

# Corporate Governance

## Corporate Governance Guidelines

The Company has established the “Mitsubishi Estate Co., Ltd. Corporate Governance Guidelines,” to set forth the basic policy and framework for the Company’s corporate governance, and to serve as guidelines for the development and promotion of the corporate governance system, which contributes to the realization of the Group’s basic mission and the enhancement of its corporate value on a medium- to -long term basis.

## Basic Policy

The Company aims to realize the enhancement of corporate value through a harmonious balance between corporate growth and the interests of its various stakeholders by following its brand slogan, “A Love for People. A Love for the City,” based on its basic mission of “contributing to society through urban development.” The Company shall position the development and promotion of the corporate governance system as one of the most important management issues in realizing this goal.

In developing and promoting the corporate governance system, to bring about greater clarity of roles and the strengthening of functions in both the supervision of management and the execution of business while also fulfilling accountability to our shareholders and other stakeholders, the basic policy shall work to ensure the transparency and objectivity of management.

## Overview of Corporate Governance System

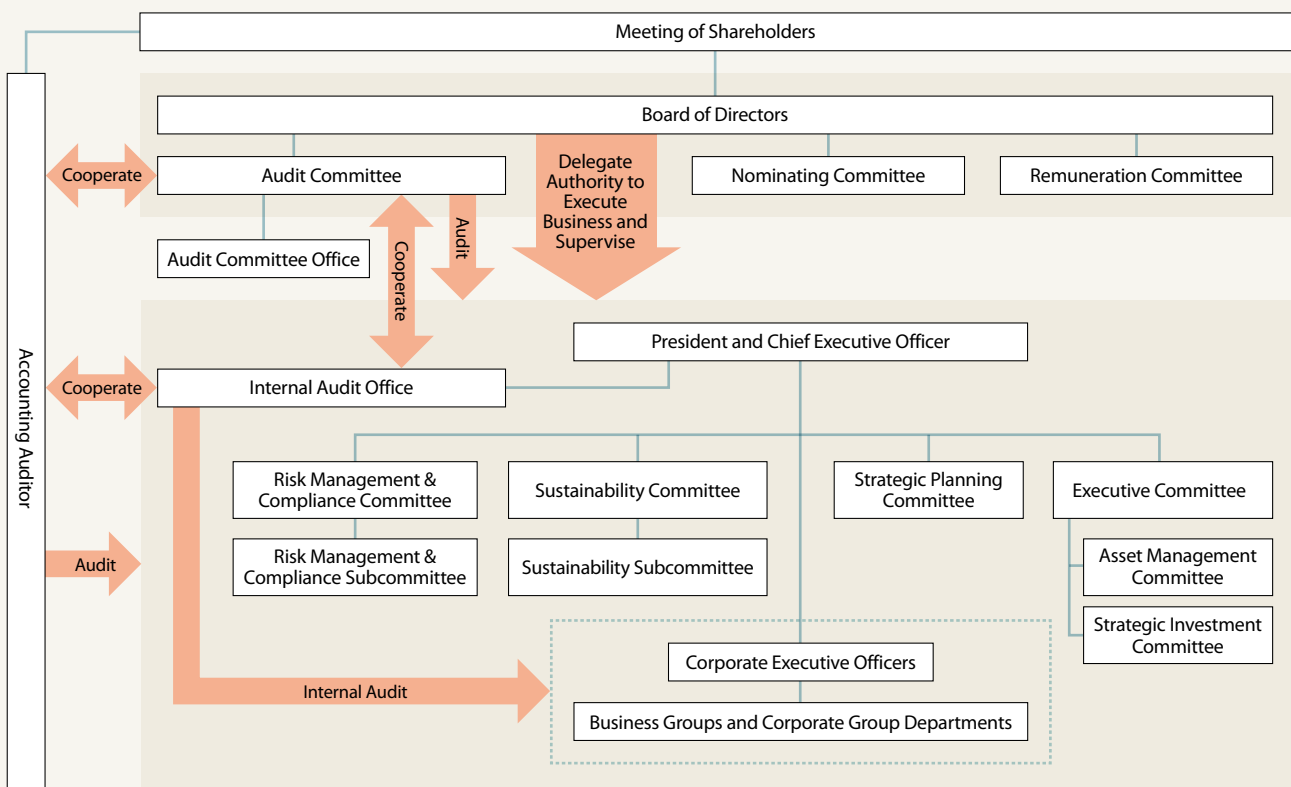
### Organizational Structure

The Company’s organizational structure pursuant to the Companies Act shall be a company with Nominating Committee, etc., in order to strengthen the function of management supervision of the Board of Directors as well as promote clarification of authorities and responsibilities and prompt decision-making concerning business execution while improving the transparency and objectivity of management as the primary aim.

