

# Message from the Director Responsible for CSR



The daily news in newspapers and on TV paints a picture of global climate change, water and food problems, and disappearing biodiversity around the world. Closer to home, we face overwork, a rapid decline in the birth rate and an aging population, and physical and mental health problems. These issues cannot be resolved without voluntary contributions from all sectors, and the Mitsubishi Estate Group is no exception. The Mitsubishi Estate Group's basic mission is to build attractive, environmentally sound communities where people can live, work and relax with contentment, thus contributing to the creation of a truly meaningful society. 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.

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 KPI were set for each theme, and we manage them using the PDCA cycle.

## Working to Support International Efforts

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 flexibly. 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 concepts 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.

## Using Our Business to Solve Social Issues

Urban development is not just constructing infrastructure such as office and residential buildings—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 prevention and barrier-free design, but we do not limit ourselves only to these. We communicate with customers and local community members involved in our 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. 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



**Noboru Nishigai**

Senior Executive Officer,  
Mitsubishi Estate Co., Ltd.

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.

## Working with Stakeholders to Overcome Challenges

The Group's efforts alone are not enough to solve environmental problems. We recognize that we must share our approaches with customers, local communities and business partners, seeking their understanding and engagement in a concerted effort. This is why we established the Mitsubishi Estate Group CSR Procurement Guidelines in April 2016, adding to the previous Mitsubishi Estate Group Green Procurement Guidelines. The entire Group is now working to resolve environmental issues and other social issues together with business partners.

We cannot accelerate our efforts to resolve social issues without gaining the understanding of stakeholders and working together on a wide range of issues. Accordingly, we are working to make our key CSR themes more effective through communication with our stakeholders. This year we also had the opportunity to directly ask 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.

# Ensuring that the Mitsubishi Estate Group's Business Provides Exceptional Value to Society

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 Mitsubishi Estate Group has selected key CSR themes to address over the medium to long term together with its stakeholders, taking into account social trends and issues, as well as the business environment. The Group is determined to ensure that its business operations address these key CSR themes in order to deliver exceptional value to society.

## Social Environment

- Global population growth and urbanization
- Aging infrastructure and growing need for safety and security
- Intensifying competition among Asian cities
- Growing corporate influence and development of citizen sector
- Expanding influence of generation with acute social sensitivities
- Need for rejuvenation of community vitality
- Rising resource and energy prices
- Increasingly visible signs of climate change
- Shortages of water resources and food
- Heightened concerns over sustainability of biodiversity and resources
- Heightened concerns over human rights issues

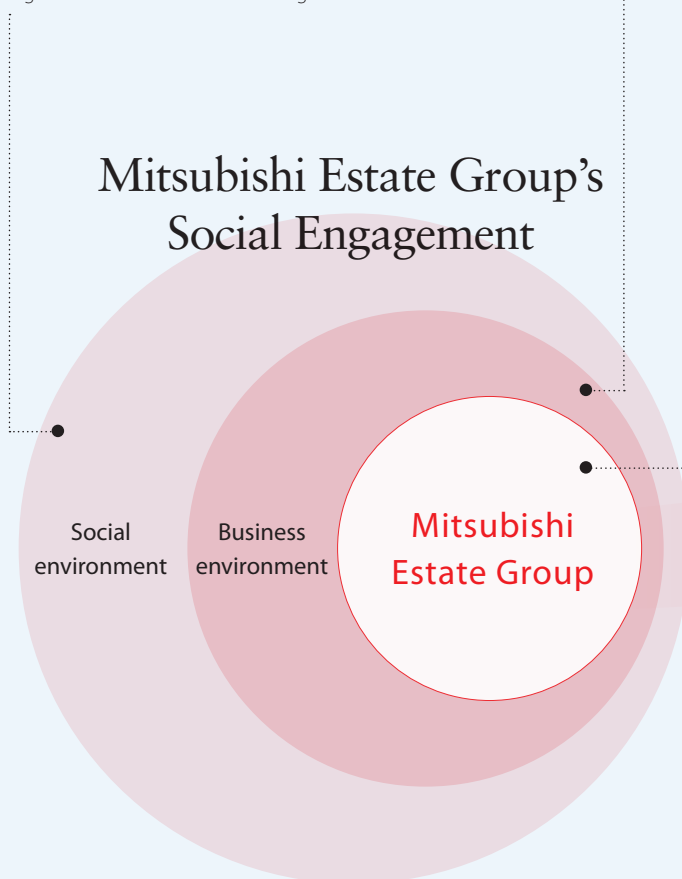
## Business Environment

- Declining birth rate and aging society in Japan, as well as decline in population
- Progress with the fourth industrial revolution
- Diversifying work styles and communication styles driven by work-style reform
- Ongoing economic development of emerging countries
- Quantitative expansion and diversifying orientation of inbound demand
- Growing presence of venture companies and startups in economic activities
- Growing need for global real estate investment
- Diversification of values and needs for residences

