

# Corporate Governance

The Mitsubishi Estate Group earns stakeholders' trust by pursuing highly transparent management.

## Committed to Highly Transparent Management

Mitsubishi Estate has developed a highly transparent management system, with an executive officer system that clearly defines the oversight and business execution functions. The four outside directors were selected to reinforce the management and oversight functions of the Board of Directors in June 2007, and the term of appointment for directors was shortened to one year.

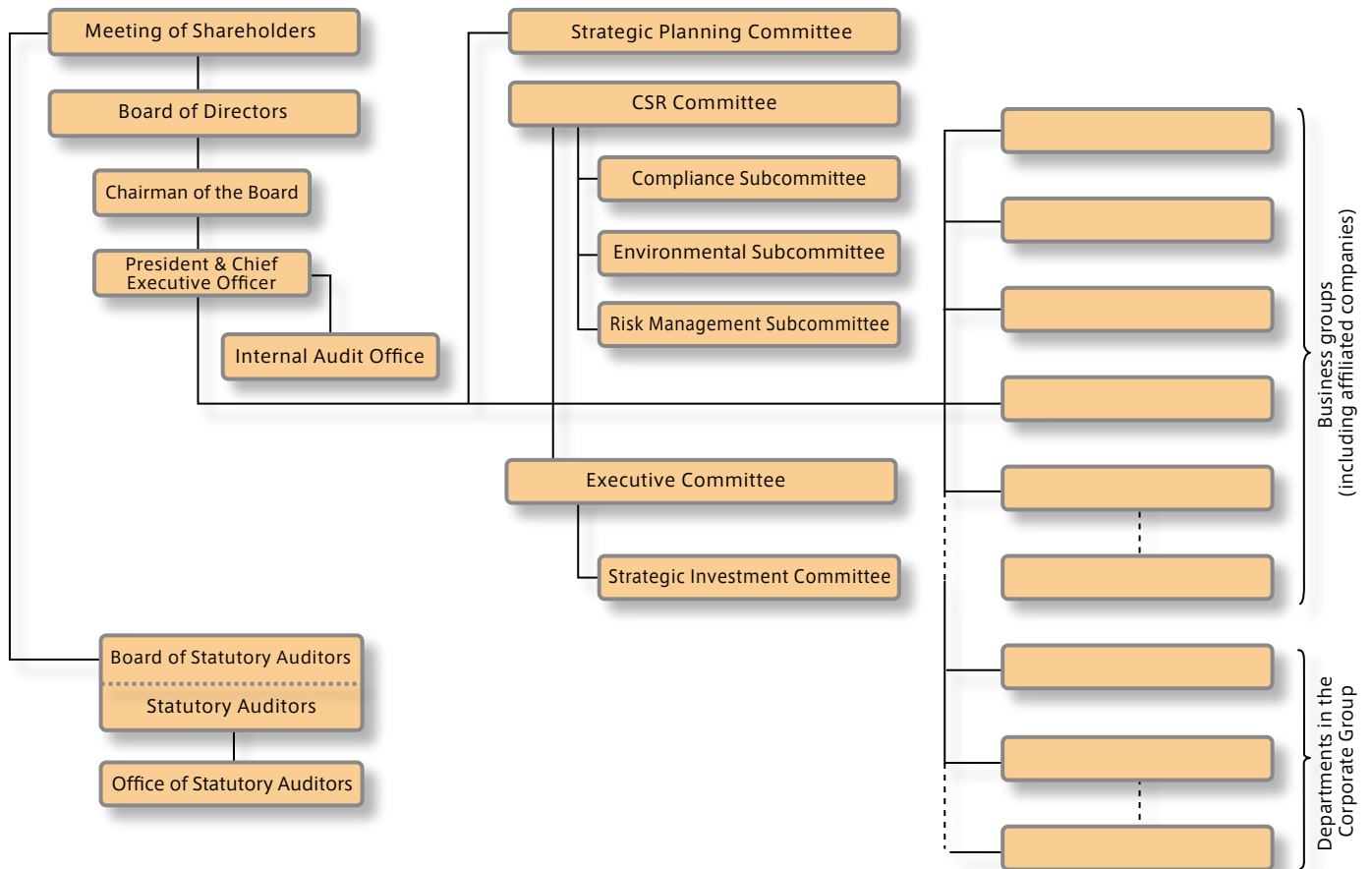
## Managerial Decision-Making Process

The Mitsubishi Estate Group has established the Strategic Planning Committee, made up of the president's appointees and directors above the executive director

level, to discuss the Group's management strategies. In fiscal 2008, the committee met 9 times.

