

Management's Commitment	ESG at the Mitsui Fudosan Group	Regarding the Disclosure of our ESG Report	The Mitsui Fudosan Group: A History of Value Creation
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Risk Management

Mitsui Fudosan Group Compliance Policy (established April 28, 2005; revised July 1, 2018)

Introduction

We have engaged in fair business activities based on the highest corporate ethics and worked diligently to garner trust and build a robust brand. However, these tireless efforts to build a robust brand strength can be lost in an instant by the erroneous actions of a single individual. As a result, proper decision-making and behavior will continue to increase in importance. To accomplish this, we regard the practice of compliance as one of our highest priorities for Group management and implement fair and highly transparent corporate activities in accordance with corporate ethics, in addition to observing laws and regulations as well as social norms.

Definition of Compliance

Ensuring legitimate and fair corporate activities by observing laws, regulations, and internal rules, and giving proper consideration to norms of ordinary society, and corporate ethics.

Aims for Compliance

Honest Conduct

1. We shall aim not simply to comply with laws and regulations, but rather recognize our company's social responsibility and be a good corporate citizen.
2. We shall ensure mutual respect of human rights, personalities, and values.
3. Even if news is bad, it shall be promptly reported to top management, and we shall strive to respond properly.
4. In carrying out work, the top priority shall be placed on the safety of customers and the workplace environment.

Fair Conduct

1. We shall carry out corporate activities with fairness and a high degree of transparency, in accordance with corporate ethics.
2. We shall properly disclose information to society and ensure the transparency and soundness of our management.
3. We shall take an uncompromising stance toward antisocial organizations and reject any relationship whatsoever.
4. We shall not engage in wrongful discrimination based on nationality, social status, race, creed, gender, age, disability, sexual orientation, or gender identity (i.e., LGBT).

Abiding by Rules

1. We shall abide by all relevant laws, regulations, and internal rules, and give proper consideration to social norms and corporate ethics
2. We shall carefully protect and manage personal information and other information requiring confidentiality.

3. We shall not exchange gifts or provide entertainment to obtain illegitimate advantages.
4. We shall not pursue personal gain by using undisclosed or internal information.
5. We shall avoid conduct that may negatively affect our company's reputation or operations even outside of working hours.

When Unable to Decide, Ask Yourself the Following...

1. Is my conduct honest?
2. Is my conduct fair?
3. Is it conduct you can explain to your family, friends, and the society at large without being ashamed?

Board of Directors

The Board of Directors, which consists of 12 members (including four outside directors), makes decisions on material issues of Mitsui Fudosan and monitors the business execution status of directors. In addition, under Article 373 (1) of the Companies Act, Mitsui Fudosan has designated a special managing director who may pass judgment on the urgent acquisition of assets via bidding, etc., when so empowered by the Board of Directors under Article 362 (4) of the Companies Act. The corporate auditors also attend meetings of the Board of Directors and provide opinions as necessary.

During the period June 29, 2017, to May 11, 2018, 11 Board of Directors meetings were held, with each director achieving an attendance rate during the term of over 90%.

Board of Director Supervision on Code of Conduct and ESG Risks

The Board of Directors also monitors the conduct of the Company's business activities as well as environmental, social, and governance (ESG) risk.

Documented Company Declarations and Policies to Describe the Risk Management

Framework

Risk Management System

Under the Executive Management Committee, which supervises overall risk management for Mitsui Fudosan and the Mitsui Fudosan Group, the Strategy Planning Special Committee and the Risk Management Special Committee manage business risk^{*1} and administrative risk^{*2} respectively.

