

Message from the director responsible for CSR



Junichi Yoshida

Senior Executive Officer,
Mitsubishi Estate Co., Ltd.

The Mitsubishi Estate Group's mission is to contribute to society through urban development. More precisely, it is to contribute to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment. Over its history of more than 100 years in urban development, Mitsubishi Estate has raised its corporate value and prospered by addressing social issues and continuing to create social value. Yet the issues faced by the world today are wide-ranging, including climate change, water and food shortages, and the loss of biodiversity. Meanwhile, in Japan we confront the rapid aging of society as the birth rate declines, face the need to ensure women can play a greater role in society, and are challenged by physical and mental health issues. These issues cannot be resolved without independent initiatives in all sectors. Companies play a major role in this and bear responsibility as well. The Mitsubishi Estate Group is no exception. Given this, we realized that we had to elevate the initiatives we had taken to the priority of key management issues in order to take them to the next level. Accordingly, in 2015, the Group established the five key CSR themes, taking stakeholders' views into account. Objectives and Key performance indicators were set for each theme, and we manage them using the PDCA cycle.

The Mitsubishi Estate Group Code of Conduct and the Mitsubishi Estate Group Guidelines for Conduct form the base of our approach to ensuring that the Group works to resolve social issues independently and proactively. In particular, the Guidelines for Conduct set forth guidelines for ensuring that our corporate activities are conducted with integrity, including prioritizing communication with the public and respecting human rights. These baseline actions are the prerequisite to progress on the key CSR themes such as "community development together with society" and "cutting-edge community development." Indeed, our guidelines are in alignment with the UN Guiding Principles on Business and

Human Rights (Ruggie Framework) and the UN Global Compact, and we assure that our CSR activities are in accordance with these international initiatives.

Urban development is not just constructing infrastructure such as buildings and facilities—it is about providing a place for everyone, from children to the elderly, to live and work in health, comfort and security. This involves paying attention to themes like disaster response and barrier-free design, but we do not limit ourselves only to these. We communicate with customers and local community members involved in key projects, ascertain the potential impact on human rights and the environment that could result from business activities, and respond appropriately to everyone involved—including business partners and our own employees. This is the kind of urban development to which the Mitsubishi Estate Group aspires.

When it comes to the environment, which is one of the key CSR themes, we aim to pursue cutting-edge environmental initiatives to help build a sustainable society as a part of our business. Efforts to address climate change, an issue faced by all humanity, are our most important responsibility. Moreover, the Mitsubishi Estate Group Long-Term Environmental Vision and the Mitsubishi Estate Group's Basic Policy on the Environment advocate the creation of a sound material-cycle society and the fostering of harmony between nature and human society. As such, the entire Group is working as one united team to pursue environmentally responsible management. In our business activities, we promote efforts to reduce the emission of contaminants and waste, efficiently use energy, water and raw materials, and lower the emission of greenhouse gases. We are also working to build smart communities that make more efficient use of electricity, water, transport and logistics. Further, we are encouraging the use of renewable energy in buildings and homes, and intentionally offering buildings and homes with award-winning environmental and social features.

