

## **Corporate Governance Guidelines**

MUGEN ESTATE Co., Ltd.

### **Preamble**

The Company defines Corporate Governance Guidelines (hereinafter, the “Guidelines”) that state its fundamental concept and policy for corporate governance based on the resolutions of the Board of Directors.

### **Chapter 1: General Provisions**

#### Article 1: Basic Concept of Corporate Governance

1. The MUGEN ESTATE Group's corporate motto "Mugen" (Making Dreams Come True) is the foundation for its approach to business management, as well as the origin of its company name. By making customers' dreams come true, we aim to grow as a company and realize the dreams and aspirations of all people, including our stakeholders.

To that end, our mission is that "Creating new value in real estate and taking on challenges to enrich the lives of all, making their dreams come true". Through our business activities, we aim to continuously increase corporate value by solving numerous social issues facing the real estate industry, including global warming, declining birth rate and aging population, empty housing and age-related degradation of housing stock.

In addition, we have established five values as the basis for actions to achieve our mission: "Pursuing speed", "Taking on challenges inexhaustibly", "The linking of diverse talents", "Looking ahead", and "Fulfilling our responsibilities".

MUGEN ESTATE recognizes that the most necessary measures for the realization of this corporate philosophy are to ensure management transparency and soundness, and enhance management functions to respond quickly and appropriately to environmental changes; and that establishing corporate governance is the most important issue. We are therefore working to enhance our corporate governance with following general principles: (i) securing the rights and equality of shareholders, (ii) cooperating appropriately with stakeholders other than shareholders, (iii) ensuring appropriate disclosure and transparency of information, (iv) performing the duties of the Board of Directors, etc. and (v) engaging in dialogue with shareholders.

## **Chapter 2: Securing Shareholders' Rights and Equality**

### Article 2: General Meeting of Shareholders

The Company positions the general meeting of shareholders as its highest decision-making body and an invaluable platform that enables the Company to directly hold a constructive dialogue with its shareholders. The Company works earnestly to quickly disclose information in an appropriate manner as necessary, disclosing information that is considered to substantially ensure shareholders' rights and the equal treatment of shareholders and contribute to shareholders' ability to make appropriate judgments and establishing the share handling rules and posting them on its website.

### Article 3: Exercise of Voting Rights by Electronic Means

The Company uses the electronic voting platform. This helps to promote institutional investors' exercise of their voting rights and ensures sufficient time to consider the agenda from the day when the convocation notices for general shareholder meetings are sent.

### Article 4: Securing Equality among Shareholders

The Company shall treat all shareholders equally in proportion to their ratio of equity interests and carry out timely and appropriate information disclosure in such a way as to ensure that no information gaps are created among the shareholders.

## **Chapter 3: Consideration of Stakeholder Interests**

### Article 5: Ethical Standards and Conflicts of Interest/Related Party Transactions

1. To ensure that the execution of duties by directors and other officers complies with laws and regulations, the Board of Directors shall establish the Risk Management Regulation and the Compliance Regulation. In addition, the Board of Directors shall establish the Risk Management and Compliance Committee to manage risks and prevent the occurrence of risks. The Committee shall report details of its deliberations to the Board of Directors in a timely manner.
2. The directors shall promptly report any issues relating to conflicts of interest (including possible ones) involving themselves to the Board of Directors and obtain the approval of the Board of Directors.
3. In related party transactions, the Company shall obtain the approval of the Board of Directors in advance so as not to impair the interests of the Company and the shareholders or cause any concern that such impairment may occur.

4. The Board of Directors shall conduct an investigation into the related party transactions involving directors, audit & supervisory board members and their relatives at the time of their assumption of office and at the end of each fiscal year and report the important facts, if any, to the Board of Directors.
5. In case of obtaining approval of the Board of Directors on conflicts of interest and related party transactions, directors and audit & supervisory members in such transactions should not participate in the decision-making deliberation of the Board of Directors

#### Article 6: Relations with Stakeholders

1. The Board of Directors shall consider not only the interests of the Company's shareholders but also those of its employees, customers, clients, creditors, local communities and other stakeholders to enhance its corporate value in the long term.
2. The Company clearly defines in its internal whistleblowing regulations the ability of its employees and others to make whistleblowing reports to audit & supervisory board members, the head of internal audit division, the head of general affairs division, corporate lawyers and other contact points recognized by the Company to prevent acts conducted within the Company that may violate laws, regulations, etc. or detect them at an early stage. The regulations also clearly prohibit the disadvantageous treatment of whistleblowers.

### **Chapter 4: Appropriate Information Disclosure and Securing of Transparency**

#### Article 7: Disclosure of the Company's Policy for Risk Management, Internal Control System, etc.

1. The Board of Directors shall determine and make the timely and appropriate disclosure of the Company's policy on risk management and the internal control system and compliance with laws and regulations, among other matters, of the Company and its corporate group according to the Companies Act and any other applicable laws and regulations.
2. The Board of Directors shall disclose financial and business information in detail using a fair and simple method according to the Companies Act, the Financial Instruments, and Exchange Act and the rules of the financial instruments exchanges.  
  
The Company also discloses other information, including non-financial information, on its website or through TDnet when deemed important.