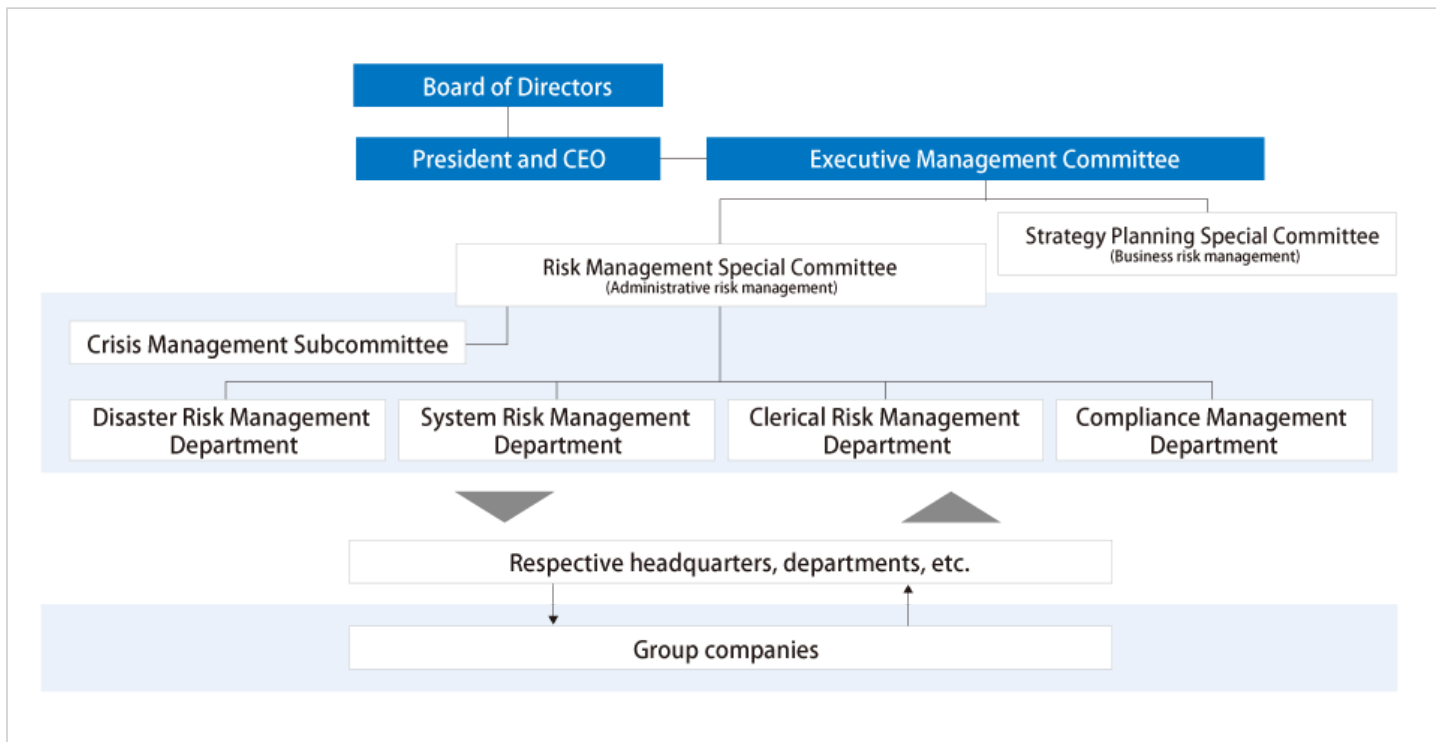
The Risk Management Special Committee meets in principle once a month to identify and delineate risk issues and evaluate and propose preventative and response measures. Where required, the committee shares information and/or communicates in other ways with the Mitsui Fudosan Group.

In addition, the Crisis Management Subcommittee, which reports to the Risk Management Special Committee, was established to meet when necessary to respond to accidents and other highly urgent matters.

The Executive Managing Director acts as the person in charge of legal affairs and compliance, the Chief Risk Officer, the Chief Legal Affairs Officer, and the Chief Officer for Compliance, and he belongs to the Board of Directors and Risk Management Special Committee, and periodically reports on risk management to the Board of Directors.

^{*1} **Business risk:** Business risk is primarily risk associated with advancing business and earning profits, including development risk, leasing risk, and market risk.

^{*2} **Administrative risk:** Administrative risk is operational risk associated with regular administrative duties, including disaster risk, system risk, clerical risk, and compliance risk.



Major Risks

Major Risks Associated with Advancing Business

- Risk of natural disasters, man-made disasters, etc.
- Risk associated with changes in social structure (aging of society, population decline, etc.)
- Risk associated with fluctuations in the economy and real estate markets
- Risk associated with interest rate rises
- Risk accompanying business expansion into new areas
- Risk accompanying exchange rate fluctuations
- Risk accompanying rises in the cost of labor, raw materials, etc.
- Risk accompanying changes in economic activity due to the proliferation of ICT, etc.

Major Risks Associated with Corporate Activity

- Information security risk
- Risk of compliance violations
- Risk associated with directors and employees related to illegal or improper conduct during the execution of duties, etc.
- Risk of accidents, etc., which affect the safety of customers, business partners, or employees
- Risk of defects in quality, etc., of products and services provided by the Group
- Risk associated with factors affecting the health and safety of employees, such as long work hours

Upper Management and Various Committees' Responsibility for Risk

To manage business risk, the Risk Management Special Committee formulates risk management policies and plans, identifies and assesses risks, formulates response measures, and issues instructions.