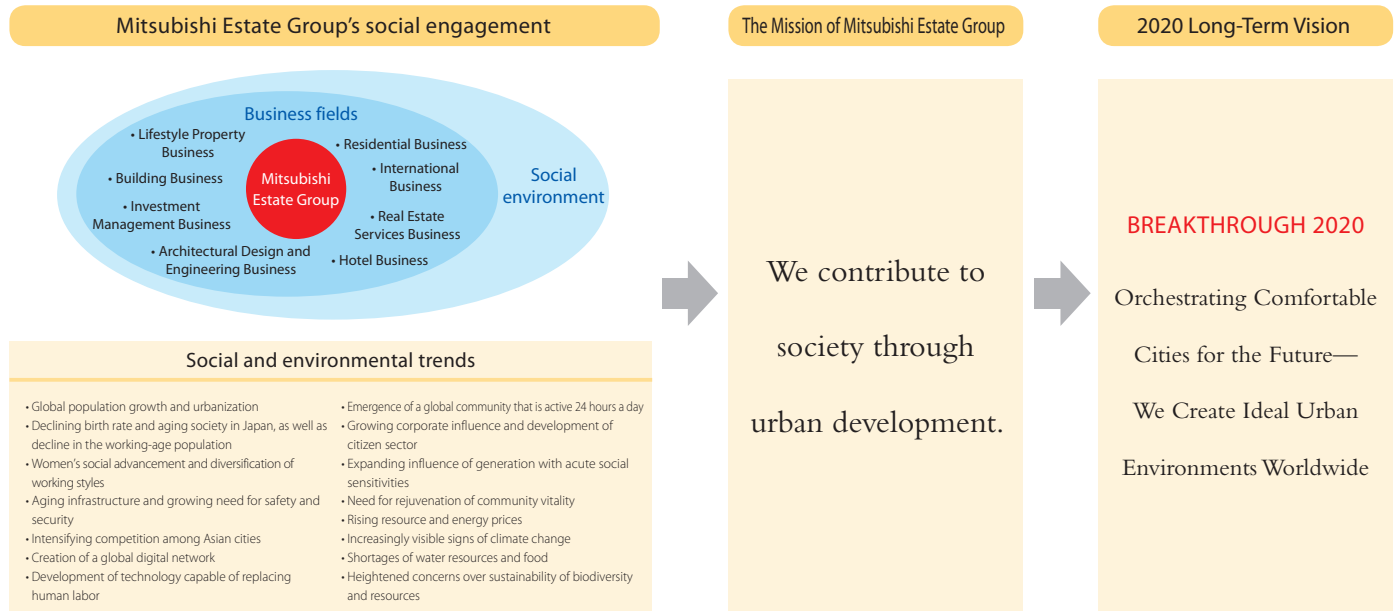
The Group's efforts alone are not enough to solve environmental problems such as climate change, water shortages, environmental contaminants and waste, and resource efficiency. We recognize that we must share our approaches with customers, local communities and business partners, seeking their understanding and involvement in a concerted effort. For this reason, we established the Mitsubishi Estate Group CSR Procurement Guidelines in April 2016, in addition to the previous Mitsubishi Estate Group Green Procurement Guidelines, and the entire Group is working to resolve social issues, including environmental issues, together with our business partners.

As I wrote at the beginning, without the understanding of our stakeholders and their cooperation with our initiatives, we will not be able to address the diverse issues we all face and accelerate our initiatives to address social challenges. Every year, we aim to make our key CSR themes, established in 2015, more effective through communication with our stakeholders. This year we also had the opportunity to directly ask three experts for their opinions. Going forward, we hope to continue benefiting from valuable external opinions like these by putting them into practice in our initiatives.

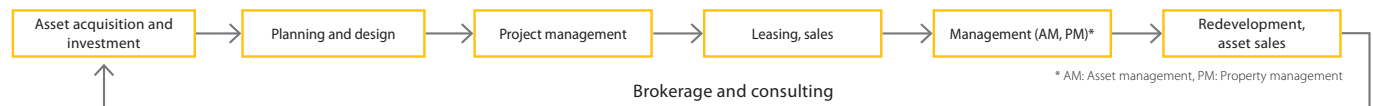
Providing exceptional value to society

How the Mitsubishi Estate Group's business generates social value

In order to help build a sustainable society for the future, the Mitsubishi Estate Group identifies the issues it is best positioned to address and works to provide solutions in its business operations. The Group has selected key CSR themes to address over the medium to long term together with its stakeholders, taking social and environmental trends into account. This process is aimed at ensuring that the Group's businesses all provide exceptional value to society.

