

# Compliance

## Compliance Approach and Policies

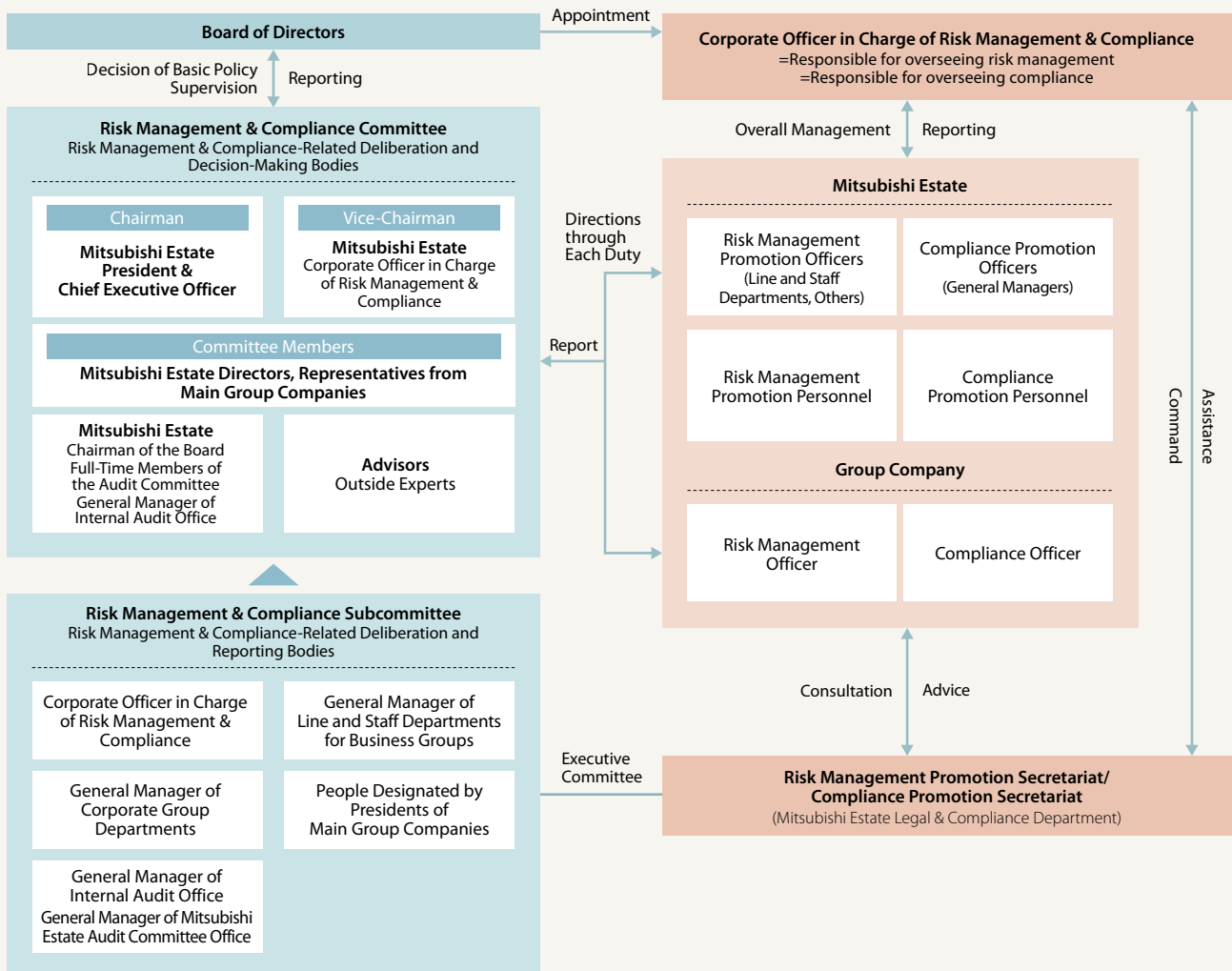
The Mitsubishi Estate Group believes that compliance does not simply involve legal compliance, but is also defined as adherence to internal rules and corporate ethics. After Mitsubishi Estate was found to have violated some stipulations of the Commercial Code of Japan in 1997, the Mitsubishi Estate Group Basic Mission and Mitsubishi Estate Group Code of Corporate Conduct were formulated to reflect the Company's resolve to never repeat the same mistakes. The Code of Conduct and Basic Mission were revised in 2006 as part of a serious and humble response to the discovery of soil and groundwater contamination problems at Osaka Amenity Park (OAP) in 2005. The company regards compliance as one of its most pressing issues to