The Risk Management Special Committee implements a PDCA cycle to comprehensively manage administrative risk, and it also precisely engages in preventative risk management while standing at the ready to respond in a crisis. When a compliance violation occurs, the Risk Management Special Committee orders an investigation and response, and monitors the situation.

The Risk Management Special Committee fulfills the following functions for Mitsui Fudosan and its Group companies.

1. Formulating risk management policies and plans
2. Improving risk management-related organizations, and clarifying roles and responsibilities
3. Understanding and assessing risks that require management, formulating response measures, and issuing instruction
4. Understanding and assessing the status of risk management, formulating improvement measures, and issuing instruction
5. Deliberating response measures and issuing instruction in cases of business risk arising from crises (emergency incidents, accidents, etc.)

In fiscal 2017, the Risk Management Special Committee met, in principle, on a once a month basis, to identify and grasp risk issues, and then evaluate and propose preventative and response measures. As necessary, the committee conveyed information to the Mitsui Fudosan Group.

Main Agenda Items of the Risk Management Special Committee

Incidence of accidents and other incidents and the status of countermeasures

Status of compliance with laws and regulations

Status of compliance training implementation

Incidence of internal rule infringement and preventive measures

Mitsui Fudosan and Group companies' personal information protection plan

Horizontal rollout of information related to risks and crises

Status of progress on J-SOX compliance

The Crisis Management Subcommittee, as a subordinate body of the Risk Management Special Committee, ascertains the circumstances of accidents or other incidents that occur and determines response policies and other matters as necessary during times of crisis.

Our Comprehensive Approach to Compliance Violations

When the Compliance Management Department determines that a particular matter involves a compliance problem, it conducts an investigation in collaboration with the relevant Company department. If necessary, appropriate action is taken with respect to the individuals who are out of compliance, as well as those individuals' departments, after deliberation by the Risk Management Special Committee.

Reserve Funds for Fines and Arbitrations Are Published on the Audited Financial Statements

There were no major instances of legal non-compliance with our bribery prevention rules in 2017. As such, no fines, surcharges, or arbitration payments were made.

Our Commitment to Auditors

Mitsui Fudosan has established the Compensation Advisory Committee and the Nomination Advisory Committee to enhance transparency of the nomination process for corporate auditors. To ensure appropriate operation of the auditing function, we rotate our auditors in an appropriate way.

The Audit Department periodically conducts audits to review observance with the Code of Conduct and Code of Ethics, and identify any compliance violations.

Complying with the Antimonopoly Act

The Mitsui Fudosan Group closely monitors its purchases from vendors for conformance with its Group Compliance Policies, and makes efforts to strictly comply with the Antimonopoly Act.

Mitsui Fudosan will comply with all relevant laws, such as the Antimonopoly Act, and will avoid any conduct that could result in unfair transactions or unjust competition. We will engage with business connections sincerely as an equal partner and handle the procurement of goods and services based on fair standards.

■ Responding to Antisocial Forces

The Mitsui Fudosan Group Compliance Policy states, "We shall take an uncompromising stance toward antisocial organizations, and reject any relationship whatsoever," and we ensure that all employees are aware of this policy.

Mitsui Fudosan strictly forbids any kind of connection to organized crime and as a company, takes a firm stance in dealing with such groups. Each division of the Company also investigates and confirms that a transaction partner is not involved in organized crime before the transaction begins. Should the unlikely situation occur that forces the Company to face unwarranted demands or violent behavior from such organizations, it will contact the relevant police department and take any other action necessary, including legal measures.

■ Information Security Management System

Mitsui Fudosan appoints the chairperson of the Risk Management Special Committee as a general director of information security management. Under the general director's supervision, a chief administrator, manager, group leader and other leadership are assigned at each organizational level to manage information security risk.

Personal Information Protection Initiatives

To appropriately utilize and manage personal information, in line with the Information Security Management System, the Mitsui Fudosan Group implements and manages its Personal Information Protection Policy in accordance with applicable laws and regulations. Moreover, we strive to reinforce the system and cultivate awareness through the following efforts.