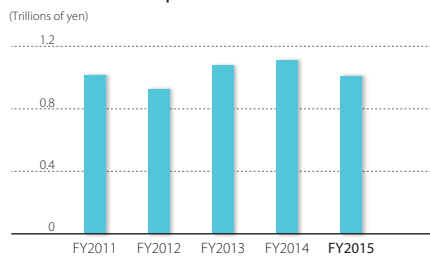


Mitsubishi Estate Group's value chain

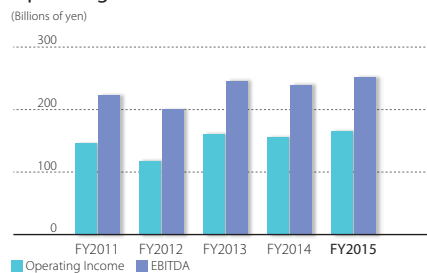


Financial Information

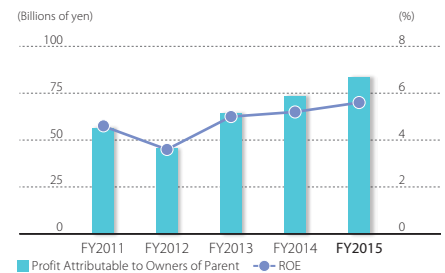
Revenue from Operations



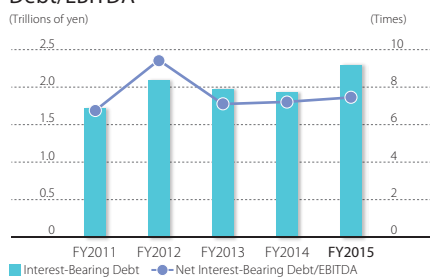
Operating Income & EBITDA



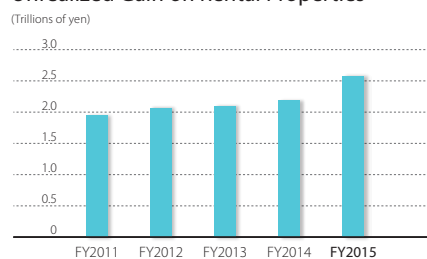
Profit Attributable to Owners of Parent & ROE



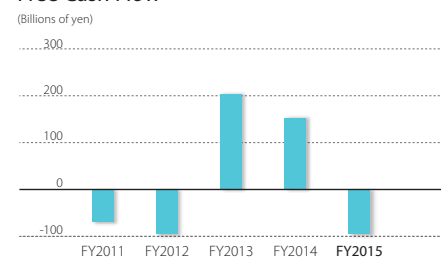
Interest-Bearing Debt & Net Interest-Bearing Debt/EBITDA



Unrealized Gain on Rental Properties



Free Cash Flow



Mitsubishi Estate Group's businesses

• Building Business • Lifestyle Property Business • Residential Business • International Business • Investment Management Business • Architectural Design and Engineering Business • Hotel Business • Real Estate Services Business

Medium-Term Management Plan (2014-2016)

Aiming for 3 years of growth in corporate and asset value

Business themes

• Strengthen urban and business development • Take advantage of the strength of the group to provide solutions and services and to strengthen the value chain

Group-wide themes

1. Reinforce asset portfolio management and management structure
2. Business portfolio management
3. Group-wide management
4. Human resources development and deployment
5. Risk management and compliance
6. Environmental initiatives
7. Creation of vibrant workplaces and corporate culture

Key CSR Themes

Community development together with society

Safe and secure community development through both physical and social infrastructure advancement together with the local community

Cutting-edge community development

Innovative community development tailored to the era of globalism

Environment

Pursue cutting-edge environmental initiatives to realize a sustainable society through our business activities

Human resource development

Support for human resource development and active careers for the creation of communities of the future and support for work styles tailored to individual lifestyles

Compliance

Promotion of compliance meeting the expectations of clients and society

Providing exceptional value to society

Taking action to realize the "Dynamic Harmony—Tokyo Marunouchi" vision



Dynamic Harmony Tokyo Marunouchi

Urban development concepts

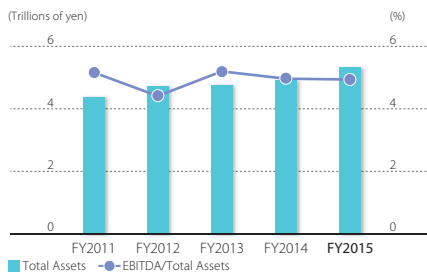
- Open
- Interactive
- Network
- Diversity
- Sustainable

In August 2015, Mitsubishi Estate created the message "Dynamic Harmony" to communicate its approach to urban development in the greater Marunouchi area (Otemachi, Marunouchi, Yurakucho and Tokiwabashi districts). The message focuses on the concepts of "Open," "Interactive," "Network," "Diversity" and "Sustainable." The Group has articulated its vision of Marunouchi as an urban community that "dynamically harmonizes everything and creates new value," and it is now moving forward to share this vision with the world.

