

Corporate Governance


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

Basic Approach

Mitsubishi Estate's basic mission is to contribute to society through urban development, based on which we selected "A Love for People. A Love for the City" as our brand slogan. We believe that we must achieve a high-level balance between corporate growth and benefit to diverse stakeholders, which will result in a rise in true corporate value. A vital management task that will help us realize this ambition is the establishment and implementation of a corporate governance structure.

Corporate Governance Structure

Mitsubishi Estate has adopted a "Company with Nominating Committee, etc.," organizational structure in accordance with the Companies Law of Japan. The Board of Directors performs a management oversight function and, where possible, individual management decisions are carried out under the administrative powers of executive officers. This is intended to accelerate decision-making and clarify the authority and responsibilities for executing operations. It also further clarifies the roles and strengthens the functions of executives and directors. Furthermore, the Nominating Committee, Audit Committee and Remuneration Committee, each with a majority of members made up of outside directors, handle the nomination of director candidates, determine their remuneration and review the performance of executive officers, which is intended to increase the speed and transparency of decision-making processes. 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. The basic approach and framework behind Mitsubishi Estate's corporate governance structure are explained in the "Mitsubishi Estate Corporate Governance Guidelines" on the company's webpage.

 [The Mitsubishi Estate Group Corporate Governance Organizational Chart is available online.](http://www.mec.co.jp/e/csr/governance/index.html)
<http://www.mec.co.jp/e/csr/governance/index.html>


Managerial Decision-Making Process

The Mitsubishi Estate Group's Strategic Planning Committee, which consists of the president, the executive vice presidents, and other persons designated by the president, meets regularly to discuss the Group's management strategies. The Group also has an Executive Committee which takes decisions on important matters pertaining to the execution of business. It consists of the president, the representative executive officer, the managing executives of the line staff and corporate staff in each business group, full-time members of the Audit Committee and other persons designated by the president. It usually meets once a week. To enable the Executive Committee to discuss and make management decisions at a more sophisticated level, the Asset Management Committee was established as a sub-committee to discuss business strategy and monitor progress. The Strategic Investment Committee was also established as a subordinate body to the Executive Committee to discuss important investment proposals and summarize the points at issue before Executive Committee meetings.

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 online.](http://www.mec.co.jp/e/csr/governance/index.html)
<http://www.mec.co.jp/e/csr/governance/index.html>

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, 2018 was submitted to the Kanto Local Finance Bureau of the Ministry of Finance on June 28. 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 (real estate investment and management), Japan Real Estate Asset Management (real estate investment and management), Mitsubishi Real Estate Services (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, oversight of the status of business execution at each division or Group company, and receiving reports from auditors and from departments directly concerned with internal controls. In addition, an Audit Committee Office has been established to support the Audit Committee's audits.

In April 2018, an internal reporting system that goes through the Audit Committee members was established to facilitate the reporting of major wrongdoings by the company's officers to auditors.

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.