

Corporate Governance

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 its corporate governance system as one of the most important management issues in realizing this goal.

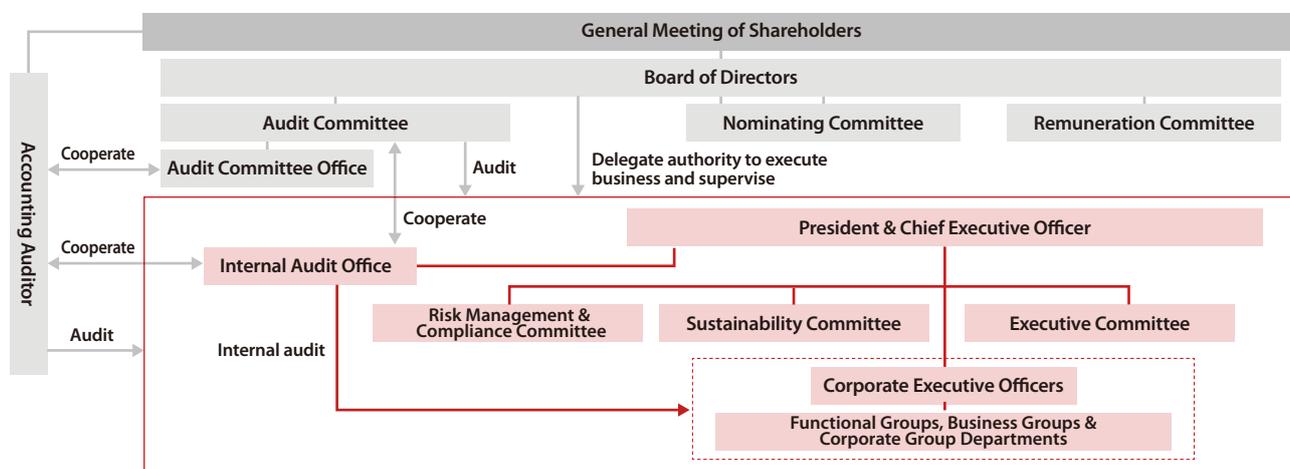
In developing and promoting our corporate governance system, to bring about greater clarity with regard to roles and the strengthening of functions in both the supervision of management and the execution of business while also fulfilling accountability to our shareholders and other stakeholders, the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

Evolution of Corporate Governance System

	2015	2016	2017	2018	2019
Organizational structure, outside directors	• Change in outside directors (improvement of independence and gender diversity)	• Transition to "Company with Nominating Committee, etc.," structure • Increase in ratio of outside directors (7 of 15)		• Making of all committee members into non-executive directors • Membership of Remuneration Committee comprising exclusively outside directors	• Change of chairperson of Audit Committee to outside director • Membership of Nominating Committee composed completely of outside directors
Officer remuneration		• Introduction of Restricted Stock Compensation System		• Introduction of performance-based incentive system (the "Phantom Stock Plan")	
Other aspects of corporate governance			• Commencement of evaluations of the effectiveness of the Board of Directors • Establishment of the "Mitsubishi Estate Co., Ltd., Corporate Governance Guidelines"		• Introduction of the flexible capital policy based on market conditions (execution of share buybacks totaling approximately ¥100.0 billion) • Decision not to renew the countermeasure program regarding possible hostile takeover attempts

System Structure

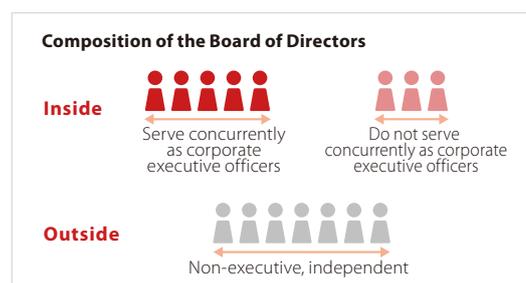
As a "Company with Nominating Committee, etc.," Mitsubishi Estate has established the Nominating Committee, the Audit Committee, and the Remuneration Committee, which are positioned under the Board of Directors and are membered by a majority of outside directors. These committees help promote high standards and ensure transparency of the decision-making process.



Board of Directors

The Board of Directors decides the basic policy of the Company's management, and it also carries out supervision of the execution of duties by directors and corporate executive officers. As of June 26, 2020, the Board of Directors consists of 15 directors, of whom seven are outside directors. The role of chairman of the Board of Directors is held by the chairman of the Board of the Company, who does not concurrently serve as a corporate executive officer.