### **Chapter 5: Roles and Responsibilities of the Board of Directors, etc.**

#### Section 1: Responsibility of the Board of Directors as the supervising body

## Article 8: Roles of the Board of Directors

1. The Board of Directors is entrusted by the shareholders to act for the benefit of all shareholders. Thus, it endeavors to achieve efficient and effective corporate governance to promote sustainable growth and the medium- to long-term increase of corporate value, and to improve earnings capacity, capital efficiency, etc.
2. To fulfill the responsibility described in the preceding Paragraph, the Board of Directors shall carry out a supervisory function of the general management and secure the fairness and transparency of business management as well as making the best decisions for the benefit of the Company through the appointment of nominated directors and audit & supervisory board member, the appointment and dismissal of the senior management, evaluation of directors, and the determination of the remuneration payable to them, the assessment of material risks faced by the Company and the development of measures against such risks, and decisions on the execution of important business of the Company, among other aspects.
3. The Board of Directors shall stipulate in the regulations for the Board of Directors that it shall make decisions on matters prescribed in laws and regulations and the Articles of Incorporation, as well as important matters related to management, through Board of Directors' meetings. Based on the basic policies decided in Board of Directors' meetings, the daily execution of operations shall be delegated to the senior management, whose duties and responsibilities are clearly defined in internal regulations, such as organization rules, regulations for the division of duties, and regulations of administrative authority. Through such initiatives, the Board of Directors shall strive to expedite decision-making and make deliberations more efficient.

## Article 9: Roles of Independent Outside Directors

The independent outside directors of the Company shall undertake verification to ensure that the business plans determined by the Board of Directors lead to management performance from time to time. One of their major roles is to make an appropriate judgment as to whether the management of the Company is left to the current senior management and express opinions from the perspective of the common interests of all the shareholders.

## Section 2: Effectiveness of the Board of Directors

## Article 10: Composition of the Board of Directors

1. The number of members of the Board of Directors of the Company shall be seven (7) or fewer, of which two (2) or more members shall be independent outside directors, as specified in the Articles of Incorporation. Basically, these members shall comprise the necessary and appropriate

number to ensure an effective management system and substantial discussions at the meetings of the Board of Directors.

2. The standards for the independence of the outside officers shall be specified separately.

#### Article 11: Qualifications and Procedures for Appointment of Directors

1. Each director of the Company must have an excellent personality, discernment, ability and extensive experience.
2. From the perspective of ensuring the diversity of the members of the Board of Directors, the Company appoints candidates for director positions based on a broad range of characteristics, including gender and internationality. Following fair, transparent, and rigorous screening by the Nomination and Compensation Committee, the majority of whom are outside directors, and based on the recommendations of the Committee, the Board of Directors determines proposals to be submitted for approval at a general meeting of shareholders.
3. If any of the following apply to a director and the Board of Directors determines after discussion that the dismissal of the director would be reasonable, the Board will submit a proposal for approval at a general meeting of shareholders, following examinations by the Nomination and Compensation Committee, the majority of whom are outside directors, and a resolution of the Board.

- The director has ceased to satisfy the qualifications described in Paragraph 1.
- The director has violated laws and regulations or the Company's regulations and has lost the qualifications.
- The director's performance of their duties has become difficult.

#### Article 12: Qualifications and Procedures for Appointment of Audit & Supervisory Board Members

1. Each audit & supervisory board member of the Company must have excellent character, discernment, sufficient expertise on finance, accounting, legal knowledge, proper ability and extensive experience.
2. The audit & supervisory board members of the Company must have the ability to fully recognize the roles of the audit & supervisory board members, conduct an audit of the state of business execution by the directors from a neutral and objective perspective and contribute to improving management soundness and transparency.
3. In nominating the candidates for audit & supervisory board members, the Company will select from among a wide variety of human resources to ensure the diverse composition of the Audit & Supervisory Board and, through fair, transparent and rigorous examinations and recommendations, have the Board of Directors determine the candidates with consent of the Audit & Supervisory

Board and refer them to the general meeting of shareholders.

#### Article 13: Roles and Responsibilities of Directors

1. The directors shall seek to practice the corporate philosophies at all times and exercise the abilities expected of them and perform their duties as directors.
2. The directors shall collect sufficient information to perform their duties and actively make statements and hold constructive discussions at the meeting of the Board of Directors based on their respective values, moral values and experience.
3. The directors must understand the relevant laws and regulations, the Articles of Incorporation, the rules for the Board of Directors and other internal rules and fully comprehend their duties upon assuming the office. In addition, it also provides the opportunities that are necessary for making continuous renewals when assuming posts and thereafter, ensuring that the necessary knowledge is acquired and the duties and responsibilities are thoroughly understood.

#### Article 14: Diligent Study and Training of Directors and Audit & Supervisory Board Members

1. The directors and audit & supervisory board members of the Company shall actively collect information on the economic situation, industry trends, compliance, corporate governance and financial accounting and other matters and devote themselves to their studies to fulfill their roles and functions.
2. The directors and audit & supervisory board members of the Company who are newly appointed shall be provided with an explanation of the management strategies, financial position and other important matters of the Company by the department or officer in charge at the appropriate time to form a full understanding thereof to fulfill their roles and functions.

### **Chapter 6: Dialogue with Shareholders**

#### Article 15: Dialogue with Shareholders

1. The Company will periodically hold corporate briefing sessions for individual investors and analysts/institutional investors to hold dialogue through opportunities under the leadership of the management, thereby emphasizing constructive dialogue with the shareholders.
2. The Company will make efforts to disclose information in a timely manner via its homepage to promote understanding of the actual business situation of the Company among the shareholders and investors.
3. The Company will endeavor to gain an understanding of the management policy through constructive dialogue and listen to the opinions of the shareholders, etc. and absorb and reflect

the management analyses and opinions from the perspective of the capital contributors, etc. toward the sustainable growth and improvement of the corporate value of the Company's group in the medium term.

4. In dialogue, the Company will ensure the comprehensive management of insider information that is not announced according to the internal rules.
5. The Company will endeavor to make timely and appropriate disclosures under the leadership of the department in charge of IR in cooperation with the relevant departments to ensure reasonable and smooth dialogue with the shareholders.

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