The Mitsubishi Estate Group is providing value to society by implementing its medium-term management strategy (2014-2016) and taking initiatives to address its key CSR themes. The Group continues to update the key CSR themes to keep them in step with the changing times and evolving social demands.

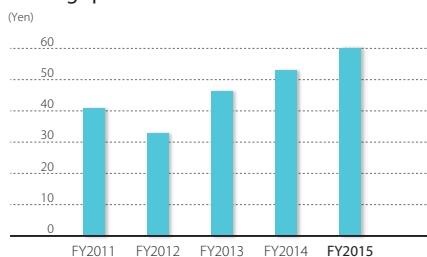
Non-Financial Information

Total Assets & EBITDA/Total Assets*

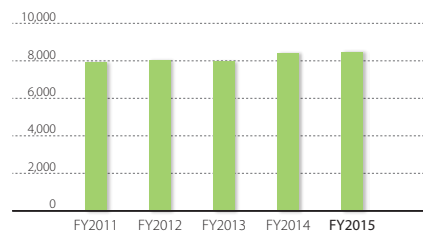


* EBITDA/Total Assets is calculated based on the average total assets from the beginning to the end of the period.

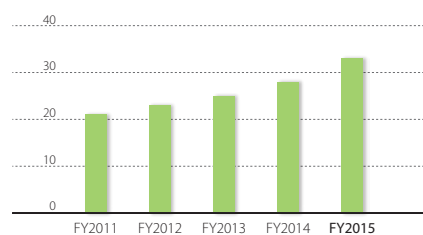
Earnings per Share



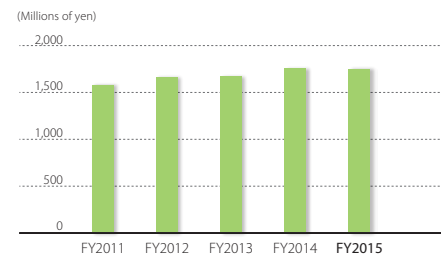
Number of Employees



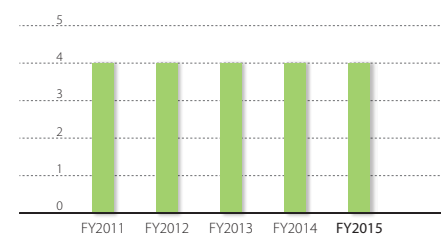
Number of Female Managers



Cost of Social Contribution Activities



Number of Outside Directors



Key CSR themes and performance indicators

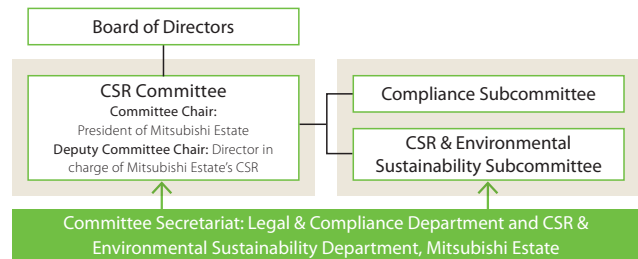
Looking back, and reporting on progress

In order to help build a sustainable society for the future, the Group believes that it must identify the issues it is best positioned to address and work to provide solutions in its business operations. In fiscal 2015, the Group established the five key CSR themes, after soliciting opinions from its various stakeholders and holding thorough internal discussions. Key performance indicators (KPIs) have been set for each of these themes and progress is being managed accordingly.

In the current fiscal year, Mitsubishi Estate again asked stakeholders for their opinions and made revisions internally in line with changes in the social environment to establish more appropriate indicators. The intention of this exercise was to take initiatives to address the key CSR themes to the next level.

