

Press Release

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**Notice of Implementation of a New Long-term Performance-based Incentive Plan
(Phantom Stock)**

At the Compensation Committee meeting held today, Mitsubishi Estate Co., Ltd. (hereinafter “the Company”), upon review of the current executive compensation plans, has decided on the implementation of a new long-term performance-based incentive plan (hereafter “Phantom Stock Plan”), in addition to the Restricted Stock Plan implemented in 2016.

1. Purpose and Background of New Compensation Plan

At present, the Company offers a long-term performance-based incentive scheme in the form of a Restricted Stock Plan to the Representative Corporate Executive Officers, Corporate Executive Officers and Group Executive Officers (hereafter “the Executive Officers”). This is for the purpose of providing an incentive scheme that sustainably improves corporate value, and promotes sharing values with shareholders.

As a result of the 2017 tax reform, Phantom Stock Plan now meets the requirements of performance-based compensation under the new tax regime and is therefore a deductible expense; as such, part of the current Restricted Stock Plan will switch to Phantom Stock Plan. We believe this scheme to be appropriate for Executive Officers because the purpose of introducing this long-term performance-based incentive scheme (sustainably increasing corporate value and promoting sharing values with shareholders) can be maintained, since Phantom Stock Plan determines payout based on stock price.

The performance metric of the current Restricted Stock Plan, total shareholder return among competitors, will also be used for the Phantom Stock Plan. Since this metric will cover the total shareholder return over the last 3 years, we believe that this will ameliorate the risk of the Executive Officers making decisions only for short-term increases in stock price.

Furthermore, since all members of the Compensation Committee have become Independent outside directors as of April this year, we believe that we have secured further objectivity and transparency in the process of determining executive compensation.

The Company will continue the current Restricted Stock Plan after reviewing its contents in part.

2. Phantom Stock Plan: Overview

A) Phantom Stock Eligibility

The Representative Corporate Executive Officers, Corporate Executive Officers and Group Executive Officers

B) Business Year and Performance Evaluation Period

Business Year: April 1st through March 31st of the following year

Performance Evaluation Period: the last 3 years

C) Payout Calculation

The payout amount will be determined by multiplying each Executive Officer’s Base amount

with the following (i) and (ii):

- i. Percentage of net fluctuation in common stock price over the performance evaluation period
 - ii. Percentage based on the relative ranking, during the performance evaluation period, of the Company's total shareholder return among 5 (five) peer companies in the same industry (between 0% - 100%)
*The five competitors above are Nomura Real Estate Holdings, Inc., Tokyu Fudosan Holdings Corporation, Mitsui Fudosan Co., Ltd., Tokyo Tatemono Co., Ltd., and Sumitomo Realty & Development Co., Ltd.
- D) Dividends, etc.
The Company will not pay dividends or dividend equivalents for Phantom Stock grantees, even if the Company distributes dividends on common stock
- E) Others
The detail information of Phantom Stock Plan will be disclosed in the Company's securities report or annual report.

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