## Mitsubishi Estate Group's Businesses

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

## Mitsubishi Estate Group's Social Engagement

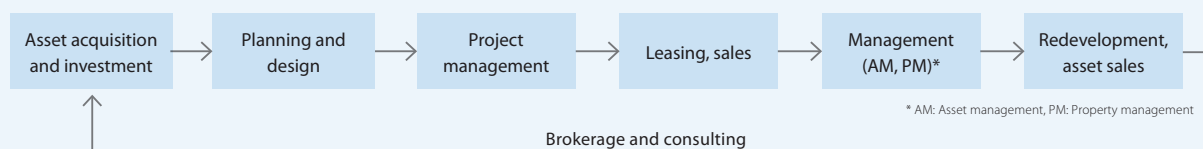


## The Mission of the Mitsubishi Estate Group

We contribute to society through urban development.

## Mitsubishi Estate Group's Value Chain

The Mitsubishi Estate Group's value chain starts with the acquisition of an asset and is both diverse and long term. At each phase of the value chain, the Group addresses key CSR themes and strives to enhance the sustainability of society through its business activities, while balancing social contributions with its own long-term development.



# Providing Exceptional Value to Society by Realizing the Group's Mission

## Management Plan

### 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

### Toward Further Growth in the 2020s

#### Promoting Innovation in Business Models

Improving  
Productivity of  
Business Activities

Effective Use of  
Social Stock

Making Daily Life  
More Fulfilling

#### Further Growth

Strengthening  
the Revenue Base

Delivering Profit

Previous Medium-term  
Management Plan  
2014-2016

Current Medium-term  
Management Plan  
2017-2019

2020s

# CSR Management

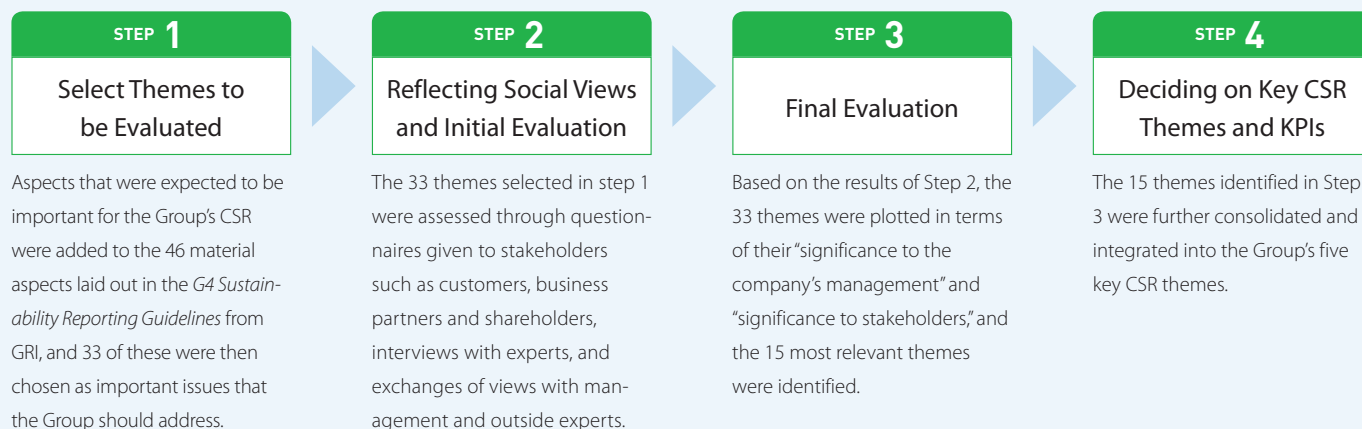
## Key CSR Themes and Performance Indicators

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. The Group has established five key CSR themes, based on the opinions of its various stakeholders and thorough internal discussions. Key performance indicators (KPIs) have been set for each of these themes and progress is being managed accordingly.

