

# Causes and Measures to Prevent Recurrence of Construction Defects of Parting Walls, etc. of Properties Constructed by Leoplace21

[Supplementary Material]

**Leoplace21 Corporation**

May 29, 2019

# **1. Introduction**

## **2. Construction Defects Overview**

## **3. Causes and Background**

## **4. Recurrence Prevention Measures**

## **5. Responsibility of Management Team**

Leopalace21 Corporation sincerely apologizes to owners, tenants and other related parties as well as to all its stakeholders for the distress we have caused due to construction defects in parting walls, etc.

We accept that construction defects in parting walls, etc. represent a serious problem, unbecoming of an apartment construction company, and we are marshalling our corporate forces to continue to conduct investigations and repairs promptly while also making every effort to prevent a recurrence. We are also conducting investigations into properties constructed by other companies and trying to find out the cause of any defects and formulate measures to prevent a recurrence.



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# 1-1: Construction Defects Overview

Construction defects that Leoplace21 announced on and after April 27, 2018 are classified into 4 types as below. Needs or ways for tenants to vacate or repair period etc. depend on construction defects.

	1. Defects in Parting Walls	2. Defects on Insulation Materials in Walls	3. Defects on Exterior Wall Specifications	4. Defects of Ceiling
<b>Defects Overview</b>	<ul style="list-style-type: none"> <li>The parting walls were not constructed in small-scale attic or spaces above ceiling</li> </ul>	<ul style="list-style-type: none"> <li>The foamed urethane was used as insulation material in parting walls although the construction certification documents describe to use glass wool or rock wool</li> </ul>	<ul style="list-style-type: none"> <li>The exterior walls do not meet the specifications certified by the Minister of Land, Infrastructure and Transport</li> </ul>	<ul style="list-style-type: none"> <li>The construction of ceilings does not meet the specifications certified by the MLIT Notice as described in the construction certification documents</li> </ul>
<b>Description</b>	<ul style="list-style-type: none"> <li>Discuss with property owners and specific administrative agencies and determine repair work</li> <li>Presence of series that are repairable outside and series that are required to repair one by one*</li> </ul>	<ul style="list-style-type: none"> <li>Discuss with property owners and specific administrative agencies and determine repair work</li> <li>Inform tenants about moving</li> </ul>	<ul style="list-style-type: none"> <li>Discuss with property owners and specific administrative agencies and determine repair work</li> <li>Inform tenants about moving</li> </ul>	<ul style="list-style-type: none"> <li>Promptly inform tenants about moving, due to low fireproof function</li> <li>Out of 4,518 of tenants living in properties managed by the company, about 84% have already moved out or determined the date to move out (As of April 30)</li> </ul>
<b>Example of Illustration</b>	<p><b>A-1</b> No parting walls in the entire attic</p> <p><b>A-2</b> No parting walls in eaves</p> <p><b>A-3</b> No parting walls in intermediate floor</p>	<p><b>Parting Walls</b></p> <p>[Conceptual diagram]</p> <p>Plasterboard t=12.5 mm double wall</p> <p>Grass wool or rock wool filling</p> <p>Plasterboard t=12.5 mm double wall</p> <p>[Actual content of work]</p> <p>Plasterboard t=12.5 mm double wall</p> <p>Filled with urethane foam</p> <p>Plasterboard t=12.5 mm double wall</p> <p>The red areas indicate areas that do not conform with the notified specifications</p>	<p><b>Exterior Walls</b></p> <p>[Conceptual diagram]</p> <p>Exterior wall (outside)</p> <p>Exterior wall (inside)</p> <p>Base surface under 606 mm</p> <p>Base surface about 455 mm</p> <p>Siding</p> <p>Glass wool</p> <p>Inside reinforced plasterboard (Plasterboard is fireproof)</p> <p>[Actual content of work]</p> <p>Exterior wall (outside)</p> <p>Exterior wall (inside)</p> <p>Excess space between base surfaces</p> <p>Urethane foam</p> <p>Siding</p> <p>Inside reinforced plasterboard (Plasterboard is fireproof)</p> <p>The red areas indicate areas that do not conform with the minister's certification</p>	<p><b>Ceiling</b></p> <p>[Conceptual diagram]</p> <p>Rock wool acoustical board (9 mm) over reinforced plasterboard (12.5 mm)</p> <p>[Actual content of work]</p> <p>Decorative plasterboard (9mm) over reinforced plasterboard (12.5 mm)</p> <p>Decorative plasterboard (9.5 mm) one ceiling</p> <p>The red areas indicate areas that do not conform with the minister's certification</p>

\* For example, Nail Series are repairable by entering attic from outside, but 6 Series need to be repaired one by one. Please refer to next page about our representative apartment series.



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## Root causes and background

Following the External Investigation Committee's investigations and investigation results, we believe that the root causes of construction defects in the parting walls, etc. boil down to the three points outlined below.

### Corporate culture in which employees focus on the intentions of the top management and neglect compliance of laws and regulations

- Corporate culture where employees are only bothered about top executives' wishes rather than environment where design departments, quality departments, etc. can voice their opinions to top executives
- Mindset that, to commercialize apartments quickly, conformity with laws and regulations was inevitably a secondary consideration
- Corporate culture where employees put top executives' management policies above conformity with laws and regulations and construction quality

### Lack of awareness of compliance with laws and regulations, including Building Standards Act

- Adoption of mistaken interpretation with respect to parting walls of attics in the Nail series that construction of parting walls of attics was unnecessary
- Creation of certification application drawings that were different from the actual drawings used in the building certification application
- Use of foamed panels despite knowing that they do not meet qualifications certified by the Minister of Land, Infrastructure and Transport
- Failure to confirm conformity of new products with legislation during their development
- Failure to take seriously problems identified by specific administrative authorities regarding conformity with laws and regulations after introduction of new products

### Deficiencies in construction management structure and construction supervision structure

- Construction management that depended on self inspection
- Almost total lack of architect involvement in construction supervision
- Deficiencies in construction management structure such as insufficient process inspections due to shortage of chief engineers
- Deficiencies in construction supervision structure such as negligent onsite construction supervision by architects

### **Systemic/intrinsic causes/background according to External Investigation Committee**

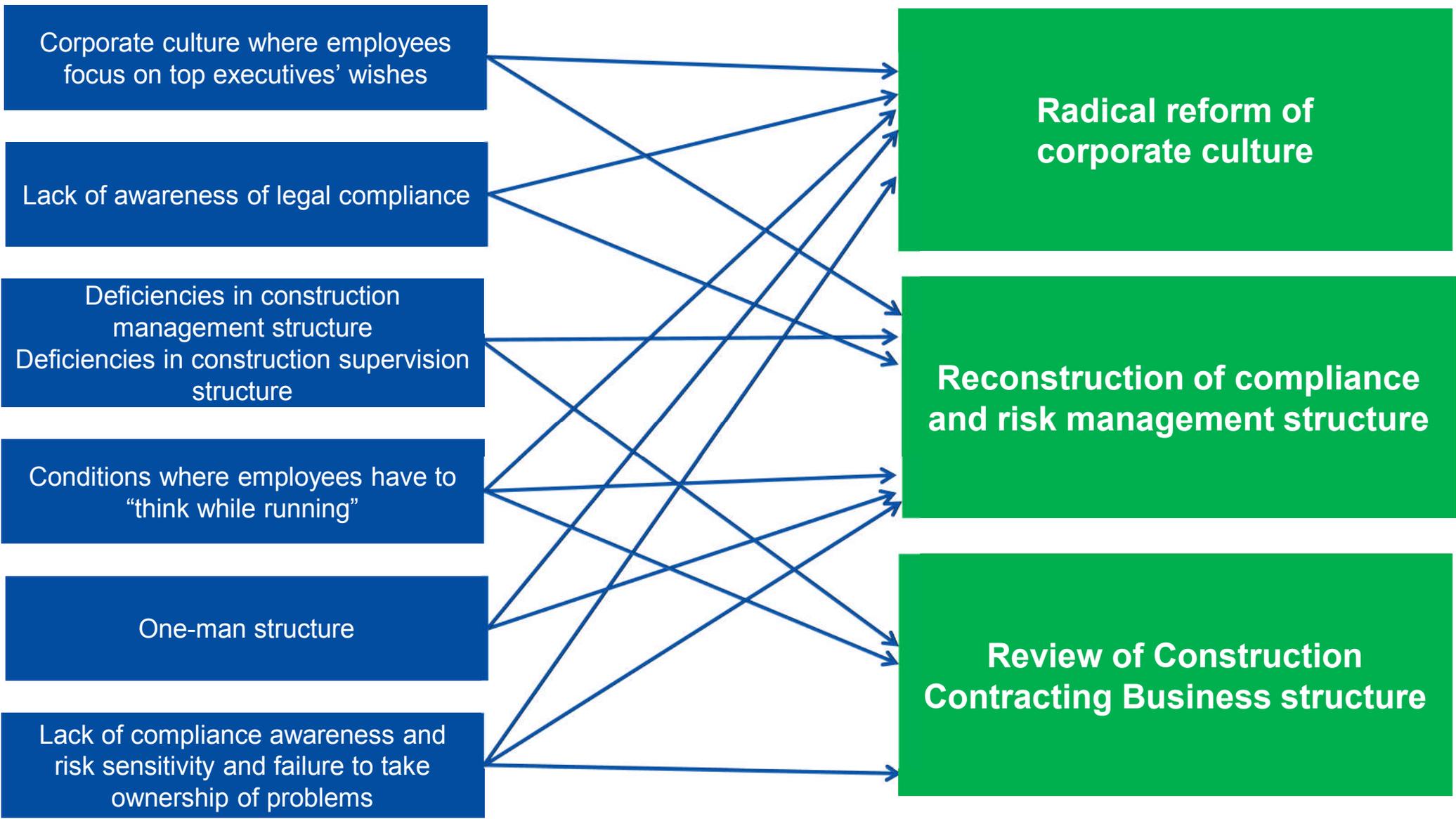
The External Investigation Committee's final report also identified the points shown below as "systemic/intrinsic causes/background" and we see these as root causes of the construction defects in parting walls, etc. and take them seriously.