The Group has set up the Executive Committee, consisting of the president, the executives of each business group, standing statutory auditors and other persons designated by the president. The committee meets, as a general rule, once a week, and met 48 times in fiscal 2008. The Strategic Investment Committee, which functions as a subordinate body to the Executive Committee, gathers to discuss important investment proposals and summarize the points at issue before the Executive Committee meets, which enables the Executive Committee to discuss and make management decisions at a more sophisticated level.

Mitsubishi Estate Group's Corporate Governance Structure (as of April 2009)



## Risk Management

The Mitsubishi Estate Group has established the Mitsubishi Estate Risk Management Rules to manage risk in all its business activities. The company has reinforced its risk management system by setting up the CSR Committee, which discusses CSR issues in general including the Group's risk management, and the Risk Management Subcommittee, a working-level consultative body made up of department managers including major Group companies. The executive in charge of the CSR Department at Mitsubishi Estate Co., Ltd., has been given overall responsibility for risk management, and general managers of each business group and general managers in the Corporate Staff Departments have been named "risk management officers" and given overall control and responsibility for the management of risk within their business groups. The Group is enhancing its systematic risk management activities by thoroughly identifying risks at the job site and using the plan-do-check-act (PDCA) cycle for everything from planning and implementing reform measures to monitoring by the Risk Management Subcommittee.

### Risk management in the United States

The Rockefeller Group, a Mitsubishi Estate subsidiary with headquarters in the U.S., began to use enterprise risk management (ERM) in the spring of 2008. ERM is a systematic approach to devising strategies to manage and reduce risk in preparation for events that could have a negative impact on companies. The Rockefeller Group is developing a framework for the ERM process and an evaluation method that will list and assess risks and identify crucial risks.

## Reinforcing Internal Controls

The Mitsubishi Estate Group's Board of Directors adopted the Basic Policy on Internal Control Systems, as required by Japan's Companies Act, and regularly confirms that operations are consistent with the policy, and makes improvements whenever necessary.

The Group also upgraded, administered and evaluated its internal control system in line with the internal controls over financial reporting which were

adopted by listed companies in April 2008 as mandated by Japan's Financial Instruments and Exchange Act. The Internal Control Report concluding that the Group's internal controls over financial reporting were effective as of March 31, 2009 was submitted to the Kanto Local Finance Bureau of the Ministry of Finance. The Internal Control Audit Report confirmed that auditors had confirmed that this report was presented fairly.

The four Group companies that handle financial instruments (Mitsubishi Jisho Investment Advisors, Inc., Japan Real Estate Asset Management Co., Ltd., Mitsubishi Real Estate Services Co., Ltd., and Towa Real Estate Brokerage Co., Ltd.) have established and run their own systems. Relevant divisions in Mitsubishi Estate also strengthened their internal control systems to address compliance problems related to this law.

## Management Oversight Structure

The Board of Directors works with the Board of Statutory Auditors to oversee and audit the business affairs of the company. The Board of Directors meets once a month, and more often when necessary, to make decisions on important operations and legal matters, and also oversees business execution. In addition, the attendance of auditors at the Board of Directors' meetings and standing statutory auditors at the Executive Committee ensure that the status of operations is audited in each division and Group company, while the establishment of the Office of Statutory Auditors has also enhanced audits.

The Internal Audit Office has been set up to reinforce the internal audit function, and reports directly to the president, which serves to emphasize its objectivity and independence from any business group. Internal audits are conducted in accordance with the audit plan (which also covers Group companies) established on a risk basis to confirm that internal controls are established and administered appropriately. All audit results are reported to the president, and are then shared with the standing statutory auditors, with an overview provided to the Board of Directors.

