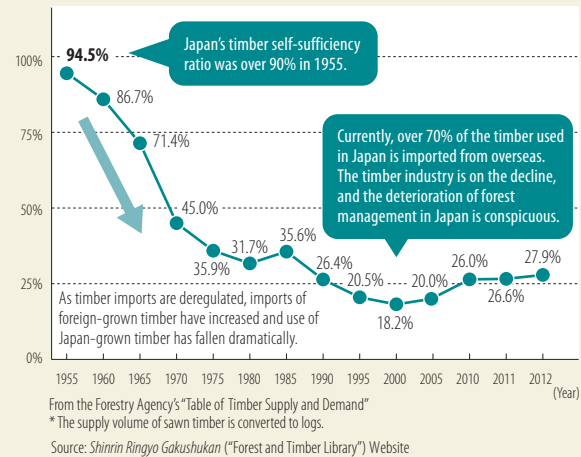


Promoting sustainable use of forest resources, together with our business partners

Social Issue Demand for a supply chain utilizing high-quality Japan-grown timber

As emerging economies continue to grow, the increasing global demand for timber used in housing and other applications has spurred illegal logging driven by short-term economic interest at the expense of forests. Forest degradation caused by logging and clearing has resulted in the loss of biodiversity and this may be contributing to climate change. In Japan, the self-sufficiency ratio for timber was over 90% in 1955, but subsequently the deregulation of the import of cheap foreign-grown timber led to a sharp rise in the percentage of timber bought from overseas sources. This has contributed to the collapse and depopulation of Japan's mountain forest areas while also raising the risk of forest destruction overseas. In light of these issues, the housing industry is under pressure to develop a new supply chain that uses high-quality Japan-grown timber and provides traceability.

Trends in usage of domestic timber in Japan



2000 Start of program to use Japan-grown timber

Prior to 2000, when the international community started taking steps against illegal logging of forests, Mitsubishi Estate Home Co., Ltd. switched from plywood using lauan, a tropical wood, to conifer plywood. In 2008, new technology for making plywood out of small-diameter Japan-grown conifers was developed. This made it possible to adopt structural plywood made from Hokkaido larch wood as a standard feature in the company's custom-built homes, aiming to secure adequate use of forest

resources, enable a stable supply of timber, and raise the quality of its homes even further. In addition, in 2009 the company began an initiative to utilize Japanese cypress grown in Oita and Miyazaki Prefectures for its foundations and lumber girders. By using Japan-grown timber with clear traceability, we can avoid forest degradation and labor relations risks that typically accompany the use of foreign-grown timber, while also contributing to the rebirth of Japan's forest industry.

2008 Realizing synergies through the "Experience Nature" Project

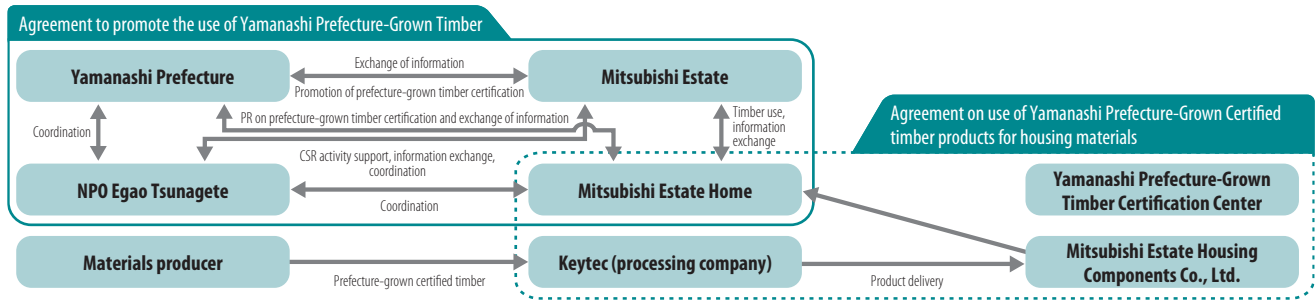
Mitsubishi Estate has been implementing the "Experience Nature" Project (see page 17) in collaboration with the NPO Egao Tsunagete (which literally means "connecting smiles" in Japanese) since fiscal 2008. Egao Tsunagete is based in Hokuto City in Yamanashi Prefecture and works to restore abandoned farmland. This project gives Group employees and their families, as well as people who work in the Marunouchi district, opportunities to participate in experiential tours on farms and in forests, aiming to help create solutions for urban and rural problems by bringing together residents of both types of regions. Mitsubishi Estate Home, which participated in the project from the beginning, learned in workshops that Yamanashi Prefecture's timber was not adequately utilized, and began searching for residential applications. In 2010, I-type joists with the Certified Yamanashi Prefecture-Grown label were produced in collaboration with the Mitsubishi Estate Housing

