

Message from the Director Responsible for CSR

Responding to a changing environment

Since the adoption of the Sustainable Development Goals (SDGs) by the United Nations in 2015, needless to say momentum is building internationally, and in Japan, for initiatives to achieve the SDGs. Today, the world faces such issues as climate change, food and water security, and the loss of biodiversity. Even when looking at Japan, our various issues include overwork, a rapidly aging population, and declining birth rate, along with mental and physical health issues. As one would expect, it is almost impossible for a single company to address these issues alone, and Mitsubishi Estate is no exception.

Our mission is encapsulated in the phrase, "By building attractive, environmentally sound communities where people can live, work and relax with contentment we contribute to creating a truly meaningful society." Throughout our more than 100 years of history in urban development, we have enhanced our corporate value and prospered as a company by continually creating value for society through our efforts to address social issues alongside various other companies, organizations, and local governments.

In 2015, the Group established five key CSR themes as important management tasks for addressing social issues, after taking into account the views of stakeholders. KPIs have been assigned to each theme, which are managed using the PDCA cycle. Given the growing momentum to tackle the SDGs, we considered it an excellent time to revisit these key CSR themes; therefore, in May 2018, we set up an in-house cross-functional working group representing all business divisions.

Revisions to Code of Conduct and joining the UN Global Compact

For the Group to address social issues responsibly and actively, we need to share our values and expectations across the entire Group more so than before. Our Code of Conduct and Guidelines for Conduct form the basis of these actions. The guidelines were recently revised in April 2018, given the expansion of our business domains and changes in society's needs in terms of compliance. Additionally, we joined the UN Global Compact to deliver a stronger message about our corporate stance not only to employees but also society as a whole. We are now working within the constructs of international initiatives aimed at the realization of a sustainable society.

Efforts to address social issues through business activities

Urban development involves more than just erecting buildings or homes as tangible infrastructure. It is important for all people living, working and residing there to have healthy and safe experiences, from children to the elderly. Therefore, urban development includes such considerations as disaster prevention and barrier-free designs. The



Noboru Nishigai

Senior Executive Officer
Mitsubishi Estate Co., Ltd.

Mitsubishi Estate Group's idea of urban development involves engaging customers and local community members to better understand all possible impacts our business activities will have, such as on human rights and the environment. This requires that the Group work with all stakeholders including business partners in an appropriate manner.

One of our key CSR themes is the environment. We are aiming to promote leading initiatives in the environment to contribute to a sustainable society. In particular, we consider our initiatives to combat climate change to be one of our most important duties, since this is an issue facing all life on Earth. Additionally, the Mitsubishi Estate Group Long-term Environmental Vision and Basic Environmental Policy emphasize the importance of helping society to recycle more, fostering harmony between nature and human society, and promoting environmental management collectively by the Group. In our business activities, we are promoting the use of renewable energy and supplying buildings and homes recognized as both environmentally and socially friendly. This will result in smart communities with efficient electricity and water usage, transportation, and physical distribution. Such communities will have less pollutants and waste, use energy, water and raw materials more efficiently, as well as produce fewer greenhouse gas emissions.

Working together with stakeholders

Contributions to global environmental issues are only feasible if we work with customers, communities, and business partners to foster understanding in our philosophy, instead of taking a go-at-it-alone approach. Therefore, in addition to the Mitsubishi Estate Group Green Procurement Guidelines, we are sharing the Mitsubishi Estate Group CSR Procurement Guidelines established in April 2016 with business partners, so that together we can address social issues including the environment.

In order to accelerate our initiatives toward social issues, it is important that we obtain the understanding of stakeholders and work alongside them. We hope to make our key CSR themes even more effective by setting up opportunities to engage stakeholders annually. As part of this, we solicited the views of outside experts once again this year. Looking ahead, I hope to continue receiving your candid opinions, so that we may utilize them in the Group's initiatives.