In fiscal 2016, aiming to take initiatives based on the key CSR themes to the next level, 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.

## Process for Selecting Key CSR Themes

The process used for determining the Mitsubishi Estate Group's important CSR themes is described below.



## Mitsubishi Estate Group's Key CSR Themes, Objectives and Key Performance Indicators

Key CSR Themes	Objectives
<b>Community Development Together with Society</b> Safe and secure community development through both physical and social infrastructure advancement together with the local community	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We will work to develop communities conducive to raising children and in which the elderly can live comfortably.</li> <li>• 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.</li> </ul>
<b>Cutting-Edge Urban Development</b> Innovative community development tailored to the era of globalism	<ul style="list-style-type: none"> <li>• We will provide offices, housing and commercial facilities suited to a new work style utilizing information and communications technology.</li> <li>• We will develop a forum for interaction and support venture companies and the creation of a new intellectual property.</li> <li>• 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.</li> </ul>
<b>Environment</b> Pursue cutting-edge environmental initiatives to realize a sustainable society through our business activities	<ul style="list-style-type: none"> <li>• We will efficiently utilize energy, water and raw materials and reduce greenhouses gases in our business activities.</li> <li>• We will strive to create a smart community with efficient transportation and distribution systems as well as electricity and water use.</li> <li>• We will expand the use of renewable energy in buildings and residences.</li> <li>• We will proactively provide buildings and residences certified as being environmentally and socially responsible.</li> </ul>
<b>Human Resource Development</b> 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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We will offer equitable opportunities so that a diverse workforce can succeed in its jobs, regardless of gender, age and/or disability.</li> </ul>
<b>Compliance</b> Promotion of compliance meeting the expectations of clients and society	<ul style="list-style-type: none"> <li>• We will respond appropriately to prevent bribery, violation of the anti-monopoly law and inappropriate political donations.</li> <li>• 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.</li> </ul>

## Operational Framework for CSR

Mitsubishi Estate takes an active, group-wide approach to CSR. Chaired by the President & Chief Executive Officer of Mitsubishi Estate Co., Ltd., 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 CSR & Environmental Sustainability Subcommittee serves as forum for detailed discussion to prepare for CSR Committee meetings.

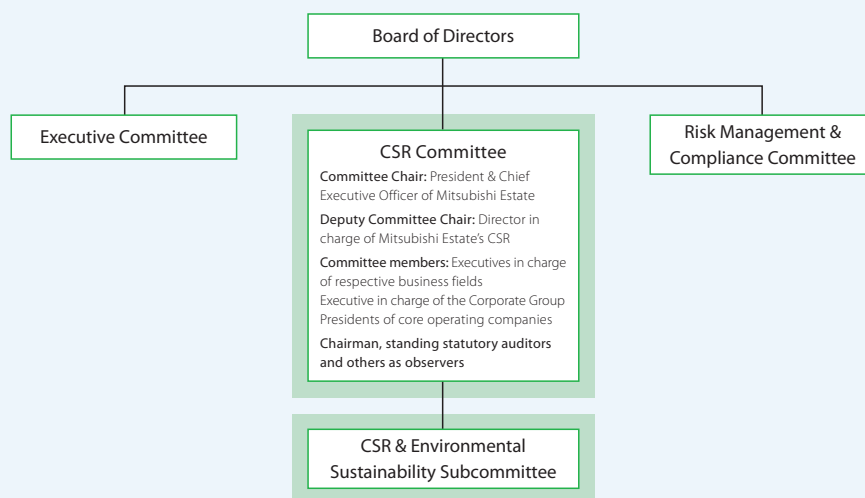
### Overview of CSR Committee meetings held in fiscal 2016

#### First meeting (July 2016, regular meeting)

- Key CSR themes and KPI achievement report for fiscal 2015
- CSR activity report and other

#### Second meeting (February 2017, regular meeting)

- Additions to key performance indicators
- HR programs to ensure diverse and flexible work styles, report on compliance survey, etc.



## Involvement with SDGs

In September 2015, the Sustainable Development Goals (SDGs) were adopted at the United Nations Sustainable Development Summit, and they were officially launched in January 2016. The Group believes that the 17 SDGs are of universal importance and is working to contribute to their achievement through business activities that meet the demands of society and the times.