address. Moreover, as the company continues to expand its businesses domestically and internationally, its social responsibilities increase in sophistication and global scale. This has led to a greater need for the whole Group to share a sense of values and a standard of conduct. This is why the Mitsubishi Estate Group Guidelines for Conduct were revised in April 2018 with the hope that they will increase true corporate value by being applied to the daily actions of individual employees and executive officers. The Mitsubishi Estate Group aspires to build trusting relationships with its stakeholders through a highly transparent management system and reinforced compliance. Not only does the Group comply with laws and regulations but it also works hard to meet all the expectations of clients and society as it strives to achieve its basic mission of contributing to society through urban development. The Group also identifies and responds appropriately to various business risks.

## System for Promoting Compliance

Mitsubishi Estate's compliance system has its roots in the determination of its executives and employees to improve their awareness and reform the organization after the Company was found in violation of some stipulations of the Commercial Code of Japan in 1997. The Code of Corporate

Mitsubishi Estate Group Risk Management and Compliance System (as of August 2019)



Conduct was formulated to define the Company's basic commitment to reform and was further refined in 2002. Group-wide reform was implemented, with all employees sharing the sense of urgency. In July 2005, a Compliance Advisory Committee consisting of external experts was formed on a temporary basis to review the compliance system in light of the soil and groundwater contamination problems discovered at Osaka Amenity Park. This committee worked to improve the corporate culture, for example, by revising the Code of Conduct.

In April 2018, the Mitsubishi Estate Group Guidelines for Conduct were revised and the Company stepped up its compliance practices to meet changing demands in society and an expansion in business areas.

The current compliance promotion system is administered by the Risk Management & Compliance Committee and the Risk Management & Compliance Subcommittee. The Risk Management & Compliance Committee is chaired by the Company president and comprises the executives from respective business fields and the Corporate Group and discusses issues concerning Group compliance and risk management. The Risk Management & Compliance Subcommittee, which comprises general managers, holds discussions before the CSR Committee meets. In addition, an executive director has been appointed by decision of the Board of Directors as the Executive Director of Compliance to take responsibility for overseeing and promoting compliance. All Mitsubishi Estate departments and Group companies are working closely with the Legal & Compliance Department, which serves as the executive committee, to pursue compliance in a coordinated manner.

## Revising and Publishing the Compliance Guidebook

To accompany the revision of the Mitsubishi Estate Group Guidelines for Conduct in April 2018, the Compliance Guidebook was revised and published as a training tool. The Guidebook uses illustrations and a Q&A format to explain the Mitsubishi Estate Group's five most important values in an easy-to-follow format. It was distributed to all Group officers and employees and helps to increase knowledge and understanding of what compliance involves.

## Providing Compliance Training

The Mitsubishi Estate Group uses opportunities such as training sessions for new hires and new managers to provide compliance training to raise compliance awareness among all executives and employees.

In particular, new hires from major Group companies participate in joint training together to learn about the Code of Conduct and basic compliance issues (333 participants from 21 companies in April 2019).

Moreover, Mitsubishi Estate provides compliance education during training for newly appointed managers and level 2 professional career hires, and also trains all officers and employees in compliance via e-learning.

## Holding Risk Management and Compliance Lectures

Mitsubishi Estate holds risk management and compliance lectures for managers and executives, including those at Group companies. The lecture topic is chosen from genres related to risk management and compliance, in light of social conditions in that particular year. In September 2018, Takeshi Hirano, Standing Governor of Japan Exchange Regulation, spoke on the topic: "Principles for Responding to Corporate Scandals."

## Compliance Surveys

The Mitsubishi Estate Group gives compliance surveys every two years to its approximately 16,000 executive officers and employees (including temporary employees) to ascertain the extent to which they are aware of compliance issues. The Group uses the results, after analyzing them, to identify overall trends and characteristics of each business group and company, to plan activities to improve compliance.

## Augmenting the Help Line

The Mitsubishi Estate Group has established a compliance help line to receive inquiries and consultations on compliance issues. In January 2018 the Mitsubishi Estate Group help line consultation window was changed and unified with external organizations to make it possible for it to receive calls on weekday evenings and weekends and holidays as well. The help line has both internal and external contact points and can be used by Group employees, temporary employees, part-time employees and various other part-time staff, and even the business partners of Group companies. To ensure that employees know about the help line, information is provided in the Compliance Newsletter and on posters.

