



SUSTAINABILITY ACTIVITIES (ESG)

Governance



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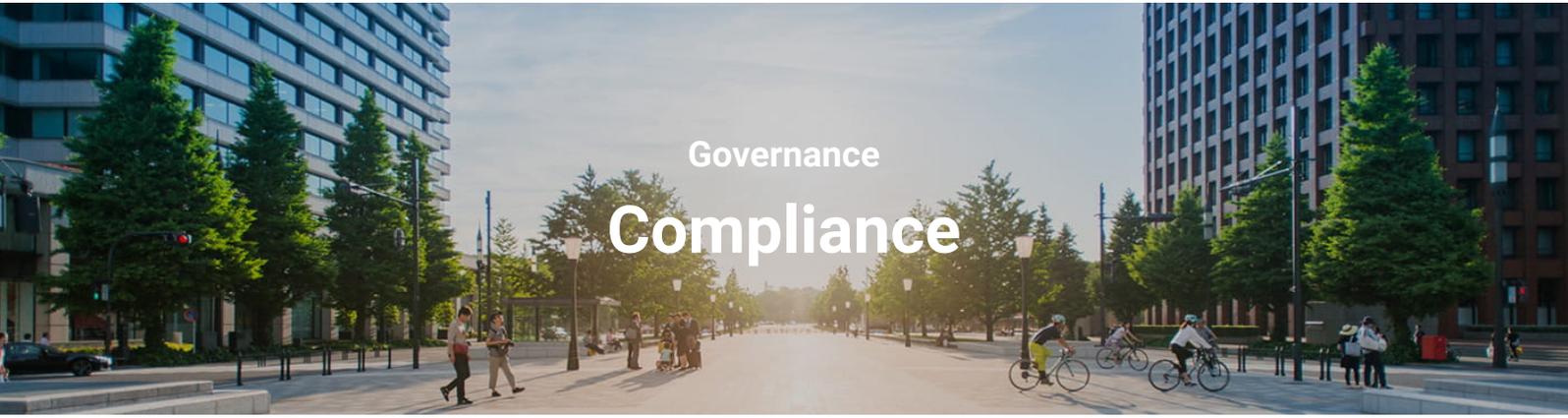
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Governance Compliance

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.

Mitsubishi Estate Group Guidelines for Conduct (Extract)

1. Compliance

We comply with all laws and regulations, and respect the social norms in the areas in which we conduct business. We establish and abide by corporate ethics, and respond to the expectations of a changing society.

In addition:

1. We engage fairly in all business dealings
2. We manage and safeguard information appropriately
3. We engage in efforts to prevent corruption in any form
4. We refuse any and all criminal activities in our business dealings, and
5. We are highly sensitive and responsive to societal changes.

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. 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 regarding and reporting of compliance violations by Group employees, temporary employees, and part-time employees, and various other part-time staff, the Group has established procedures for direct consultation and reporting to the Legal & Compliance Department at Mitsubishi Estate. 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.

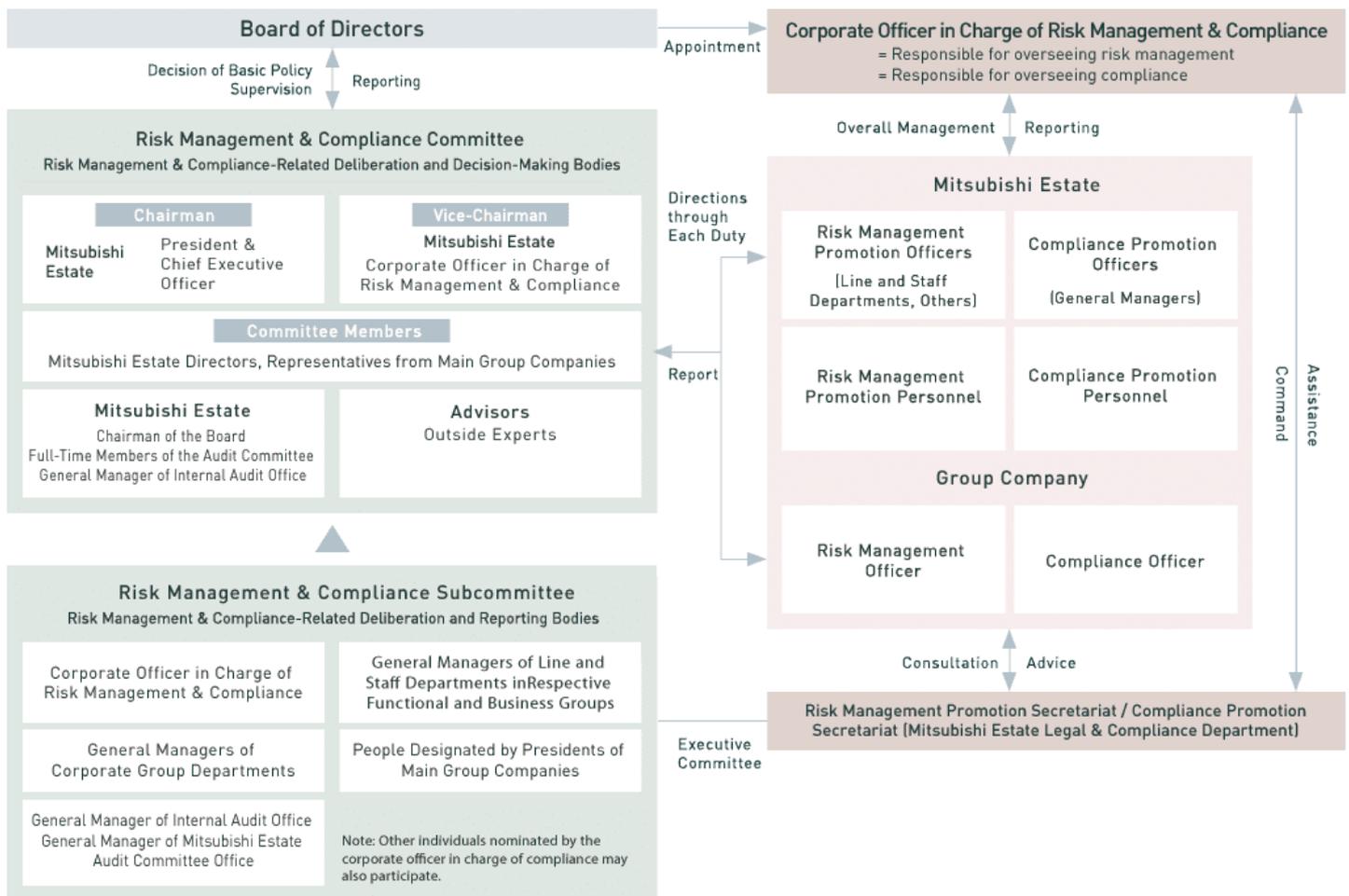
In accordance with the Mitsubishi Estate Group Management Rules, systems for consultation and reporting have been established for any compliance violations that occur at Group companies.

