Corporate Governance

Basic Philosophy of Corporate Governance

The Mitsubishi Estate Group seeks to raise true corporate value and achieve its basic mission of contributing to the creation of a meaningful society through urban development. To that end, we recognize the importance of achieving a harmonious balance between corporate growth and the interests of our various stakeholders.

Based on this mission, the Mitsubishi Estate Group has set its sights on perpetuating a management that is focused on the common interests of shareholders and works to ensure transparency and objectivity as it takes steps to further improve its management system to attain efficient and sound Group management. Above all, we view corporate governance as one of the most important challenges that we face and, therefore, we are constantly working toward the creation of an optimal Group governance structure.

Corporate Governance System

Mitsubishi Estate is a company with internal statutory auditors. In addition to the General Meeting of Shareholders, the highest decision-making body, it has established a Board of Directors composed of the 13 directors (including four outside directors) and the Company’s four statutory auditors (including three outside statutory auditors); and a Board of Statutory Auditors composed of all statutory auditors. Moreover, the Company has introduced an executive officer system and is taking steps to strengthen and more clearly define oversight and business execution functions.

Directors and the Board of Directors

The Board of Directors at Mitsubishi Estate holds regularly scheduled monthly meetings as well as extraordinary meetings when necessary to settle important business matters and oversee the business and affairs of the Company. In June 2007, to ensure greater management transparency and further fortify management and oversight of the Board of Directors, the number of outside directors was increased from two years to one.

To facilitate our response to new business opportunities, while keeping a close eye on governance, we are taking steps to speed up the decision-making process on urgent issues such as the acquisition of real estate assets through bids by introducing a special director system prescribed in the Japan Company Law.

Executive Officers and the Establishment of Consultative Bodies

At Mitsubishi Estate, 30 executive officers are in charge of business execution in each of their respective areas of responsibility. Moreover, important decisions are deliberated upon by the Executive Committee. The Executive Committee meets, as a general rule, once each week with the president, the executives of each business division and standing statutory auditors in attendance.

In addition, a number of consultative bodies have been established, including the Strategic Investment Committee and the CSR Committee. The Strategic Investment Committee assesses and considers investment proposals, acting as a subordinate body to the Executive Committee, and the Strategic Planning Committee is responsible for deliberating overall Group management strategy. The CSR Committee consults on Group CSR issues and shares relevant information on this subject with others. Through these bodies, we are creating a structure to facilitate and ensure that appropriate decisions are made in the area of management strategy and in the execution of business affairs.

Auditors and the Board of Auditors

Statutory auditors at Mitsubishi Estate attend meetings of the Board of Directors. In line with the annual audit plan, they audit the business execution status of the Board of Directors and of staff in each division. Standing statutory auditors attend important meetings including the Executive Committee and collaborate with the Internal Audit Office and the CSR Department through regularly scheduled meetings. Furthermore, the Office of Statutory Auditors was established to assist the work of auditors.

Internal Controls

With respect to compliance, Mitsubishi Estate has formulated the Group’s basic mission, code of conduct and action guidelines, which define standards of conduct for officers and employees to follow. The Company is working to thoroughly instill these standards throughout the Group and to achieve rigorous compliance through programs carried out by the CSR Department. Mitsubishi Estate has established its Group Management Rules for the management of business and other types of risk. Based on these rules, we have positioned the CSR Committee as a body responsible for promoting Group risk management, and the Risk Management Subcommittee as a working-level body that complies information related to risk management. The executive in charge of the CSR Department has been given overall responsibility for risk management, and the general staff department managers of each division and corporate staff department managers have been given the title of “Risk Management Officer” and overall control and responsibility for the management of risk within their departments.

The Internal Audit Office was established and implements internal controls in line with annual and medium-term auditing plans, and verifies whether internal controls are being appropriately maintained and managed.