The Mitsubishi Estate Group's Process to Provide Value to Society

To contribute to the creation of a sustainable future, it is important to work toward resolution of a variety of issues in the course of conducting business activities. In order to promote efforts toward achievement of the SDGs, the Mitsubishi Estate Group has incorporated the aim to achieve "long-term corporate value enhancement and mutually profitable relationships with stakeholders by establishing a position as a forerunner of ESG-conscious corporations" in the Group's Medium-term Management Plan, and taking a global perspective on changes to the social and business environments, is steadily working to do so under five key CSR themes.

The Mitsubishi Estate Group's Value Chain

Business environment

Progress of the "Fourth Industrial Revolution"

Diversifying workstyles and communication styles driven by workstyle reforms

Social environment

Global population growth and urbanization

Declining birth rate and aging society in Japan, as well as a decline in population

Increasingly visible signs of climate change

Shortages of water resources and food

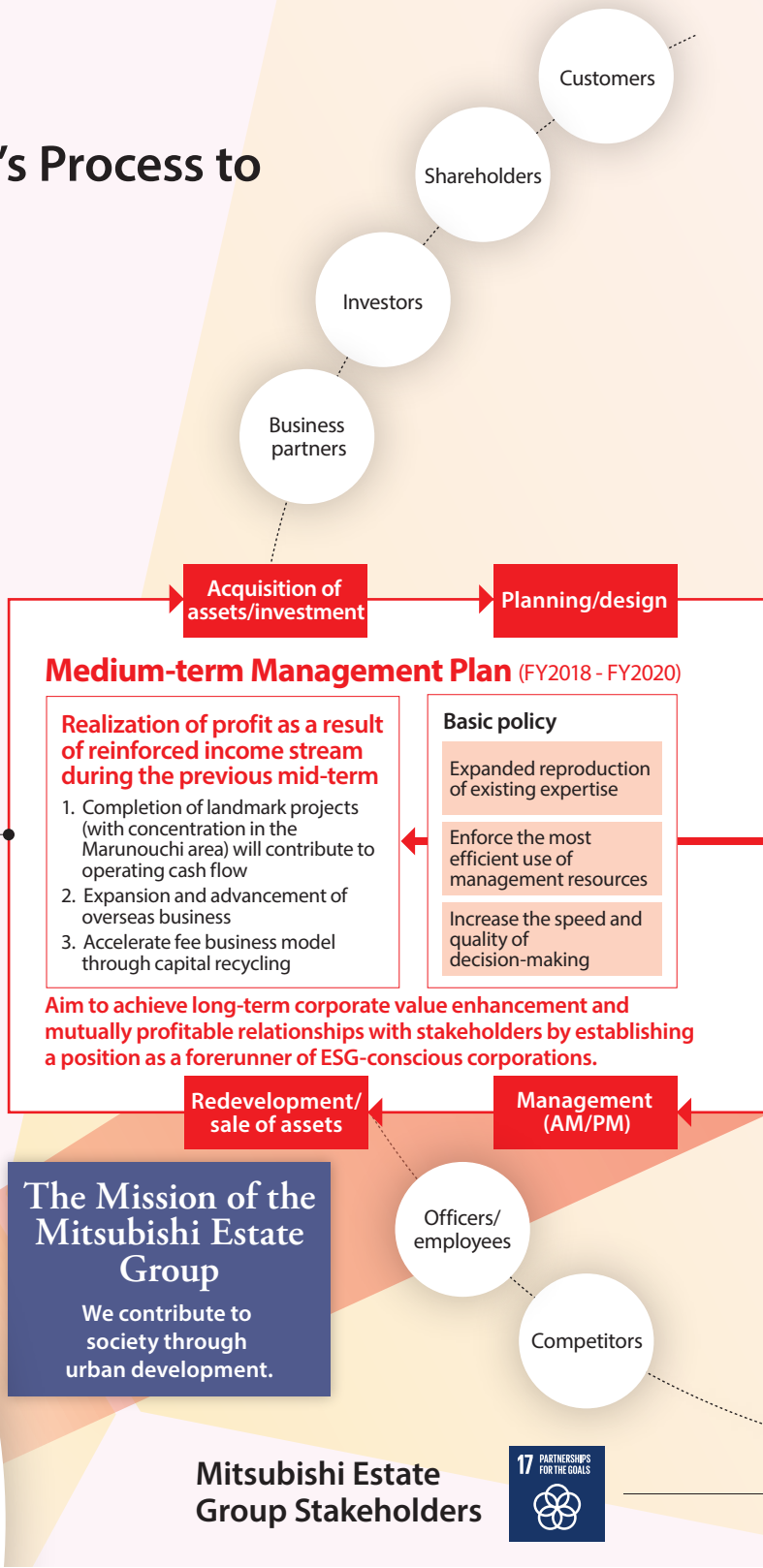
Heightened concerns over sustainability of biodiversity and resources