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.

Compliance Advisory Committee



Mitsubishi Estate Group Risk Management and Compliance System (as of April 2021)



Compliance Advisory Committee

In October 2004, the company premises were searched as a result of its violation of the Real Estate Brokerage Act by selling the OAP Residence Tower, a condominium in Osaka with known soil contamination issues, without informing clients. This was known as the OAP Incident.

Although the OAP Incident was legally dismissed in June 2005, the company reflected deeply on its actions and set up the Compliance Advisory Committee in response, under the direct supervision of the company president. The Committee was chaired by Professor Taka of the School of Economics and Business Administration of Reitaku University and was tasked with offering recommendations concerning the checking, strengthening and improving of the compliance system to prevent a recurrence of such an incident. It was also asked to give suggestions on how to improve the corporate culture.

In December of the same year, after seven rounds of deliberation, "Recommendations for Improving the Character of the Mitsubishi Estate Group - Lessons from the OAP Incident" were compiled and issued as a report in January the following year.

Recommendations for Improving the Character of the Mitsubishi Estate Group - Lessons from the OAP Incident (PDF 48KB)
(Japanese only)



An overview of the committee is provided below. Titles and departments stated are as they were at the time.

Advisory Committee Overview

1. The objective for establishing the Advisory Committee

To obtain recommendations on checking, improving and strengthening the compliance system and advice on improving corporate culture from the objective viewpoints of external experts to prevent a recurrence of the OAP Incident and other incidents.

2. The position of the Committee within the organization

An advisory committee under the direct supervision of the company president.

* The president received the findings and recommendations of the Compliance Advisory Committee and deliberated on them and decided on concrete plans along with the CSR Committee, an existing company decision-making body.

3. Members

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] * Also attended by personnel who were not officers in charge of departments as necessary |

4. Period of activity

July–December 2005 (6 months) Met on average once a month

5. Executive Committee

CSR Department, Planning Division

History of Compliance Advisory Committee Meetings

1st Meeting: Compliance Advisory Committee

1. Date and time

July 15, 2005 (Fri) 15:00 - 16:40

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Committee deliberated on how the Compliance Advisory Committee should proceed and finalized the following items as deliverables.

- (1) **Revising the Mitsubishi Estate Group Code of Conduct**
- (2) **Formulating guidelines for the sale of residential buildings**
- (3) **Creating a report on the findings of the Compliance Advisory Committee**

They also decided to publicize the details of discussions held by the Committee in summary form.

