

Corporate Governance

Policy and Concept

Tokyo Tatemono strives to build optimal corporate governance, aiming to enhance efficiency while ensuring the soundness and transparency of management to increase corporate value. In addition, we actively and appropriately disclose information for shareholders and other stakeholders to understand the company's business activities accurately. The code of conduct in our corporate philosophy espouses a spirit of compliance with the law. In this light, we have established a system for compliance as we strive to improve compliance awareness and prevent the occurrence of illegal activities and misconduct.

Corporate Governance Report

www.tatemono.com/english/ir/library/governance.html

System

Tokyo Tatemono has selected a Company With Audit and Supervisory Board format as our corporate management system. We have also established a board of directors and an Audit and Supervisory Board. Our executive officer system clarifies the separation of functions between management and business execution. This system strengthens management and supervisory functions and business execution functions at Tokyo Tatemono. Further, we appoint external directors and external Audit and Supervisory Board members who help us operate under stronger management supervision and ensure transparency. We believe that we have established a structure that enables managers and directors to fully exercise their monitoring and supervisory functions.

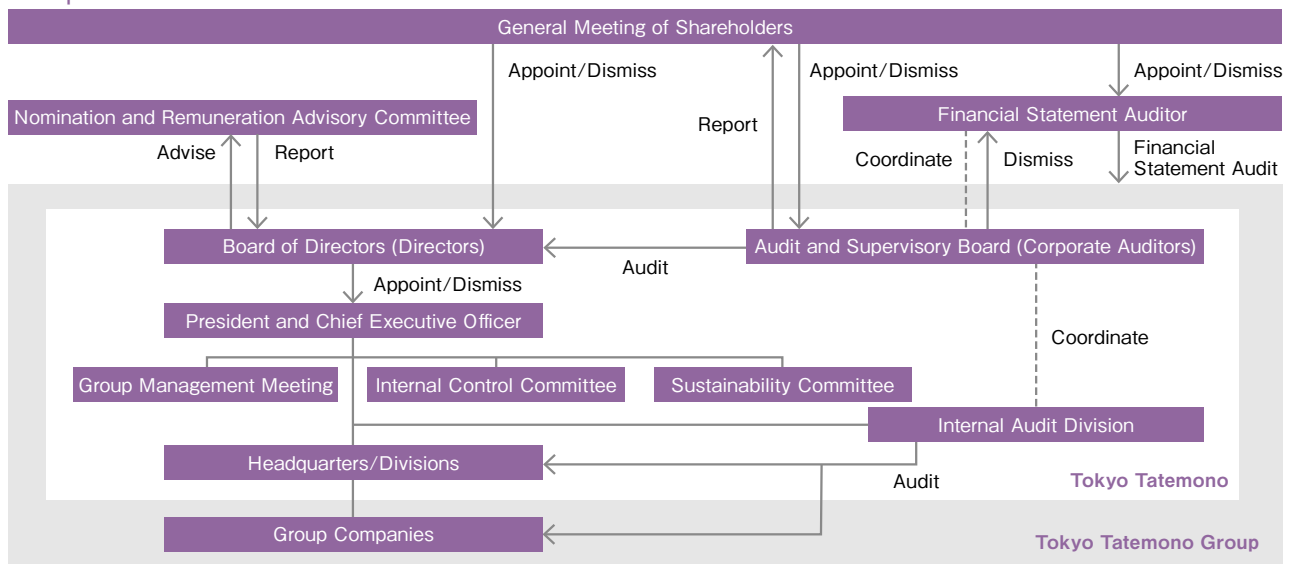
Tokyo Tatemono has established a Group Management Meeting to facilitate efficient and sound group management.

● Directors (Board of Directors)

Tokyo Tatemono has 12 directors, four of whom are outside directors. As a general rule, Tokyo Tatemono holds regular board of director meetings once a month and other extraordinary meetings as deemed necessary. In these meetings, our directors make decisions about important matters related to business execution and monitor the execution of our business activities by directors.

Audit and Supervisory Board members attend board meetings and offer opinions as necessary. (Numbers are as of January 2020)

▶ Corporate Governance Structure



- Audit and Supervisory Board Members (Audit and Supervisory Board)

The Audit and Supervisory Board consists of four members (two full-time members), two of whom are external members of the Audit and Supervisory Board.

- Executive Officers

Tokyo Tatemono has adopted an executive officer system to energize our board of directors and speed up decision-making through the separation of management functions and business execution functions.

- Group Management Meeting

The Group Management Meeting consists of executive officers with specific responsibilities. This meeting is held to discuss matters important to group management.

Full-time Audit and Supervisory Board members attend board meetings to assess the status of deliberations and offer opinions as necessary.

