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Leopalace21 Corporation

Eisei Miyama, President and CEO

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Securities Code: 8848

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The corporate governance of Leopalace21 Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

We see the construction and reinforcement of corporate governance as one of our most critical management tasks, and will aim to realize our corporate philosophy, achieve management plans, improve corporate value in the medium/long-term, and grow continuously by reinforcement of this corporate governance.

Furthermore, our basic philosophy of corporate activities is to pursue efficient, fair, and highly transparent operations to attain greater corporate value for the sake of all our stakeholders.

Based on this philosophy, we endeavor to improve our management system and management organization mainly through appropriate and rapid decision-making, reinforcing the monitoring function of our decision-making, establishment of a compliance system, improvement and strengthening of an internal control system, and establishment of good relations with stakeholders.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

Principle 1-4 Cross-held shares

We have a basic policy of not acquiring cross-held shares. However, if the acquisition of shares of business partners and business alliance partners is deemed useful for maintaining and strengthening relationships with business partners, etc. and if the medium- to long-term economic benefits from acquiring the shares are expected to be greater than the expenses for the acquisition, we may acquire the shares according to the procedures set forth in the internal regulations. We currently hold shares of three listed companies, with a total market capital equal to 0.5% of our total net assets.

We verify the economic rationality of each company at a meeting of the Board of Directors, such as the propriety with the purpose of acquisition, dividends, and the effectiveness of the business relationship. If there is any doubt about the economic rationality as a result of the verification, we will examine the necessity of maintaining the holding of the shares.

With respect to the exercise of voting rights, the Finance and Accounting Department comprehensively takes into consideration the purpose of holding the shares as well as the governance system of the issuer and whether there is an improvement in shareholder value and exercises voting rights after making decisions based on the regulations on decision-making authority of the Company.

Principle 1-7 Related party transactions

If the Company needs to conduct a transaction with its officer, affiliate or major shareholder, the Company will conduct the transaction based on the regulations on related party transactions, which set forth the scope of the covered transactions, approval procedures and ex-post confirmation for the purpose of eliminating the impairment of common interest to the Company and the shareholders and avoiding the violation of laws and regulations that should be observed by the officers.

Based on the Regulations, the Board of Directors will provide ex-ante approval for the transaction and make an ex-post confirmation to see whether the transaction is conducted with the approved content by receiving a

confirmation letter on the content of the transaction and the details of claims and obligations arising from the transaction from the related party.

Principle 2-6 Roles of Corporate Pension Funds as an asset owner

The Company's Corporate Pension Fund is a defined contribution type pension plan, and employees have control over investment decisions. We provide employees with various investment products to choose from, as well as the opportunity to learn about asset management.

Principle 3-1 Enhancement of information disclosure

(1) What the Company aims for (corporate philosophy, etc.), management strategies and management plans
Our corporate philosophy aims to create new value in our own unique way by keeping a close eye on modern-day needs, constantly work to improve our products, services and technologies and grow as a company, and provide new value throughout society to help create a more comfortable and affluent society. On our website, we have disclosed the medium-term management plan "Creative Evolution 2020" (for the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020), which we have formulated based on the corporate philosophy and management strategies.

(2) Basic view and basic policy of corporate governance

We regard the construction and enhancement of corporate governance as one of the most important management issues. Our basic philosophy of corporate activities is to pursue efficient, fair and highly transparent management to attain greater corporate value for all our stakeholders.

To enhance our corporate value, we have built corporate governance focusing on the duties of the Board of Directors, the delegation of authority to execution departments and the supervision of management including business monitoring, with the aim of facilitating prompt, efficient business activities.

We are also implementing IR activities focusing on meetings with investors and the enhancement of the content of the disclosed information, placing emphasis on dialogues with shareholders.

(3) Policy and procedures for the Board of Directors to determine remuneration for management executives and directors

Remuneration for directors of the Company is provided for the purpose of motivating the directors to execute their business to the maximum extent possible to achieve management plans and enhance the corporate value in the medium to long term.

For this purpose, the remuneration for directors consists of four types, namely basic remuneration, stock options, bonus for a single fiscal year and bonus for the period of the medium-term management plan, and the Company pays remuneration tailored to each purpose.

To accomplish the purpose above, the remuneration will be determined through deliberations by the Nomination and Compensation Committee so that the remuneration for individual directors will be appropriate. The Nomination and Compensation Committee consists of three outside directors and the President and CEO.

The policy and procedures for determining the remuneration for directors are stated in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this Report and the annual securities report. Please refer to them.

(4) Policy and procedures for the Board of Directors to appoint and dismiss management executives and nominate candidates for directors and Audit & Supervisory Board members

To achieve the management plans and enhance the corporate value in the medium to long term, we have set a policy of structuring the Board of Directors by giving due consideration to securing the mobility of management and strengthening the management supervisory function.

Accordingly, candidates for directors will be nominated from among persons with extensive knowledge of the Company's business and the business environment surrounding the Company as an executive director, and at the same time, persons with deep expert insight in an independent position will be nominated as outside directors to strengthen the management supervisory function.

With regard to candidates for Audit & Supervisory Board members, persons with in-depth knowledge of finance and accounting will be nominated to strengthen the management supervisory function. Particularly for outside Audit & Supervisory Board members, persons with deep expert insight in an independent position will be nominated.

Candidates for outside officers will be nominated in keeping with the independence criteria that we have

formulated in accordance with the independence standards of the Guidelines for Listing Examination, etc. of the Tokyo Stock Exchange.

To appoint candidates for directors in accordance with these policies, their nomination will be determined by the Board of Directors through deliberations at the Nomination and Compensation Committee.

When directors or Audit & Supervisory Board members are determined that they are not fulfilling their role, an agenda for the dismissal of the subject director and/or Audit & Supervisory Board members will be brought up at the General Shareholders' Meeting, after deliberations at the Nomination and Compensation Committee and resolution at the meeting of the Board of Directors.

(5) Explanation of individual appointment and nomination when management executives are appointed and dismissed and when candidates for directors and Audit & Supervisory Board members are nominated

At the general shareholders' meeting held on June 28, 2018, the appointment of 11 directors was approved, and the reasons for nominating them are stated and disclosed in the reference materials for the general shareholders' meeting. The reasons for the individual appointments and nominations are stated on pages 5 through 12 of the Notice of the 45th Annual General Shareholders' Meeting. Please refer to them. For outside directors and outside Audit & Supervisory Board members, please refer to the relevant sections of this Corporate Governance Report as well.