**In the difficult operation environment at that time and under conditions where employees had to "think while running", escape from management crisis and expansion of Construction Contracting Business were given top priority**

**The Company had become a one-man structure where the wishes of top executives were forcefully implemented**

**Employees lacked awareness of compliance with building-related laws and regulations and sensitivity to risk, and also failed to take ownership of quality problems**

## Causes/Background and Challenges





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# Recurrence Prevention Measures in Response to External Investigation Committee's Recommendations

We have been conducting an internal examination of recurrence prevention measures, and have now received the External Investigation Committee's recommendations on such measures. Taking the content of these recommendations seriously, we conducted an examination to ensure that our recurrence prevention measures will be effective and formulated measures accordingly.

The recurrence prevention measures are considered to be the management's top priority and we plan to implement them promptly. We will post updates on our initiatives for each recurrence prevention measure on our website as and when necessary.

## Overview of Recurrence Prevention Measures

### 1. Radical Reform of Corporate Culture

- (1) Foster customer-oriented corporate culture
- (2) Firmly establish Compliance-First policy
- (3) Realize reform of corporate culture through dialogue with stakeholders
- (4) Develop structure for reporting violations of laws and regulations, etc.
- (5) Provide training to reform the corporate culture
- (6) Review personnel systems (increase job rotation)

### 2. Reconstruction of Compliance/ Risk Management Structure

- (1) Establishment of Compliance Management Department
- (2) Establish Construction Legal Department within the Compliance Management Department to conduct examination of conformity of new products, etc. with laws and regulations and inspections from outside business departments
- (3) Review method of operation of Compliance Committee
- (4) Review risk management methods
- (5) Verify conformity with laws and regulations when launching new business, etc. of changing content of business, etc.
- (6) Review system of person in charge of compliance
- (7) Review the way in which doubts about violations are dealt with

### 3. Review of Construction Subcontracting Business Structure

- (1) Improve new product, etc. development process
- (2) Review checking structure in application drawing creation stage
- (3) Conduct proper construction supervision through revision of construction supervision structure
- (4) Ensure construction quality by performing proper construction management
- (5) Introduce inspections by Compliance Management Department's Construction Legal Department
- (6) Introduce training by the Compliance Management Department's Construction legal Affairs Department

## 1. Radical Reform of Corporate Culture

- (1) Foster customer-oriented corporate culture
- (2) Firmly establish Compliance-First policy
- (3) Realize reform of corporate culture through dialogue with stakeholders
- (4) Develop structure for reporting violations of laws and regulations, etc.
- (5) Provide training to reform the corporate culture
- (6) Review personnel systems (increase job rotation)

## (1) Foster customer-oriented corporate culture

The External Investigation Committee's final report pointed out that the causes of construction defects in parting walls, etc. was a lack of awareness of legal compliance, failure to take ownership of quality problems, and a lack of risk sensitivity and a habit of putting off addressing any problems that were noticed which had become entrenched as the corporate culture at the time under the policy of "think while running." To address these problems, we will develop a customer-oriented corporate culture to recover trust.

**Foster customer-oriented corporate culture**

✓ **Focus on the root causes of construction defects of parting walls, etc. and recurrence prevention measures with a sense of ownership and crisis rather considering the matter over and done with**

- ✓ **Remind officers and employees of the importance of providing value appreciated by customers**
- Take every opportunity, including notifications, meetings and training, to spread information and raise awareness of the importance

Report implementation status, etc. to the Compliance Committee on a regular basis

## (2) Firmly establish Compliance-First policy

One of the causes of the construction defects of parting walls, etc. was a lack of awareness of legal compliance, for example, making light of building-related laws and regulations under conditions where employees had to “think while running” and based on policies which prioritized sales and business results. Therefore, we will reform the corporate culture that prioritizes sales and business results and adopt a policy of attaching utmost importance to legal compliance (Compliance-First) in the execution of the Company’s business.

### Firmly establish Compliance-First policy

#### ✓ Regularly communicate Compliance-First message

- On January 21, 2019, a message was sent to officers and employees that the Company is adopting Compliance-First as its management policy
- Top executives will continue to take every opportunity to communicate strong Compliance-First message in the future

#### ✓ Examine introducing personnel evaluation which includes attitude toward compliance

- Examine actively evaluating attitude toward compliance
- Examine introducing a multi-faceted evaluation system

Examine introduction of evaluation system that enables multi-faceted evaluation including evaluation of awareness of legal compliance of higher ranking officers and employees by lower ranking officers and employees and evaluation by other departments

Report implementation status, etc. to the Compliance Committee on a regular basis

## (3) Realize reform of corporate culture through dialogue with stakeholders

**Realize reform of corporate culture through dialogue with stakeholders**

✓ **Actively promote dialogue between management team and employees**

- Promote more active dialogue between the management team and employees by engaging in dialogue more frequently and longer
- Communicate management's wishes to employees
- Incorporate employees' proposals into business operations

✓ **Conduct employee awareness surveys**

- Conduct regular employee awareness surveys on the degree to which compliance awareness is being fostered, etc.
- Review the content of compliance training in light of the investigation results

✓ **Promote dialogue with all our stakeholders and promote visualization (implement stakeholder engagement strategy)**

- Promote and enhance dialogue with all our stakeholders
- Reflect information and areas for improvement learned through dialogue in business operations

**Report implementation status, etc. to the Compliance Committee on a regular basis**

## **(4) Develop structure for reporting violations of laws and regulations, etc.**

Given that one of the causes of construction defects of parting wall, etc. was that employees had to “think while running” and developed the habit of postponing measures to address any problems that were noticed, we have developed a reporting structure to establish a framework under which any violations of laws and regulations or risks thereof will be reported in an appropriate manner.

**Develop structure  
for reporting  
violations of laws  
and regulations,  
etc.**

### **✓ Inform all officers and employees about the reporting rules**

- Remind the Group’s officers and employees that the Compliance Regulations states that they must report any compliance violation or risk thereof and that they will be punished in accordance with the Rules of Employment if they fail to make a report

### **✓ Inform all officers and employees about the whistleblowing system**

- Give employees examples of how to use the whistleblowing system and cases that constitute violations of laws and regulations
- Inform all employees about the leniency system
- Train persons in charge of the whistle-blowing hotline
- Introduce certification system for the whistleblowing system

**Report  
implementation  
status, etc. to the  
Compliance  
Committee on a  
regular basis**

## (5) Provide training to reform the corporate culture

### Provide training to reform the corporate culture

#### ✓ Provide training on root causes of construction defects of parting walls, etc. and recurrence prevention measures

- Provide training to give all officers and employees an understanding of the substance of the causes and recurrence prevention measures
- Provide training repeatedly to stop problems fading from memory and firmly establish recurrence prevention measures

#### ✓ Provide training

- Training according to rank
- Training according to content of business operations

Report implementation status, etc. to the Compliance Committee on a regular basis

## (6) Review personnel systems (increase job rotation)

### Review personnel systems

#### ✓ Review personnel systems (increase job rotation)

- Review personnel systems to increase the transfer of personnel between departments and increase understanding including knowledge of operations of other departments and to establish an organization where information is shared

Report implementation status, etc. to the Compliance Committee on a regular basis

## 2. Reconstruction of Compliance/ Risk Management Structure

- (1) Establishment of Compliance Management Department
- (2) Establish Construction Legal Department within the Compliance Management Department to conduct examination of conformity of new products, etc. with laws and regulations and inspections from outside business departments
- (3) Review method of operation of Compliance Committee
- (4) Review risk management methods
- (5) Verify conformity with laws and regulations when launching new business, etc. of changing content of business, etc.
- (6) Review system of person in charge of compliance
- (7) Review the way in which doubts about violations are dealt with