Heightened concerns over human rights issues

Aging infrastructure and growing need for safety and security

Growing presence of venture companies and startups in economic activities

Diversification of values and needs related to living areas



Medium-term Management Plan (FY2018 - FY2020)

Realization of profit as a result of reinforced income stream during the previous mid-term

1. Completion of landmark projects (with concentration in the Marunouchi area) will contribute to operating cash flow
2. Expansion and advancement of overseas business
3. Accelerate fee business model through capital recycling

Basic policy

- Expanded reproduction of existing expertise
- Enforce the most efficient use of management resources
- Increase the speed and quality of decision-making

Aim to achieve long-term corporate value enhancement and mutually profitable relationships with stakeholders by establishing a position as a forerunner of ESG-conscious corporations.

The Mission of the Mitsubishi Estate Group

We contribute to society through urban development.

Mitsubishi Estate Group Stakeholders



An eye toward changes in global social issues and the business environment

The Mitsubishi Estate Group broadly considers changes in global social issues and the business environment, and verifies new business opportunities and risks in light of our management resources. That information is utilized to formulate new growth strategy and CSR strategy, and to strengthen our management structure.

Promotion of the Medium-term Management Plan with a 10-year and 20-year outlook

Both a medium-term perspective and a long-term perspective are critical for a company that has urban development as its core business to achieve sustained growth. Accordingly, the Mitsubishi Estate Group has formulated and is implementing a three-year Medium-term Management Plan that has an eye on the circumstances of society 10 years and 20 years in the future.

Toward a New Stage of Innovating Business Models and Creating Value through Urban Development

Key CSR Themes

Urban Development Together with Society P18



Cutting-Edge Community Development P24



Environment P28



Compliance P40



Human Resource Development P34



Innovation of the business model for growth in the 2020s

1. Improve the productivity of business activities
2. Effective use of existing social resources
3. Enriching the quality of life

The Mitsubishi Estate Group's Business



Building a new value creation model while working on key CSR themes with diverse stakeholders

To implement business plans and CSR activities in a steady manner, the Mitsubishi Estate Group places emphasis on dialogue with diverse stakeholders in each business. In 2015, Mitsubishi Estate formulated five "key CSR themes" in light of such dialogue, the

advice of outside experts, and medium/long-term growth strategy, etc. We are pursuing a business model that contributes to achievement of a sustainable society through the Group's business activities and unified efforts.



Key CSR Themes and the KPI/Operational Framework for CSR

Key CSR Themes and Performance Indicators

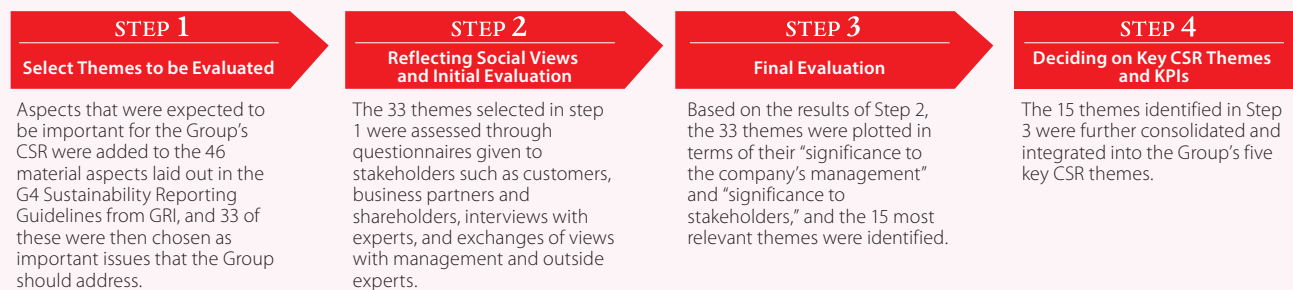
In order to help build a sustainable society for the future, the Group believes that it must identify the issues it is best positioned to address and work to provide solutions in its business operations. The Group has established five key CSR themes, based on the opinions of its various stakeholders 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.