### • Board of Directors

The Board of Directors makes decisions on both basic management policy and important business execution of the Company, and also carries out supervision of the execution of duties of Directors and Corporate Executive Officers. As of June 27, 2019, the Board of Directors consists of fifteen (15) Directors, of which seven (7) are Outside Directors.

Corporate Governance Organizational Chart (as of April 1, 2019)



The role of chairman of the Board of Directors is fulfilled by the Chairman of the Board of the Company, who does not concurrently serve as a Corporate Executive Officer. The Board of Directors broadly delegates the authority to execute business on matters other than those to be resolved by the Board of Directors as prescribed in laws and regulations or the Articles of Incorporation to the Corporate Executive Officers, and promotes clarification of responsibilities and authorities and prompt decision-making concerning business execution.

**• Nominating Committee**

The Nominating Committee makes decisions on the details of proposals of the General Meeting of Shareholders relating to the election and dismissal of Directors. As of June 27, 2019, the Nominating Committee consists of four (4) members, of which four (4) are Outside Directors.

**• Audit Committee**

The Audit Committee conducts audits of the execution of duties of the Directors and Corporate Executive Officers, creates the audit reports relating to this, and makes decisions on the details of proposals of the General Meeting of Shareholders relating to the election, dismissal or non-reappointment of the Accounting Auditor. As of June 27, 2019, the Audit Committee consists of five (5) members, of which three (3) are Outside Directors. The Chairman of the Audit Committee is an Outside Director.

**• Remuneration Committee**

The Remuneration Committee makes decisions on the policy concerning remuneration decisions for Directors and Corporate Executive Officers and on the remuneration amounts for each individual. As of June 27, 2019, the Remuneration Committee consists of four (4) members, of which four (4) are Outside Directors.

**• Corporate Executive Officers**

The Corporate Executive Officers are appointed by resolution of the Board of Directors. They make decisions on business execution delegated to them by the Board of Directors and carry out the execution of such business. As of April 1, 2019, the Company has thirteen (13) Corporate Executive Officers.

**Evaluation of the Effectiveness of the Board of Directors**

The Company regularly conducts self-evaluations of each director with regard to the operation of the Board of Directors and the content of deliberation. The results of these evaluations shall be reported to the Board of Directors, and the Board of Directors analyzes and evaluates its effectiveness based on these self-evaluations and other information.

The process and results of the evaluation of the effectiveness of the Board of Directors conducted in fiscal 2019 are as follows.

**1. Process of Evaluation**

**(1) Method of Evaluation**

All directors conducted self-evaluations in the form of a response to a questionnaire relating to the composition, operation, effectiveness, etc., of the Board of Directors and each of the Nominating, Audit, and Remuneration Committees, and taking these results into consideration, they discussed the issues with each other and examined proposed corrective measures at Board of Directors' meetings.

**(2) Items of Evaluation**

<b>Composition of the Board of Directors</b>	Proportion of outside directors, number of members, and diversity
<b>Operation of the Board of Directors</b>	Frequency, required time, selection of agenda items, content of handout materials, materials other than handouts provided, questions and answers, training, etc.
<b>Effectiveness of the Board of Directors</b>	Management plan, delegation of authority to corporate executive officers, risk management systems, dialogue with shareholders and investors, election and dismissal of key management personnel, successor training plan, remuneration paid to officers, composition, operation, cooperation of each of the Nominating, Audit, and Remuneration committees, etc.
<b>Others</b>	Method of the evaluation of the effectiveness of the Board of Directors, etc.

**2. Results of Evaluation and Future Initiatives**

**(1) Main Items Improved Since the Previous Evaluation**

As a result of examination and discussions at Board of Directors' meetings, one point was identified.

- Initiatives were conducted on the selection and scope of topics, revision of reporting frequency, and other areas related to the reporting status of the performance of duties by corporate executive officers in order to enhance deliberations at Board of Directors meetings.

**(2) Main Issues and Future Initiatives Aimed at Further Improvements in Effectiveness**

As a result of examination and discussions at Board of Directors' meetings, two points were identified.

- As we prepare to formulate the next Management Plan commencing from fiscal 2021, the Board of Directors will make time for deliberations and examine matters for deliberation, with the aim of creating a Medium-Term Management Plan based on the Company's vision and goals from a long-term perspective. In addition, the disclosure of information on the current business conditions and issues to outside directors needs to be enhanced.
- With the aim of further improving discussions at Board of Directors' meetings, explanatory meetings on discussions at Board of Directors' meetings and on the Company's business operations, as well as forums for the exchange of opinions centered on outside directors, are to be held on a continuous basis.