# Reconstruction of Compliance/Risk Management Structure

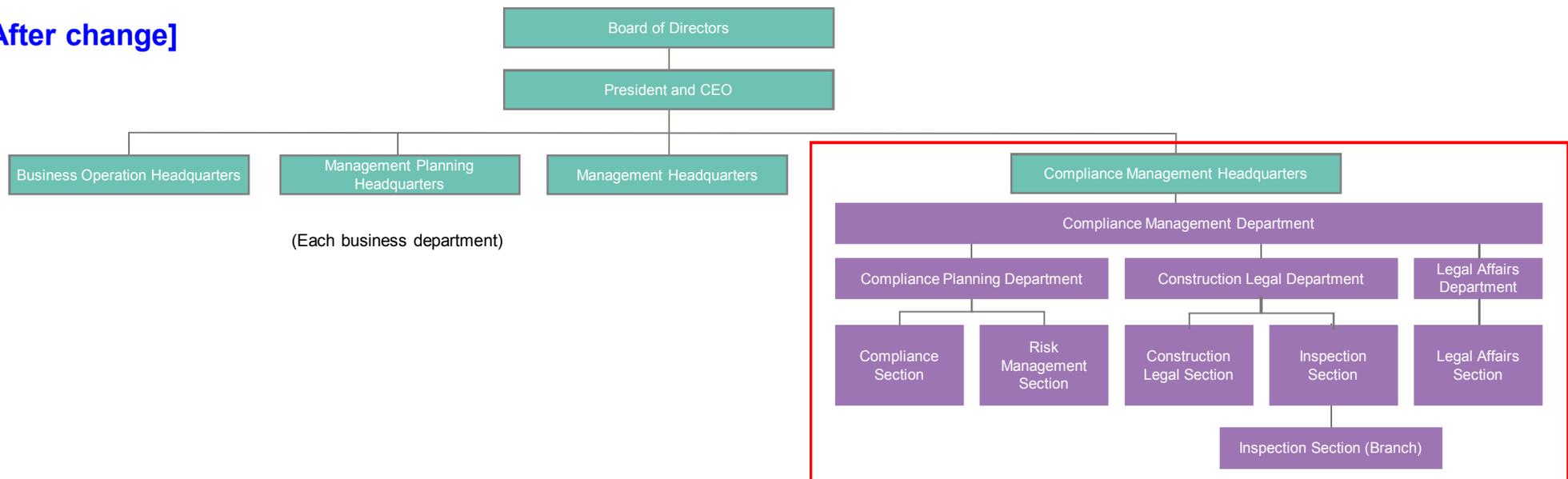
## (1) Establishment of Compliance Management Department

We fundamentally reviewed the Group's compliance structure and established the Compliance Management Department to rebuild a robust structure (changed to headquarters organization called Compliance Management Headquarters effective April 1, 2019).

### [Before change]

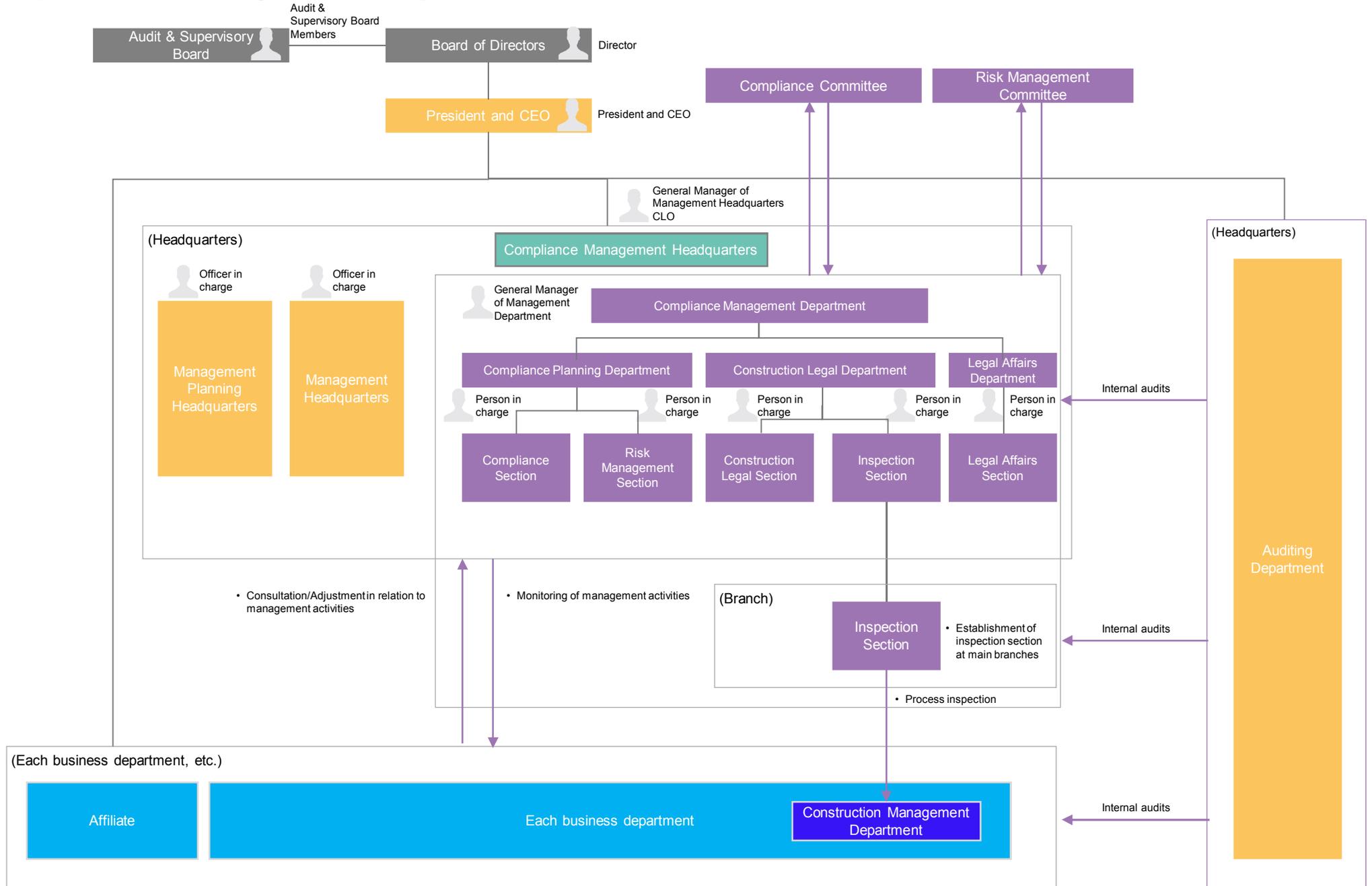


### [After change]



# Reconstruction of Compliance/Risk Management Structure

[Compliance and Risk Management Structure]



## **(2) Establish Construction Legal Department within the Compliance Management Department to conduct examination of conformity of new products, etc. with laws and regulations and inspections from outside business departments**

We established the Construction Legal Department within the Compliance Management Department effective February 7, 2019 for the purpose of conducting examination of conformity with laws and regulations independently from the Construction Subcontracting Business Division.

### **Construction Legal Section**

- Legal checks for new business, products or services in construction operations
- Verification of contracts, etc. in construction operations
- Provision of legal advice on construction operations and support related thereto
- Support for compliance with revised laws and regulations in construction operations
- Verification of development of systems for improvement of quality and safety in existing construction operations and support related thereto

### **Inspection Section**

- Formulation of inspection criteria and performance of inspections in construction operations
- Recommendations, guidance, advice and follow-up based on inspections results

## (3) Review method of operation of Compliance Committee

Conduct a review of the functions and operation methods of the Compliance Committee as shown below.