Components Co., Ltd. and adopted as standard features in custom-built homes together with laminated veneer lumber (LVL).* In addition, in 2011 Mitsubishi Estate, Mitsubishi Estate Home, the NPO Egao Tsunagete and Yamanashi Prefecture signed a formal agreement to promote the use of Yamanashi Prefecture-Grown Timber.

* Both materials are used in major structural components such as the beams and floor framing of wood-built homes.



Agreement on use of Yamanashi Prefecture-grown timber



2012 Raising the ratio of Japan-grown timber use even further

The percentage of Japan-grown timber used in structural materials by Mitsubishi Estate Home increased from 35% in fiscal 2009 to 50% in fiscal 2012, putting it in the top class for 2x4 housing manufacturers. Much of this growth was driven by the December 2012 adoption of timber from thinned, small-diameter larch trees and others grown in Yamanashi Prefecture and Iwate Prefecture's Koiwai Farm for use as structural plywood in new custom-built homes.



FSC®-certified structural plywood



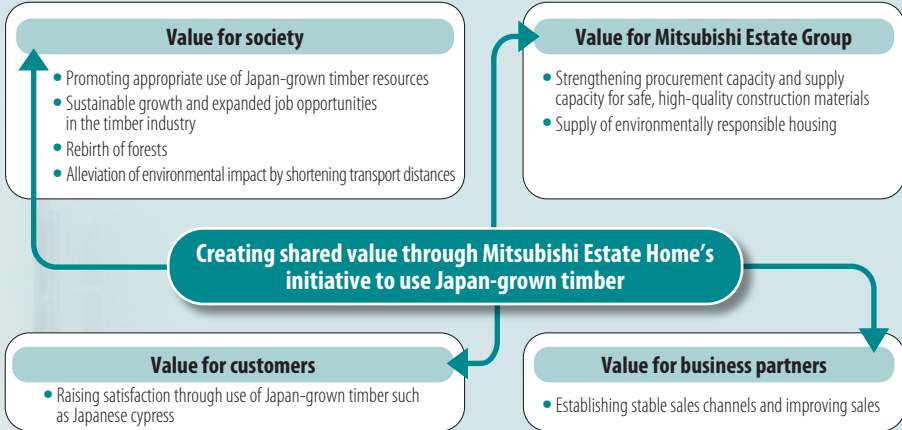
Structural plywood made from wood from Koiwai Farm

The FSC® logo mark issued by the Forest Stewardship Council certifies that the wood or fibers used in the product were produced from forests managed properly in terms of the environment, society and the economy. The mark provides a guarantee that the forest was assessed by an independent third-party organization based on principles and standards stipulated by the Council.

Vision

We aspire to use 100% Japan-grown timber, benefiting from its quality, price and stable supply.

Seiichi Suzuki, General Manager, CSR Department, Mitsubishi Estate Home Co., Ltd.



In order to resolve the problems of illegal logging concentrated in Southeast Asia, the loss of forest resources and the decline of Japan's forestry industry, we must build a new supply chain—a framework for the stable procurement and supply of Japan-grown timber boasting quality and prices that can stand up to cheap imported timber. We have undergone considerable trial-and-error with timber-producing regions and processors over the decades together with the Mitsubishi Estate Group. Our collaboration with Yamanashi Prefecture and processing companies and obtaining the FSC-CoC certification for the entire timber supply process at our construction sites represents the success of these efforts.* We hope to work with stakeholders going forward to build homes in which 100% of their structural materials use Japan-grown timber.

* Mitsubishi Estate Housing Components Co., Ltd. obtained the FSC-CoC certification in 2010, certifying that the timber was grown in a forest planted and properly managed according to a sustainable plan.