Principle 4-1-1 Roles and duties of the Board of Directors (1) (Scope of delegation to management)

The Board of Directors regulations stipulate that the major roles of the Board of Directors of the Company are to make decisions on important matters for business operation, such as management plans, and legally defined matters to be resolved, and to monitor business activities.

However, certain judgment is delegated to the management to operate business promptly, and the regulations on decision-making authority clearly define the scope of the delegation to management.

Principle 4-9 Independence criteria and qualifications for independent outside directors

To ensure the independence of outside officers, including outside directors, we have developed independence criteria, taking into consideration issues for the business operation of the Company, with meeting the independence standards of Tokyo Stock Exchange, Inc. as the minimum requirement. For details, please refer to the relevant sections of this Corporate Governance Report.

Principle 4-11-1 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Policy and procedures for the appointment of directors)

To achieve the medium-term management plan and enhance the corporate value in the medium to long term, we have set a policy of structuring the Board of Directors by giving due consideration to securing the mobility of management and strengthening the management supervisory function.

Accordingly, candidates for directors will be nominated from persons who have extensive knowledge about the Company's business and the business environment surrounding the Company as an executive director, and at the same time, persons with deep expert insight in an independent position will be nominated as outside directors to strengthen the management supervisory function.

In addition, to secure the effectiveness of the Board of Directors, we pay attention to structuring the Board of Directors to avoid extreme disparity in the years of service of the directors in order to strike a balance between the enhancement of experience and knowledge and creativity from a new perspective.

With respect to the number of directors on the Board, we pay attention to setting a number that can secure fulfilling deliberations and a number suited to the scale of business activities.

Principle 4-11-2 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Concurrent serving as an officer in a listed company)

We limit the number of other listed companies where a director or an Audit & Supervisory Board member of the Company can concurrently serve as an officer to three, in principle, so as not to pose a problem for their execution of business in the Company.

With respect to the directors and Audit & Supervisory Board members who are concurrently serving as officers in another listed company, Mr. Takao Yuhara, Audit & Supervisory Board Member, is currently serving as an auditor at Kameda Seika Co., Ltd. and T. Hasegawa Co., Ltd.

Principle 4-11-3 Prior conditions for securing the effectiveness of the Board of Directors and the Audit & Supervisory Board (Analysis and evaluation of the Board of Directors)

After the end of the fiscal year, we evaluated the function, etc. to be fulfilled by the Board of Directors mainly for the purpose of improving management issues. The evaluation method was an individual evaluation using a questionnaire to all the members of the Board of Directors. The secretariat of the Board of Directors aggregated data, undertook an analysis and made a report to the Board of Directors to hold discussions. In the evaluation for the fiscal year ended March 31, 2018, we confirmed that the Company's Board of Directors and governance system functioned effectively in general.

Specifically, based on the evaluation of the Board of Directors in the previous fiscal year, we have been considering a succession plan designed to enhance its business monitoring and investment criteria and cultivating personnel for the next management.

We have shared the recognition that the deepening of discussions on medium- to long-term strategies for each business and the continued practice and expansion of the succession plan and the promotion of career formation support for female employees will be necessary in the current fiscal year.

The evaluation of the Board of Directors has clarified issues that the Board of Directors should address in the fiscal year ending March 31, 2019, centered on the issues above.

In addition, each Audit & Supervisory Board member evaluates the effectiveness of the Audit & Supervisory Board in writing, aggregates data and submits the result to the Representative Director.

It was confirmed by this evaluation that the non-standing outside Audit & Supervisory Board members deepened their understanding of the Company by attending important meetings, sharing a meeting table with the general managers of departments and officers of affiliates and accompanying other members on audits of business locations, which helped improve the effectiveness of the Audit & Supervisory Board.

However, it was recognized that the reporting system to the Audit & Supervisory Board members in the Group was insufficient, and this was deemed to be a future issue.

We will continue to undertake this evaluation every year.

Principle 4-14-2 Training of directors and Audit & Supervisory Board members (Training policy)

In the belief that facilitating the acquisition of the necessary knowledge by the directors and the Audit & Supervisory Board members will contribute to the execution of business operation and the enhancement of corporate value in the future, we provide and support opportunities for acquiring knowledge.

Specifically, we provide training that will contribute to the resolution of management issues such as corporate governance and corporate finance as well as the understanding of the business environment, the development of human resources and the strengthening of the organization. We also provide training on legal responsibilities after the directors and the Audit & Supervisory Board members have taken office.

Principle 5-1 Policy for constructive dialogues with shareholders

To promote the sustainable growth of the Company and enhance its corporate value in the medium to long term, we have established a department specializing in IR headed by the director in charge of IR to promote constructive dialogues (meetings) with shareholders. Specifically, we provide clear explanations about the Company's management policies, etc. to stakeholders including shareholders by holding results briefings, individual investors' meetings and foreign institutional investors' meetings, in addition to individual meetings.

With respect to the policy and efforts for the development of a system for promoting constructive dialogues with shareholders, we have developed a Disclosure Policy and disclosed it on our website. Please refer to it.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank Ltd. (Trust Account)	30,911,000	12.67%
SSBTC Client Omnibus Account	10,809,000	4.43%
The Master Trust Bank of Japan Ltd. (Trust Account)	8,821,000	3.61%
JPMorgan Securities Japan Co., Ltd.	6,623,000	2.71%

BNYM AS AGT/CLTS 10 PERCENT	6,166,000	2.52%
Stockholding Association for Leopalace21's Business Connection	5,505,000	2.25%
State Street London Care of State Street Bank and Trust, Boston SSBTC A/C UK London Branch Clients – United Kingdom	5,306,000	2.17%
State Street Bank and Trust Client Omnibus Account OM02 505002	5,134,000	2.10%
Trust & Custody Services Bank, Ltd.	4,824,000	1.97%
Taiyo Hanei Fund, L.P.	4,593,000	1.88%