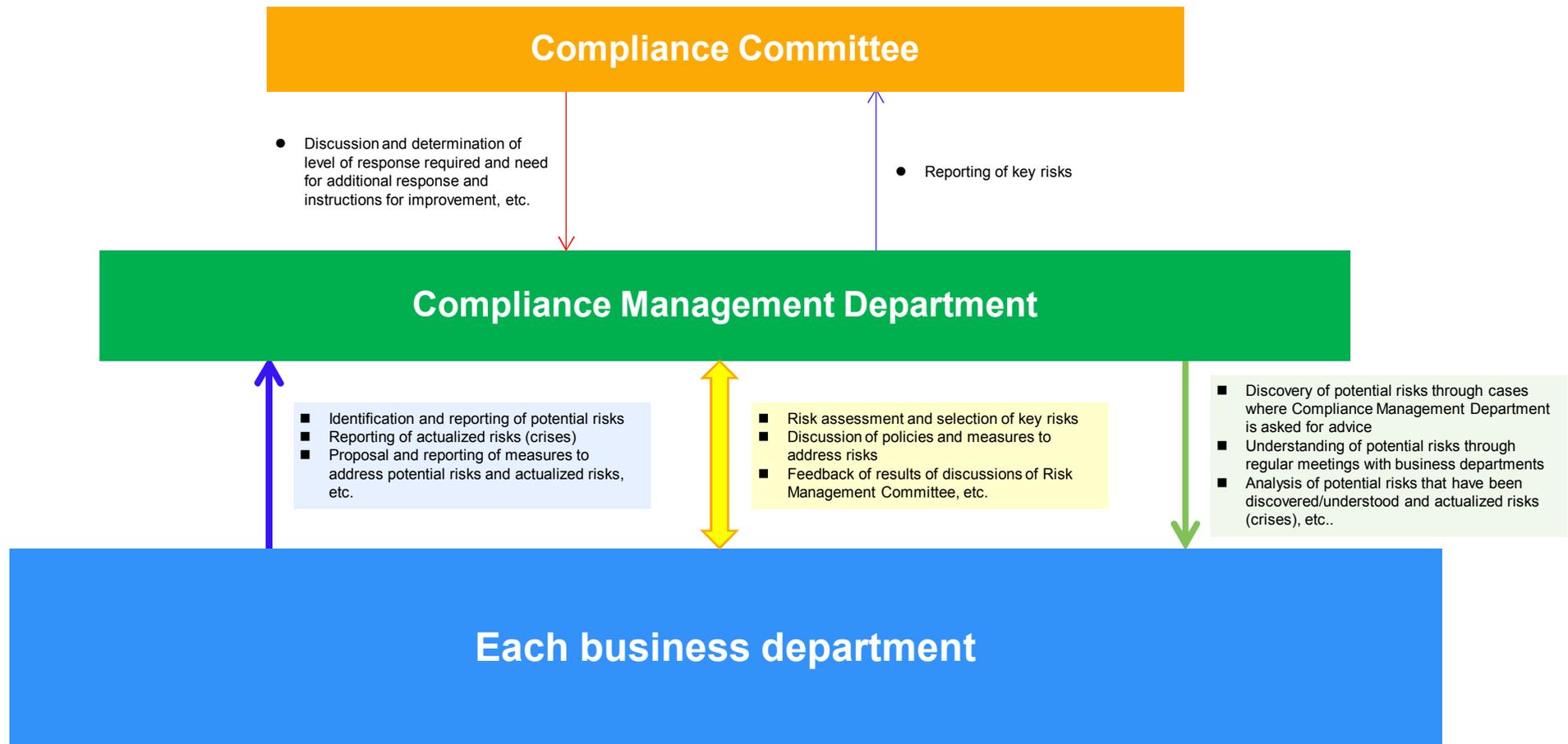
### Compliance Committee

- We will make the Compliance Committee the supreme organ in the Group's compliance structure
- We reviewed the content of deliberations and the composition of the committee and opted for a structure that will encourage the proposal of expert opinions and lively debate in relation to cases of compliance violations
- We plan to strengthen the authority of the Compliance Committee including choosing the chairman from the outside directors to strengthen the Compliance Committee's function of furnishing checks and balances on executive organs and giving the committee the power to instruct any department to stop executing business if it is clear that the content of such operations is in violation of laws and regulations
- We will communicate information internally and externally about the status of initiatives of the Compliance Committee to ensure the transparency of the Compliance Committee

## (4) Review risk management methods

Currently, the Risk Management Committee is mainly responding to cases that have occurred as a result of actualization of risks.

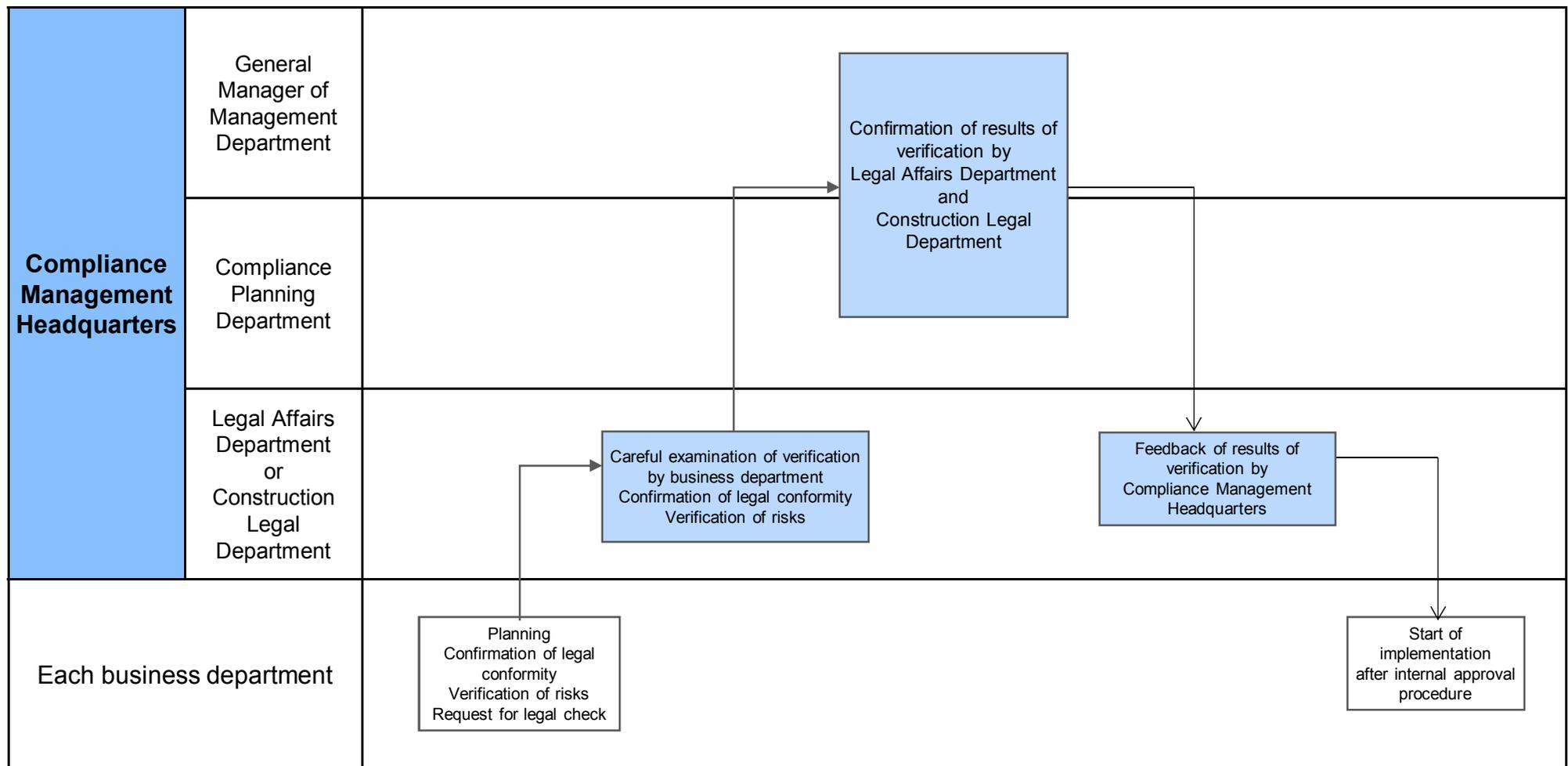
In the future, the Risk Management Committee will be positioned as a body that manages and supervises risk across the entire Group and as such will actively identify potential risks within each business department and will manage risks effectively according to their importance and respond to crises.



# Reconstruction of Compliance/Risk Management Structure

## (5) Verify conformity with laws and regulations when launching new business, etc. of changing content of business, etc.

Previously the Compliance Management Department was not necessarily required by internal procedure to check conformity with laws and regulations on the launch of a new business, etc. or a change in the content of business but the Compliance Management Department is now required to verify conformity with laws and regulations as shown below to ensure legal conformity, etc.



## **(6) Review system of person in charge of compliance**

Having reviewed the system of the person in charge of compliance and strengthened their authority and responsibility, we will also examine clarifying their positioning in relation to the personnel system.

We are examining holding meetings of persons in charge of compliance in each region and having the persons in charge of compliance take the lead in building the compliance structure of each business unit.

### **Definition of person in charge of compliance**

**Person who is responsible for informing others about compliance for the early discovery of compliance violations and making reports in the event of discovery of compliance violations. The person in charge of compliance is usually the manager of each base.**

## **(7) Review the way in which doubts about violations are dealt with**

To prevent failures in reporting violations, we will review reporting routes and take disciplinary action in the event that reports are not made properly.

We will give the Compliance Committee the power to stop business in the event of a suspected violation in relation to an existing product/service/ business.

## 3. Review of Construction Subcontracting Business Structure

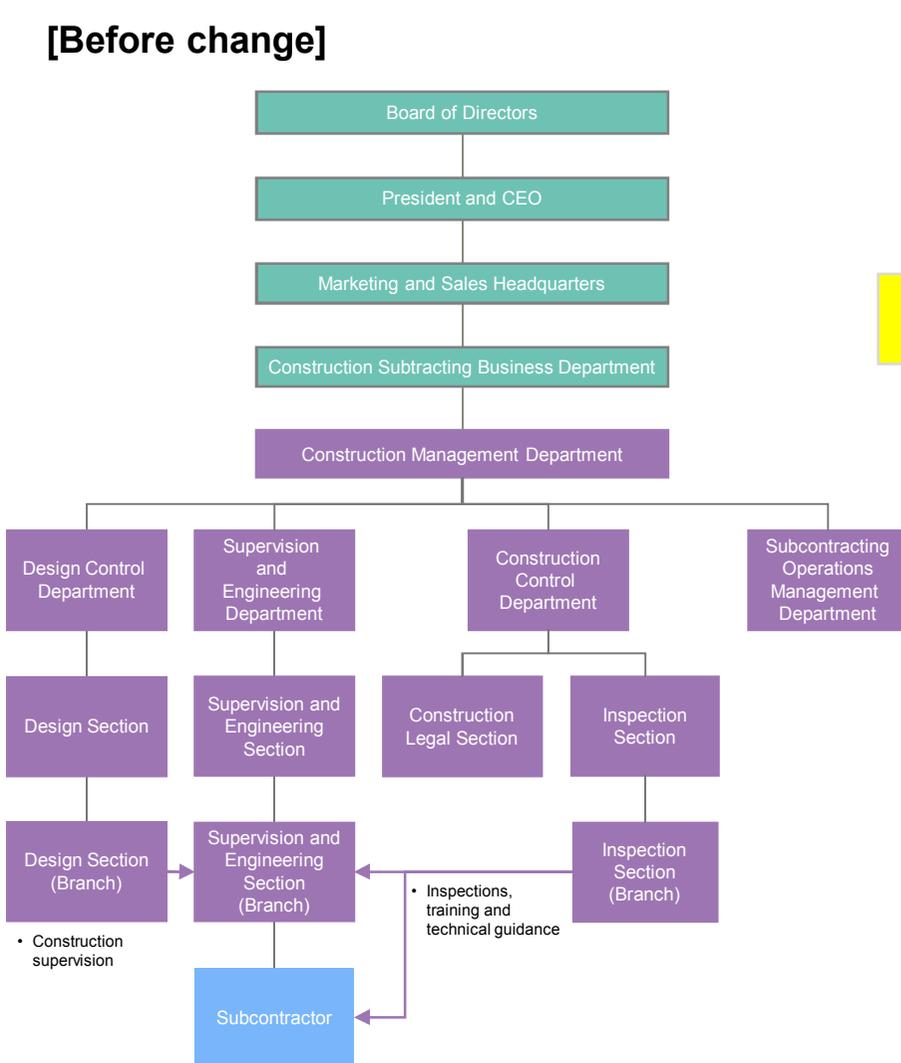
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# Review of Construction Subcontracting Business Structure