There were 63 consultations and reports via the Mitsubishi Estate Group help line in fiscal 2018. Depending on the substance of the inquiries, they are studied and the situation is confirmed so that an appropriate response can be made. A help line exclusively for business partners has also been set up.

## Measures Against Organized Criminal Elements

The Mitsubishi Estate Group clearly stipulates its refusal to countenance any relationship whatsoever with organized criminal elements in its Guidelines for Conduct. Mitsubishi Estate's Legal & Compliance Department serves as a special department to take resolute measures for the Group, in cooperation with the police, in the event of any contact from criminal elements.

# Risk Management

## Risk Management Approach and Policies

The Mitsubishi Estate Group has established the Mitsubishi Estate Group Risk Management Rules and has set up and operates a risk management system to manage risk in all its business activities.

The Group systematically carries out risk management programs, focusing on the following two types of activities.

### (1) Individual risk management activities

Individual Group companies and business groups identify risks to focus on based on a risk analysis, and carry out activities throughout the year to reduce the risks identified.

### (2) Group-wide priority risk management activities

The Group identifies priority risks that require new countermeasures from the entire Group, taking into account the risks of focus identified by individual Group companies as described above and social trends, and carries out activities throughout the year to reduce these risks.

## Risk Management Activities

The Mitsubishi Estate Group has established the Risk Management & Compliance Committee to oversee the

Group's risk management and formed the Risk Management & Compliance Subcommittee as a working-level consulting body responsible for such matters as the collection of risk management-related information. The corporate officer in charge of risk management is appointed by resolution of the Board of Directors to take responsibility for overseeing risk management, and general managers of each business group and general managers from Group departments have been designated as risk management officers. We promote risk management activities through the Mitsubishi Estate Legal & Compliance Department, which serves as the secretariat.

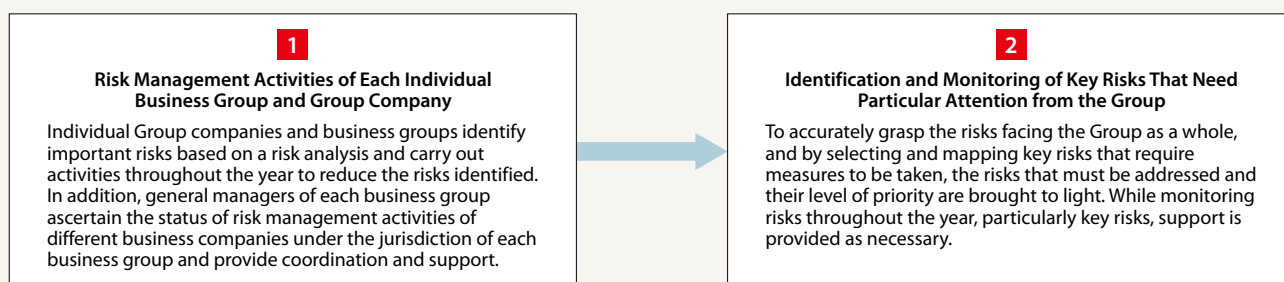
We have also established and implemented action guidelines, contact and initial response systems, and business continuity planning for use in times of crisis.

\* See Mitsubishi Estate Group Risk Management and Compliance System (P34) for details.

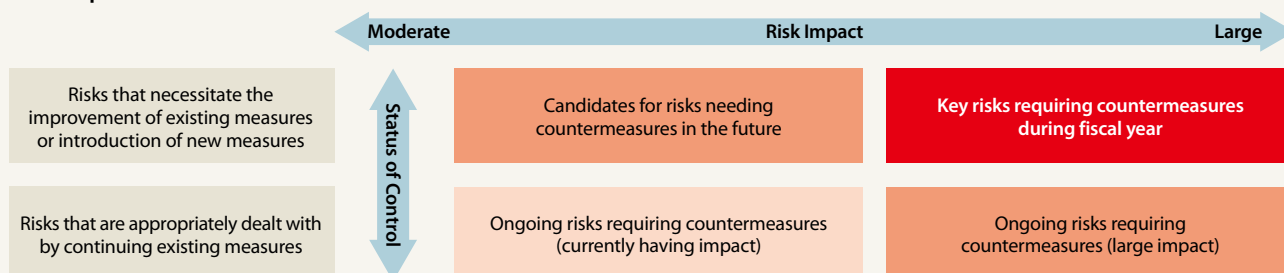
## Risk Management Related to Investment Projects