Controlling Shareholder (excluding Parent Company)	–
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tadashi Kodama	From another company									Δ			
Tetsuji Taya	From another company									Δ			
Yoshiko Sasao	From another company												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"Δ" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tadashi Kodama	Yes	<p>Mr. Tadashi Kodama held positions including the representative director and vice chairman of and the special advisor to Aioi Nissay Dowa Insurance Co., Ltd. and retired in June 2015. He assumed the office of an outside director of the Company in June 2016.</p> <p>While the Company has a business relationship with Aioi Nissay Dowa Insurance, its amount is less than 0.1% of the consolidated net sales of the Company. Accordingly, it does not have an impact on the independence of the Outside Director.</p> <p>Important concurrent post <ul style="list-style-type: none"> • Not applicable </p>	<p>Utilizing his profound knowledge and experience of business management cultivated through his career as a manager of a listed company, he actively expresses opinions at meetings of the Board of Directors, etc. from an independent and fair standpoint and appropriately fulfills the role of supervising the execution of business of the Company. Serving as a member of the Nomination and Compensation Committee, he also helps increase the transparency and objectivity of the procedures for appointing officers and determining their remuneration.</p> <p>Mr. Kodama has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.</p>

Tetsuji Taya	Yes	<p>Mr. Tetsuji Taya is the board member and managing director of Industrial Growth Platform, Inc. and assumed the office of an outside director of the Company in June 2010.</p> <p>While the Company had a business relationship with Industrial Growth Platform in the past, its amount was less than 0.1% of the consolidated net sales of the Company, and more than six years have passed since the business relationship ended. Accordingly, it does not have an impact on the independence of the Outside Director.</p> <p>Important concurrent post</p> <ul style="list-style-type: none"> • Board member and managing director of Industrial Growth Platform, Inc. 	<p>Utilizing his profound knowledge and experience of business management cultivated through his career as a corporate manager, he actively expresses opinions at meetings of the Board of Directors, etc. from an independent and fair standpoint and appropriately fulfills the role of supervising the execution of the business of the Company. Serving as a member of the Nomination and Compensation Committee, he also helps increase the transparency and objectivity of the procedures for appointing officers and determining their remuneration.</p> <p>Mr. Taya has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.</p>
Yoshiko Sasao	Yes	<p>Important concurrent post</p> <ul style="list-style-type: none"> • Executive officer (in charge of workstyle reforms) of JDC Corporation 	<p>Utilizing her profound knowledge and experience of business management cultivated through her career as a corporate manager, she actively expresses opinions at meetings of the Board of Directors, etc. from an independent and fair standpoint and appropriately fulfills the role of supervising the execution of the business of the Company. Serving as a member of the Nomination and Compensation Committee, she also helps increase the transparency and objectivity of the procedures for appointing officers and determining their remuneration.</p> <p>Ms. Sasao has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	None	None

Supplementary Explanation

The Company has established policies for appointing directors and Audit & Supervisory Board members and determining remuneration for these officers as well as procedures for making decisions through deliberations by the Nomination and Compensation Committee, an advisory organ of the Board of Directors, according to the policies for making the best appointments and determination of remuneration.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

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

We have asked Grant Thornton Taiyo LLC to conduct audits by accounting auditor and entered into an audit contract on the audits required by the Companies Act and the Financial Instruments and Exchange Act. The Audit & Supervisory Board members and the accounting auditor exchange opinions by holding a debrief meeting on the settlement of accounts on a quarterly basis (four times a year), and hold meetings as required. With regard to the Internal Audit Department, the Auditing Department, which is independent from the business departments, has been established as a department under the direct control of the President and CEO and reports the audit results to the directors and the Audit & Supervisory Board members at the Audit Council, which meets on a monthly basis, to share information. The results of the internal audits are also reported to the accounting auditor.

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

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masahiko Nakamura	Tax Accountant													
Takao Yuhara	From another company										Δ			
Jiro Yoshino	From another company										Δ			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"Δ" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

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. Audit & Supervisory Board member of a parent company of the Company

e. Executive of a fellow subsidiary company 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 compensation as an Audit & Supervisory Board member

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

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members 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. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Masahiko Nakamura	Yes	<p>Important concurrent post</p> <ul style="list-style-type: none"> • Masahiko Nakamura Certified Tax Accountant Office • Auditor of Seven Uniform Co., Ltd. 	<p>We have appointed Mr. Nakamura to strengthen the audit function of the Company. We believe that Mr. Nakamura will be able to utilize his considerable knowledge and expertise as a certified tax accountant for the Company. Mr. Nakamura has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.</p>
Takao Yuhara	Yes	<p>Mr. Takao Yuhara held positions such as the managing executive director of Zensho Holdings Co., Ltd. and retired in January 2013. He assumed the office of an outside Audit & Supervisory Board member of the Company in June 2015.</p> <p>While the Company has a business relationship with Zensho Holdings, its amount is less than 0.1% of the consolidated net sales of the Company, and more than four years have passed from the time when he was the managing executive director of Zensho Holdings. Accordingly, it does not have an impact on the independence of the Audit & Supervisory Board member.</p> <p>Important concurrent post</p> <ul style="list-style-type: none"> • Auditor of Kameda Seika Co., Ltd. • Auditor of T. Hasegawa Co., Ltd. 	<p>We have appointed Mr. Yuhara to strengthen the audit function of the Company. Mr. Yuhara has deep insight in a range of areas as a result of his considerable business experience, and we believe that he will be able to conduct appropriate audits of the Company's management from an objective standpoint because he serves as an auditor at several companies. Mr. Yuhara has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.</p>

Jiro Yoshino	Yes	Mr. Jiro Yoshino held positions such as the executive officer and the standing auditor of MS&AD Insurance Group Holdings, Inc. and retired in June 2017. He assumed the office of an outside Audit & Supervisory Board member of the Company in June 2017. While the Company has a business relationship with MS&AD Insurance Group Holdings, its amount is less than 0.1% of the consolidated net sales of the Company. Accordingly, it does not have an impact on the independence of the Audit & Supervisory Board member.	We have appointed Mr. Yoshino to strengthen the audit function of the Company. We believe that Mr. Yoshino will be able to conduct appropriate audits of the Company's management from an objective standpoint by utilizing his considerable experience and expertise cultivated as an executive officer and auditor at the listed company. Mr. Yoshino has independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.
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[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	6
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Other matters relating to Independent Directors/Audit & Supervisory Board Members