2nd Meeting: Compliance Advisory Committee

1. Date and time

August 11, 2005 (Thu) 13:30 - 15:35

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

- (1) **The history of Mitsubishi Estate's compliance structure**
 - They explained the history and status of existing initiatives such as the Mitsubishi Estate Group Code of Conduct, the regulations and organization of the Compliance Committee and the kinds of training provided.
- (2) **The OAP Incident**
 - They provided an overview and history of the OAP project.
- (3) **The Investigative Committee for the Explanation of Important Matters**
 - They introduced the newly-formed Investigative Committee for the Explanation of Important Matters which is responsible for revising the key points and ensuring the thoroughness of the material created when drawing up contracts and explanatory documents about important matters during the sale of residential buildings.
 - They also pointed out differences in knowledge of residential buildings between business operators and purchasers and the need for the persons responsible for marketing to pay attention to their speech and conduct.
- (4) **Compliance policies for ordering construction work**

(5) The State of Emergency Guidelines**(6) Exposing potential risks****(7) Meeting to exchange ideas between mid-level employees**

- In early August, Committee Chairman Professor Taka met with 30 mid-level employees from Mitsubishi Estate and the Mitsubishi Estate Group to exchange ideas. The ideas received on the occasion were explained and then discussed among the committee members and the decision was made to reflect the ideas in future training sessions.

■ Problems with the company noted during the idea exchange meeting

- The negative effects of the company's headquarters system
- The lack of a generational balance in the personnel structure
- The need for greater clarity in the decision-making process
- The lack of leadership provided by superiors

5. Other opinions

It was pointed out that training is of vital importance since it not only spreads awareness of compliance but also encourages self-reliance and a reformed mindset among individual employees.

3rd Meeting: Compliance Advisory Committee

1. Date and time

August 24, 2005 (Thu) 16:00 - 18:10

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

(1) Conflict of Interest manuals and their application in the Fund Business and other businesses

- Plans to add information about conflicts of interest in the Fund Business and other businesses to a compliance handbook were explained.

(2) Exposing problems through in-house consultations and group questionnaires

- The Mitsubishi Estate Group's system for eliminating ties to organized crime was explained.
- Examples of inquiries received through the internal company helpline (internal reporting) system were provided and it was agreed that the responses given were generally conscientious. However, it was noted that the penalties for compliance violations set out in regulations needed further explanation.
- The need to adopt a no-tolerance approach to sexual harassment and abuses of power in particular was noted.
- It was suggested that a questionnaire be administered to measure employee satisfaction levels.
- Proposals were made concerning a revision of the contents of the compliance handbook.
- Concerning the implementation and importance of compliance, the point was made that there might be a difference in real intentions as opposed to public attitudes. Thus, it was suggested that creating a detailed manual would be effective at spreading awareness of compliance among employees and officers.

4th Meeting: Compliance Advisory Committee

1. Date and time

September 27, 2005 (Tue) 13:00 - 16:00

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

(1) The OAP Incident

- It was explained that the company was conducting an internal investigation into the OAP Incident and that a report would be provided once it was ready.

(2) The formulation of guidelines for the sale of residential buildings

- An explanation was given about the Investigative Committee for the Explanation of Important Matters which was started by the head office of the Residential Business. The approach of widely communicating even information that clients might consider negative was also explained.
- Committee members expressed a certain level of approval for this initiative.

- Committee members then pointed out the following and made the following recommendations.

Actively disclosing information that clients may consider negative is important for the sustainable development of the company.

Explanations should be given to clients in a way they can understand, which means a system to facilitate the provision of such explanations is essential. Consideration should be given to concrete plans that take the viewpoint of clients into account such as checks by parties outside the company.

Along with the preparation of a manual, the company's sense of values based on viewing matters in the client's position should be reflected in the structure instead of being left solely to the individual's mindset. This is necessary in order for those in charge of development and individuals responsible for marketing to share that sense of values.

It is important to share information between parent companies and subsidiaries, as well as to reform the mindsets of subsidiaries and parent companies which may inhibit that process.

(3) Revising the Code of Conduct

- The course of action for the revision of the Basic Mission and the principles for action were explained.
- The reform proposal was positively evaluated for its easy-to-disseminate ideas.
- It was explained that more detailed Guidelines for Conduct would be considered in the future.

5th Meeting: Compliance Advisory Committee

1. Date and time

October 21, 2005 (Fri) 14:00 - 17:00

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

(1) The formulation of guidelines for the sale of residential buildings

- A report was given on the decisions made by the Investigative Committee for the Explanation of Important Matters and the overhaul of the sales manual.
- The Compliance Advisory Committee evaluated these measures as effective for the formulation of guidelines for the sale of residential housing. It was decided that improvements would be made to the details continuously to meet changing social attitudes.

(2) The OAP Incident

- A report was made on the status of the internal company investigation into the OAP Incident.
- A request was made for a report on selected problems from the investigation to be compiled and provided by the next committee meeting.

(3) Revising the Code of Conduct

- The Executive Committee reported on reform proposals and decided to review them before the next meeting of the Compliance Advisory Committee based on recommendations made by committee members.

6th Meeting: Compliance Advisory Committee

1. Date and time

November 18, 2005 (Fri) 14:00 - 17:00

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

(1) Revising the Code of Conduct

- The final draft was put together based on recommendations from the company and the Compliance Advisory Committee. It was decided that a report would be made on the topic at the 7th Compliance Advisory Committee meeting following a formal decision by the CSR Committee, the company's decision-making body.

(2) Report on Findings

- Committee members also pointed out the following and made the following recommendations regarding the contents of the report on their findings.

Create a timeline of the OAP Incident, point out problems and confirm strategies to prevent a recurrence.