The company also emphasizes follow-up after audits, confirming that problems indicated in internal audit results have been improved.

# Compliance System

The management of the Mitsubishi Estate Group is intently focused on strengthening compliance to secure the trust of stakeholders and ensure the continuing development of the company and overall society.

## System for Promoting Compliance

The Mitsubishi Estate Group believes that compliance does not simply involve legal compliance, but is also defined as adherence to internal rules and corporate ethics.

Mitsubishi Estate's compliance system has its roots in the determination of its executives and employees to improve their awareness and reform the organization after the company was found in violation of some stipulations of the Commercial Code of Japan in 1997. In that year, the Code of Corporate Conduct was formulated to define the company's basic commitment to reform. Group-wide reform was implemented, with all employees sharing the sense of urgency.

In July 2005, a Compliance Advisory Committee made up of external experts was formed on a temporary basis to objectively review the compliance system in light of the soil and groundwater contamination problems discovered at Osaka Amenity Park. This committee worked to improve the corporate culture, for example, by revising the Code of Conduct.

The current compliance promotion system is administered by the CSR Committee, which discusses CSR issues in general, including Group compliance, and the Compliance Subcommittee, a body made up of department managers, including major Group companies, that holds discussions before the CSR Committee meets. In addition, a compliance director has been appointed by decision of the Board of Directors, and given responsibility for overseeing and ensuring compliance. All Mitsubishi Estate departments and Group companies are working closely with the CSR Department to pursue compliance in a coordinated manner.

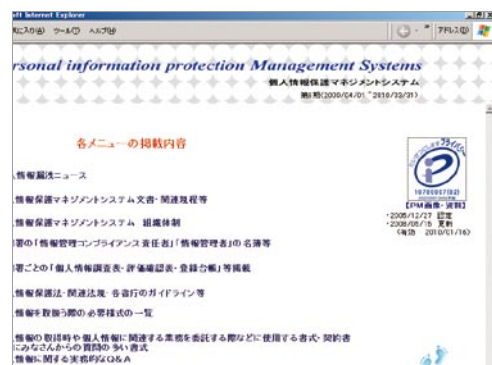
## Rigorous Information Management

In light of society's growing concern over the protection of personal information and information management, the Mitsubishi Estate Group devised a system for managing personal information based on

its concept of "information management compliance" in 2003. In May of the same year, the Mitsubishi Estate Group's Basic Regulations on Information Management Compliance and the Mitsubishi Estate Group's Policy on Personal Information Protection were established—two years before Japan's Act on the Protection of Personal Information went into effect in April 2005. Coupled with thorough monitoring and oversight, the company continues to reinforce its management of personal information.

## Protection of Personal Information

Mitsubishi Real Estate Services Co., Ltd., which sells and brokers real estate, established rules for personal information protection on management systems in 2003 to ensure stricter information management. The firm and its subcontractors proactively implement programs designed to protect personal information, and top management uses the PDCA cycle to review the system. In December 2005, the firm was granted Privacy Mark certification. It will strive to disclose and share information related to its protection of personal information on the intranet.



Intranet screen

## Providing Compliance Training

Since 1999, Mitsubishi Estate has been training all of its executives and employees in compliance issues. From November 2006 to January 2009, the company has invited an external lecturer, Mitsuhiro Umezu, Associate Professor, Faculty of Business and Commerce, Keio University, to provide training on an ongoing basis. At each session, approximately 30 participants are divided into small groups for discussions using case studies. In fiscal 2008, a total of 42 training sessions were given to a total of 1,358 participants. The company also takes advantage of various other opportunities to provide compliance training, including training sessions for new hires and new senior managers.

### Ensuring that compliance activities address workplace realities

**Mitsuhiro Umezu, Ph.D.**

Associate Professor, Faculty of Business and Commerce, Keio University



I served as an instructor for compliance training at Mitsubishi Estate from November 2006 through January 2009. I truly feel that this sort of thorough training for all employees expresses the company's commitment to compliance. I was impressed with the very earnest participation of the employees in the training sessions and the lively discussions we always had.