## Remuneration

### Total Remuneration Paid to Directors, Corporate Executive Officers, and Statutory Auditors in Fiscal 2019

Category	Total remuneration (Millions of yen)	Fixed remuneration (Millions of yen)	Performance-based remuneration (Millions of yen)	Recipients
Internal directors	289	289	—	4
Corporate executive officers	1,142	568	573	14
Outside directors	107	107	—	8

Note: The above amounts include remuneration payments made to two directors, one of whom was an outside director, who retired from their positions as of the end of the 119th Ordinary General Meeting of Shareholders held on June 28, 2018.

### Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

#### (i) Procedures for Deciding Remuneration Paid to Officers

The policy concerning decisions on the details of remuneration paid to directors and corporate executive officers of the Company and the details of remuneration for each person shall be decided upon by a resolution at the Remuneration Committee, which comprises solely outside directors.

#### (ii) The Basic Policy for Deciding Remuneration for Officers

The basic policy for deciding remuneration for directors and corporate executive officers of the Company is as follows.

- The remuneration system shall be the one that is linked with our medium- to long-term performance targets, etc., aimed at in the management strategy and the Medium-Term Management Plan and realizes sustained corporate value improvement and the sharing of value with our shareholders.
- The remuneration system shall be the one that allows for giving incentives to management executives' taking up of challenges and appropriate risk taking in line with the strategy's targets and expectations of shareholders and other stakeholders.
- The remuneration system shall be the one that makes it possible to fulfill high accountability for the benefit of our shareholders and other stakeholders through objective deliberations and judgments at the Remuneration Committee.

#### (iii) Remuneration Systems for Officers

The remuneration systems for directors and corporate executive officers shall be separately established in consideration of respective functions and roles to be fulfilled for the purpose of achieving sustained corporate value improvement. In addition, directors who concurrently serve as corporate executive officers shall be paid remuneration as corporate executive officers.

- Directors (excluding directors who concurrently serve as corporate executive officers)

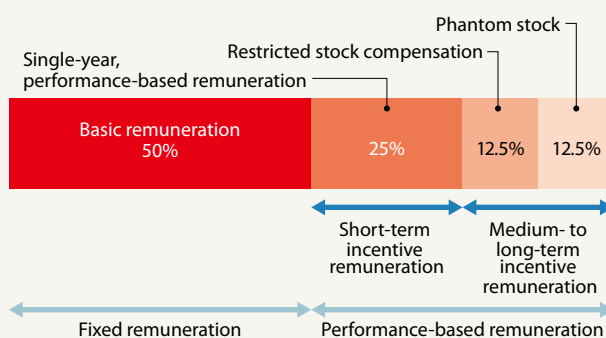
In consideration of their function and role of supervising the performance of duties by corporate executive officers and directors, they shall receive, in principle, only basic remuneration in the form of cash, and the standards shall

be decided upon individually taking into account factors such as their position and responsibilities as directors and whether they are full-time or part-time.

- Corporate executive officers

In consideration of their function and role of taking charge of business execution of the Company, their remuneration shall, in principle, comprise basic remuneration and variable remuneration. Variable remuneration comprises monetary compensation that is paid based on short-term performance, etc., and stock compensation, etc., (including monetary compensation paid based on indicators such as stock price) that is paid with a view to realizing the medium- to long-term sharing of value with shareholders. The standards and ratio of basic remuneration and variable remuneration, valuation indicators for variable remuneration, and other matters shall be decided upon taking into account medium- to long-term performance targets, etc., aimed at in the management strategy and the Medium-Term Management Plan and factors such as position and responsibilities as corporate executive officers.

### Composition of the Remuneration of Corporate Executive Officers



### Overview of Performance-Based Remuneration

#### Single-year, performance-based remuneration

- Form of remuneration: Cash
- Method of evaluating performance: Evaluation based on four financial performance indicators in the previous fiscal year (EBITDA, operating income, ROA, and ROE)

#### Medium- to long-term performance-based remuneration (Restricted stock compensation)

- Form of remuneration: Shares
- Restricted stock period: Approximately three years

#### Medium- to long-term performance-based remuneration (Phantom stock)

- Form of remuneration: Cash
- Performance evaluation period: Three years
- Method of evaluating performance: Evaluation based on the relative ranking of the Company's total shareholder return and the rate of change in common stock price among five peer companies (Nomura Real Estate Holdings, Inc., Tokyu Fudosan Holdings Corporation, Mitsui Fudosan Co., Ltd., Tokyo Tatemono Co., Ltd., and Sumitomo Realty & Development Co., Ltd.)