The membership of the Board of Directors is appropriately balanced with members from a diverse range of backgrounds.



Nominating Committee, Audit Committee, and Remuneration Committee

	Nominating Committee	Audit Committee	Remuneration Committee
Committee Duties	<ul style="list-style-type: none"> Decision of the details of the proposals to the general meeting of shareholders related to the appointment and dismissal of directors 	<ul style="list-style-type: none"> Auditing and compilation of audit reports pertaining to the performance of duties by corporate executive officers and directors Decision of the details of the proposals to the general meeting of shareholders related to the appointment, dismissal, and non-reappointment of the accounting auditor 	<ul style="list-style-type: none"> Formulation of remuneration policies for corporate executive officers and directors Decision of remuneration amounts for individual corporate executive officers and directors
Committee Activities	<ul style="list-style-type: none"> Five meetings in fiscal 2019 Determination of the details of director nomination proposals based on standards established for nominating director candidates formulated by the Nominating Committee Reports and deliberations with regard to the nomination of corporate executive officers prior to the resolution by the Board of Directors 	<ul style="list-style-type: none"> Fifteen meetings in fiscal 2019 Performance of audits through coordination with the accounting auditor and internal audit divisions based on audit standards and plans Attendance at important meetings, review of important documents, and visits to internal divisions, branches, and subsidiaries by full-time members of the Audit Committee 	<ul style="list-style-type: none"> Six meetings in fiscal 2019 Decision of individual remuneration amounts based on remuneration systems
Membership*	4 (4 outside)	5 (2 inside, 3 outside)	4 (4 outside)
Chairperson	Tsuyoshi Okamoto (Outside Director)	Tetsuo Narukawa (Outside Director)	Shin Ebihara (Outside Director)

* All three committees are composed solely of non-executive directors.

Attendance Rates of Outside Directors in Fiscal 2019 and Contributions Made

Name	Attendance at Meetings of the Board of Directors and Committees	Contributions Made
Tsuyoshi Okamoto	Board of Directors 8/8 Nominating Committee 5/5 Remuneration Committee 4/4	Tsuyoshi Okamoto poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his management experience at a comprehensive energy company.
Shin Ebihara	Board of Directors 10/10 Nominating Committee 5/5 Remuneration Committee 6/6	Shin Ebihara poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his wealth of international experience and knowledge gained through his extensive years as a diplomat.
Tetsuo Narukawa	Board of Directors 10/10 Audit Committee 12/12 Remuneration Committee 2/2	Tetsuo Narukawa poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his international experience as well as management experience at financial institutions and real estate companies.
Masaaki Shirakawa	Board of Directors 9/10 Nominating Committee 5/5 Remuneration Committee 6/6	Masaaki Shirakawa poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his knowledge in finance and economics, among other fields, gained through his experience working at a central bank.
Shin Nagase	Board of Directors 10/10 Audit Committee 15/15	Shin Nagase poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his management experience at an airline company.
Setsuko Egami	Board of Directors 10/10 Nominating Committee 5/5 Remuneration Committee 6/6	Setsuko Egami poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging her abundant knowledge of corporate strategy, marketing strategy, and human resource development.
Iwao Taka	Board of Directors 10/10 Audit Committee 14/15	Iwao Taka poses pertinent questions and offers valuable advice from an objective viewpoint independent of management executives in charge of business affairs, by leveraging his extensive knowledge regarding business ethics and compliance, among other fields.

Independence Standards for Independent Outside Directors

Candidates for the outside director position shall fulfill a duty of care as a prudent manager toward the Company; understand the Group's basic mission of contributing to the creation of a truly meaningful society by building attractive, environmentally sound communities where people can live, work, and relax with contentment; apply their qualities and capabilities to contribute to enhancing medium-to long-term sustainable corporate value, as well as their experience and knowledge in specialized fields such as global business, finance, and risk management, in view of the Group's business characteristics, such as supporting urban development in the Marunouchi area; and have personality and knowledge enabling objective and fair judgments, based on the perspective that they shall contribute to the common interests of shareholders without bias toward the interest of any particular party of interest. However, as a general principle, candidates are not elected if the Tokyo Stock Exchange's standards for independence and the following independence standards for outside directors apply to them.