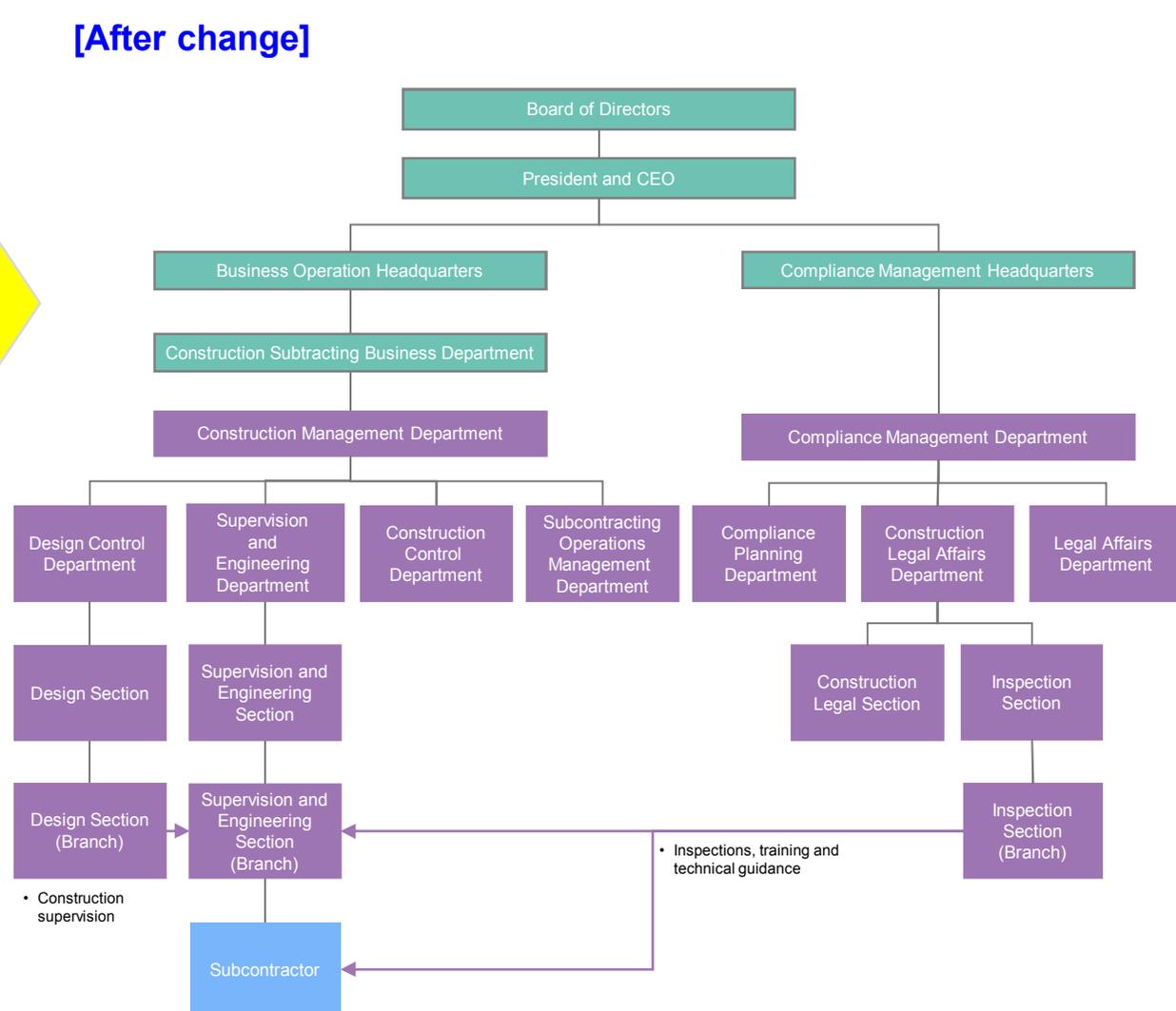
## Review of construction subcontracting business structure

We used to carry our inspections, training, etc. within the Construction Management Department but we reviewed the construction subcontracting business structure and established the Construction Legal Department within the Compliance Management Department to carry out inspections, training and technical guidance from outside the business department. We will also conduct monitoring of management activities from outside the business department.

### [Before change]



### [After change]



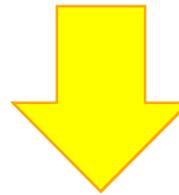
# Review of Construction Subcontracting Business Structure

## (1) Improve new product, etc. development process

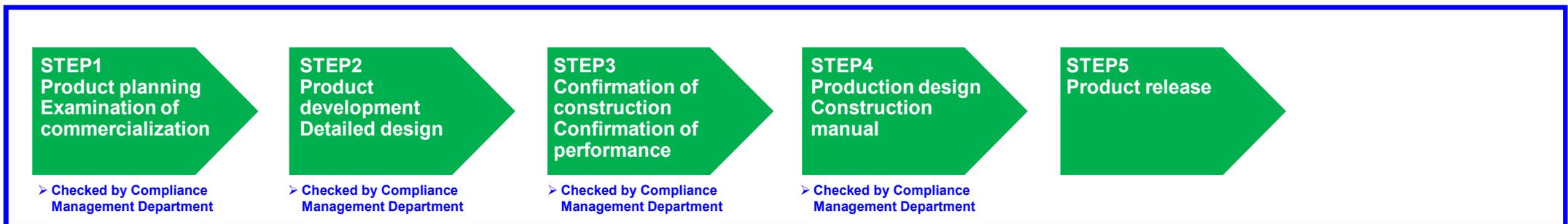
One of the causes given for the construction defects of parting walls, etc. was that departments or rules for verification of legal conformity in the development of new products, etc. were not clearly documented and that there were discrepancies between various types of drawings. We have, therefore, decided that, when developing new products (including changing versions or parts or materials, etc.), we will break down the new product, etc. development process and conduct a detailed examination including legal conformity for each process.

### [Additions to development process]

[Before change]