<p>Our criteria for independence at the time of appointing an outside director and an outside Audit & Supervisory Board member stipulate that they shall not fall under any of the following.</p> <p>(a) A person who executes business in the Leopalace21 Group (a person who executes business such as a director (excluding an outside director), an executive officer, an employee who executes business, an executive board member or any other similar manager or employee of a corporation or a group)</p> <p>(b) A major shareholder of the Company (a shareholder who directly or indirectly holds 10% or more of the total voting rights) or a person who executes business at the major shareholder</p> <p>(c) A person who executes business in a corporation in which the Company is a significant investor (a person who directly or indirectly holds 10% or more of the total voting rights)</p> <p>(d) An entity the major business partner of which is the Company (a business partner which provides products or services to the Company and whose transactions with the Company in the immediate preceding fiscal year accounted for 2% or more of its net sales or total revenue) or a person who executes business at the entity</p> <p>(e) A major business partner of the Company (a business partner to whom the Company provides products or services and the Company's transactions with which, in the immediate preceding fiscal year, accounted for 2% or more of the Company's net sales) or a person who executes business at the major business partner</p> <p>(f) A person who executes business at a major relationship financial institution of the Company (a financial institution from which the Company borrows and the amount of borrowings of the Company which, in the immediate preceding fiscal year, accounted for 2% or more of the Company's total assets)</p> <p>(g) A person who belongs to an audit corporation that conducts statutory audits of the Company</p> <p>(h) A person who receives remuneration of at least 10 million yen a year or 2% of net sales or total revenue of an accounting expert such as a certified public accountant, a tax expert such as a certified tax accountant, a</p>
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legal expert such as a lawyer or other consultant (hereinafter collectively referred to the “Consultant, Etc.”), whichever is higher, from the Company in the immediate preceding fiscal year, except for officers’ remuneration, or a person who belongs to a group in cases where the Consultant, Etc. is the group, such as a corporation and an association

(i) A person who executes business in some other company where a person who executes business in the Company currently holds the office of an outside officer, or assumed this office within the past three years

(j) An entity which received a donation of 10 million yen a year or 2% of the entity’s net sales or total revenue, whichever is higher, from the Company in the immediate preceding fiscal year, or a person who executes business at the entity

(k) An entity which has fallen under any of (a) through (j) in the past three years

(l) A relative within two degrees of kinship of any of the persons listed in (a) through (j) above or a person who depends on any of the persons listed in (a) through (j) above (however, in the “person who executes business” listed in (b) through (f), (i) and (j) above, this is limited to a director (excluding an outside director), an executive officer, an employee who executes business, an executive board member or a person who executes important business such as a responsible person of a department, and in the “person who belongs to” listed in (g) and (h) above, this is limited to a person who has a professional qualification such as a certified public accountant or a lawyer)

(m) A person who is reasonably judged to give rise to a conflict of interest with a shareholder equivalent to that in (a) through (l) above

[Incentives]

Incentive Policies for Directors	Stock Options
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Supplementary Explanation

At the meeting of the Board of Directors held on May 15, 2009, we resolved to reform the officers’ remuneration system. That is, we decided to introduce a bonus system linked to the business performance of the Company to create a fair and transparent officers’ remuneration system by clarifying the directors’ responsibility for the management results and abolish the current retirement benefit plan. For standing directors, we decided to change the system to a method of incorporating some of the current payment amount in their monthly remuneration and granting the remaining payment amount as a stock option. These measures were approved and passed at the annual general shareholders’ meeting held on June 29, 2009.

Recipients of Stock Options	Inside Directors
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Supplementary Explanation

We will enable the directors who have received the allotment of share subscription rights to acquire the share subscription rights by granting them remuneration of the same amount as an amount to be paid and offsetting their claim of the remuneration with the amount to be paid for the share subscription rights.

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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Supplementary Explanation

Content of officers’ remuneration (the payment amounts in the most recent fiscal year)

The payment amounts to eight directors, two Audit & Supervisory Board members and six outside officers total 652 million yen.
The annual securities report and the business report in which the above content is stated are posted on the Company's website.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for directors consists of four types, namely the basic remuneration, the stock option, the bonus for a single fiscal year and the bonus for the period of the medium-term management plan, and its basic policy is that the remuneration system will contribute to an improvement in the Company's business performance and the enhancement of its corporate value in various ranges.

Each of the four types of remuneration will be determined through deliberations of the Nomination and Compensation Committee, which is a voluntary organ, based on the following policies. The Nomination and Compensation Committee consists of three outside directors and the President and CEO.

The basic remuneration is paid as a fixed remuneration, taking into consideration the job responsibility for each position of the directors and the related risks.

For the bonus for a single fiscal year, whether or not it is paid and the payment amount are determined, comprehensively taking into consideration the degree of contribution and the degree of expectation of each director in light of quantitative elements such as the business performance of the Company and qualitative elements such as the strengthening of the business base for the purpose of achieving the management plans for the single fiscal year. The bonus is not paid to outside directors.

For the bonus for the period of the medium-term management plan, whether or not it is paid and the payment amount are determined, comprehensively taking into consideration the degree of contribution of each director in light of quantitative elements such as the business performance of the Company and qualitative elements such as the strengthening of the business base for the purpose of achieving the medium-term management plan. The bonus for the period of the medium-term management plan is not paid to outside directors.

For the stock option, a share remuneration-type stock option has been introduced for the purpose of improving the business performance of the Company and enhancing its corporate value in the medium to long term by sharing the advantages and disadvantages of fluctuations in the share price with the shareholders. The payment amount, including whether or not the payment is made, is determined based on internal regulations, comprehensively taking into consideration the business performance of the Company and the degree of contribution of each director. The stock option is not provided to outside directors.

The remuneration for the Audit & Supervisory Board members will be determined in mutual consultation among them within the total amount resolved at a general shareholders' meeting.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Management Planning Department provides support for the activities of the outside directors. An employee assigned by the Auditing Department provides support for the activities of the outside Audit & Supervisory Board members.

In addition, the general manager of the Management Planning Department, among others, reports on important changes in the business environment and provides a prior explanation about individual projects as required to enhance the decision-making.

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

1. Corporate Governance System
We set up the Board of Directors to decide important matters concerning business operations, such as the decision of management plans, and resolutions set by the laws, regulations, and the articles of incorporation. It also monitors the management activities as well. This improves corporate value by responding dynamically to changes in the business and management environment.

The Board of Directors hold the Corporate Management Council before the meeting of the Board of Directors to discuss important matters concerning business operation for the purpose of rapid decision-making of management and smooth business operation. In addition, the Executive Board is held to share information about company management, operate business smoothly, and strengthen business operation.

Furthermore, the Board of Directors set up various committees to discuss the major management challenges of our company. Specifically, we set up the "Risk Management Committee" to manage risks in the business operation, the "CSR Executive Committee" and "CSR Committee" to work on CSR challenges, the "Compliance Committee" to maintain and manage the compliance structure, the "Personnel Committee" to confer about personnel utilization, the "IT Committee" to maintain IT environment, and the "Nomination and Compensation Committee" to confer about selection and remuneration of directors.