For the explanation of important matters, introduce initiatives that are already under way as examples of concrete strategies that take client viewpoints into account.

Specify how the department responsible for compliance will be involved.

Create a system for the proper communication of items to be handed over in long-term projects.

- It was decided that the details of the courses of action listed above would be determined by the Compliance Advisory Committee at their 7th meeting and that Professor Taka, the Committee Chairman, would put together the report of findings. It was also determined that a final report on findings would be compiled once the draft had been discussed with each committee member.

7th Meeting: Compliance Advisory Committee

1. Date and time

December 22, 2005 (Thu) 15:00 - 18:00

2. Location

Main Office Conference Room, Mitsubishi Estate

3. Attendees (titles omitted)

| | |
|--|--|
| Committee Chairman | Iwao Taka [Professor, School of Economics and Business Administration, Reitaku University] |
| Committee Members (in Japanese alphabetical order) | One Akiyama [President, IntegreX Inc.] Toshiko Katayama [Lawyer, Katayama, Kuroki and Hiraizumi Law Office] Kakutaro Kitashiro [Chairman of the Board, IBM Japan, Ltd. Chairman, Japan Association of Corporate Executives] Kenji Koroyasu [Lawyer, Tokyo Eiwa Attorneys at Law. Former superintending prosecutor, Osaka High Public Prosecutors' Office] |
| Attendees from the company | Keiji Kimura [President & CEO] Nobuyuki Iizuka [Executive vice-president/corporate officer in charge of Compliance] Seiichiro Suzuki [Senior executive officer/officer in charge of CSR Promotion] |

4. Deliberations (summary)

1. Mitsubishi Estate's internal audit structure was explained.
2. The Executive Committee explained the following issues to committee members and an exchange of ideas was held.

(1) Revising the Code of Conduct

- A report was made on the formal decision taken by the CSR Committee, the company's decision-making body, and an explanation was given of how the information would be communicated throughout the company going forward.

(2) Report on Findings

- Committee members discussed the contents of the report on findings prepared by Professor Taka, the Committee Chairman.
- Based on the opinions offered in this session, it was determined that the Committee Chairman would recompile the report, receive feedback from individual committee members and create a final report on findings.

Reinforcing Compliance

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.

Mitsubishi Estate Group Guidelines for Conduct



Mitsubishi Estate Group Anti-Corruption Guidelines (PDF 246KB)



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 conducts varied training to ensure that the rules on corruption prevention are thoroughly understood. 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.

Violation of Laws and Regulations on Corruption

The Group was not subject to any fines or penalties for corruption in fiscal 2020.

See the following for information about violation of laws and regulations on corruption.

ESG Data > G: Governance-related data > (2) Other > 2. Risk Management and Compliance



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 44 reports via the Mitsubishi Estate Group help line in fiscal 2020. About half of the 44 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 2020, 25 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.

See the following for the number of reports to the help line.

ESG Data > G: Governance-related data > (2) Other > 2. Risk Management and Compliance



The Mitsubishi Estate Group has also established help lines at individual Group companies and regularly collates data to confirm trends. In fiscal 2020, there were 88 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.

Occurrences of Serious Compliance Violations

In the event of compliance violations, the Mitsubishi Estate Group takes disciplinary action against the offender in accordance with the nature of the violation.

See the following for occurrences of serious compliance violations.

[ESG Data > G: Governance-related data > \(2\) Other > 2. Risk Management and Compliance](#)



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 Risk Management and Compliance Training

The Mitsubishi Estate Group uses opportunities such as training sessions for new hires and new managers to provide training to ensure risk management and 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.

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

See the following for the risk and compliance e-learning attendance rate.

[ESG Data > G: Governance-related data > \(2\) Other > 2. Risk Management and Compliance](#)



Holding Risk Management and Compliance Lectures

Every year, 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 during that particular year. Mitsubishi Estate is working to strengthen risk management and compliance through this lecture initiative as well as the training described above.

