

Corporate Governance

The Mitsubishi Estate Group aims to earn stakeholders' trust through highly transparent management.

Basic concept behind corporate governance

The Mitsubishi Estate Group has established a corporate governance 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 corporate governance

Mitsubishi Estate has endeavored to ensure transparent and objective management while segregating and systematizing the execution of operations and auditing/supervision by adopting an executive officer system and appointing multiple outside directors under a "Company with a Board of Statutory Auditors" structure. However, after approval at the Ordinary General Meeting of Shareholders held on June 29, 2016, the Company made the transition to a "Company with Nominating Committee, etc." structure, forming three committees—the Nominating Committee, Audit Committee and Remuneration Committee—with the majority of the members of each committee being outside directors. The Board of Directors is made up of 15 directors, of which seven are outside directors, and the chairman is a director who is not a managing director. This was intended to further reinforce the management oversight function of the Board of Directors and also to clarify the authority and responsibilities for executing operations and accelerate decision-making, as well as to improve the transparency and objectivity of management.

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 2015, the committee met six times. The Group has set up the Executive Committee to deliberate on important matters pertaining to execution of business; it consists 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 48 times in fiscal 2015. 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.

Beginning in fiscal 2016, the Group established the Asset Management Committee, which serves as a sub-committee for the Executive Committee and discusses business strategy in each business group in the investment and development business field. Moreover, the members making up each organization were reviewed when the Group made the transition to the "Company with Nominating Committee, etc." structure.

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.

Compensation for directors and officers (fiscal 2015)

Total remuneration, etc., paid to directors (Outside directors)	¥677 million (¥40 million)
Total remuneration, etc., paid to statutory auditors (Outside statutory auditors)	¥90million (¥55 million)

Note: The figures above include compensation for three directors and two statutory auditors who left their positions as of the 116th General Meeting of Shareholders held on June 26, 2015.

Moreover, since Mitsubishi Estate made the transition to the "Company with Nominating Committee, etc." structure after the decision by the Ordinary General Meeting of Shareholders held on June 29, 2016, the Company has adopted a system whereby the Compensation Committee, made up by a majority of outside directors with an outside director serving as chairman, decides on compensation for its directors and officers.

Compensation consists of a base salary and variable compensation. This variable compensation consists of compensation paid based on short-term performance evaluation and stocks and others paid based on medium- to long-term performance evaluation. The compensation paid to external directors, who are independent from the execution of operations, only consists of a base salary.

Reinforcing internal controls

Mitsubishi Estate's Board of Directors has adopted the Basic Policy on Establishment of 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, 2016 was submitted to the Kanto Local Finance Bureau of the Ministry of Finance on June 29. 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

Mitsubishi Estate's Board of Directors decides on basic policies for management and also supervises the execution of operations by directors and officers. The Audit Committee supervises the business execution of directors and officers through the attendance of standing statutory auditors at important meetings such as the Executive Committee and oversight of the status of business execution at each division or Group company. In addition, an Audit Committee Office has been established to support the Audit Committee's 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 Executive Committee, Audit Committee and other relevant parties.

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