

Corporate Governance

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

Basic Concept Behind Corporate Governance

The Mitsubishi Estate Group's mission is "contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work and relax with contentment." The Group believes that the key to achieving this mission is ensuring a high level of integration between corporate growth and benefit to diverse stakeholders. Based on this understanding, the Group constantly pursues the optimal governance structure.

Committed to Highly Transparent Corporate Governance

In 2016, after approval at the Ordinary General Meeting of Shareholders held on June 29, Mitsubishi Estate adopted 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. 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. After having made this structural transition, the company also revised items such as the particulars to be decided by resolution of the Board of Directors, standards for nominating director candidates and the policy for determining remuneration for directors and corporate executive officers. 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. The term of office for directors, including members of the Audit Committee, is one year.

Managerial Decision-Making Process

The Mitsubishi Estate Group's Strategic Planning Committee, which discusses the Group's management strategies, consists of the president, the deputy president, the executive vice presidents, and other persons designated by the president. In fiscal 2016, the committee met nine times. The Group also has an Executive Committee, which deliberates on important matters pertaining to execution of business; it consists of the president, the executives of each business group, full-time members of the Audit Committee, and other persons designated by the president. The committee meets, as a general rule, once a week, and met 44 times in fiscal 2016. 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 Corporate Executive Officers

At Mitsubishi Estate, the details of remuneration paid to directors and corporate executive officers are decided upon by a resolution of the Remuneration Committee, which is chaired by an outside director and has a majority of outside directors. The company makes it a policy that its remuneration system shall enable: ongoing improvement of corporate value and sharing of value with shareholders; provision of incentives to management executives who take up challenges and appropriate risk taking; and high accountability for the benefit of shareholders and other stakeholders. The remuneration for directors

(excluding directors who concurrently serve as corporate executive officers) comprises, in principle, only basic remuneration in the form of money, whereas the remuneration for corporate executive officers, in principle, comprises basic remuneration and variable remuneration. The variable remuneration comprises monetary compensation that is paid based on short-term performance and stock compensation that is paid based on evaluation of medium-to-long-term performance, etc.



Information on remuneration paid to directors, auditors and corporate executive officers is available in the company's Annual Report.
http://www.mec.co.jp/j/investor/irlibrary/annual/pdf/ar2017_e.pdf

Reinforcing Internal Controls

Mitsubishi Estate's Board of Directors 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, 2017 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.