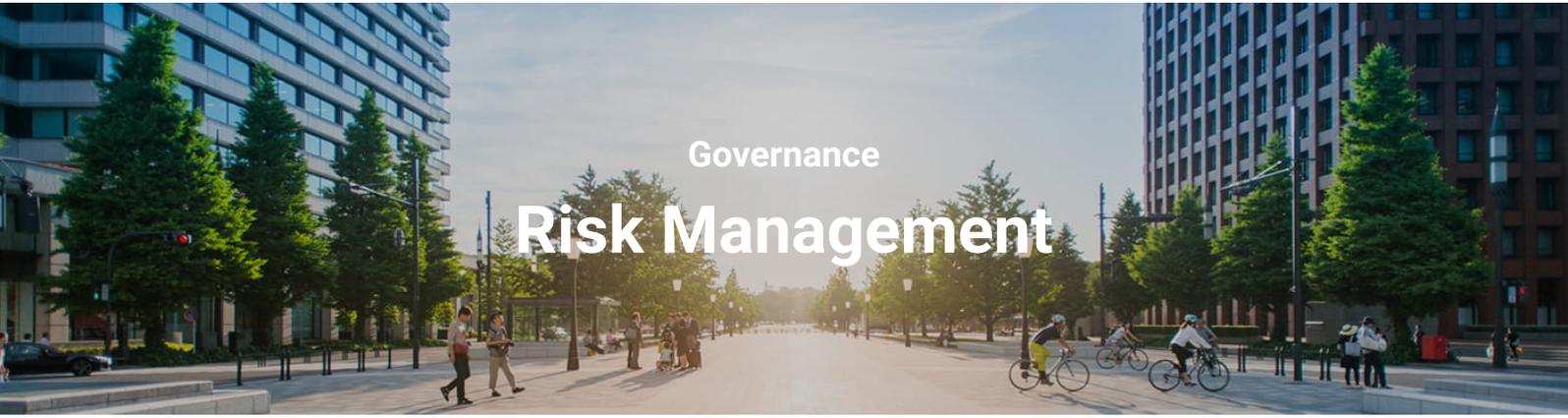
Compliance Surveys

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 analyzes the survey results to identify overall trends and characteristics of each business group and company, and provide feedback to each workplace to help maintain and strengthen the compliance system as well as reporting the results to management.

Including Compliance and Risk management Criteria in Personal Evaluations

In order to ensure that each and every employee has aware of compliance and risk management and acts with integrity as a member of the Mitsubishi Estate Group, we have included evaluation criteria related to compliance and risk management in our personnel evaluations. Specifically, in accordance with the The Spirit of Mitsubishi: The Three Principles and The Mitsubishi Estate Group Code of Conduct, the achievement levels are defined for each position and grade, including whether the employee is acting with an awareness of compliance, identifying and avoiding risks, and preventing recurrence. All employees are evaluated once a year on the status of achievement, and the results are taken into consideration for salary increases.

Through these personnel evaluations, each and every employee will strengthen their awareness and consciousness as a member of the Mitsubishi Estate Group, and by acting in a fair and transparent manner, we will strive to earn the trust of our many stakeholders.



Governance 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.

Risk Management Activities

01

Risk Management Activities of Respective Individual Business and Functional Groups and Group Companies

Individual Group companies and functional and business groups identify important risks based on a risk analysis and carry out activities throughout the year to reduce the risks identified. In addition, the general managers of each functional or business group ascertain the status of risk management activities of different business companies under the jurisdiction of each group and provide coordination and support.

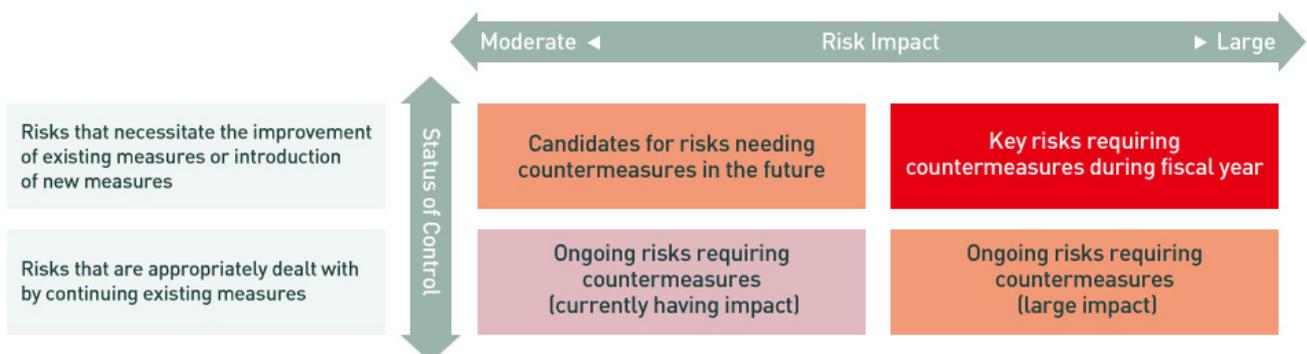


02

Identification and Monitoring of Key Risks That Need Particular Attention from the Group

To accurately grasp the risks facing the Group as a whole, and by selecting and mapping key risks that require measures to be taken, the risks that must be addressed and their level of priority are brought to light. While monitoring risks throughout the year, particularly key risks, support is provided as necessary.