- Formulation and application of Guidelines for Personal Information Protection
- Training through e-learning
- Formulation of personal information protection plan
- Thorough management of subcontractors
- Enhancing personal information protection by Group companies
- Creating New Value and Markets through Urban Development
- Corruption Prevention

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■ Corporate Policy and Commitment to Prevent Bribery and Corruption

The Mitsui Fudosan Group positions compliance as a management issue of the highest priority, and makes concerted efforts to maintain and improve its compliance structure.

The Mitsui Fudosan Group Compliance Policy sets forth the relevant compliance definitions and conduct guidelines, and the detailed rules in the Compliance Manual outline conduct guidelines in areas such as eliminating organized crime, preventing money laundering, eliminating unfair transactions, preventing insider trading, prohibiting gifts and entertainment, and forbidding contributions to politicians and political organizations. In this way, we make consistent efforts to ensure compliance and prevent bribery and corruption.

Mitsui Fudosan Group Compliance Policy (Excerpt)

We have engaged in fair business activities based on the highest corporate ethics and worked diligently to garner trust and build a robust brand.

However, these tireless efforts to build a robust brand strength can be lost in an instant by the erroneous actions of a single individual. As a result, proper decision-making and behavior will continue to increase in importance.

To accomplish this, we regard the practice of compliance as one of our highest priorities for Group management and implement fair and highly transparent corporate activities in accordance with corporate ethics, in addition to observing laws and regulations as well as social norms.

⇒ [Mitsui Fudosan Group Compliance Policy](#)

■ Communicating Corruption Prevention Policies to All Employees

The employee handbook includes a clear description of Group Compliance Policies. We also strengthen compliance and ensure broad dissemination of information by issuing Compliance news to all employees when appropriate. This news covers topics specified in the Compliance Manual (based on the Mitsui Fudosan Group Compliance Policy) such as eliminating organized crime, preventing money laundering, eliminating unfair transactions (abuse of superior bargaining position), preventing insider trading, prohibiting gifts and entertainment, and duty of confidentiality regarding company information.



Group Compliance Policies recorded in an employee handbook

■ Prohibiting Bribery and Handling of Gifts and Entertainment

Mitsui Fudosan has prohibited the illicit provision of benefits to public officials and other individuals in similar positions. Also, in dealings with business connections and affiliates, etc., a rule has been established preventing the giving or receiving of excessive gifts, entertainment, and the like. Also, the Company has established a structure and rules to be followed to prevent bribery and has formulated and is implementing Regulations for Preventing Bribery with the aim of preventing such conduct before it occurs.

■ Our Efforts at Preventing Corruption

- The Company uses e-learning to train employees in corruption prevention and other issues. This training covers issues set forth in our Compliance Manual such as eliminating organized crime, preventing money laundering, eliminating unfair transactions (abuse of superior bargaining position), preventing insider trading, and prohibiting gifts and entertainment.
- We assess corruption risk and endeavor to control it when selecting new domestic and international business partners and entering new regions and business areas. We ask our prospective business partners to fill out a basic check sheet and a compliance check sheet, and also have our legal compliance department confirm the absence of any violations. In this way, we carry out a comprehensive examination in areas such as eliminating organized crime, preventing money laundering, eliminating unfair transactions, preventing insider trading, prohibiting gifts and entertainment, and forbidding contribution to politicians and political organizations.
- Businesses deemed to be at high risk of corruption are monitored closely by the Executive Management Committee and the Strategy Planning Special Committee, and they decide on an appropriate response in each case.
- The Board of Directors closely monitors the Corruption Prevention Policy. The Risk Management Special Committee supervises such areas as eliminating organized crime, preventing money laundering, eliminating unfair transactions, preventing insider trading, prohibiting gifts and entertainment, and forbidding contribution to politicians and political organizations, and regularly reports to the Board of Directors.
- We work to prevent corruption by providing the internal whistleblower system outlined below.

■ Establishment of an Internal Consultation Service

Mitsui Fudosan has established internal contact points for consultation. These can be used by regular employees, and anyone engaged in work for our company based on an individual labor contract (contract employee), temporary transfer agreement, worker dispatch contract, part-time contract, or other agreement. Two contact points, internal and external, have been established, and workers can consult with either. The external contact point is provided at a law office, and it accepts consultations from a neutral standpoint,*1 notifies the Company of the consultation content, and encourages a response.

Topics for consultation include: wrongful conduct violating laws, regulations, internal rules, general social norms, or corporate ethics, sexual harassment, abuse of power, other forms of harassment, employment problems, and issues with the workplace environment.*2 The privacy of those who engage in consultation is protected, and there is never any retaliatory action or disadvantageous treatment due to such consultations in terms of personnel decisions. Consultations can be conducted under a real name, or anonymously.*3

*1. Representatives of the law office cannot provide legal opinions as lawyers, or take a stance protecting the consulting person.