Operational framework for CSR

Mitsubishi Estate takes an active, group-wide approach to CSR. Chaired by the company president, the Group's CSR Committee comprises executives in charge of respective business fields and the Corporate Group, as well as managers of the major Group companies, and it ensures group-wide implementation of CSR. The Compliance Subcommittee and the CSR & Environmental Sustainability Subcommittee serve as forums for detailed discussion to prepare for CSR Committee meetings (as of March 2016).



Overview of CSR Committee meetings held in fiscal 2015

First meeting (July 2015, regular meeting)

- Fiscal 2015 risk management activities
- Fiscal 2014 compliance activities and plan for fiscal 2015 compliance promotion activities, other

Second meeting (January 2016, regular meeting)

- Establishment of Mitsubishi Estate Group's CSR Procurement Guidelines
- Second phase of construction of overseas bribery prevention system

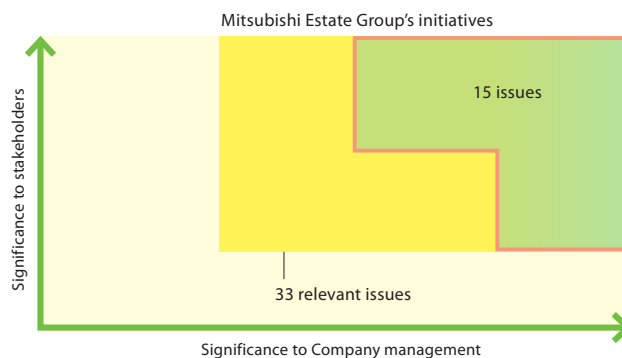
Mitsubishi Estate Group's key CSR themes, goals and performance indicators

Key CSR themes	Objectives
<p>Urban development together with society</p> <p>Safe and secure urban development through both physical and social infrastructure advancement together with the local community</p>	<ul style="list-style-type: none"> • We will strive to create communities in which people can live, work and relax in safety and security, with thoughtful consideration of disaster response and barrier-free systems. • We will work to develop communities conducive to raising children and in which the elderly can live comfortably. • We will communicate with the local communities involved in our main businesses, ascertain the impact of our business activities on human rights and the environment, and respond appropriately.
<p>Cutting-edge urban development</p> <p>Innovative community development tailored to the era of globalism</p>	<ul style="list-style-type: none"> • We will provide offices, housing and commercial facilities suited to a new work style utilizing information and communications technology. • We will develop a forum for interaction and support venture companies and the creation of a new intellectual property. • We will strengthen the appeal of Tokyo's Marunouchi area and enhance its competitive strengths compared to cities in Asia in cooperation with national and city governments.
<p>Environment</p> <p>Pursue cutting-edge environmental initiatives to realize a sustainable society through our business activities</p>	<ul style="list-style-type: none"> • We will efficiently utilize energy, water and raw materials and reduce greenhouse gases in our business activities. • We will strive to create a smart community with efficient transportation and distribution systems as well as electricity and water use. • We will expand the use of renewable energy in buildings and residences. • We will proactively provide buildings and residences certified as being environmentally and socially responsible.
<p>Human resource development</p> <p>Support for human resource development and active careers for the creation of communities of the future and support for work styles tailored to individual lifestyles</p>	<ul style="list-style-type: none"> • We will select and hire employees equitably, provide appropriate education and training opportunities for the employees responsible for future community development, and will support flexible work styles tailored to individual lifestyles. • We will offer equitable opportunities so that a diverse workforce can succeed in its jobs, regardless of gender, age and/or disability.
<p>Compliance</p> <p>Promotion of compliance meeting the expectations of clients and society</p>	<ul style="list-style-type: none"> • We will respond appropriately to prevent bribery, violation of the anti-monopoly law and inappropriate political donations. • In addition to complying with laws and regulations, we will strive to meet the expectations of clients and society, as well as understand and respond appropriately to various business risks.

Process for selecting key CSR themes

Since fiscal 2014, the Mitsubishi Estate Group has decided on its key CSR themes by following the following steps.