In the business operation structure, Leopalace21 implements a four-headquarters system comprised of Marketing and Sales Headquarters which manage each business division, Corporate Business Promotion Headquarters which strengthen the ties among business divisions, Management Planning Headquarters which establish and monitor the management strategy, and Management Headquarters which support the business management.

We also see the enhancement of audit functions as our critical management task, and will try to reinforce the management monitoring function by setting the Board of Auditors as a supervising body for directors' business operations, by electing outside directors, and by setting the Auditing Department which is responsible for internal audit functions.

With this structure in place to clarify responsibilities and authorities, we aim to continuously enhance our corporate governance.

The Board of Directors (the Board), composed of eleven directors including three outside directors, put an important point in managing both securing mobility of the management and improving monitor function. We think appropriate election of directors is important to improve the corporate value. Therefore, we incorporate the deliberation at Nomination and Compensation Committee, including outside directors as a committee member, in the decision process.

It holds regular meetings once a month, while extraordinary meetings can be called at any time as required, in order for decisions to be made on critical management matters as well as to monitor business performance and directors' performance of duties.

We elect three outside directors now to reinforce the audit function of management and to receive objective advice for decision-making. The outside directors give various advices to improve corporate value by participating in essential meetings such as the Board of Directors meetings, Corporate Management Councils, and Executive Board meetings. Especially in selection and remuneration determination of the Board, we think decision based on an objective advice is important. Therefore, the Nomination and Compensation Committee is composed of President and CEO, and outside directors.

In addition, the election of the outside directors is based on an independency standard we formulated. Please refer to the relevant sections in "Independent Directors/ Audit & Supervisory Board Members" in this Report.

The director in charge of the Management Planning Headquarters is supervising the management of Leopalace21 and affiliates in order to achieve thorough governance throughout the Group. Affiliates liaison conference is regularly held to promote smooth information exchange and group activity. In addition, directors of each affiliate are in charge of establishment of CSR promoting system, compliance system, and risk management system, in line with policies based on management plan and efficient business operation.

With regards to the compliance system, the Compliance Committee has been set up as an advisory body to the Board of Directors, in addition to the establishment of the Corporate Code of Ethics and an internal reporting system, aiming to strengthen compliance. With the president serving as chair, the Compliance Committee includes lawyers and other external experts. As one plank in our efforts to bolster governance, the committee develops various measures relating to compliance such as enhancing educational training and reinforcing the information management system. We are also working to bolster monitoring systems and to identify and improve problems, and have put into place a system to assertively implement compliance-related measures onsite where operations are conducted, assigning a person responsible for compliance at each division and department.

With regards to the risk management system, the Risk Management Committee has been created as an

advisory body to the Board of Directors to ascertain and manage the risks facing the entire Company in a comprehensive manner, with a view to strengthening risk management. With the president serving as chair, the Risk Management Committee includes lawyers and other external experts. It not only verifies risk management conditions but also plans and implements training and other measures in its efforts to reduce risk and increase preparedness and prevention. Each division extracts and analyzes risks concerning their operations, establishes and supervises risk countermeasures, and reports these efforts to the Risk Management Committee. The committee ensures the proper management of risks in each division through consultation and guidance.

Our Group's basic policy of the internal control system is to base our corporate activities on legal compliance and compliance with social ethics. Specifically, we adopt a system by which the Audit & Supervisory Board, Compliance Committee, General Affairs Department, Legal Affairs Department and the Auditing Department supervise if relevant laws and regulations have been complied, on the very basic internal understanding of the Corporate Ethics Charter. Additionally, we have established the Auditing Council to prepare appropriate financial statements while aiming to comply with all laws and regulations, to safeguard the company's assets, and to carry out our business activities efficiently. We have also created the Risk Management Committee, establishing a system to conduct research on all management risks within the company group and to conduct prior check of importance and necessity of the outstanding issue. Furthermore, we opened a window for the internal communication in order to grasp and improve various other issues of problems to accomplish further improvement and reinforcement of the internal control system.

2. Internal Audit and Audit by the Audit & Supervisory Board Members

The Auditing Department, established as a department directly reporting to the president, oversees the internal control and internal audit functions and conducts audits, including of subsidiaries and affiliates. The Auditing Council, set up to maintain sound internal controls, is tasked with monitoring management activities and risk management and thereby strengthens governance. The results of audits are reported to directors and auditors at monthly meetings of the Auditing Council and also to accounting auditors for information sharing.

The Board of Auditors (composed of four members including three Outside Auditors) makes audit plans, and the auditors attend important meetings, including meetings of the Board of Directors, according to the audit plans to monitor important decision-making processes and the directors' performance of their duties. They also conduct operational status investigations and regularly exchange opinions with the president to enhance the effectiveness of audits. Mr. Atsunori Nasu, Mr. Masahiko Nakamura, Mr. Takao Yuhara and Mr. Jiro Yoshino have considerable knowledge of finance and accounting as a result of experience as the general manager of the Auditing Department of the Company, a wealth of experience as a certified tax accountant, experience as the CFO of several listed companies, and experience as an executive officer and a standing auditor in a listed company, respectively. The auditors and accounting auditors exchange their opinions at quarterly debriefing meetings about accounting and hold other meetings as needed.

As described above, the Auditing Department, auditors, and accounting auditors work to carry out efficient internal audits and auditor's audits in close coordination with each other.

3. Outside Directors and Outside Audit & Supervisory Board Members

The Company has three outside directors: Tadashi Kodama, Tetsuji Taya and Yoshiko Tadao, and three outside Audit & Supervisory Board members: Masahiko Nakamura, Takao Yuhara and Jiro Yoshino.

The Company expects that the appointment of the outside directors and the outside Audit & Supervisory Board members will help secure the transparency and fairness of management by strengthening the function to supervise the legitimacy of decision-making and the execution of the business of the Board of Directors and enhance the role of making proposals and strengthening the supervisory function from an objective standpoint based on the considerable knowledge and experience and deep insight as managers they have cultivated through their careers.

There is no personal, capital or business relationship or any other interest between the Company and the outside directors and the outside Audit & Supervisory Board members, except for their holding of the Company's shares.

There is no personal, capital or business relationship or any other interest between the Company and the companies where the outside directors and the outside Audit & Supervisory Board members have a concurrent post.

We have filed all six outside directors and Audit & Supervisory Board members as independent directors and auditors with Tokyo Stock Exchange, Inc.