In fiscal 2018, we are implementing internal working groups throughout all business fields to review materiality because it has been three years since establishment in fiscal 2015.

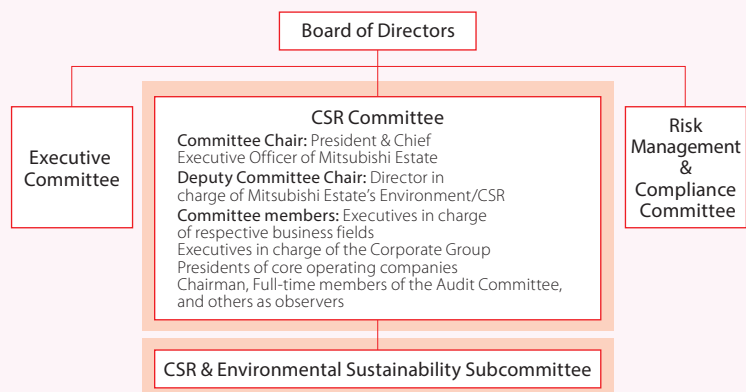
Process for Selecting Key CSR Themes (as established in 2015)

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



Operational Framework for CSR

Mitsubishi Estate takes an active, group-wide approach to CSR. Chaired by the President & Chief Executive Officer of Mitsubishi Estate, 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.



Meetings of the CSR Committee held in fiscal 2017

1st meeting (July 2017: regular meeting)

- Fiscal 2016 Key CSR themes/KPI performance report
- CSR activities report, etc.

2nd meeting (February 2018: regular meeting)

- Efforts toward SDGs and review of key CSR themes and KPI
- Launch of the Human Rights Due Diligence Workshop

*Refer to the KPI on the pages for each key CSR theme for details on the range covered by numerical figures.