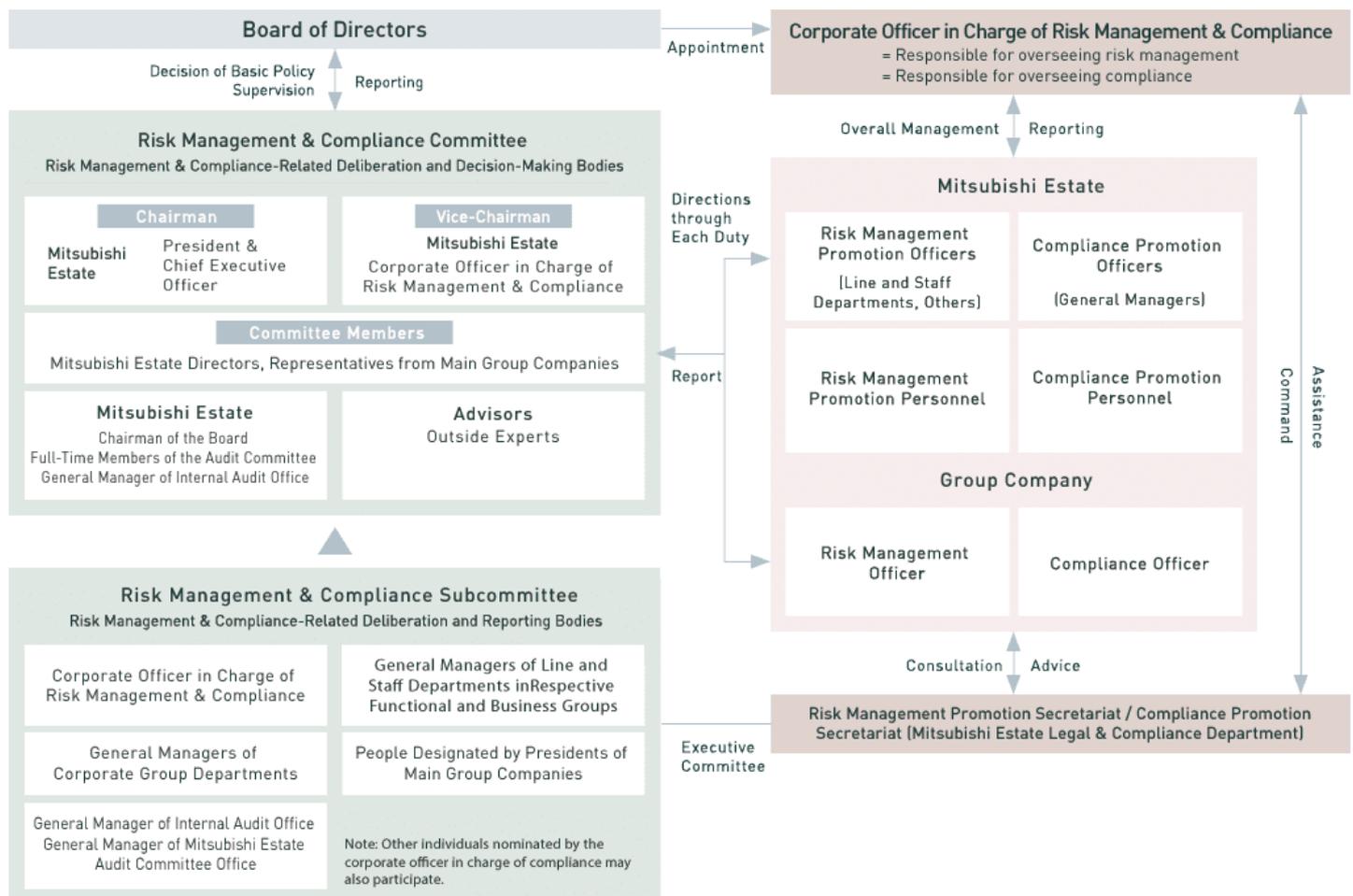
Risk Map



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 groups 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. The Risk Management & Compliance Committee reviews the effectiveness of the risk management process as needed and its findings will be reported to the Board. We have also established and implemented action guidelines, contact and initial response systems, and business continuity planning for use in times of crisis.

Risk Management and Compliance System (As of April 2021)



Risk Management Related to Investment Projects

Among the various risks recognized by the Mitsubishi Estate Group, risks related to investment projects are based on the assessment of business viability by company-wide 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 & 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.

Strategic Investment Committee

In its deliberations, in addition to assessing the economic viability of a given project using multiple indicators, the Strategic Investment Committee verifies the appropriateness of various aspect of premises, such as rents, unit selling prices, and construction costs. For risks, in particular, simulations of upside and downside scenarios are incorporated into investment decision rules. The difference between the scenario set by the responsible business group in charge of the project and the downside scenario is recognized as risk. The Strategic Investment Committee holds discussions on the acceptable limits of that risk.

Risk Management Initiatives

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.

Dealing with Major Risks

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

| | |
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| Risks Related to the COVID-19 Pandemic | <p>In fiscal 2020, the COVID-19 pandemic had a particularly adverse impact on the Group's hotel, retail facility, and airport operation businesses. In fiscal 2021, the pandemic has the potential to continue to adversely impact the Group's business promotion and performance, primarily in the aforementioned businesses.</p> |
| Risks of Natural and Man-Made Disasters, etc. | <p>The occurrence of such natural disasters as earthquakes, floods, or climate change or man-made disasters including accidents, fires, or the spread of infectious diseases 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> |
| Risks of Fluctuations in the Real Estate Market | <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> |
| Risks of Fluctuations in Exchange Rates | <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> |
| Risks of Increases in Interest Rates | <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> |
| Risks of Information Security | <p>In light of society's growing concerns over the appropriate protection of personal information and information management, the Mitsubishi Estate Group will establish rules related to information management and thoroughly reinforce its information management structure. At the same time, the Group will take steps to ensure appropriate responses in accordance with laws and regulations, such as the Act on the Protection of Personal Information.</p> <p>Moreover, in order to raise the IT security level of the entire Group, we have positioned our DX (Digital Transformation) Promotion Department at the center of efforts to standardize the Group's IT systems and make them 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> |