Now that the training is over, the employees understand that the ball is in their court. I believe that they are fully prepared to take the lessons about compliance and apply them to workplace realities. The real estate industry involves a wide range of players, and I hope that this training has been helpful in preparing employees to take the initiative on compliance issues.

## Results of Compliance Survey

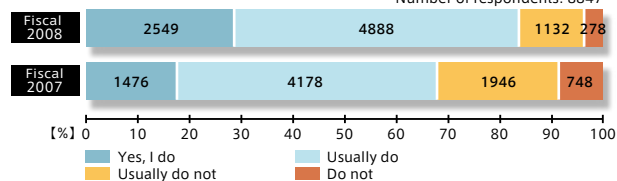
The Mitsubishi Estate Group carries out a compliance survey to ascertain the extent to which employees and executive officers are aware of compliance issues and problems. The Group uses the results, after analyzing them to identify overall trends and characteristics of each company, to plan activities to improve compliance.

In fiscal 2008, the survey was taken by approximately 10,000 executives and employees. Compared to the results of the fiscal 2007 survey, the number of questions receiving a positive response increased for almost all questions, which indicates that compliance activities are steadily achieving results.

### ■ Fiscal 2008 results\*

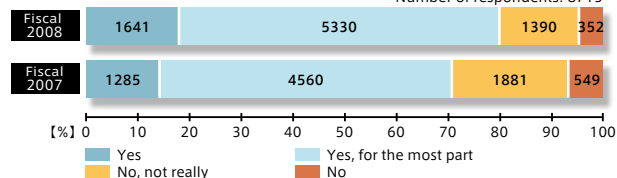
**Question: Do you consider the Mitsubishi Estate Group and your company's Code of Conduct when you act?**

Number of respondents: 8847



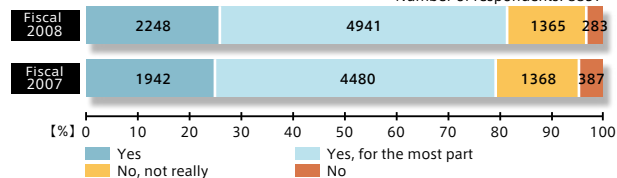
**Question: Do you think that awareness of compliance issues is widespread in your company?**

Number of respondents: 8713



**Question: Do you think that compliance systems and programs are improving at your company?**

Number of respondents: 8837



\* Dates of implementation for fiscal 2008 survey: July 14–31, 2008  
Subjects: All employees and executive officers at Mitsubishi Estate and 35 Group companies  
Out of 10,091 employees/executive officers, 8,966 responded (response rate of 88.9%)

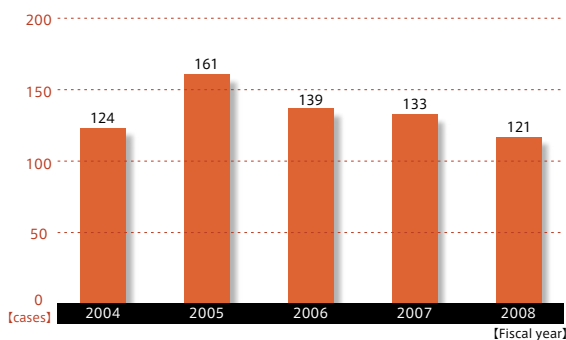
## Measures against Criminal Elements

The Mitsubishi Estate Group clearly stipulates its refusal to countenance any relationship whatsoever with organized criminal elements in its Guidelines for Conduct. Mitsubishi Estate's CSR Department serves as a special department to take resolute measures for the Group, in cooperation with the police, in the event of any contact from criminal elements.

## Augmenting the Help Line

The Mitsubishi Estate Group has established a compliance help line to receive inquiries and consultations on compliance issues. The help line has both internal and external contact points and can be used by Group employees, temporary employees, part-time employees and various other part-time staff, and even the business partners of Group companies. All inquiries are guaranteed anonymity, and there were 121 consultations and reports related to compliance, including those received via the help line, in fiscal 2008.

### ■ Number of inquiries and reports\*



\* Includes use of help line