With respect to their independence at the time of appointing them as outside directors and outside Audit & Supervisory Board members, they have independence based on the Independence Criteria for Outside Officers established by the Company on its own and the independence standards set forth by the Tokyo Stock Exchange in its Guidelines for Listing Examination, etc.

Given that we have appointed highly independent outside directors and outside Audit & Supervisory Board members with professional knowledge as described above, we believe that we have established a system in which an objective and neutral management supervisory function from the outside will function fully.

In terms of supervision by the outside directors, audits and internal audits by the outside Audit & Supervisory Board members, audits by the Audit & Supervisory Board members and mutual cooperation with the accounting auditor and its relationship with the Internal Control Department, the outside directors receive reports on the status of internal audits, audits by the Audit & Supervisory Board members and the accounting audit and the status of control by the Internal Control Department by attending the Board of Directors' meetings and supervise the management of the Company by making proposals and giving advice as needed.

The outside Audit & Supervisory Board members strive to conduct efficient audits in mutual coordination among internal audits, audits by the Audit & Supervisory Board members and the accounting audit by receiving reports on the status of these audits and the status of control by the Internal Control Department by attending the meetings of the Board of Directors and the Audit & Supervisory Board.

3. Reasons for Adoption of Current Corporate Governance System

We have adopted the current corporate governance system to strengthen the supervisory function over decision-making, establish the compliance system, enhance and strengthen the internal control system and build positive relationships with stakeholders, etc.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Allowing Electronic Exercise of Voting Rights	We have developed the voting environment by using the electronic voting system platform for institutional investors operated by ICJ, Inc.
Participation in Electronic Voting Platform and Other Initiatives to Improve the Environment for the Exercise of Voting Rights by Institutional Investors	We have developed the voting environment by using the electronic voting system platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	We have prepared an English convocation notice (summary).

2. IR Activities

	Supplementary Explanations	Explanation by the Representative in Person
Preparation and Publication of Disclosure Policy	We make disclosure in “Information for Investors” on our website.	
Regular Investor Briefings for Individual Investors	We participate in briefings for individual investors hosted by Nikkei Radio Broadcasting Corporation, the Securities Analysts Association of Japan and securities firms. We also actively conduct individual IR activities by operating a booth at IR fairs.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	We hold a results briefing at the head office on the business day following the announcement of the annual results and the announcement of the interim results, in principle. Related materials and videos are published on our IR site.	Yes
Regular Investor Briefings for Overseas Investors	The President and CEO, the Director and Senior Executive Officer and the officer responsible for IR hold a briefing by visiting investors in North America, Asia and Europe as required.	Yes
Posting of IR Materials on Website	The URL of our IR site is http://eg.leopalace21.com/ir/ . The posted materials include monthly data, materials for timely disclosure, financial statements, investor meeting presentations, annual reports, the medium-term management plans, and reports on IR activities (mainly for individual investors).	

Establishment of Department and/or Manager in Charge of IR	Department in charge of IR: Management Planning Department, IR Promotion Office Officer in charge of IR: Director, Senior Executive Officer, General Manager of Business Management Headquarters Yuzuru Sekiya Officer responsible for IR: Director, Managing Executive Officer (in charge of management planning and investor relations) Bunya Miyao	
Other	Major indicators (occupancy rates, orders received, etc.) are delivered monthly to institutional and individual investors in Japan and overseas by email.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Corporate Ethics Charter prescribes relationships with all stakeholders including customers, business partners, shareholders, investors and employees. It is disclosed on our website.
Implementation of Environmental Activities, CSR Activities etc.	As the basic policy on CSR activities, we have set the following five themes: 1. “Providing high-quality services and supporting affluent living,” 2. “Contributing to local communities,” 3. “Creating pleasant work environments and developing diverse human resources,” 4. “Creating an environmentally friendly society” and 5. “Engaging in sound, constructive communication with stakeholders.” The Company continues its CSR activities based on this policy. Specifically, we work to propose and provide a living environment tailored to customers’ lifestyles by capturing their needs, and to increase their satisfaction through the promotion of smart apartments using IoT and the promotion of our electronic contract service. We also strive to reduce the environmental burden of our business activities through efforts to save electricity and water in our apartments nationwide and the promotion of a “Cool Biz” dress code for summer, the reuse of discarded materials and the introduction of more mini-cars in our fleet. We place emphasis on work-life balance for the creation of pleasant workplace environments and the development of human resources. We work to ensure that the understanding and the practice of work-life balance prevail and that we implement management based on diversity, including the promotion of female career employees and global human resources. For communications with stakeholders, we have built a careful follow-up system for customers. We also provide opportunities to actively share information on the Company’s business and performance and have dialogues by regularly holding events and seminars and enhancing our IR activities. In addition, we publish the Annual Report for the purpose of reporting our efforts through business activities for the fiscal year in an easy-to-understand manner.
Development of Policies on Information Provision to Stakeholders	The Corporate Ethics Charter stipulates that “Executives and employees shall maintain appropriate and harmonious relationships with customers, shareholders, investors and other stakeholders, make every effort to disclose management information fairly, adequately and in a timely manner, and ensure that management is transparent and sound.” According to the Charter, we have set the disclosure policy and established the IR Promotion Office in the Management Planning Department to provide information promptly to all stakeholders.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. System to ensure that the execution of duties by the directors and employees of the Company and its subsidiaries comply with laws, regulations and the Articles of Incorporation

(1) A corporate group consisting of the Company and its subsidiaries (hereinafter “the Group”) does business based on its corporate philosophy to “create new value.” As part of that process, we have set out a Corporate Ethics Charter. We are determined to establish legal and social compliance as the cornerstone of all of our corporate activities. This is exemplified by our President and CEO, whose role is to continuously share the spirit of this charter with all directors and employees of the Group.

(2) The Group secures the compliance system by establishing the Corporate Ethics Charter, the whistle-blowing system and the Compliance Committee. As an advisory body to the Board of Directors, the Compliance Committee includes lawyers and other outside experts, with the President and CEO of the Company serving as chair. As one plank in our platform to bolster governance, the Committee develops a range of measures relating to compliance such as enhancing educational training and reinforcing the information management system. The Committee is also working to bolster monitoring systems and to identify and improve problems.

(3) The Company’s Board of Directors secures the transparency and fairness of management by strengthening the function for supervising the legitimacy of decision-making and the execution of business of the Board of Directors by inviting independent outside directors to become its members.