## SUSTAINABLE DEVELOPMENT GOALS



\* Refer to website for approach taken to define indicators

Fiscal 2017 key performance indicators (KPI)	Fiscal 2016 results*	Boundary	Page
<ul style="list-style-type: none"> <li>• Deepen disaster prevention measures through a system for healthcare collaboration in the event of a disaster and use of neighborhood disaster prevention groups</li> <li>• Number of buildings that are to take in stranded commuters or serve as tsunami evacuation sites under agreements with local government authorities</li> <li>• Number of buildings recognized as barrier-free under Barrier Free Law</li> <li>• Number of participants in seminars and events held by community development groups</li> <li>• Number of participants in "Experience Nature" Projects (single year/cumulative)</li> <li>• Number of visitors to the Mitsubishi Ichigokan Museum, Tokyo</li> </ul>	Refer to text of report  20 sites  13 buildings and projects 11,120 people a year 306 people/2,018 people 213,017 visitors a year	Mitsubishi Estate Group  Mitsubishi Estate Group  Mitsubishi Estate Group Otemachi, Marunouchi and Yurakucho Mitsubishi Estate Group Mitsubishi Estate Group	P14  P14  P16 P16 P17 P15
<ul style="list-style-type: none"> <li>• Number of offices of foreign financial companies in Otemachi, Marunouchi and Yurakucho area</li> <li>• Number of companies participating in EGG JAPAN (Entrepreneur Group for Growing JAPAN), of which the number in parentheses indicates foreign companies</li> <li>• Number of buildings connected to optical fiber in Otemachi, Marunouchi and Yurakucho area</li> </ul>	72 offices  33 (21) companies  62 buildings	Otemachi, Marunouchi and Yurakucho	P21
<ul style="list-style-type: none"> <li>• Energy use/CO<sub>2</sub> emissions</li> <li>• Waste generated/water used</li> <li>• Number of projects recognized with CASBEE (new construction design)/Development Bank of Japan (DBJ) Green Building/ABINC certifications</li> <li>• Number of buildings using district heating and cooling, and their total floor space</li> <li>• Solar power output</li> <li>• Area of green on roofs and walls</li> <li>• Rate of annual adoption for heat insulation functions level 4</li> <li>• Rate of annual adoption for primary energy consumption level 4</li> <li>• Rate of annual adoption for soleco system</li> <li>• Rate of annual adoption for high-efficiency appliances (hot water heaters/LED equipment/ultra-water-conserving toilets)</li> <li>• Small- and medium-sized building renovations/condominium renovations</li> <li>• Rate of annual use of Japan-grown timber</li> </ul>	262,000kl/505,000t a year 48,069t/5,222,000 m <sup>3</sup> a year 9/19/19 buildings and projects  115 buildings/7,429,000 m <sup>2</sup> About 7,540kW/17 sites About 32,700 m <sup>2</sup> 100% 87% 76% 100/95/95%  12 buildings/487 units Over 50%	Mitsubishi Estate Group Mitsubishi Estate Group Mitsubishi Estate Group  Mitsubishi Estate Group Mitsubishi Estate Group Mitsubishi Estate Group Mitsubishi Jisho Residence Co., Ltd. Mitsubishi Jisho Residence Co., Ltd. Mitsubishi Jisho Residence Co., Ltd. Mitsubishi Jisho Residence Co., Ltd.  Mitsubishi Jisho Residence Co., Ltd. Mitsubishi Estate Home Co., Ltd.	P28 P28 P25  P27 P26 P25 P27 P27 P27 P27  P29 P29
<ul style="list-style-type: none"> <li>• Number of people taking childcare leave of absence, nursing care leave of absence and shortened work hours</li> <li>• Number of hours of overtime on average per month</li> <li>• Training time/cost per employee</li> <li>• Number of female managers</li> <li>• Employment rate for persons with disabilities</li> </ul>	18/0/11 people a year  25 hours 7.4 hours/135,541 yen a year 39 people 2.07%	Mitsubishi Estate Co., Ltd.	P33  P33 P30 P31 P32
<ul style="list-style-type: none"> <li>• Compliance training such as training by level and CSR lectures</li> <li>• Compliance survey "Extent to which Code of Conduct is achieved"</li> </ul>	Refer to text of report 88%	Mitsubishi Estate Group	P35