- (1) A shareholder or executive member of an entity holding voting rights exceeding 10% of total voting rights of the Company.
- (2) A transaction party or executive member of an entity whose transactional amounts in the most recent fiscal year have exceeded 2% of consolidated revenue from operations of the Company.
- (3) A representative employee, employee, or member of staff of the Company's accounting auditor.
- (4) An attorney, certified public accountant, tax accountant, consultant, or other party who has received compensation from the Company exceeding ¥10 million in the most recent fiscal year.

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 contents of deliberations. 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

Composition of the Board of Directors	Proportion of outside directors, number of members, and diversity
Operation of the Board of Directors	Frequency, required time, reports on execution of business by corporate executive officers, information provided outside of Board of Directors' meetings, questions and answers, training, etc.
Effectiveness of the Board of Directors	Management plan, monitoring of execution of business and risk management systems, dialogue with shareholders and investors, appointment and dismissal of key management personnel, successor training plan, remuneration paid to officers, operation of the Nominating, Audit, and Remuneration committees, etc.
Others	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

Through a process of examination and discussion at Board of Directors' meetings, two points were identified.

- The outside directors received information on the current circumstances of the Company and sufficient time to hold discussions and exchange opinions in order to contribute to management plans reflecting the long-term vision and goals of the Company under Long-Term Management Plan 2030 that started in fiscal 2020.
- Measures to further enhance discussions at Board of Directors' meetings were carried out. Steps were taken to continuously enable discussions at presentation meetings of the Company's business for outside directors and meetings composed mostly of outside directors, at which opinions can be exchanged.

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

Through a process of examination and discussion at Board of Directors' meetings, the following points were identified.

- Initiatives aimed at further improving diversity of the Board of Directors are to be continuously implemented, with efforts mainly by the Nominating Committee.
- Appropriate monitoring is to be performed at Board of Directors' meetings concerning the progress status of Long-Term Management Plan 2030.

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
Inside directors	260	260	—	3
Corporate executive officers	1,081	551	529	13
Outside directors	108	108	—	8

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.

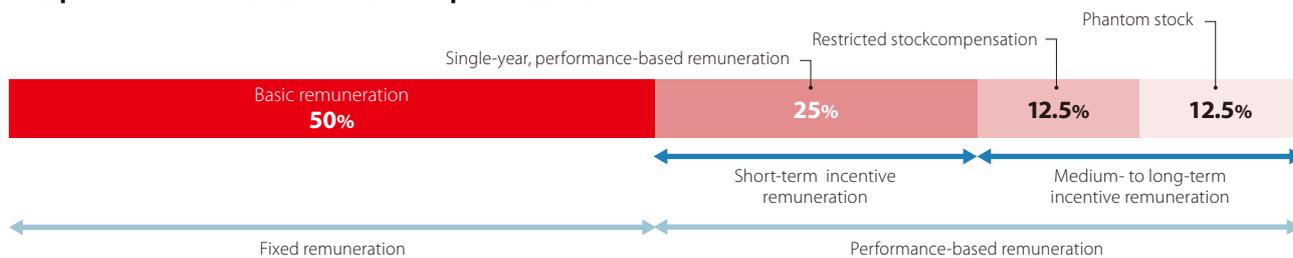
- The remuneration system shall be linked with our medium- to long-term performance targets, etc., aimed at in management strategies and Medium-term management plans and realize sustained corporate value improvement and the sharing of value with our shareholders.
- The remuneration system shall allow for the giving of incentives to management executives to encourage them to take on challenges and conduct appropriate risk-taking in line with the above strategies' targets and expectations of shareholders and other stakeholders.
- The remuneration system shall make it possible to fulfill high accountability for the benefit of our shareholders and other stakeholders through objective deliberations and judgments by 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 management strategies and the current 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: Quantitative evaluation looking at the previous fiscal year’s figures for consolidated operating income, EBITDA, ROA, ROE, and operating income from respective divisions; assessment of contributions to medium- to long-term performance; and qualitative evaluation examining ESG initiatives, etc.

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: Approximately 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.)