(4) The Group has established the Auditing Department that presides over the internal control function and the internal audit function as a department under the direct control of the President and CEO of the Company. The Group considers items and methods for business audits and revises the audit methods of the Auditing Department when necessary. In addition, to maintain sound internal controls, the Group has established the Audit Council to strengthen governance by monitoring business activities and managing risks in the Group and to execute business activities efficiently by preparing appropriate financial statements, promoting compliance with laws and regulations and safeguarding the Group’s assets.

(5) The Legal Affairs Department of the Company fulfills the checking function in the Group and instructs the directors and employees of the Group to immediately consult with or inform the Legal Affairs Department of the Company when they discover a compliance violation. The Group also prohibits detrimental treatment for directors and employees on the grounds that they have recognized a questionable act in light of laws, regulations or the Articles of Incorporation and discussed or whistle-blown it, and fully enforces this practice by stipulating it in a provision of protecting whistle-blowers in the regulation for the protection of whistleblowers.

(6) The Group works continuously to develop the compliance regulations and related individual regulations, guidelines and manuals, etc. to build a system to ensure that the execution of duties by its directors and employees complies with laws, regulations and the Articles of Incorporation.

2. System to store and manage information on the execution of duties by directors

The President and CEO of the Company assigns the director in charge of the Management Headquarters as the chief supervisor for the storage and management of information on the execution of duties by directors. The information on the execution of duties by directors is organized, stored and managed by recording it in documents or electromagnetic recording media in accordance with the document handling regulations and the information management regulations.

3. Regulations and other systems to manage the risk of loss in the Company and its subsidiaries

(1) To comprehensively identify and manage risks in the Group, the Company has established the Risk Management Committee consisting of lawyers and other outside experts, with the President and CEO of the Company serving as chair, as an advisory body to the Board of Directors of the Company.

(2) The Risk Management Committee develops the risk management regulations and related individual regulations, guidelines and manuals, etc. for the risk management of the Group, checks the operation status of these regulations, etc. and designs training for the directors and employees of the Group. The director in charge of the Management Planning Headquarters of the Company reports on the risk management situation

of the Group to the Board of Directors of the Company on a quarterly basis.

(3) The Auditing Department of the Company audits the status of business execution by each department of the Group and, if any business execution act that could cause a risk of loss is discovered, reports its details and the degree of the loss that could be caused by this immediately to the President and CEO of the Company and the responsible departments.

4. System to ensure that the duties of directors are executed efficiently

(1) The Company works to improve its business performance through appropriate and prompt decision-making by establishing the Board of Directors and responding to changes in business and the business environment in a proactive manner. The Board of Directors, which consists of an appropriate number of members, determines important management matters and checks the status of business execution by holding a regular meeting once a month and other meetings as required in a proactive manner.

(2) The Company also regularly holds meetings of the Corporate Management Council as a prior deliberative body to discuss business execution policies and their implementation and consider measures.

(3) The Company formulates a medium-term management plan for the Group and sets key targets and budget allocations, etc. for the entire Group for every fiscal year to embody the plan.

(4) The income and expenditure plan of each department and subsidiary and progress in other important business plans are reviewed monthly or when appropriate at a meeting of the Board of Directors, etc. to extract issues for the future implementation of measures.

5. System to report matters on the execution of duties by the directors of subsidiaries to the Company and other systems to secure the appropriateness of business in the Group

(1) By applying the subsidiaries and affiliates management regulations to the subsidiaries, the Company has the subsidiaries obtain the prior approval of its Board of Directors, Corporate Management Council or the officer in charge of the subsidiaries for their important management matters and make a report to the Board of Directors, the Corporate Management Council or the officer in charge of the subsidiaries, in accordance with the decision-making standards of the Company.

(2) The director in charge of the Management Planning Headquarters of the Company presides over the management of subsidiaries. The director in charge of the Management Planning Headquarters of the Company receives the necessary reports from subsidiaries to promote efficient information exchange and the group activities by holding regular liaison meetings with subsidiaries and affiliates.

(3) With regard to businesses under the control of subsidiaries, the director in charge of the competent department presides over and manages the businesses in order to develop a compliance system and establish a risk management system in accordance with measures based on the management plans and efficient business execution, while respecting the autonomy of the subsidiaries. The director in charge of the competent department exchanges information regularly and as required with the subsidiaries under its control and regularly reports on progress in the management of the subsidiaries at meetings of the Board of Directors and the Corporate Management Council.

(4) The Auditing Department and the Audit & Supervisory Board members of the Company audit the subsidiaries regularly or temporarily and make a report to the President and CEO and the Audit Council of the Company.

6. System related to an employee in cases where an Audit & Supervisory Board member requests the placement of the employee to assist with his duties, matters related to the independence of the employee from the directors and matters related to securing the effectiveness of the instruction of the Audit & Supervisory Board member

(1) If an Audit & Supervisory Board member of the Company requests the placement of an employee to assist with his duties, the Board of Directors of the Company nominates an employee who will assist the Audit & Supervisory Board member from among the members of the Auditing Department of the Company after consulting with the Audit & Supervisory Board members of the Company.

(2) For the work to assist with the duties of the Audit & Supervisory Board member of the Company, the employee's independence from the Board of Directors of the Company is secured by assuming that the

command authority over the nominated employee has been transferred to the Audit & Supervisory Board member of the Company. The nominated employee follows the command and orders of the Audit & Supervisory Board member of the Company in his or her work to assist with the duties of the Audit & Supervisory Board member. The performance assessment of the employee in his or her work to assist with the duties of the Audit & Supervisory Board member is undertaken by the Audit & Supervisory Board of the Company, and the Audit & Supervisory Board members and the director in charge of the Personnel Department of the Company discuss the personnel transfer and treatment of the employee.

7. System for the directors and employees of the Company and the directors, Audit & Supervisory Board members and employees, etc. of subsidiaries to make a report to the Audit & Supervisory Board members of the Company, a system for them to make other reports to the Audit & Supervisory Board members of the Company, and a system to ensure that the audits of the Audit & Supervisory Board members of the Company are conducted effectively

(1) The directors and employees of the Group shall report any matters and misconduct that could cause significant damage to the Group and other necessary important matters to the Audit & Supervisory Board members of the Company as required based on laws, regulations and internal regulations of the Company such as the Audit & Supervisory Board regulations and the standards on audits by the Audit & Supervisory Board members. In addition, the Audit & Supervisory Board members of the Company may ask the directors and employees of the Group to make a report whenever appropriate.

