management structure to monitor and control ongoing risks as well as fully manage risk.

Furthermore, in the preparation of the risk management structure, we referred to the ISO-31000 international risk management standards and the JIS-Q-31010 Japanese standards.

Internal Control Report

<https://tatemono.com/ir/library/control.html>

System

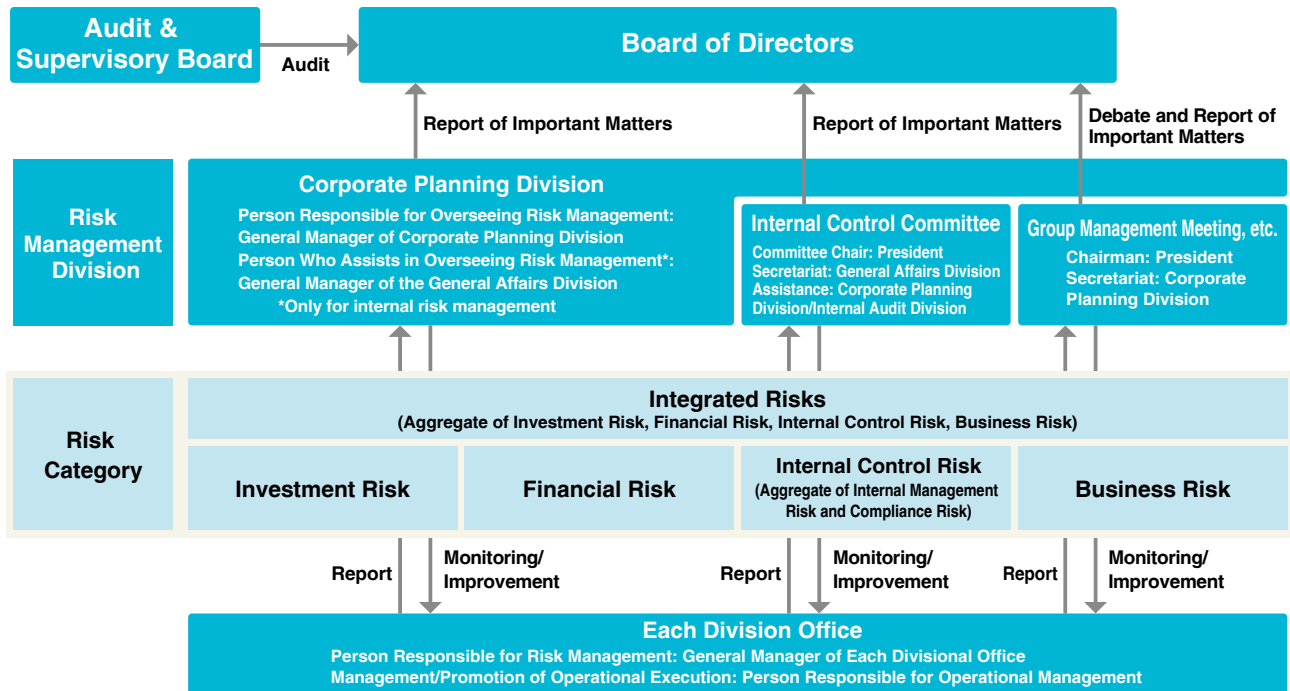
We categorize and manage investment risks, financial risks, operational risks, internal control risks and general risks that are aggregate risks as vital risks that have a potential to greatly impact the management of the Tokyo Tatemono Group.

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 as necessary and audited by the Audit & Supervisory Board.

We are thoroughly managing risk through a series of processes that include monitoring and improving the operational status of this risk management.

Risk Management Structure



Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

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.

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

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

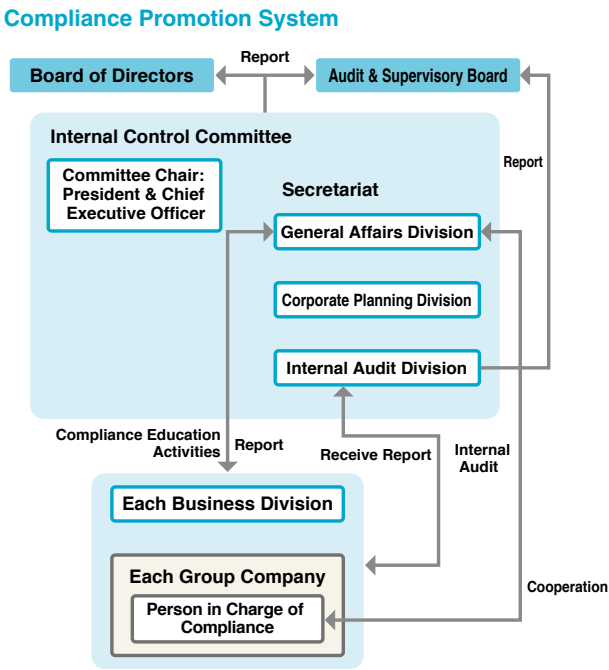
As we engage in corporate activities, we observe the Compliance Charter below:

- 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

We established the Tokyo Tatemono Group Internal Control Committee that discusses Group compliance as well as general internal control risks, including the prevention of fraud and corruption, and 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.