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

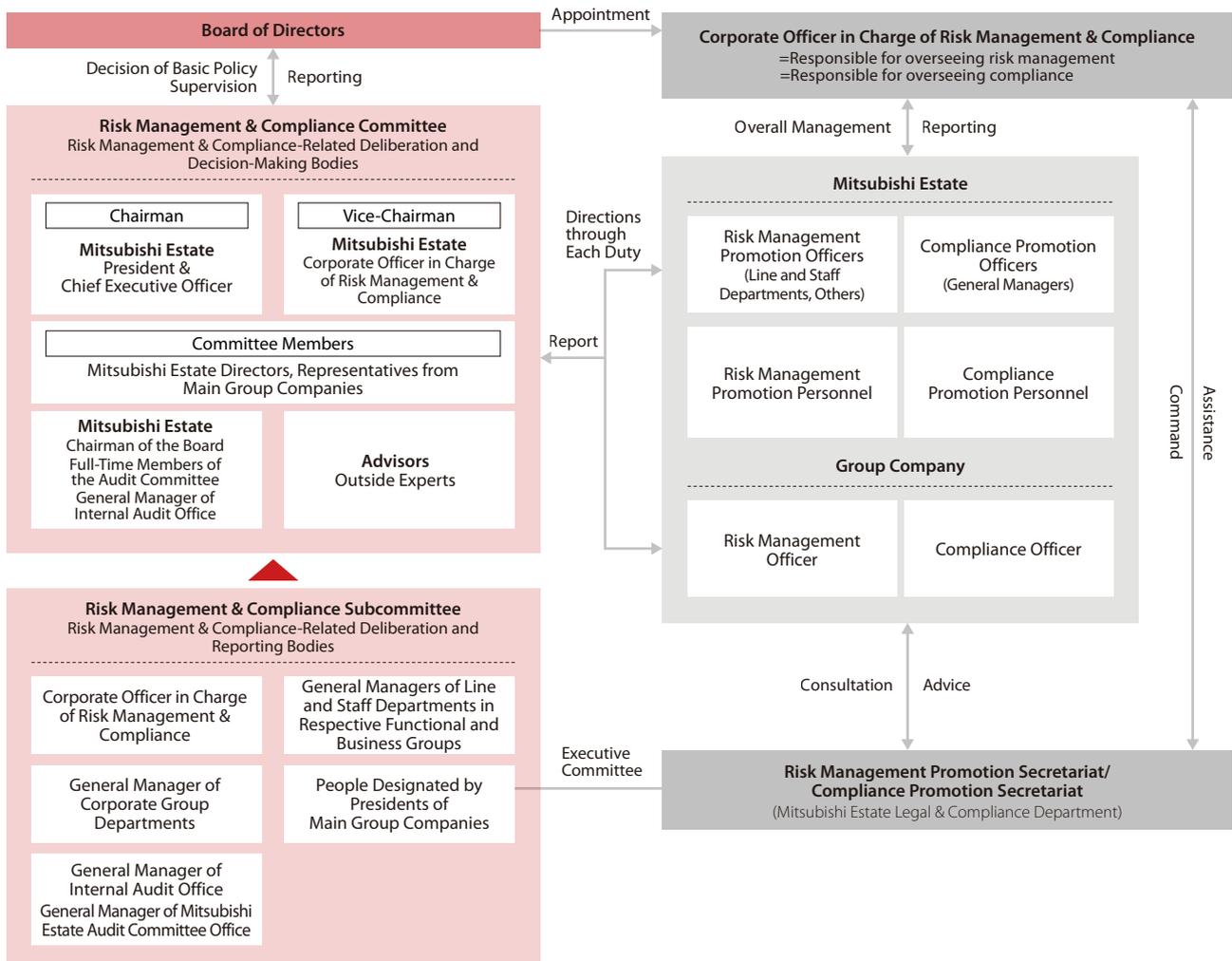
a standard of conduct. This is why the Mitsubishi Estate Group Guidelines for Conduct were revised in April 2018 with the hope that they will increase true corporate value by being applied to the daily actions of individual employees and executive officers.

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 Conduct was formulated to define the company's basic commitment to reform, and was further refined in 2002.

Mitsubishi Estate Group Risk Management and Compliance System (as of April 2020)



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 president of Mitsubishi Estate and comprises the executives from respective functional and business groups as well as 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 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.

Besides the normal reporting lines provided through the help line and other systems for consultation and reporting on compliance violations by Group employees, temporary employees, and part-time employee, and various other part-time staff, the Group has established procedures for direct consultation and reporting to the Legal & Compliance Department. Depending on the substance of the inquiries, they are studied and the situation is confirmed with the aim of improving the working environment. When a compliance violation is suspected, a meeting of the Disciplinary Committee is held as needed to take the appropriate action. In an unlikely event of a serious compliance violation, action is taken in accordance with the Emergency Response Manual.

In accordance with the Mitsubishi Estate Group Management Rules, systems for consultation and reporting have been established for any compliance violations that occur at Group companies.

