

The Mitsubishi Estate Group aspires to build trusting relationships with its stakeholders through a highly transparent management system and reinforced compliance.

## Basic concept behind corporate governance

The Mitsubishi Estate Group has established a management system built to attain its fundamental mission of “contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment.” At Mitsubishi Estate, we believe we must achieve a high level of integration between corporate growth and benefit to diverse stakeholders.

## 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 coupled with a statutory auditor system. In order to reinforce the management and oversight functions of the Board of Directors, four outside directors are selected with a term of one year and three outside auditors are selected with a term of four years. Legal notification that the seven aforementioned officers are serving as independent officers has been submitted.

## Managerial decision-making process

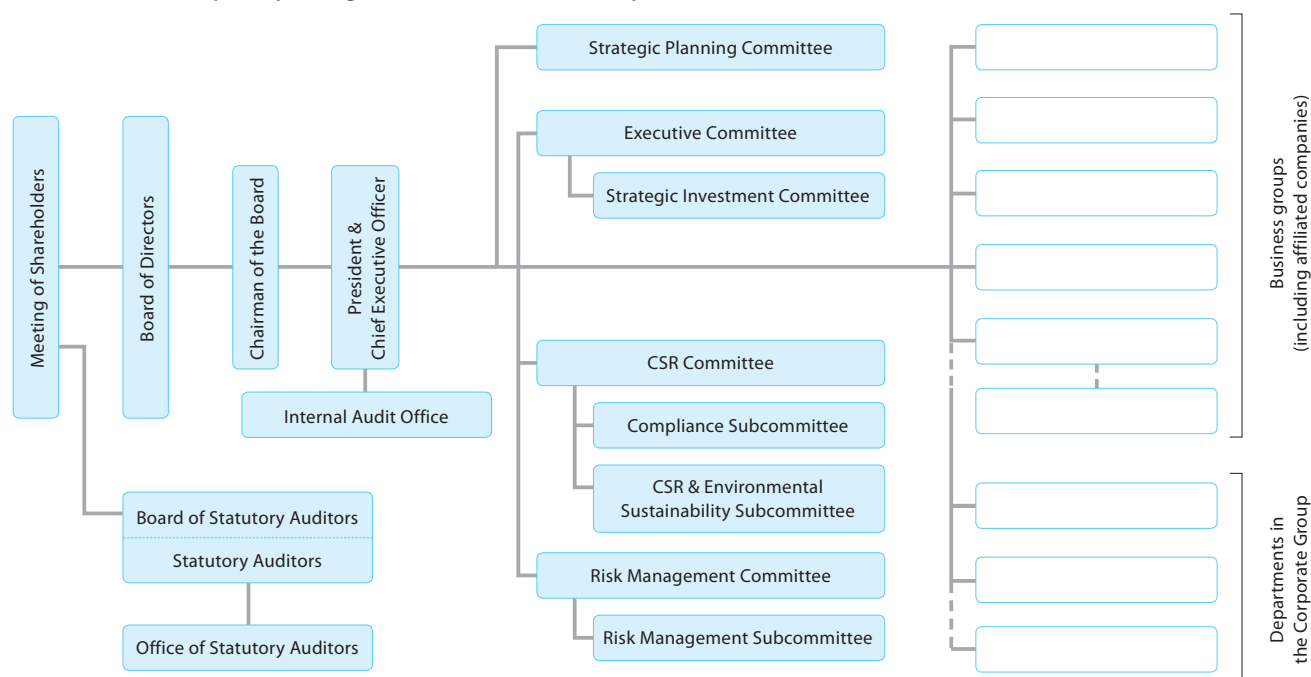
The Mitsubishi Estate Group has established the Strategic Planning Committee, which is chaired by the president and consists of the directors (excluding outside directors), the deputy president, the executive vice presidents, and the president’s appointees, to discuss the Group’s management strategies. In fiscal 213, the committee met nine times.

The Group has set up the Executive Committee, consisting of the chairman of the board, 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 47 times in fiscal 2013. 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.

## Risk management

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management Rules and has set up a risk management system to manage risk in all its business activities. The company has reinforced its risk management system by setting up the Risk Management Committee, which oversees implementation of risk management for the Group, and the Risk Management Subcommittee, a working-level consultative body consisting of department managers including those from major Group companies. The Executive Director of Risk Management has been appointed by decision of the Board of Directors to take responsibility for overseeing risk management, and general managers of each business group and general managers in the Corporate Staff Departments have been designated as Risk Management Officers. Each group company has also designated its own Risk

Mitsubishi Estate Group's corporate governance structure (as of April 2014)



Management Operating Officer. It is under this system that the Group implements and integrates the management of risk.

With these systems in place, the Group implements risk management activities systematically 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.