# Communicating with Stakeholders

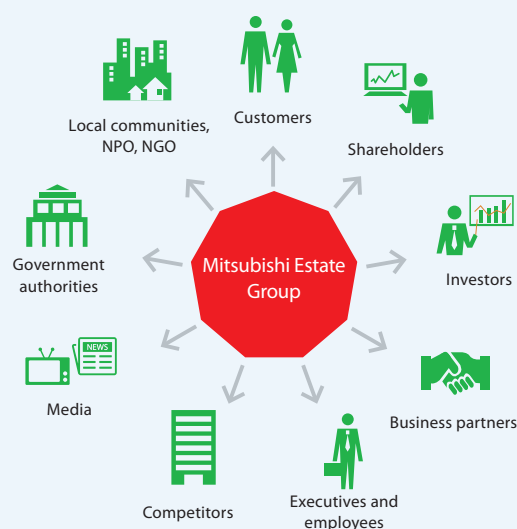
## Mitsubishi Estate Group's Relationships with Stakeholders

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. In the Marunouchi area, 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 was issued by the Tokyo Stock Exchange, 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.



## Methods for Dialogue with Stakeholders

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

## Comments from Experts



### Setsuko Egami

Outside Director, Mitsubishi Estate Co., Ltd.

It has been two years since I was appointed an outside director in 2015. In fiscal 2014, Mitsubishi Estate launched the process of overhauling its CSR activities by working on the matrix of key GRI guidelines and its own management priorities, and then refining the outcomes by integrating information from questionnaires and stakeholder input. Via this process, the company selected key CSR themes using a logical and rational approach. Indicators related to the environment and disaster preparedness have been highly praised by interested institutions for the extent of the company's achievements. The outcome, described in detail, can be confirmed in this report.

In the areas of cutting-edge community development and community development together with society, Mitsubishi Estate is engaged in technological innovation, ideas and other wide-ranging initiatives, such as the methods used in the Otemachi Chain Redevelopment Project and the water purification facility for the Imperial Palace moat. It is very evident that Mitsubishi Estate is aligning its efforts to address social issues with its business development.

Yet society is a living organism. The flow of global policy and human movements around the globe are ushering in a period of major social change. In Japan, there is a move to accelerate execution of government policies, and the government has even set up headquarters dedicated to promotion of the SDGs and to revitalizing outlying regions. Mitsubishi Estate is steadily moving ahead with its plans to promote diversity and hire female managers, but I would like to see more aggressive measures taken at Group companies as well.

In order to raise the Group's added value and achieve sustainable growth, Mitsubishi Estate must not only refine its headquarter functions as a central command center, but also improve the quality of Group companies' executive departments and its front-line strengths. Just as articulated in the "Spirit of Mitsubishi: The Three Principles," CSR forms the very backbone of the company. As an outside director, I hope to help Mitsubishi Estate and the entire Group to improve the foundations that will make its brand strong, enhance and increase its services, and reform its business model concepts with an SDG mindset.



### Hidemi Tomita

Director, Lloyd's Register Japan K.K.

The top management at Mitsubishi Estate clearly declares in its message the determination to give back to society through urban development. The company has articulated the concept of "Dynamic Harmony," the idea of bringing together diverse people to develop the community in a sustainable way. This raises my expectations for what the Group can accomplish. That said, the selection process by which Mitsubishi Estate narrowed down social issues to the final 15 that became the key CSR themes two years ago is not transparent. This makes it difficult to assess their validity, since it is unclear exactly how these themes relate to the Mitsubishi Estate Group's businesses. I would like to see how the risks and opportunities of the business process are reflected in the key CSR themes and to see more information about the process for setting goals for these themes.

It is very commendable that Mitsubishi Estate sets KPIs, but specific objectives will have to be set going forward. The company must review the current KPIs, for example, asking whether barrier-free indicators are adequate to achieve the objective of "developing communities conducive to raising children." Specific objectives should give the sense that their achievement would confidently lead to the resolution of the social issue in question.

In addition, since Mitsubishi Estate is involved in the property business, it should aggressively disclose information to ensure transparency. I think there is room for disclosure of a broader range of issues related to compliance, which is one of the key CSR themes.

In terms of the globalization of Marunouchi as well, I would like to see Mitsubishi Estate take another look at the kind of office environment that should be offered in Marunouchi to create a truly global environment, and then lay out a more specific vision for the future. This would certainly raise Mitsubishi Estate's corporate value and brand strength. As globalization continues, more people will choose work styles that do not tie them to a fixed workplace; many will work from home. This trend will change the need for offices. I would like to see Mitsubishi Estate explore the true meaning of added value in Marunouchi and depict a vision for the future that embraces true globalization.