(2) The Audit & Supervisory Board members of the Company may attend important meetings such as the Board of Directors' meetings, the Corporate Management Council, the Compliance Committee, the Risk Management Committee and the liaison meetings with subsidiaries and affiliates to understand important decision-making processes and the status of business execution by the directors of the Group, and inspect important documents related to business execution, such as approval documents. The Audit & Supervisory Board members of the Company shall also conduct monitoring and verification by regularly exchanging information with the President and CEO of the Company, having regular interviews with departments of the Group the Audit & Supervisory Board members of subsidiaries and conducting visiting audits.

(3) The Audit & Supervisory Board members of the Company shall secure the effectiveness of audits, taking advantage of their independence and authority under the Audit & Supervisory Board regulations and the standards on audits by the Audit & Supervisory Board members of the Company, and work to achieve their audit results while maintaining close cooperation with the Auditing Department and the accounting auditors by obtaining reports from the Auditing Department on the audits of the departments of the Group conducted by the Auditing Department of the Company.

(4) The Company prohibits detrimental treatment for directors and employees of the Group who have made who have made a report to an Audit & Supervisory Board member of the Company on the grounds that they made the report, and fully enforces this prohibition.

(5) If an Audit & Supervisory Board member of the Company asks the Company to prepay or redeem expenses for the execution of his duties, the Company shall promptly record the expenses or obligations in the request unless it is proved that the expenses or obligations in the request are unnecessary for the execution of duties by the Audit & Supervisory Board member.

8. System to secure the reliability of financial reporting

To secure the reliability of the financial reporting of the Company and the effective and appropriate submission of the internal control report prescribed in the Financial Instruments and Exchange Act by the Company, the Group will build a system to develop and operate an appropriate internal control under the direction of the President and CEO of the Company to continuously evaluate whether the system is functioning appropriately and make the necessary corrections, as well as securing compatibility with the Financial Instruments and Exchange Act and other related laws and regulations, etc.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

1. Development of a system to eliminate anti-social forces

(1) The Group will stipulate the elimination of relationships with anti-social forces in its Corporate Ethics Charter and will have no relationships with anti-social forces and groups that will pose a threat to public order or safety in civil society, and will respond to them with a resolute attitude.

(2) The Group will develop a system under which it will not submit to undue claims from anti-social forces by establishing bylaws to eliminate anti-social forces and appointing a person responsible for preventing undue claims at branches and sales offices. The Group will also develop a system to consult with the related departments including the Compliance Committee and the Risk Management Committee and external specialized agencies, depending on the nature of the case, to respond to cases, with the General Affairs Department of the Company as the controlling department.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

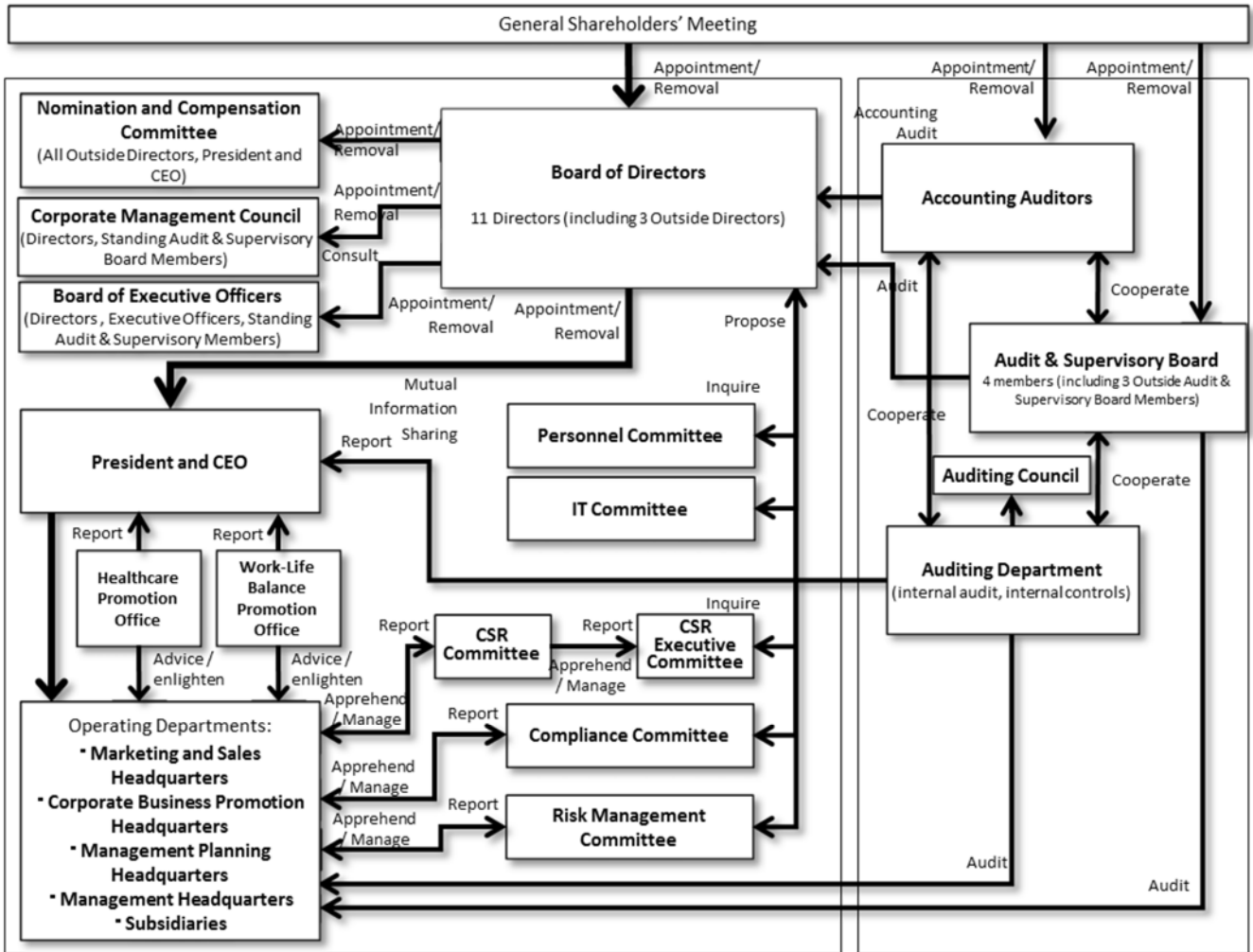
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2. Other Matters Concerning to Corporate Governance System

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[Reference materials]

Corporate Governance System



Information Disclosure System

