

Rebuild the Structure and System for Compliance and Risk Management

[Level of progress]
Under examination: Details of specific measures are under examination
In progress: Specific measures have been implemented
Completed: Specific measures are completely implemented

No.	Section	Category	Article	Class	Paragraph	Specific implementation method	Time of implementation	Progress
2	Rebuild the Structure and System for Compliance and Risk Management	A	Establish the Compliance Management Headquarters			The Compliance Management Headquarters was reorganized on April 1, 2019. For the purpose of disseminating compliance within the company, the Training Planning Section was newly established on September 1, 2019 in the Compliance Management Department.	Completed in April 2019	Completed
		B	Establish the Construction Legal Department in the Compliance Management Division to examine and inspect compliance for new products and other matters outside the business divisions			The Construction Legal Department was established in the Compliance Management Division on February 7, 2019.	Completed in February 2019	Completed
		C	Improve the operation of the Compliance Committee			In June 2019, it was clarified that the Compliance Committee is the supreme organ in the compliance system of our group. In addition, the committee composition has been changed to propose expert opinions on things including non-compliance incidents and promote active discussion. The Committee should be chaired by one of the outside directors who is elected between such directors so that the operation of Committee should be looked at from the objective angles of outside the company. As of November 2019, we established rules for disseminating information on how the Compliance Committee works and disclose the implementation status of the Committee to the company.	Started in November 2019	In progress
		D	Improve the risk management method			In October 2019, in order to identify potential risks at each department training was conducted by external instructors. Potential risks identified in each department based on the training have been reported to the Risk Management Committee.	Started in October 2019	In progress
		E	Verify compliance with applicable laws and regulations at the time of starting new businesses and of changing business content	(1)	Verify the compliance by the Compliance Management Division	To secure the compliance of new businesses and other matters, we decided the Compliance Management Division should verify the compliance of new businesses based on our regulations for the approval for starting new businesses. * Already started on January 16, 2019.	Completed in January 2019	Completed
				(2)	Secure personnel adequate for the workload and build an operation system	As of December 2019, we have been examining establishment of rules for operation, firstly to project the necessary workload for starting new businesses, secondly to secure personnel both in terms of appropriate skills and in terms of number in dealing with the required performance, and thirdly to verify the preparation before making actions, through various check mechanism including the Corporate Management Council attended by the directors and other executives.	Scheduled to start in April 2020	Under Examination
		F	Revise the system of assigning persons in charge of compliance			In order to enhance the authority and responsibilities of compliance coordinators, we are preparing to make a radical review of the system. We are taking steps to review the current coordinators who are assigned for the job, and will create the system to strengthen the internal governance.	Scheduled to start in April 2020	Under Examination
		G	Revise the method of response to cases where non-compliance is suspected			In November 2019, we revised our compliance regulations and changed our reporting route. We established reporting routes; reporting within each business division to the upper line managers of the organization, and simultaneously reporting to the Compliance Management Division. In this way, we established a separate route in addition to the route within each business division.	Started in November 2019	In progress
		H	Build a system of collecting and examining risk information	(1)	Prepare a complaint handling manual	In case of specific complaints occur frequently and are considered to be an obvious risk, we are in the middle of process in establishing rules that require each business unit to report to the Compliance Management Division. In November 2019, the first step was made for the call centers and business divisions to share the information with the Compliance Management Division regarding complaints from tenants who call the call centers and complaints at the time of negotiating with the apartment owners or complaints concerning the construction defects.	Scheduled to start in October 2019	In progress
				(2)	Examine the placement of a Compliance Mailbox (tentative name)	In December 2019, the “Compliance Mailbox (tentative name)” was put into operation as the “Compliance Management Division's Mailbox” under the responsibilities of the Compliance Management Division, thereby building a system to collect effectively increased number of potential risks. The risk categories shall include matters related to (1) compliance violations in business, (2) any types of risks, (3) legal affairs, (4) building legal issues, (5) compliance education, and (6) recurrence prevention measures which allow all officers and employees to report spontaneously. Each post to the Mailbox will be responded and dealt with appropriately.	Started in December 2019	Completed
		I	Clarify storage and management rules for important documents	(1)	Revise rules for storing and maintaining important documents	In October 2019, we started with the Construction Subcontracting Division to check the documents used as an antecedent to companywide survey in order to review the rules for storage and management of storage of important documents, including the creation of a record of disposal of important documents and permanent storage of the approval documents of the President. Inventory was carried out. In December 2019, the Company is preparing to review rules based on the knowledge of an external consulting company.	Started in October 2019	In progress
				(2)	Ensure for employees to understand and comply with the rules for storing and maintaining important documents	In December 2019, we were reviewing the rules as mentioned in (1) prior to preparing for thorough dissemination and ensuring compliance. We plan to implement awareness-raising activities while receiving the knowledge of external consulting firm.	Started in October 2019	In progress