- STEP 1** **Select themes to be evaluated**
Potential key themes were selected based on consideration of social problems, the Group's strategies and business environment, as well as the material aspects laid out in the *G4 Sustainability Reporting Guidelines* from GRI.
- STEP 2** **Initially evaluate potential themes**
The potential themes selected in step 1 were assessed in terms of their materiality to the Group through questionnaires to managers and internal discussions, and devised tentative theories on their relevance to stakeholders.
- STEP 3** **Reflect public opinions**
A stakeholder questionnaire was conducted, along with individual interviews with external experts and dialogues with top management.
- STEP 4** **Decide on key CSR themes and performance indicators**
The 15 most relevant themes selected through the steps above were then consolidated to formulate the Mitsubishi Estate Group's five key CSR themes.



- 15 issues**
- Urban development to create safety and security
 - Urban development to support declining birthrates and aging populations
 - Coexisting harmoniously with local communities
 - Cooperating with the government to enhance the international competitiveness of Tokyo and the Marunouchi area compared to other Asian capitals
 - Promoting smart communities
 - Venture company support, intellectual value creation through interaction
 - Providing buildings and homes that are environmentally and socially friendly
 - Expanding the use of renewable energy
 - More efficient use of energy, water, and raw materials and reductions in greenhouse gas emissions
 - Supporting new working and living styles through information and communication technologies
 - Appropriate employment and supporting ways of working that fit individual lifestyles
 - Developing the capabilities of employees
 - Utilizing diverse human resources and providing equal opportunities
 - Preventing corruption, anti-competitive behavior, and improper political involvement
 - Compliance and risk management

* Refer to website for approach taken to define indicators

No.	Fiscal 2016 key performance indicators (KPI)	Fiscal 2015 results*	Boundary	Page
1	Deepen disaster prevention measures through a system for healthcare collaboration in the event of a disaster and use of neighborhood disaster prevention groups	Refer to text of report	Mitsubishi Estate Group	14
2	Number of buildings that are to take in stranded commuters or serve as tsunami evacuation sites under agreements with local government authorities	19 sites	Mitsubishi Estate Group	14
3	Number of buildings recognized as barrier-free under Barrier Free Law	13 buildings and projects	Mitsubishi Estate Group	16
4	Number of participants in seminars and events held by community development groups	6,741 people a year	Otemachi, Marunouchi and Yurakucho	16
5	Number of participants in "Experience Nature" Projects (single year/cumulative)	251 people/2,025 people	Mitsubishi Estate Group	16
6	Number of offices of foreign financial companies in Otemachi, Marunouchi and Yurakucho area	72 offices	Otemachi, Marunouchi and Yurakucho	20
7	Number of companies participating in EGG JAPAN (Entrepreneur Group for Growing JAPAN), of which the number in parentheses indicates foreign companies	32 (23) companies		
8	Number of buildings connected to optical fiber in Otemachi, Marunouchi and Yurakucho area	63 buildings		
9	Energy use/CO ₂ emissions	252,000kl/478,000t a year	Mitsubishi Estate Group	
10	Waste generated/water used	42,728t/5,215,000 m ³ a year	Mitsubishi Estate Group	28
11	Number of projects recognized with CASBEE (new construction design)/Development Bank of Japan (DBJ) Green Building certifications	7/20 buildings and projects	Mitsubishi Estate Group	25
12	Solar power output	About 7,440kW/16 sites	Mitsubishi Estate Group	26
13	Area of green on roofs and walls	About 35,210 m ²	Mitsubishi Estate Group	25
14	Rate of annual adoption for energy conservation level 4	93%	Mitsubishi Jisho Residence Co., Ltd.	27
15	Rate of annual adoption for <i>soleco</i> system	79%	Mitsubishi Jisho Residence Co., Ltd.	27
16	Rate of adoption for high-efficiency appliances (hot water heaters/LED equipment/ultra-water-conserving toilets)	100%/95%/100%	Mitsubishi Jisho Residence Co., Ltd.	27
17	Small- and medium-sized building renovations/condominium renovations	10 buildings/300 units	Mitsubishi Jisho Residence Co., Ltd.	29
18	Rate of use of Japan-grown timber	Over 50%	Mitsubishi Estate Home Co., Ltd.	29
19	Number of people taking childcare leave of absence, nursing care leave of absence and shortened work hours	13/0/33 people a year		33
20	Number of hours of overtime on average per month	24 hours	Mitsubishi Estate Co. Ltd.	34
21	Training time/cost per employee	11.5 hours/77,528 yen a year		30
22	Number of female managers	33 people		32
23	Employment rate for persons with disabilities	2.11%		32
24	Compliance training such as training by level and CSR lectures	Refer to text of report		37
25	Compliance survey "Extent to which Code of Conduct is achieved"	87%	Mitsubishi Estate Group	