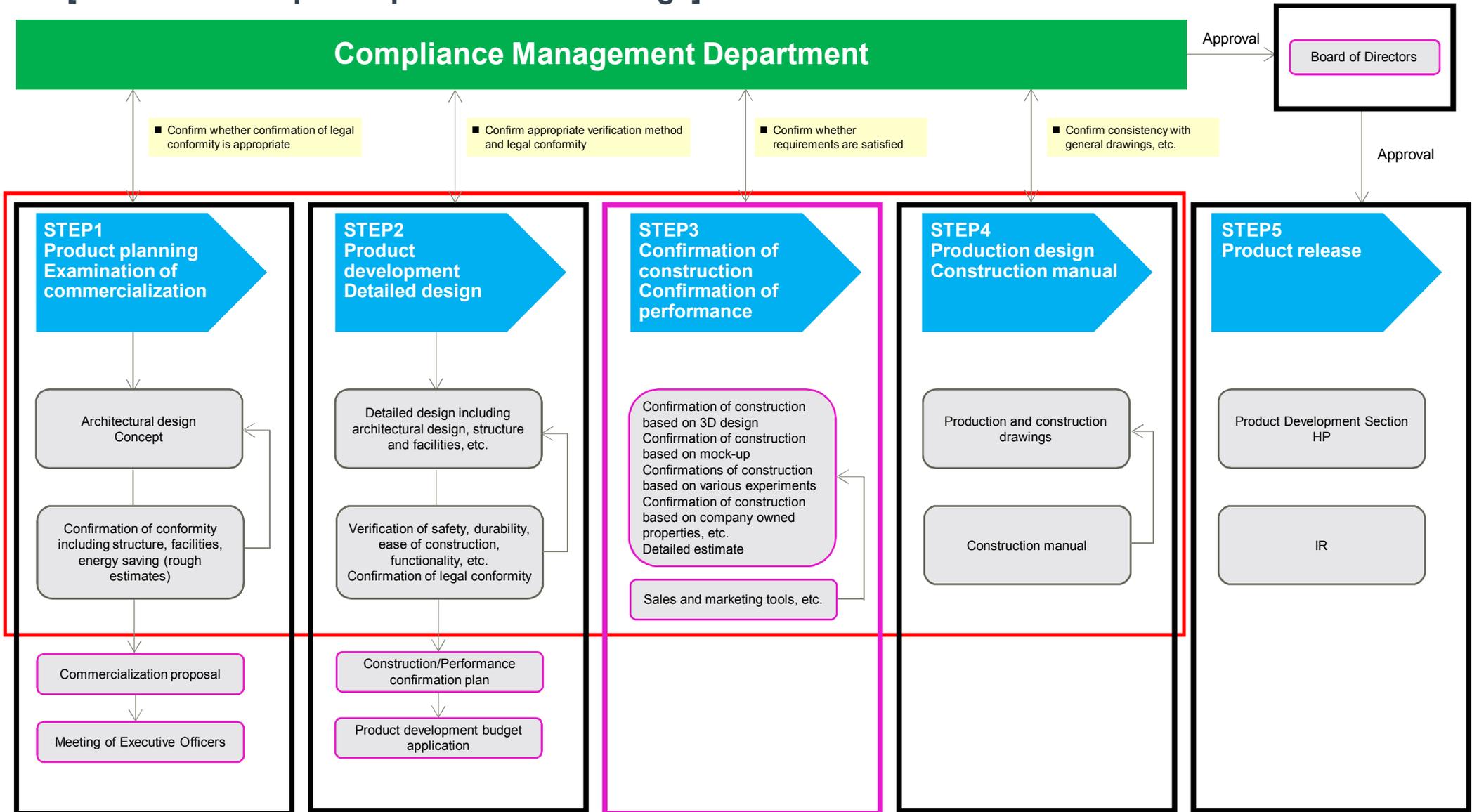
[After change]



# Review of Construction Subcontracting Business Structure

## (1) Improve new product, etc. development process

[Product development process after change]

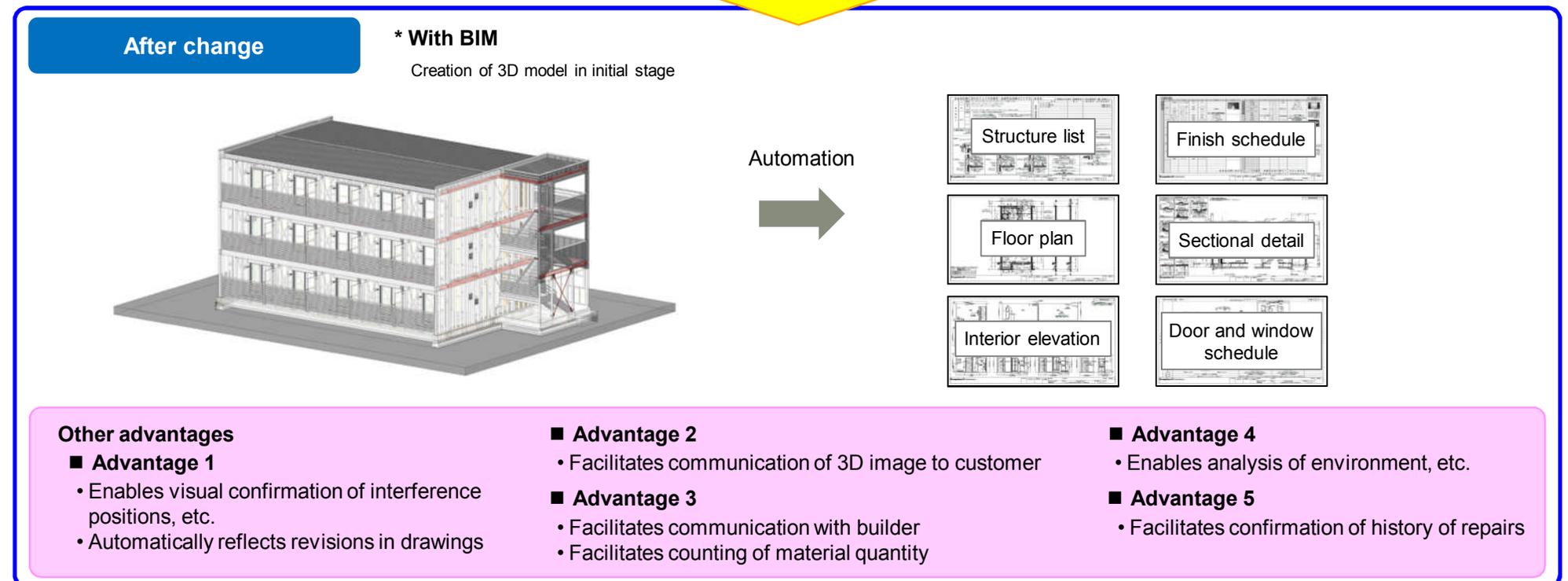
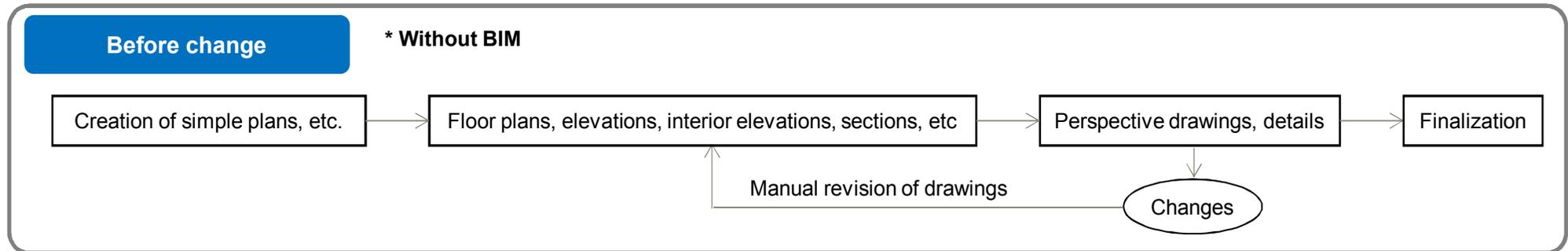


\* Any design change or change in the parts or materials used or the approved/notified specifications shall be approved in accordance with the approval authority regulations following approval by the Compliance Management Department.

# Review of Construction Subcontracting Business Structure

## (1) Improve new product, etc. development process

### Introduction of Building Information Modeling (BIM)



## (2) Review checking structure in application drawing creation stage

We had always made it a rule to confirm consistency between application drawings and shop drawings and to confirm conformity with laws and regulations but we failed to set aside the time necessary for such confirmation.

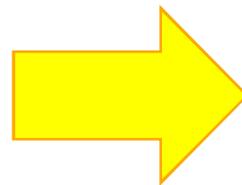
We have decided that in the future we will build a schedule for confirmation of consistency between drawings and legal conformity into the design process to ensure that confirmation is carried out.

Application drawings: Structure list, finish schedule, detailed floor plans, interior elevation drawings, door and window schedule, etc.

Shop drawings: Beam numbering diagram, wall panel layout drawing, ALC panel layout drawing, etc.

[Before change]

**A day for confirming the consistency of drawings and a day for confirming legal conformity were not built into the design process and we also failed to set aside the time necessary for confirmation.**



[After change]

**Days for confirming the following is built into the design process to ensure that confirmation is carried out.**

- **Day for confirming consistency between the drawings**
- **Day for confirming legal conformity**

## (3) Conduct proper construction supervision through revision of construction supervision structure

i. Carry out construction supervision through onsite confirmation in key processes

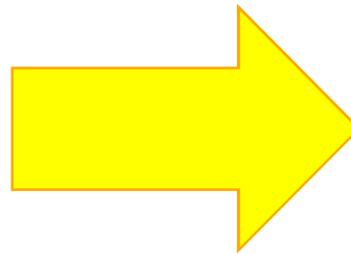
We added processes that require construction supervision through onsite confirmation to tighten the construction supervision structure.

### Increased construction supervision through onsite confirmation for 8 key processes from 5 processes to 8 processes (from April 2019)

#### [Before change]

- Ground improvement, etc.
- Foundation (arrangement)
- Foundation (bar arrangement and anchor)
- Foundation (concrete)
- Upper building (interim inspection (1))
- Fire-resistant covering
- Engineering interim (interim inspection (2): parting walls)
- Completion construction work

\* Fire-resistant covering applies to fire-resistant buildings only.