### ■ Reinforcing internal controls

The Mitsubishi Estate Group's Board of Directors adopted the Basic Policy on Establishing Internal Control Systems, as required by Japan's Companies Act, 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, 2014 was submitted to the Kanto Local Finance Bureau of the Ministry of Finance on June 27. An internal control audit was performed by an independent auditing firm to ascertain that this report was presented fairly.

The three Group companies\* that handle financial instruments have established and continue to operate their own systems. Relevant divisions in Mitsubishi Estate also strengthened their internal control systems to address compliance problems related to this law.

\* Mitsubishi Jisho Investment Advisors, Inc. (real estate investment and management), Japan Real Estate Asset Management Co., Ltd. (real estate investment and management), Mitsubishi Real Estate Services Co., Ltd. (real estate consulting and solutions, brokerage, sales and leasing)

### ■ 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 it 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. This 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 set up 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.

### ■ Policy for determining remuneration for directors and statutory auditors

Mitsubishi Estate has adopted a remuneration system that combines performance-linked remuneration and deferred remuneration stock options for its directors and statutory auditors. Since outside directors are independent of the execution of operations, they only receive fixed remuneration. Statutory auditors also only receive fixed remuneration in accordance with their roles as standing or non-standing statutory auditors as determined by discussion among the statutory auditors.

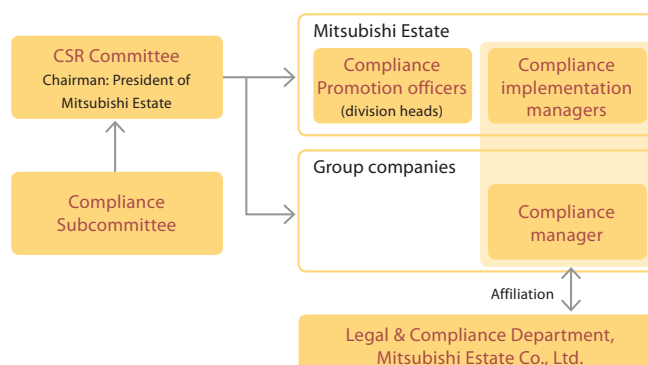
#### Total remuneration paid to directors and statutory auditors

Total remuneration, etc., paid to directors (outside directors)	¥606 million (¥40 million)
Total remuneration, etc., paid to statutory auditors (outside statutory auditors)	¥88 million (¥53 million)

### ■ 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 consisting of external experts was formed on a temporary basis to 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.

#### Mitsubishi Estate Group's compliance system



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 consisting of general managers, including those from major Group companies, that holds discussions before the CSR Committee meets. In addition, an executive director has been appointed by decision of the Board of Directors to take responsibility for overseeing and ensuring compliance. All Mitsubishi Estate departments and Group companies are working closely with the Legal & Compliance 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 has implemented a system that ensures a high level of information management.

In May 2003, 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 and the other confidential information it handles.

Moreover, given the increasingly widespread use of social media, the company established Social Media Use Guidelines in December 2012 to ensure appropriate use.

### ■ Reinforcing compliance at the Mitsubishi Estate Group

The Mitsubishi Estate Group not only offers compliance training tailored to each of its company's particular businesses, but also devises training menus and tools covering topics that all Group employees should learn, such as harassment and compliance fundamentals. In fiscal 2013, training was provided to managers of Group companies'

help lines and managers of consultation services for employees (primarily new managers) to deepen understanding of basic whistleblowing and appropriate responses.

The Mitsubishi Estate Group gives compliance surveys every two years to its approximately 12,000 executive officers and employees (including temporary employees) to ascertain the extent to which they are aware of compliance issues. The Group uses the results, after analyzing them to identify overall trends and characteristics of each company, to plan activities to improve compliance.

### ■ Measures against organized 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 Legal & Compliance 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. Inquiries can be made anonymously. There were 21 consultations and reports via the help line in fiscal 2013. Depending on the substance of the inquiries, they are studied and the situation is confirmed so that an appropriate response can be made.



Help line exclusively for business partners

### ■ Incident response at The Park House Grand Minamiaoyama Takagicho

In December 2013, serious construction defects were discovered in the Park House Grand Minamiaoyama Takagicho, a condominium building project whose owner was Mitsubishi Jisho Residence Co., Ltd. and which was designed and had construction supervised by Mitsubishi Jisho Sekkei Inc. As a result, it was determined that the units could not be handed over to the buyers. To meet its responsibilities as the project owner, Mitsubishi Jisho Residence has decided to dismantle and rebuild the building.

We offer our sincere apologies for the great concern and inconvenience these events have caused to contract holders, neighbors and other parties.

Mitsubishi Jisho Sekkei aims to reinforce its construction management system and Mitsubishi Jisho Residence to strengthen operations of its Check Eyes system in order to prevent any similar event from occurring in the future.