Among the various risks recognized by the Group, risks related to investment projects are based on the assessment of business viability by Companywide research functions and under investment decision rules of the Strategic Investment Office. Prior to the deliberation of important investment projects by the Executive Committee, which is chaired by the president and CEO and is responsible for strategic planning for the entire Group and monitors the progress of each business toward realizing this strategy, the Strategic Investment Committee deliberates and evaluates profitability, the nature of risks and related countermeasures, and other matters. At each phase, risk assessments are also conducted from legal and financial aspects in order to grasp an overall picture of the risks.

### Risk Management Activities



### Risk Map



## Dealing with Major Risks

Below are some examples of risks that have come to light in the Group through risk management activities and various business activities and countermeasures that have been taken.

### Major Risks

<b>Risks of Information Security</b>	<p>In light of society's growing concerns over the appropriate protection of personal information and information management, the Mitsubishi Estate Group comprehensively revised its rules related to information management in 2018 and updated its information management systems to ensure scrupulous management. We are aiming to further improve information management through continuous monitoring and supervision.</p> <p>Moreover, in order to raise the IT security level of the entire Group, we have positioned Mitsubishi Estate's DX (Digital Transformation) Promotion Department at the center of efforts to standardize the Group's IT systems and make it more secure. We are also enhancing collaboration among DX Promotion Department personnel and between the department and external security companies, thereby providing Group-wide support.</p>
<b>Risks of Corruption</b>	<p>The prevention of corruption is an important issue for our businesses both in Japan and overseas. To that end, we have established and announced the Mitsubishi Estate Group Anti-Corruption Guidelines and developed a system to prevent corruption across the organization. Under these guidelines, the Group has declared and put into practice several specific corruption prevention initiatives while thoroughly preventing any acts of bribery or acts that may be suspected as such. These initiatives include carrying out due diligence on counterparties deemed to meet certain conditions, incorporating corruption prohibition clauses into contracts, and establishing approval and reporting procedures for the provision of entertainment, gifts, and donations. In addition, we are seeking to gain a greater understanding of rules related to the prevention of corruption through training for directors and are also constantly monitoring this position.</p>
<b>Risks of Natural and Man-Made Disasters, etc.</b>	<p>The occurrence of such natural disasters as earthquakes, floods, or climate change or man-made disasters including accidents or fires may impact the performance, financial position, or other aspects of the Group's business. The Group is redeveloping its properties to install advanced disaster-management functions and has established disaster-response measures through area management.</p>
<b>Risks of Fluctuations in Exchange Rates</b>	<p>In addition to those held in Japan, the Group is developing and holding assets in the United States, Europe, and Asia, for which the book values and income are accounted for in local currencies. Consequently, any fluctuation in exchange rates would affect the yen conversion rate used for foreign currency-denominated assets and liabilities and business transactions. The Group minimizes these risks of fluctuations in interest rates using such methods as borrowing funds in local currencies when procuring assets overseas.</p>
<b>Risks of Fluctuations in the Real Estate Market</b>	<p>The real estate market is closely correlated with movements in the economy. Deterioration in the economy has a strong impact on declines in real estate prices and rental fees and the increase in vacancy rates. In view of this correlation, the basic policy of the Group is to conclude relatively long-term lease contracts with customers in its office building leasing business. The prospects of stable lease revenue mitigate to a certain degree the risk of sharp movements in the economy.</p>
<b>Risks of Increases in Interest Rates</b>	<p>The Group acquires funding for its operations by borrowing from financial institutions or issuing corporate bonds. The Bank of Japan (BOJ) has implemented a policy of quantitative and qualitative monetary easing in response to the credit crunch in financial markets and the slowdown in the global economy. Should interest rates rise, however, because of a change in the BOJ's policy or a deterioration in the demand-supply balance for Japanese government bonds (JGBs) caused by growth in the issuance of JGBs, it may negatively affect the performance, financial position, or other aspects of the Group's business.</p> <p>The Group hedges interest rate risk on a certain portion of its variable interest rate financing through interest rate swaps to convert its interest rate payments into fixed payments. In the future, the Group plans to manage its interest rate risk by procuring funds based on a consideration of its fixed and variable interest rate borrowings and its outstanding corporate bond balances.</p>