- Internal Control Committee

The Internal Control Committee discusses and monitors internal control risks (compliance risks and internal management risks). If necessary, the committee reports risks to the board of directors, the Audit and Supervisory Board, and others as necessary.

→ Risk Management P.70

- Nomination and Remuneration Advisory Committee

The company has established this committee to select candidates for directors and recommend remuneration levels for the same (excluding external directors), serving as an advisory body for the board of directors. Committee members are appointed from among directors; however, more than half of the seven members are external directors who provide expertise and advice to ensure objectivity and transparency in the procedures.

- Sustainability Committee

To encourage ESG management across the group, we have established a council that reports directly to the president and CEO. This council works with divisions to set ESG-related goals, monitor progress, and evaluate achievements to support ongoing sustainability policies.

▶ Corporate Governance Indicators and Results

Item	Unit	2015	2016	2017	2018	2019
Number of Board Meetings	Meetings	13	13	12	13	15
Number of Directors	Persons	9	9	11	12	12
Number of Executive Officers on Board	Persons	6	6	7	7	8
Number of Non-Executive Officers on Board (Excluding Independent External Directors)	Persons	0	0	1	1	0
Number of Independent External Directors	Persons	3	3	3	4	4
Average Board Meeting Attendance	%	94.6%	100%	100%	100%	99
Average Tenure of Directors (Including Independent External Directors)	Years	6.7 (March)	5.3 (March)	5.0 (March)	5.8 (March)	3.8 (March)

- Data Collection Period: January to December of each year. Unless otherwise specified, figures are as of December each year.

- Data Collection Scope: Tokyo Tatemono

Support System for External Directors and Members of the Audit and Supervisory Board

Tokyo Tatemono provides explanations and information as necessary through the Planning Division to support external directors and members of the Audit and Supervisory Board. The Planning Division serves as a secretariat for the board of directors.

At the request of the Audit and Supervisory Board, we assign personnel to serve as audit staff to encourage the smooth execution of audit procedures.

Full-time members of the Audit and Supervisory Board attend important corporate meetings, including board meetings and Group Management Meetings. These members also receive reports from our financial statement auditors, directors, and employees of various departments as necessary, facilitating a structure for exchanging opinions with these parties at any time.

Evaluation of the Effectiveness of the Board of Directors

Once yearly, Tokyo Tatemono conducts a survey on the composition, agenda items, and operation of the board of directors. All directors and members of the Audit and Supervisory Board respond to this survey, the results of which are discussed at a meeting of the board of directors.

The survey of board effectiveness for fiscal 2019 was conducted in February 2020. As a result of our investigations, we confirmed that the Tokyo Tatemono board of directors operates with sufficient effectiveness.

Policy on Remuneration and Remuneration Calculation

Fixed remuneration for directors is capped at ¥35 million per month (¥420 million per year) *1. Performance-based compensation (excluding external directors) is capped at 1% of consolidated recurring income and 2% of net income attributable to owners of parent for the year prior to the fiscal year in question*2.

In March 2018, we introduced a stock remuneration system via stock benefit trust. The goal of this system is to create a clear link between director compensation and the value of our corporate stock and to encourage awareness of contributions to increasing corporate value over the medium and long term. With the introduction of this system, directors receive compensation in three ways: fixed remuneration, performance-linked remuneration, and stock-based remuneration. Stock remuneration (excluding external directors) consists of a maximum 40,000 points per fiscal year (equivalent to 40,000 shares).

Remuneration for members of the Audit and Supervisory Board consists of basic remuneration according to status as full- or part-time. The amount of remuneration is capped at ¥8 million per month (¥96 million per year).

*1 Based on a resolution of the 190th Ordinary General Meeting of Shareholders held on March 28, 2008

*2 Based on a resolution of the 195th Ordinary General Meeting of Shareholders held on March 28, 2013

► Items Evaluated to Determine Board of Director Effectiveness

Area	Description
Composition	Ratio, number, and diversity of external directors
Content	Number, content, and financial amount of proposals
Operations	Number of meetings, length of meeting, format of pre-meeting explanations, explanatory materials, explanation time, deliberation time, content of matters reported
Other	Support system, training format

► Remuneration of Directors and Members of the Audit and Supervisory Board (Fiscal Year Ended December 2019)

Executive Class	Number of Eligible Individuals	Total Amount by Type of Remuneration			Total Remuneration (Million Yen)
		Fixed Remuneration (Million Yen)	Performance-Linked Remuneration (Million Yen)	Stock-Based Remuneration (Million Yen)	
Internal Directors	10	258	183	33	475
Members of the Audit and Supervisory Board (Excluding External Members)	3	52	—	—	52
External Members	9	400	—	—	400
Total	22	351	183	33	569