Emerging Risks for the Mitsubishi Estate Group's Business

| Risks | Explanation of risks and business background | Impact on business | Action to mitigate risk |
|---|---|---|--|
| Information security risk | <p>Unauthorized access to information systems and data related to personal information, etc. of tenants of office buildings and commercial facilities and purchasers of condominiums, information leaks, etc.</p> | <p>The Mitsubishi Estate Group holds a vast amount of customer and business partner data, including personal information related to the tenants of office buildings and commercial facilities and the purchasers of condominiums, as well as information on orders placed with construction companies for new construction.</p> <p>Information leaks or threats of unauthorized access lead to a decline in corporate credibility, which could in turn impact on business profit.</p> | <p>In light of society's growing concerns over appropriate information management and protection of personal information, the Mitsubishi Estate Group comprehensively revised its rules related to information management (rules on information management, information systems, and personal information) in 2018 and updated its information management systems to ensure scrupulous management. The Group also strives to ensure strict information management through continuous monitoring and audits.</p> <p>Moreover, in order to raise the IT security level of the entire Group, Mitsubishi Estate's DX (Digital Transformation) Promotion Department, a dedicated unit for promoting IT security and digital transformation, is leading the implementation of measures such as the following.</p> <ul style="list-style-type: none"> ● Implementation of third-party security assessments ● Standardization of Group IT systems through construction of BCP response and implementation of drills at least once a year ● Strengthening security ● Strengthening the support system for the entire Group by boosting IT security personnel in the DX Promotion Department and increasing collaboration with external security companies ● Conducting annual IT security drills for all Mitsubishi Estate Group employees with the aim of increasing employee awareness of IT security |
| Business continuity risk due to natural disasters, etc. | <p>Climate change-driven natural disasters, which include flooding due to abnormal weather and sudden heavy rain, typhoons, and hurricanes, have become more severe in recent years. It is thought this could impact on the business continuity of the offices and commercial facilities operated by the Company, and this has been identified as an emerging risk.</p> | <p>Abnormal weather, such as sudden heavy rain, thought to be due to climate change, could damage the offices and commercial facilities operated by the Company. If the Company is forced to suspend operations of its facilities due to this damage, the number of people using urban areas and facilities will decrease, and it will be harder to lease facilities to tenants, which could make it difficult to continue the business. In addition, if it is difficult to continue the business, it is also assumed there could be an impact on rental profits.</p> | <p>The Mitsubishi Estate Group has installed advanced disaster prevention functions in the urban areas it develops and the buildings it operates as well as taking disaster response measures through area management.</p> <p>For example, in order to minimize the risk of flooding in office buildings it constructs, the Group takes all possible flood control measures including installing waterstopping equipment such as tide plates and watertight doors, and locating stockpile stores and key sites (e.g. power receiving and transforming equipment and disaster prevention centers) on above-ground floors. The Group has also been devising ways to develop highly disaster-resilient urban areas, such as installing systems in which electricity, water, and ventilation all function independently even when infrastructure supplies are cut in a disaster.</p> <p>The Mitsubishi Estate Group has established the Mitsubishi Estate Group Business Continuity Plan Guidelines, the Mitsubishi Estate Business Continuity Plan Documents, and the Mitsubishi Estate Group Guide to Preparing a Business Continuity Plan Document. By strengthening the bonds between the Business Continuity Plan and the Framework of Anti-Disaster Measures, we are ready to ensure both the safety of customers and Mitsubishi Estate Group employees as well as the business continuity of the Mitsubishi Estate Group in an emergency.</p> <p>Mitsubishi Estate Co., Ltd. has been implementing a variety of disaster prevention drill initiatives.</p> <ul style="list-style-type: none"> ● Every year, Mitsubishi Estate holds its comprehensive disaster prevention drill with the participation of all its officers and employees as well as Group companies and related parties to minimize damage and ensure a rapid response in the event of a disaster. ● As a disaster prevention initiative in the Otemachi-Marunouchi-Yurakucho area, Mitsubishi Estate conducted verification testing of Saigai Dashboard 4.0 in collaboration with Chiyoda-ku, railway companies, bus operators, building operators, and others. This has realized contactless reception in facilities for stranded commuters using QR codes and visualization of congestion around facilities. |

| Risks | Explanation of risks and business background | Impact on business | Action to mitigate risk |
|-------|--|--------------------|---|
| | | | <ul style="list-style-type: none"> ● The company held an initial response drill for head office employees based on the action plan for after an automatic announcement by the disaster system, in which a fifth generation mobile communications system (5G) was used for the first time in Japan. With cooperation from SoftBank Corp., Mitsubishi Estate installed Odekake 5G, a portable 5G facility that can be used locally for 5G communications, and verified a system for monitoring evacuation centers in real time using AI video analysis software. The information that was visualized in real time included the number of evacuees and rescue workers in evacuation centers, status of crowding in evacuation centers, results of rescue worker identification using facial recognition, and results of detection of people in need of being rescued. |

Business Continuity Plan Initiative and Review

The Mitsubishi Estate Group has drafted a Business Continuity Plan (BCP) to prevent crucial operations from being interrupted if a disaster or accident occurs – and, if they are suspended, to enable their speedy resumption – and we established "Mitsubishi Estate Group Business Continuity Plan Guidelines" in October 2006.