Indicators and Results

● Collection Period

- January to December each year. Data is as of December of each year unless stated otherwise.

● Collection Scope

- Tokyo Tatemono (Number of reports and consultations to Helpline for the Tokyo Tatemono Group)

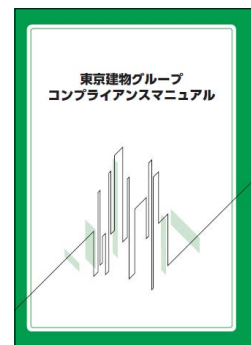
Item	Unit	2014	2015	2016	2017	2018
Number of Students and Completion Rate of Compliance (e-Learning) Training	People	646	657	814	847	860
Completion Rate of Compliance Training	%	99.7	99.4	98.8	98.5	99.3
Return Rate of Compliance Surveys	%	80.9	77.0	71.2	80.5	80.2
Number of Reports and Consultations to Helpline	Incidents	23	28	15	44	59

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. Tokyo Tatemono also posts case examples on the intranet divided into 16 compliance items as reference for the Compliance Manual, introduces case studies about the

LGBT and actual bribery that has occurred in an effort to prevent corruption, bribery and discrimination.



Compliance Manual

<Compliance Items>

- | | | |
|--|---|--|
| 1. Observance of Laws and Regulations | 7. Ban on Relationships with Antisocial 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 |

Preventing Corruption and Bribery

The Tokyo Tatemono Group has declared to adhere to laws, regulations, and other rules and engage in fair, sound corporate activities in its Compliance Charter. We work to raise awareness and thorough compliance with the compliance items defined in the Compliance Manual through training and other education to prevent corruption such as bribery or fraud. In 2018, there were no incidents of corruption that resulted in penalties such as fines.

<Relevant Items in the Compliance Manual>

1. Observance of Laws and Regulations
2. Proper Relationships with Partners
3. Moderate Gifts and Entertainment
6. Proper Relationships with Politics and Government
13. Restriction of Conflicts of Interest

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

Preventing Anti-competitive Practices

The Tokyo Tatemono Group has declared to adhere to laws, regulations, and other rules and engage in fair, sound corporate activities in its Compliance Charter. We work to raise awareness and thorough compliance with the compliance items defined in the Compliance Manual through training and other education to prevent anti-competitive practices such as prohibiting monopolistic conduct.

In 2018, there were no incidents of anti-competitive practices that resulted in penalties such as fines.

<Relevant Items in the Compliance Manual>

1. Observance of Laws
2. Regulations and Proper Relationships with Partners

Compliance Training

The Tokyo Tatemono Group conducts joint Group e-learning training every year. In 2018, we gained knowledge about overall compliance, harassment prevention, informational management such as the prevention of insider trading in addition to the prevention of corruption, the Building Lots and Buildings Transaction Business Law and the Act on Prevention of Transfer of Criminal Proceeds such as the prevention of money laundering, 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, harassment prevention training for executives,

general managers and managers, training for new Tokyo Tatemono employees, and training for newly appointed supervisors as well as training to prevent insider trading. We also design corruption and bribery prevention, use the corporate intranet, and include spotlight articles about the prevention of insider trading, drinking in moderation and proper relationships with public officials to raise awareness throughout the Group.

Furthermore, we 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.

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 7,162 employees from 13 Group companies in 2018 with a collection rate of 80.2%.

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.

Furthermore, in accordance with the Whistleblower Protection Act, we properly protect whistleblowers.

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

Supply Chain Initiatives

The main flow of business at a real estate developer moves from the acquisition of a lot to the development and then lease or sale of the property. We directly procure the materials and purchased goods according to the land acquisition and leasing or sales activities during this process. However, the development operations involve not only Tokyo Tatemono but also a bulk order to a construction company for procuring a large amount of materials as well as for staffing to accommodate the construction.