Key CSR themes	Objectives	Fiscal 2018 key performance indicators (KPI)	Fiscal 2017 results*	Boundary	Ref
Urban Development Together with Society Safe and secure community development through both physical and social infrastructure advancement together with the local community	<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. 	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	P18
		2 Number of buildings that are to take in stranded commuters or serve as tsunami evacuation sites under agreements with local government authorities	20 sites	Mitsubishi Estate Group	P18
		3 Rate of participation in first aid training	62% (Fiscal 2030 ongoing goal: 100%)	Mitsubishi Estate Group	P19
		4 Number of buildings recognized as barrier-free under Barrier Free Law	13 buildings and projects	Mitsubishi Estate Group	P20
		5 Number of participants in seminars and events held by community development groups	18,356 people a year	Otemachi, Marunouchi and Yurakucho	P20
		6 Number of participants in "Experience Nature" Projects (single year/cumulative)	370 people/2,324 people	Mitsubishi Estate Group	P21
		7 Number of visitors to the Mitsubishi Ichigokan Museum, Tokyo	367,679 visitors a year	Mitsubishi Estate Group	P21
Cutting-Edge Community Development Innovative community development tailored to the era of globalism	<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 and Chiyoda-ku. 	1 Number of offices of foreign financial companies in Otemachi, Marunouchi and Yurakucho area	71 offices	Otemachi, Marunouchi and Yurakucho	P26
		2 Number of companies participating in EGG JAPAN (Entrepreneur Group for Growing JAPAN), of which the number in parentheses indicates foreign companies	42 (26) companies	Otemachi, Marunouchi and Yurakucho	P26
		3 Number of buildings connected to optical fiber in Otemachi, Marunouchi and Yurakucho area	62 buildings	Otemachi, Marunouchi and Yurakucho	P27
Environment Pursue cutting-edge environmental initiatives to realize a sustainable society through our business activities	<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. 	1 Energy use/CO ₂ emissions	About 272,000 kl/ About 529,000 t a year	Mitsubishi Estate Group	P31
		2 Waste generated/water used	44,967 t/About 5,648,000 m ³ a year	Mitsubishi Estate Group	P29
		3 Number of projects recognized with CASBEE (new construction design)/Development Bank of Japan (DBJ) Green Building/ABINC certifications	9/20/22 buildings and projects	Mitsubishi Estate Group	P31
		4 Number of buildings using district heating and cooling, and their total floor space	115 buildings/About 7,429,000 m ²	Mitsubishi Estate Group	P29
		5 Solar power output	About 8,497 kW/17 sites	Mitsubishi Estate Group	P29
		6 Area of green on roofs and walls	About 33,800 m ²	Mitsubishi Estate Group	P31
		7 Rate of annual adoption for heat insulation functions level 4	100%	Mitsubishi Jisho Residence	P29
		8 Rate of annual adoption for primary energy consumption level 4	100%	Mitsubishi Jisho Residence	P29
		9 Rate of annual adoption for soleco system	58.8%	Mitsubishi Jisho Residence	P31
		10 Rate of annual adoption for high-efficiency appliances (hot water heaters/LED equipment/ultra-water-conserving toilets)	100/100/100% a year	Mitsubishi Jisho Residence	P31
		11 Small- and medium-sized building renovations/condominium renovations	15 buildings/634 units	Mitsubishi Jisho Residence	P32
		12 Rate of annual use of Japan-grown timber	50% a year	Mitsubishi Estate Home	P32
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	<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. 	1 Number of people taking childcare leave of absence, nursing care leave of absence and shortened work hours	71/1/82 people a year	Mitsubishi Estate Group	P38
		2 Number of hours of overtime on average per month	17.21 hours	Mitsubishi Estate Group	P38
		3 Training time/cost per employee	11.92 hours/74,275 yen a year	Mitsubishi Estate Group	P35
		4 Rate of reinstatement to work after maternity/childcare leave	97.7% (Fiscal 2030 ongoing goal: 100%)	Mitsubishi Estate Group	P39
		5 Number/ratio of female managers	78 people/6.55% (Mitsubishi Estate only fiscal 2030 ongoing goal: over 10%)	Mitsubishi Estate Group	P37
		6 Employment rate for persons with disabilities	2.20% (Fiscal 2020 ongoing goal: 2.2%)	Mitsubishi Estate Group	P37
Compliance Promotion of compliance meeting the expectations of clients and society	<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. 	1 Compliance training such as training by level and CSR lectures	Refer to text of report	Mitsubishi Estate Group	P40
		2 Compliance survey "Extent to which Code of Conduct is achieved"	88%	Mitsubishi Estate Group	
		3 Rate of participation in compliance e-training	99% (Fiscal 2030 ongoing goal: 100%)	Mitsubishi Estate Group	

Communicating with Stakeholders

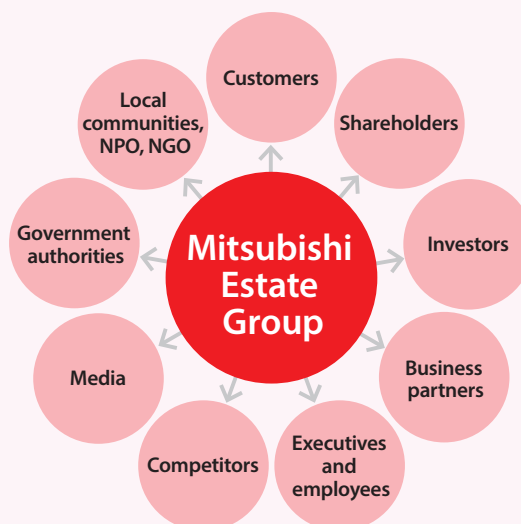
Mitsubishi Estate Group's Relationships with Stakeholders

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
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 compliance survey 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

Comments from Experts

Mitsubishi Estate's Management is Evolving as It Tackles the SDGs

Setsuko Egami

Outside Director
Mitsubishi Estate Co., Ltd.