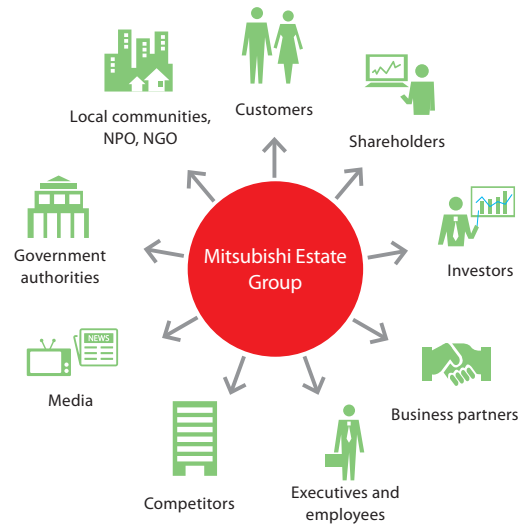
Communication with stakeholders

Mitsubishi Estate Group's relationships with stakeholders




The Mitsubishi Estate Group's business is built upon the foundation of its relationships with a wide variety of stakeholders, including customers, shareholders, local communities, government and local authorities, business partners, and executives and employees and their family members. Business activities in urban development involve many stakeholders by their very nature, and the Mitsubishi Estate Group has the responsibility to pursue its business activities while living up to the trust placed in it by these stakeholders.

In particular, the Group's business entails close involvement with the tenants of its buildings and the stakeholders in the local community as partners in building a sustainable community. The Group prioritizes interactive communication on a daily basis through the Council for Area Development and Management of Otemachi, Marunouchi and Yurakucho.

Two of the general principles of Japan's Corporate Governance Code, which the Tokyo Stock Exchange put into effect in June 2015, are "appropriate cooperation with stakeholders other than shareholders" and "dialogue with shareholders." The Group will take a range of initiatives to communicate with stakeholders in various forms and reflect their opinions in management.



Status of communication with stakeholders

Stakeholders	Definition	Opportunities for dialogue	Primary themes
 Customers	Users of tenant buildings, parties to housing and condominium contracts, various subcontractors, etc.	<ul style="list-style-type: none"> Customer satisfaction surveys, questionnaires, etc. Communication through marketing activities 	<ul style="list-style-type: none"> Urban development to create safety and security Quality and safety management for products and services Urban development to support declining birthrates and aging populations
 Community and society	Local community and local residents involved in the Mitsubishi Estate Group's business	<ul style="list-style-type: none"> Meetings with influential stakeholders Dialogues through cooperation with administrations, local government and NPOs Social contribution initiatives 	<ul style="list-style-type: none"> Economic contributions to the community Promoting smart communities Sustainable use of forest resources
 Employees	Mitsubishi Estate Group employees	<ul style="list-style-type: none"> Communication via personnel evaluations Dialogue via cross-sectional task forces and other internal platforms 	<ul style="list-style-type: none"> Developing the capabilities of employees, utilizing diverse human resources and providing equal opportunities Maintaining safety as well as physical and mental health
 Business partners	Construction subcontractors, cooperating companies, suppliers, etc.	<ul style="list-style-type: none"> Communication during operations Subcontractor evaluation systems, training sessions for registered construction firms, quality and safety promotion conferences, other Communication during procurement activities Notification of CSR procurement guidelines 	<ul style="list-style-type: none"> Supply chain management Green procurement Urban development to create safety and security
 Shareholders and investors	Individual and institutional investors	<ul style="list-style-type: none"> Financial results briefings (twice a year) Small group meetings and property tours for analysts Meetings with Japanese and foreign institutional investors Communication using IR tools 	<ul style="list-style-type: none"> Economic performance Healthy corporate management