Understanding the traits of the business, the Tokyo Tatemono Group defines the respect of human rights, restriction of acts of discrimination and harassment, and the guarantee of a work-friendly environment in the Compliance Manual as items related to human rights in addition to

occupational health and safety. We have also defined proper relationships with business partners, moderate gifts and entertainment, and environmental considerations as items related to procurement and orders. These measures strive to build a suitable supply chain that considers an environment free from corruption and bribery.

We actively incorporate environmentally-friendly technology and ideas into our products and services in every stage of our business activities even in terms of the environmental considerations related to procurement in accordance with the Group Environmental Policy, and it strives to save resources and use materials that reduce the environmental impact.

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 respects the basic human rights as outlined in the Constitution of Japan and the Universal Declaration of Human Rights, upholds international labor standards advocated by the International Labor Organization (ILO), and affirms its respect for the individuality and beliefs of each person 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 based on race, creed, gender, sexual orientation, age, appearance, ability or disability, educational background or social status, or origins, and the guarantee of a work-friendly work environment. In addition to the Minimum Wage Act, we will adhere to various labor laws and vow to pay a wage higher

than minimum wage to our employees.

Information about the freedom of association and the rights to collective bargaining are included in Work-Life Balance → (P.56).

From the Compliance Charter (P.65)

- We respect the personalities and values of each other and maintain a comfortable working environment.

From the Compliance Manual (P.66)

<Compliance Item> 10. Respect for Human Rights/ Restriction of Discrimination and Harassment

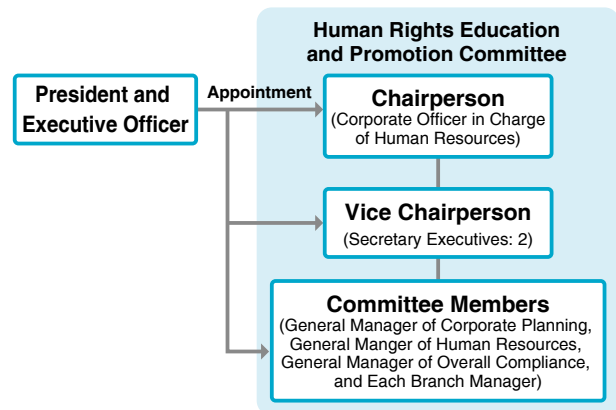
System

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.65)

We also understand the flow to promote solutions to social human rights issues, including SGDs. Therefore, we established the human Rights Education and Promotion Committee by fundamentally restructuring the conventional Anti-Discrimination Promotion Committee in January 2019. To establish a corporate body for the respect of human rights, the committee made up of committee members each appointed by the President plans, executes and verifies the educational programs and training workshops related to human rights issues.

Human Rights Education and Promotion System



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 the proper compliance training for employees and management every year that encompasses human rights.

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.67)
- Compliance Surveys (P.67)
- Setup of a Helpline (P.67)

Index	Message from the President	Feature	Corporate Philosophy and CSR	Environmental Initiatives
Safety & Security Initiatives	Responding to Social Change	Community Involvement	Utilization of Human Resource Assets	Improving Management System

Responding to Human Rights and Discrimination Issues

Developers are susceptible to discrimination due to the nature of the real estate business. The Tokyo Tatemono Group correctly understands issues related to human rights and discrimination, and continually holds training to handle these problems in its business activities. In 2018, 50 primarily first and second-year Group employees participated in training led by an instructor from the Tokyo Metropolitan Human Rights Promotion Center.

Furthermore, we appointed the general manager of human resources as the person who promotes honest recruitment and human rights enlightenment to prevent any human rights issues, including discrimination, in its recruitment activities.



Participating in the Construction and Real Estate Human Rights Due Diligence Study Group

In September 2018, Tokyo Tatemono participated in the Human Rights Due Diligence Study Group launched by eight construction and real estate firms (Mitsubishi Estate, NTT Urban Development, Tokyu Fudosan Holdings, Tokyo Tatemono, Nomura Real Estate Holdings, Obayashi Corporation, Shimizu Corporation, and Taisei Corporation) at the request of Mitsubishi Estate.

This study group identifies the impact on human rights and conducts surveys and research on subjects such as countermeasures to fulfill the responsibility of companies to "avoid infringing on the human rights of others and address adverse human rights impacts with which they are involved" required by the United Nations Guiding Principles of Business and Human Rights.

We learn from experts on human rights, such as international human rights standards and human rights initiatives expected of corporations, exchange information with NGOs and other outside experts and conduct research on methods to identify and specifically address actual human rights risks.