Mitsubishi Estate has worked for many years to address environmental issues because of the unique nature of the real estate business as a consumer of natural resources. Looking back, the 1970s were signified by *The Limits to Growth* of the Club of Rome, the 1980s were marked by the exploration of approaches to sustainable development, and the 2000s saw many countries begin to take concrete actions toward environmental issues. In other words, the world has been driven to find approaches and mechanisms for sustainability, instead of simply pursuing prosperity and development.

This represents the basic philosophy in which sustainability is viewed as the very foundation of the fulfilling society we live in today. Mitsubishi Estate engages in a wide range of business lines including office buildings centered on Marunouchi, residential, commercial facilities, and logistics facilities. Within our current approach to achieving growth, we have incorporated sustainability into specific elements and processes, and we have worked carefully to monitor targets and results.

However, global issues such as resources, air pollution, ocean pollution and food security have become more complicated,

while their acuteness is growing in recent years. The SDGs can be seen as a basic stance for finding solutions to these issues.

Viewing the SDGs as a growth mechanism for future corporate activities, Mitsubishi Estate has established CSR Procurement Guidelines and supply chain management, while signing the UN Global Compact and releasing a statement on human rights in 2018. In this manner, we have greatly expanded our initiatives and are making progress. Changes are taking place in shareholder actions and evaluations, as overseas and domestic institutional investors and others are shifting focus to ESG investments that value medium- to long-term returns over short-term gains. As it examines concepts of sustainability for the next 100 years, Mitsubishi Estate intends to work in an integrated manner to address the SDGs from the perspective of business development, business investment, and risks and opportunities.

With regards to diversity, which tends to be viewed as a social issue only, Mitsubishi Estate's ratio of female managers stood at 5.1% as of April 2017. The action plan chart of the Act on Promotion of Women's Participation and Advancement in the Workplace released in 2016 states that companies are to increase the ratio of women in assistant manager positions to 20% by around 2020. However, diversity is also a strategy for enhancing collaborative strengths by incorporating varied skills, approaches, and sensitivities within the same corporate culture. We have cited increased mid-career hiring as a way to accomplish this, but we still have a long way to go. Efficiently promoting diversity as a corporate management strategy requires integrated thinking, a large scope, and myriad actions. Mitsubishi Estate's new innovative office has spurred on work style reform more so than expected. I have high expectations for top management's further commitment toward diversity.

Becoming an Appealing, Sustainable Company through Appealing Urban Development

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One of the expectations placed on developers is the creation of infrastructure that addresses climate change.

The private sector's ideas and networks are needed in order to achieve the 2°C target of the Paris Agreement.

Energy consumption varies largely based on the quality of mobility. One approach to fulfilling Mitsubishi Estate's mission of "We contribute to society through urban development" is to rethink land use as well as help create cities with convenient and energy efficient mobility options through a combination of electric vehicles, hydrogen vehicles and bicycles.

Such an overarching concept requires partnerships with government and consortiums. I believe that the Mitsubishi Estate Group is well positioned to tackle this challenge given its

experience with new town development and other projects.

Success at creating a mobility version of model cities with smart communities will make it possible to export urban infrastructure to other countries. I believe this area will become a business opportunity in the future.

Thinking about the concept of urban development using a broader context should also greatly expand developer possibilities.

The time spent at the office occupies more than half of a worker's day, and for this reason the office environment is an extremely important consideration. Mitsubishi Estate's new headquarters features comfortable workspaces. It is the type of office where employees will want to work for the next 30 years. I would like Mitsubishi Estate to leverage this know-how in future urban development for the creation of new communities.

Virtual spaces using AI and social media are growing immensely. Looking ahead, I believe it is a good idea to create a long-term vision for 2050 aimed at the creation of community spaces directly linked with people and urban areas that provide appealing spaces capable of drawing people outside. The more capable it becomes at appealing urban development, the more Mitsubishi Estate will become an appealing company. This will also attract much more talent and lead to the creation of a sustainable company in the process.