A compliance survey is implemented for all Group officers and employees, including Group employees, temporary employees, part-time employees, and various other part-time staff, every two years to conduct a regular internal review of the status of adherence to the Mitsubishi Estate Group's Basic Mission, the Code of Conduct, and Guidelines for Conduct. In addition, in order to promote understanding of the Code of Conduct, the Group obtains a pledge from employees as an expression of adherence to the guidelines.

Preventing Corruption

The Mitsubishi Estate Group has declared that it will carry out equitable, transparent corporate activities with a primary emphasis on earning trust. The Group's Guidelines for Conduct forbid not just actions that could be construed as collusion with government officials or other actions considered illegal, but also entertainment and gift-giving that goes beyond the bounds of social convention.

When providing support related to the activities of political groups, the Group ensures it is appropriate in accordance with relevant laws and regulations such as the Political Funds Control Act and the Public Offices Election Act, as well as internal regulations such as the Mitsubishi Estate Group Guidelines for Conduct.

Moreover, in 2013, the Group established the Mitsubishi Estate Group Basic Regulations on the Prevention of Corruption to put in place a system to prevent corruption across the organization. In 2018, the Group established and published the Mitsubishi Estate Group Anti-Corruption Guidelines. The Guidelines document expectations of business partners with the aim of ensuring compliance throughout the supply chain based on the cooperation of all of the Group's business partners. The Group provides training on corruption prevention to officers and employees and obtains pledges on the Guidelines on the Prevention of Corruption from officers and employees. The Group also holds annual lectures on corruption prevention, particularly for departments and Group companies engaged in international business.

▶ Mitsubishi Estate Group Guidelines for Conduct

<https://www.mec.co.jp/e/company/charter/>

▶ Notice of the establishment of Mitsubishi Estate Group Anti-Corruption Guidelines

https://www.mec.co.jp/e/sustainability/activities/governance/compliance/pdf/anti_corruption_guideline_201903.pdf

Consultation and Reporting

In addition to establishing a help line as a point of contact for consultation on matters relating to compliance, including corruption prevention, the Mitsubishi Estate Group has set up a help line exclusively for business partners to receive consultations and reports from business partners of Group companies.

Risk Assessment

The Group has established and operate the Rules on Corruption Risk Assessment and Corruption Due Diligence, which require that the risk of corruption be assessed for each contract and mandate due diligence in the case of counterparties with which transactions are deemed high risk.

In 2017, an external organization assessed the Mitsubishi Estate Group's corruption prevention system as a whole. The Group has been working to further strengthen the corruption prevention system by responding to the issues identified through the assessment.

Monitoring

The Risk Management & Compliance Committee monitors the operational status of the corruption prevention system each year, and the status of monitoring by the Risk Management & Compliance Committee is also reported to the Board of Directors.

Also, in order to maintain and continue the effectiveness of the corruption prevention system, the Group implements internal audits periodically to assess and review the corruption prevention management system.

Education

The Mitsubishi Estate Group strives to make the rules on corruption prevention widely known through training for Group officers and employees engaged in overseas business.

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.

Augmenting the Help Line

The Mitsubishi Estate Group has established a compliance help line to receive inquiries and consultations on compliance issues. Officers and employees can consult the help line about suspected compliance violations or other issues of concern that have to be addressed, such as harassment, human relationships in the workplace, labor relations, and corruption. Group company employees, temporary employees, part-time employees, and various other part-time staff can also use the help line. 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. To ensure that employees know about the help line, information is provided in the Compliance Newsletter and on posters.

There were 75 reports via the Mitsubishi Estate Group help line in fiscal 2019. About half of the 75 reports were anonymous, and about half were made under the caller's name. Depending on the substance of the consultations received, they are studied and the situation is confirmed to respond appropriately and improve the workplace environment. Of the consultations for which the response was completed in fiscal 2019, 21 cases were identified as problems in need of improvement as a result of a study and confirmation of the situation. Depending on the results, the Group took the appropriate actions such as providing guidance for the person involved.

The Mitsubishi Estate Group has also established help lines at individual Group companies and regularly collates data to confirm trends. In 2019, there were 119 consultations.

In addition, a help line exclusively for business partners has been set up to receive consultations and reports on compliance from the business partners of Group companies.

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 (437 participants from 26 companies in April 2020).

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 December 2019, Yoshiaki Honpo, Chief of the UN World Tourism Organization (UNWTO) Regional Support Office for Asia and the Pacific, spoke on the topic of "Mitsubishi Estate Group Risk Management Associated with the Rapid Rise in Inbound Visitors."

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.

