

Restructuring of the 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

The Company will continue to carry out the action once the implementation is completed.

No.	Section	Category	Article	Class	Paragraph	Specific implementation method (as of May 31, 2022)	Time of implementation	Progress	
2	Restructuring of the system for managing compliance and risk	A	Establish the Compliance Management Division (later renamed Compliance Promotion Division)			<ul style="list-style-type: none"> The Compliance Management Headquarters was reorganized on Apr 1, 2019. For the purpose of disseminating and promoting compliance-first policy within the company, the Compliance Management Division was renamed the Compliance Promotion Division. 	Completed in Apr 2019	Completed	
		B	Establish the Construction Legal Department in the Compliance Promotion Division to examine and inspect compliance for new products and other matters outside the business divisions			<ul style="list-style-type: none"> The Construction Legal Department was established in the Compliance Promotion Division on Feb 7, 2019. 	Completed in Feb 2019	Completed	
		C	Improve the operation of the Compliance Committee			<ul style="list-style-type: none"> In Jun 2019 it was clarified that the Compliance Committee is the supreme organ in the compliance system of the Company group. In addition, the committee composition has been changed in order to promote active discussion as well as to invite expert opinions on compliance incidents. 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 Nov 2019 the Company established rules for disseminating information on how the Compliance Committee works and disclose the implementation on state of the Committee operation to the employees. The operation of Compliance Committee continues with the same emphasis as above. In Feb 2022, the internal compliance rules were updated to include the Compliance Committee's strengthened authority to stop the business operation in case of alleged violation of laws and regulations. 	Completed in Feb 2022	In Progress	
		D	Improve the risk management method			<ul style="list-style-type: none"> In Oct 2019 an external instructor provided each department training to identify potential risks. Further training was provided to evaluate the potential risks identified in each department. In Mar 2020 the Risk Management Committee was reported with the identified material risks along with the analysis result of identified potential risks and respective response measures. The Risk Management Committee will be periodically updated about the identified risks and response measures. In Sep 2020 the Committee reviewed the reported risks for prioritization. The Committee will periodically reevaluate the impact of the risks in accordance with the priority. 	Completed in Sep 2020	Completed	
		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 Promotion Division		<ul style="list-style-type: none"> To secure the compliance of new businesses and other matters, the Company decided the Compliance Promotion Division should verify the compliance of new businesses based on the regulations for the approval of starting new businesses. 	Completed in Jan 2019	Completed
				(2)	Secure manpower adequate for the planned workload and build an effective operational structure		<ul style="list-style-type: none"> The Company examined the checklist and rules to see if the rational assumption is made about the workload of the new businesses and if the necessary resources are secured in terms of manpower and appropriate skills in executing the new businesses and delivering the expected performance. From Apr 2020 the Compliance Promotion Division was made responsible for preparing written opinion in light of the above aspects. There has been no new businesses however which went through the confirming process. 	Completed in Apr 2020	Completed
		F	Review the system of assigning persons in charge of compliance			<ul style="list-style-type: none"> In order to enhance the authority and responsibilities of compliance coordinators, the Company restructured the position in the respective organization. The compliance coordinators are changed from the section managers and store managers to a head of each unit performing managerial roles. The Company continues to review and adjust organizational structures to implement the effective compliance management considering training about compliance for employees. As of Oct 2020 there are a number of employees who acquired external qualification related to compliance as a trial. The Company appointed relevant department managers (senior manager class) instead of junior manager class as compliance coordinators. It also appointed relevant general managers as compliance managers to lead compliance coordinators. All the employees have been informed about the roles and responsibilities of compliance managers and coordinators. The compliance managers will be required to pass the inhouse qualification examination for enhancing their compliance-related awareness. 	Completed in Oct 2021	Completed	
		G	Revise the method of response to cases where non-compliance is suspected			<ul style="list-style-type: none"> In Nov 2019 the Company revised the compliance regulations and changed the reporting route. The Company established dual reporting routes; reporting within each business division to the upper line managers of the organization, and simultaneously reporting to the Compliance Promotion Division. In this way, the Company established a separate route in addition to the route within each business division. The dual reporting system functions as designed. 	Completed in Nov 2019	Completed	
	Build a system of collecting and examining risk information			(1) Prepare a complaint handling guide	<ul style="list-style-type: none"> The Compliance Promotion Division is informed about 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. The Compliance Promotion Division introduced standardized complaint handling rule and made it known to all the employees: it ensured all the complaints were centrally reported for examination and it prepared the complaint handling manual to be used for the relevant departments which may handle the complaints. Operating the rule, any complaints which are categorized as potential risks are analyzed for responsive measures and the results are reported to the Risk Management Committee. 	Completed in Oct 2021	Completed		

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	Restructuring of the system for managing compliance and risk	H	Build a system of collecting and examining risk information	(2)	Consider the placement of a Compliance Mailbox	·In Dec 2019 the <i>Compliance Promotion Division's Mailbox</i> was put into operation under the responsibilities of the Compliance Promotion Division, thereby building a system to collect effectively increased number of potential risks, with the posts reached 57 as of May 31, 2022. The Company confirmed its effectiveness and continue to operate it as a useful tool to minimize the risk impact to the Company. The Compliance Promotion Division has been reviewing the posts by working with the related divisions and has reported some cases to the Compliance Committee or the Risk Management Committee.	Completed in Dec 2019	Completed
			Clarify storage and management rules for important documents	(1)	Revise rules for storing and maintaining important documents	·In Mar 2021 the Company has completed the review of important documents for all divisions. It completed the review of document handling rules for storing and maintaining important documents.	Completed in Mar 2021	Completed
		I	Clarify storage and management rules for important documents	(2)	Ensure for employees to understand and comply with the rules for storing and maintaining important documents	·The Company notified all the employees that the new document handling rules are in place which detail how to store and maintain important documents in Mar 2021. ·The Company organized an e-Learning training course for document storage in May 2021.	Completed in May 2021	Completed