Expert Viewpoint



Hikaru Kobayashi

Project Professor,
Graduate School of Media and Governance,
Keio University

Take the initiative to enhance Marunouchi's social capital

I think that the key CSR themes Mitsubishi Estate selected were appropriate, but I am concerned about the correspondence between the key themes and the KPIs. Management is essential in achieving the key themes, and finding ways to measure the immeasurable for management purposes remains a challenge. In order to help facilitate progress on the key themes, you might want to give more consideration to KPI setting.

For example, companies will face more and more questions in the future about the sources of the energy they use, including renewable energy, and where it was purchased. Marunouchi has schemes such as district heating and cooling, so I would like to see Mitsubishi Estate pursue more local production and local consumption of energy, in order to realize its key CSR themes. It would be quite interesting if Mitsubishi Estate adopted the “local energy production ratio” for Marunouchi as a KPI.

I also believe that more can be done to highlight the efforts being made to globalize the area.

Marunouchi's social capital can be enhanced by discussing ways to enhance the district's value with a diverse group of people. Going forward, you might want to create a KPI to assess long-term gains in social capital, which would help to stimulate investment in Marunouchi.

Expert Viewpoint



Shigenori Kobayashi

Chairman of the Board,
NPO OMY Area Management Association
(Ligare)

Discuss the relationship between culture and urban community, and focus on social capital

The key themes selected by Mitsubishi Estate show a desire to manage the community in a way that revitalizes it, with an understanding of future social trends. I feel that all the necessary conditions are in place. That said, in global terms, urban planning is currently entering a significant transition phase, with an emphasis on augmenting the social aspects of urban planning rather than the infrastructure, and the issues themselves are becoming more diverse. In this sense, I think that “culture” and “urban diversification” are elements missing from the current key themes. In addition to the perspective of disaster prevention and mitigation, I would like to see a message about culture, urban diversification and the people who support them in the effort to create new societies and communities. Discussions about the relationship between urban community and culture lead to personal growth and foster innovative human resources. One of the reasons that London was chosen as the venue for the 2012 Olympics was because the country had the desire to create culture and had the mechanisms to do so.

I also think it would be helpful to include indicators for the creation of “social capital.” A wide range of people are already involved in activities at local community-building organizations such as Ecozzeria and Ligare. The results would be completely different if community members were also able to cooperate. Social capital could be created in the Otemachi, Yurakucho and Marunouchi area as nowhere else, and I would like to see Mitsubishi Estate play a role in creating a model for a more sophisticated urban development in which diverse human resources create value.

Expert Viewpoint



One Akiyama

President,
Integrex Inc.

Create a community in which everyone can live in comfort and health

The process of identifying key CSR themes is crucial. A company must take into account both the society's expectations and its own business and discuss with stakeholders both within and outside the company. Mitsubishi Estate has adequately implemented this process in devising its key CSR themes, which is commendable. The KPIs seem fine to start with, but there are cases in which they seem bogged down in the details, or diverge from the original objective, so it will be important to work on them without forgetting the original purpose behind establishing the key themes.

The company's efforts to prevent bribery and violations of the anti-trust law appear adequate in the context of operating in Japan, but the conditions are completely different in other countries, entailing greater risk. I would advise you to establish clear guidelines which articulate Mitsubishi Estate's stance in a global context. That would help you stay accountable by having local companies follow these guidelines, rather than leaving the situation up to them when any issue occurs. Investors also take an interest in this.

I hope to see Mitsubishi Estate focus on universal urban planning in the future, going beyond barrier-free design to create communities in which everyone can live in comfort and health. Marunouchi has changed significantly over the past 20 years, and I would like to see it become a community in which the people who work here can do so in comfort and health. This would be difficult for a single company to do on its own, so I would like to see Mitsubishi Estate serve as a “producer,” bringing together actors from many sectors.