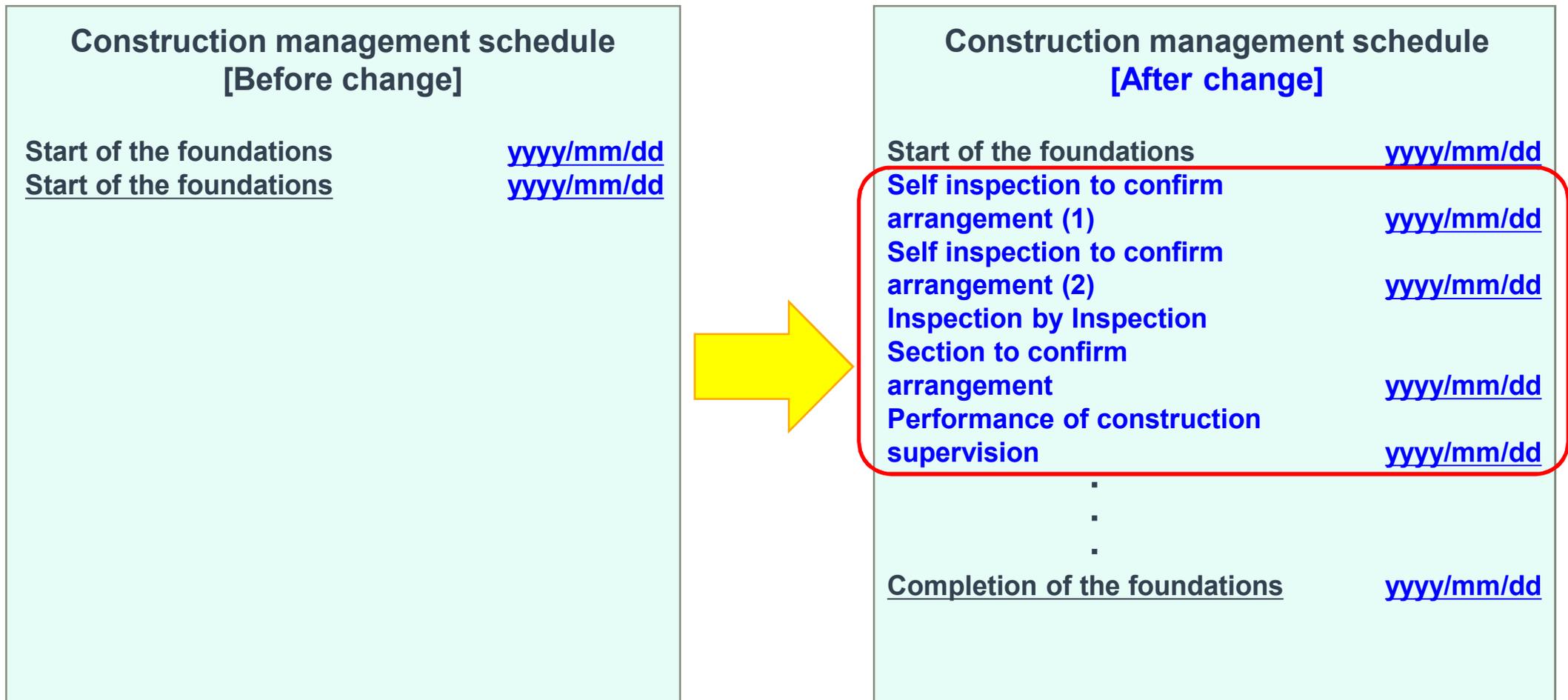
#### [After change]

- Ground improvement, etc.
- Foundation (arrangement)
- Foundation (bar arrangement and anchor)
- Foundation (concrete)
- Upper building (interim inspection (1))
- Fire-resistant covering
- Engineering interim (interim inspection (2): parting walls)
- Completion construction work

\* Fire-resistant buildings: 8 processes  
Semi-fire-resistant buildings: 7 processes

## (3) Conduct proper construction supervision through revision of construction supervision structure

ii. Incorporate days for performance of construction supervision into construction management schedule  
 Carry out proper construction supervision and construction management by incorporating construction supervision days and self-inspection days into the construction management schedule for the first time.



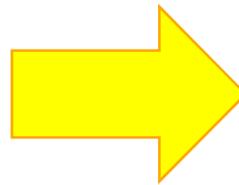
## (4) Ensure construction quality by performing proper construction management

i. Secure a construction management structure by properly allocating chief engineers, etc.

At the time of the issues, there was a chronic shortage of chief engineers compared to the number of properties being built and it was therefore virtually impossible for the chief engineers in charge of each property to actually go to the properties to carry out process inspections. We have now allocated a sufficient number of engineers (chief engineers and supervisory engineers) to ensure that construction work is carried out properly and we have put in place a structure where a computer system ensures the proper allocation of chief engineers, etc. to properties.

### [Previously]

- Chronic shortage of chief engineers
- Failure of chief engineers, etc. to properly carry out process inspections on site



### [Now]

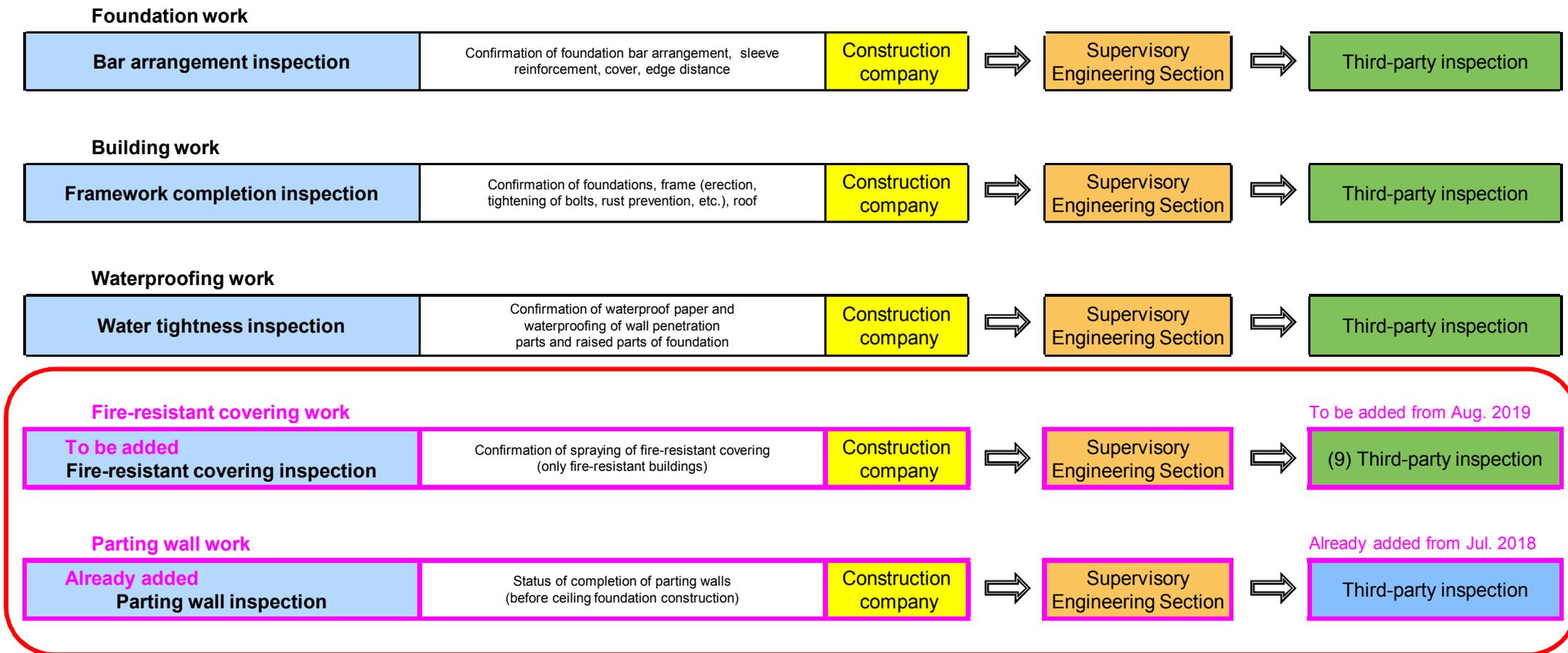
- Allocation of a sufficient number of engineers (chief engineers/supervisory engineers)
- Ensuring/Management of proper allocation of properties through computer system

# Review of Construction Subcontracting Business Structure

## (4) Ensure construction quality by performing proper construction management

ii. Increase third-party process inspections

Bar arrangement inspections, framework completion inspections, water tightness inspections and parting wall inspections were already conducted by third parties but we will introduce third-party fireproof covering inspections as well.