Countermeasures to Acquisitions and Other Matters

At the Board of Directors Meeting held on May 10, 2007, Mitsubishi Estate resolved to introduce a basic policy regarding those who would assume control of the Company’s financial matters and management policy, and, as a concrete measure, to define standards of conduct for officers and employees to follow. The purpose of the Plan is that, in the event of a major acquisition of Mitsubishi Estate shares, shareholders will be able to decide whether said major acquisition contributes to Mitsubishi Estate’s corporate value and their interests. The Plan further ensures that the Board of Directors of the Company has sufficient time and information to submit an alternative proposal to the shareholders. It also helps prevent acquisitions that do not contribute to corporate value or shareholder interests by allowing the Company time to discuss and negotiate with the acquirer for the benefit of the shareholders. Moreover, the Plan sets an independent committee composed of independent outside directors. In the event of an allotment of equity warrants without contribution, a type of acquisition countermeasure, the independent directors will, after having considered specific concrete exigencies, make a point of advising Mitsubishi Estate’s Board of Directors, who will decide on a course of action only after having given full and serious consideration to said advice.
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Directors, Statutory Auditors, and Executive Officers

Director & Executive Counsel: Niigaki M. (President & Representative Director: Kimura K.)

Directors:
- Matsuhashi I. (Director)
- Tokiwa F. (Director)
- Okamoto K. (Director)
- Matsuhashi H. (Director)

Statutory Auditors:
- Inoue K. (Statutory Auditor)
- Hata K. (Statutory Auditor)
- Utsumi A. (Statutory Auditor)

(As June 28, 2007)

Notes:
1. Among directors, only Iizuka N., Ishizuka H., and Ohno K. fulfill the qualification necessary for outside statutory auditor as stipulated in Article 2-15 of the Company Law.
2. Among statutory auditors, only Inoue K., Hata K., and Utsumi A. fulfill the qualification necessary for outside statutory auditor as stipulated in Article 2-15 of the Company Law.

Environmental Efforts
As part of our environmental preservation activities, we have instituted an environmental management system, established environmental goals and are working for continuous improvement. With the prevention of global warming becoming an ever-more urgent issue, we have implemented energy conservation programs in cooperation with building tenants and, as a means of further promoting energy conservation in custom-built housing, we have promoted widespread use of Aerotech, a central heating, cooling and ventilation system. Having been proven to dramatically reduce CO₂ emissions and heating and cooling costs, the further spread of Aerotech is one of our environmental goals.

Social Contributions
As a good corporate citizen, the Mitsubishi Estate Group engages in a wide range of social contributions primarily centered on communities, environmental preservation, social welfare and culture and the arts. Specific programs include Marunouchi Street Galleries conducted in cooperation with the Hakone Open-Air Museum and the Dazzling Art Competition, a picture contest held annually for and in support of the future potential of disabled children.

Corporate Social Responsibility
Mitsubishi Estate believes that the fundamental mission of corporate social responsibility (CSR) is the achievement of a truly meaningful society through the development of an environmentally friendly and appealing urban environment that fully satisfies the people who live, work and seek leisure there. Under this concept, Mitsubishi Estate has established a CSR Committee with the president as committee chairperson and is conducting a variety of CSR activities that leverage the special traits of the Mitsubishi Estate Group.

Compliance
Mitsubishi Estate considers compliance as not simply the adherence to legal standards, but as meeting the expectations of people in society at large, and also extending to adherence to internal company rules and ethical corporate standards. Furthermore, because we recognize how essential compliance is to the profit base of the Company, we view the creation of a compliance system as our most important management challenge. Moreover, each and every employee is deepening his and her awareness of compliance issues and putting them into practice.

Risk Management
To maintain proper risk assessment and management of a wide range of internal and external business risks, Mitsubishi Estate established its CSR Committee to take the lead position in maintaining proper risk assessment and management of a wide range of internal and external business risks. We have further established the Risk Management Council as a working-level body tasked with gathering risk management-related information, and we are implementing risk management cross-sectionally throughout the Company.

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Ecozio is a place for enjoying harmonious environmental interaction in the Marunouchi area (opened in May 2007 on the 19th Floor of the Shin-Marunouchi Building)

Environmental efforts: the 5th annual Dazzling Art Competition exhibits 50 outstanding pictures (in a temporary enclosure during the construction of the Marunouchi Park Building)