In December 2012, we established "Mitsubishi Estate Business Continuity Plan Documents" and the "Mitsubishi Estate Group Guide to Preparing a Business Continuity Plan Document" in light of the Great East Japan Earthquake. By strengthening the bonds between the Business Continuity Plan and the Framework of Anti-Disaster Measures, we are ready to ensure both the safety of customers and Mitsubishi Estate Group employees as well as the business continuity of the Mitsubishi Estate Group in an emergency.

Furthermore, in light of changes in the social and business environment, we strive to continually upgrade the content of the Business Continuity Plan through PDCA cycles and will implement further improvements going forward in order to fulfill our social responsibility.



Governance
Tax Transparency

Policy on Tax Transparency

The Mitsubishi Estate Group states that it will engage in fair and transparent corporate activities in the Mitsubishi Estate Group Code of Conduct and the Mitsubishi Estate Group Guidelines for Conduct, and considers it is important to act in compliance with corporate ethics and internal rules, beyond merely complying with legal requirements. Based on this concept, the Mitsubishi Estate Group complies with the matters listed below and engages in appropriate, fair, and highly transparent tax practices.

1. Compliance with tax laws and conformity with international standards

Each Mitsubishi Estate Group company complies with laws, regulations, and rules related to tax in each country where they engage in business activities as well as implementing tax practices in conformity with standards and guidelines published by international organizations (e.g., OECD, EU, the United Nations). Each Group company also ensures that it will file and pay taxes by the deadline stipulated in each country.

2. Sound relationships with tax authorities

The Mitsubishi Estate Group maintains sound and normal relationships with tax authorities and does not provide unjustified benefits.

3. Implementation of appropriate tax treatments

The Mitsubishi Estate Group responds appropriately to changes in the tax system and tax administration in each country to ensure appropriate tax treatments.

4. Prevention of unfair tax avoidance measures

The Mitsubishi Estate Group does not engage in unfair tax avoidance measures, such as use of tax havens for the purpose of tax avoidance.

5. Transfer pricing

In its transactions with foreign parties, the Mitsubishi Estate Group takes into consideration the arm's length price (ALP) and appropriately distributes profits based on the functions, assets, and risks of each subsidiary in each country.

Governance System

In order to ensure appropriate and fair financial reporting in accordance with the policy set out above, the Mitsubishi Estate Group has formulated and operates the Mitsubishi Estate Group Basic Guidelines on Internal Control Regarding Financial Reporting (Basic Rules) based on the Basic Policy of Establishment of the Internal Control System (resolution of the Board of Directors). These guidelines stipulate the following roles and responsibilities for financial reporting.

Roles and responsibilities stipulated in the guidelines

- Mitsubishi Estate Co., Ltd. Representative Corporate Executive Officer, President & Chief Executive Officer ("the President")
 - Establishes and operates internal control system in order to ensure reliability of financial reporting at the Mitsubishi Estate Group.
- Mitsubishi Estate Co., Ltd. Board of Directors
 - Supervises establishment and operation of internal control system related to Mitsubishi Estate Group financial reporting by the President.
- Mitsubishi Estate Co., Ltd. Audit Committee
 - Monitors and verifies the establishment and operation of internal control system related to Mitsubishi Estate Group financial reporting by the Board of Directors and the President.
- Mitsubishi Estate Co., Ltd. Internal Audit Office
 - Evaluates status of establishment and operation of internal control system related to Mitsubishi Estate Group financial reporting and promotes improvements as necessary.

For Audit Committee audits, the Committee receives reports on the audit plan, audit implementation system, and audit results from the Independent Auditor and the Internal Audit Office, and reports on the status of settlement of accounts at the end of quarterly and annual financial periods from the Finance & Accounting Department. The Audit Committee reports the results of Audit Committee audits to the Board of Directors.

In addition, the evaluations of the status of establishment and operation of the internal control system related to Mitsubishi Estate Group financial accounting conducted by the Internal Audit Office assess the effectiveness of the internal control system related to financial reporting with a focus on the tax calculation processes and other business processes that result in highly significant account items. This is reported to the Board of Directors by the President.

The substance of financial reporting (the consolidated financial statements) is audited by the Independent Auditor, and audit reports are received as follows.

- Independent Auditor's Report
 - See pages 105–111 of the Integrated Report 2021. [PDF](#)

Disclosure of Tax Payments

[Click here for the Mitsubishi Estate Group's tax payment record.](#)