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 respective functional and business groups identify risks of focus 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.

System for Promoting Risk Management

Mitsubishi Estate 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 at Mitsubishi Estate 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.

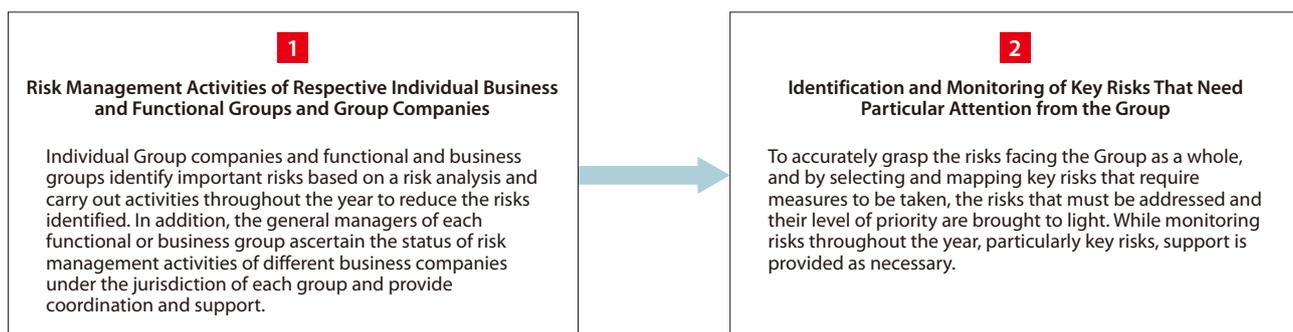
We have also established and implemented action guidelines, contact and initial response systems, and business continuity planning for use in times of crisis.

* See Mitsubishi Estate Group Risk Management and Compliance System (P32) for details.

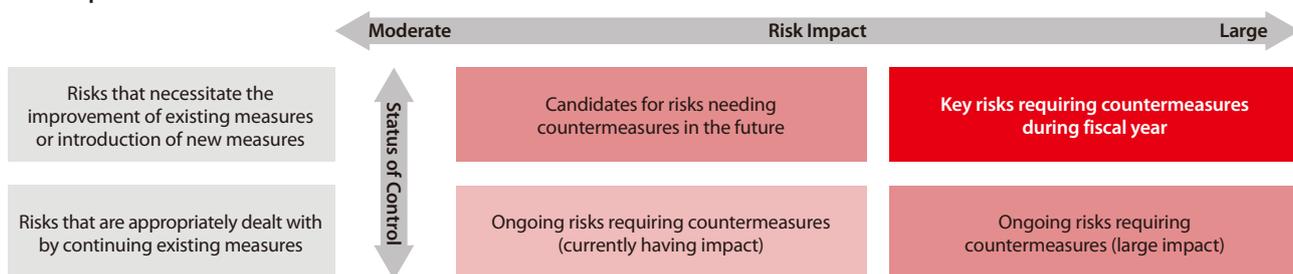
Risk Management Related to Investment Projects

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 of Mitsubishi Estate 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

<p>Risks of Information Security</p>	<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 Groupwide support.</p>
<p>Risks of Corruption</p>	<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>
<p>Risks of Natural and Man-Made Disasters, etc.</p>	<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 aspect 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>
<p>Risks of Fluctuations in Exchange Rates</p>	<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.</p> <p>The Group minimizes these risks of fluctuations in interest rates using such methods as borrowing funds in local currencies when procuring assets overseas.</p>
<p>Risks of Fluctuations in the Real Estate Market</p>	<p>The real estate market is closely correlated with movement 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>
<p>Risks of Increases in Interest Rates</p>	<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. Going forward, the Group will 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>

Risks Arising from the COVID-19 Pandemic

In fiscal 2019, performance in the Mitsubishi Estate Group's hotel, commercial facility, and airport operations felt the impacts of the global COVID-19 pandemic during February and March 2020. Moreover, the pandemic threatens to adversely impact the Group's business activities and performance centered on these operations in fiscal 2020. Based on the trends surrounding the pandemic, performance forecasts for fiscal 2020 were set assuming that Japan's state of emergency declaration would be lifted by May 31, 2020, and that the operating environment of businesses would gradually recover by the end of September. In some businesses, the impact is expected to continue throughout the fiscal year. However, should it become clear that the anticipated recovery trend will not occur, due to factors such as the prolongation of the pandemic or intermittent waves of subsequent infections, and if it is judged that performance forecasts need to be revised, prompt notification will be issued.