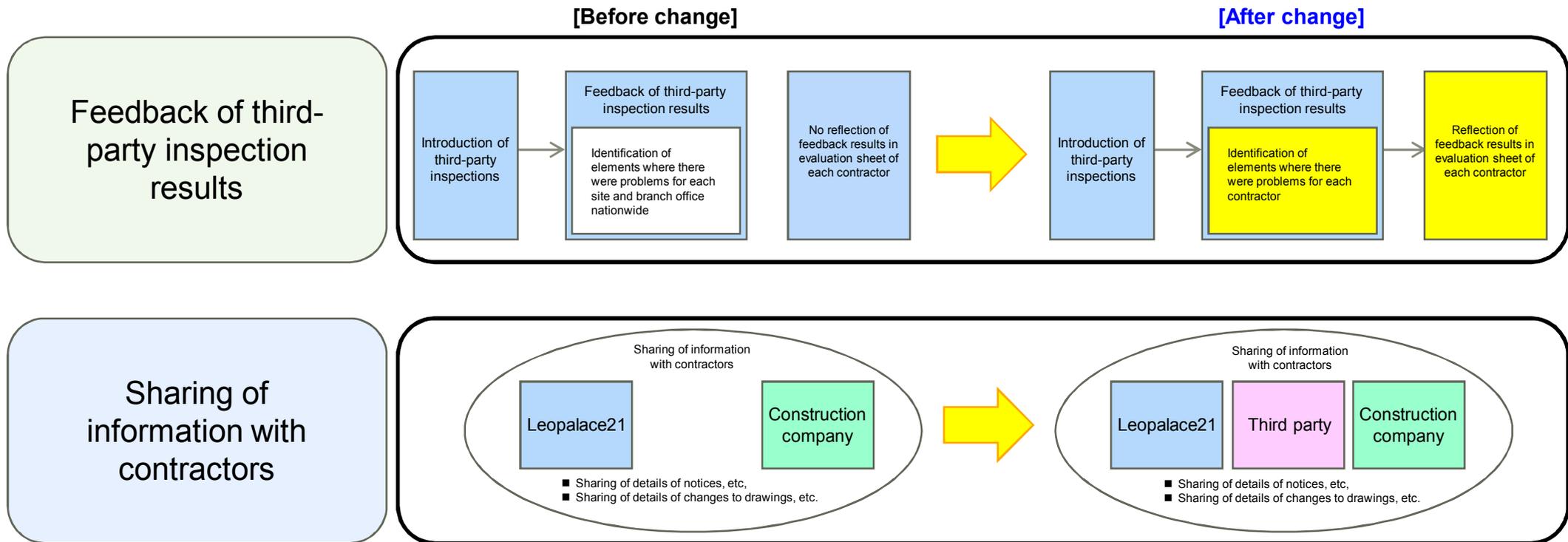
## (4) Ensure construction quality by performing proper construction management

iii. Ensure and improve quality of construction by contractors

When placing orders with contractors, we have always conducted an evaluation of construction capacity, etc. using an evaluation sheet for each contractor and made a decision whether to place our next order with them based on said evaluation, in order to ensure completion dates, building quality, etc.

In the future, we will introduce evaluation of construction (inspection to find any construction defects by element and quantification e.g. defect rate) by a third party inspector for each contractor and we will give contractors feedback and seek to improve the construction quality of contractors. We will also educate contractors according to their evaluation by reflecting the content of evaluation in the evaluation sheet.

We had been creating opportunities to share the content of internal notices and share changes to our drawings with contractors on a regular basis and in the future we will also involve a third party in this.



## (5) Introduce inspections by Compliance Management Department's Construction Legal Department

Given that deficiencies relating to the construction management and construction supervision structure were found, we will ensure that construction management and construction supervision are carried out properly by introducing inspections by the Compliance Management Department's Construction Legal Department and strengthening the inspections structure.

### Performance of inspections by Compliance Management Department's Construction Legal Department

#### ✓ **Conducting inspections of construction supervision**

The Compliance Management Department's Construction Legal Department will conduct inspections into construction supervision operations of properties that are under construction or completed and the retention of relevant documents, etc.

#### ✓ **Tightening inspections through triple check structure**

The procedure for checking whether construction management was being carried out properly previously consisted of self inspection by the contractor and self inspection by the person in charge of construction (acquisition of photographic records).

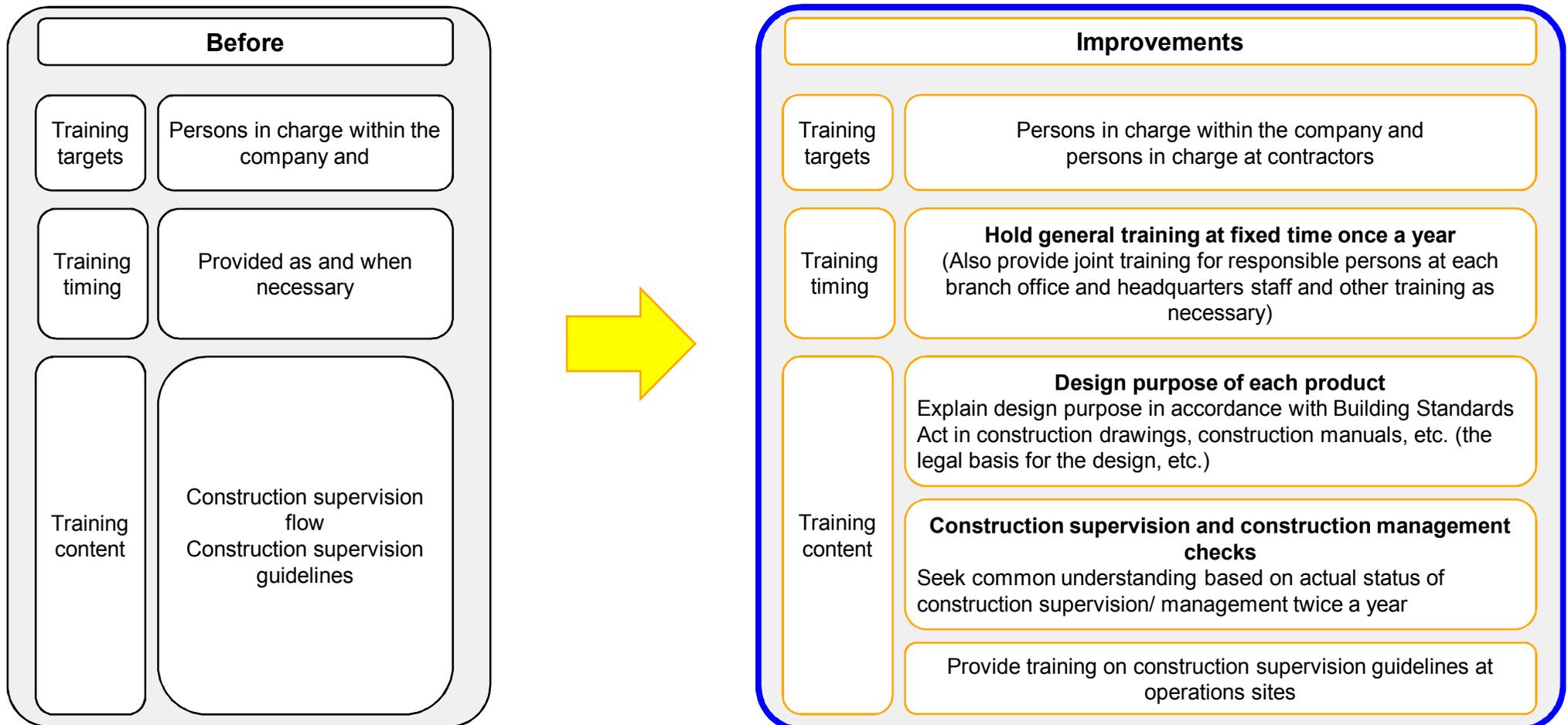
In the future, the Compliance Management Department's Construction Legal Department will carry out inspections to check that construction has been carried out in accordance with the construction manual and design drawings and will keep a record of the inspection including photographs.

#### ✓ **Ensuring proper process to ensure quality**

If the inspection conducted by the Construction Legal Department to check whether construction management and construction supervision are being carried out properly finds that construction management or construction supervision are not being carried out or are insufficient, we will order the self inspection to be conducted again and the construction schedule to be revised.

## (6) Introduce training by the Compliance Management Department's Construction Legal Department

We have decided that the Construction Legal Department will provide training on matters such as the design purpose of each product, construction quality and the importance of construction supervision to those in charge within the company and those in charge at contractors.





**1. Introduction**

**2. Construction Defects Overview**

**3. Causes and Background**

**4. Recurrence Prevention Measures**

**5. Responsibility of Management Team**

## **(1) Reduction of officers' compensation**

As stated in the release "Notice Concerning Revision of Earnings Forecasts" dated May 9, 2019, we have decided to reduce officers' compensation as shown below to clarify managerial responsibility.

Period: From May 2019 to March 2020

Target: Directors, Audit & Supervisory Board Members,  
Executive Officers

Details: Representative Director	60%
Other Internal Directors	45-55%
Full-time Audit & Supervisory Board Members	35%
Executive Officers	35-45%

## (2) Retirement of Officers

We have decided to make changes to officers as explained below to reform our management structure with a view to quickly recovering the credibility and business results that have been damaged by problems related to construction defects.

### a. Retirement of Representative Director (President and CEO)

As announced in the release “Notice Concerning Change to the Representative Director (President and CEO)” dated May 10, 2019, Eisei Miyama has decided to retire from the posts of Representative Director (President and CEO) and Executive Officer and will also retire from the post of Director due to expiration of his term of office with effect from the 46<sup>th</sup> Annual General Meeting of Shareholders (to be held on June 27, 2019).

### b. Retirement of other Directors

As announced in the release “Notice Concerning Appointment of Directors” dated May 29, 2019, the following directors have decided to retire from their post as Director due to the expiration of their term of office with effect from the 46<sup>th</sup> Annual General Meeting of Shareholders.

Director, Vice President and Executive Officer  
Director and Senior Managing Executive Officer  
Director and Senior Managing Executive Officer  
Director and Senior Managing Executive Officer  
Director and Managing Executive Officer  
Director and Managing Executive Officer

Tadahiro Miyama  
Yuzuru Sekiya  
Hiroshi Takeda  
Kazuto Tajiri  
Hiroyuki Harada  
Hiromi Ito