*2. Simple expressions of opinion, dissatisfaction with personnel decisions, defamation of others, and similar issues cannot be the subject of consultation.

*3. To achieve early discovery and response to compliance problems—the original purpose of the system—the consulting employee's standpoint and other information are confirmed even in the case of an anonymous consultation.

■ Donations to Politicians and Political Organizations

Mitsui Fudosan does not provide donations for political activities to any parties other than official political parties and political fund-raising organizations. Furthermore, support for activities by political organizations is conducted appropriately in accordance with the Political Funds Control Law, laws and regulations connected to the Public Offices Election Law, and other relevant laws and regulations.

■ Disclosure of Political Donations


Fiscal 2015–2017


- One donation each year, to The People's Political Association. Amount: ¥20 million

No. of Compliance Violations

Fiscal 2017

- Cases handled by Risk Management Special Committee: 8 violations

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[Basic Policy on Specific Personal Information](#)

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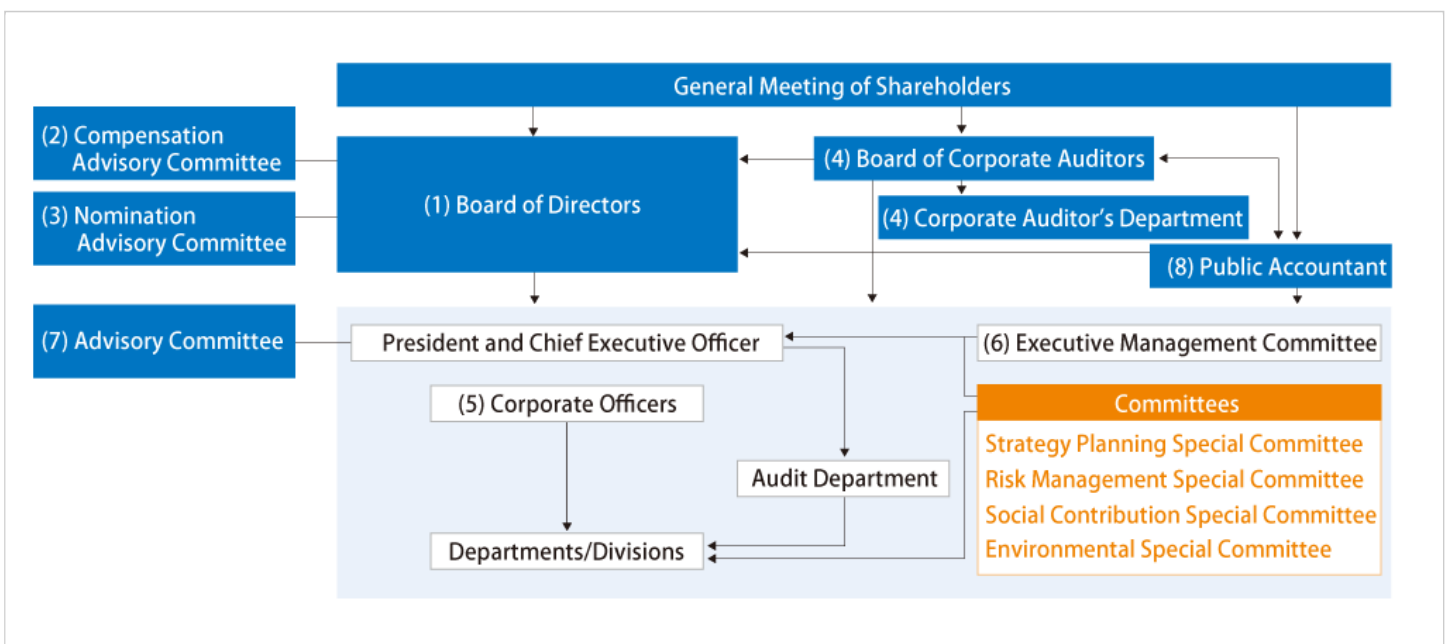
Corporate Governance

The Mitsui Fudosan Group aims to create and maintain optimal corporate governance from the standpoint of improving the soundness, transparency and efficiency of management in order to gain the trust of its stakeholders.

Mitsui Fudosan has both a Board of Directors and a Board of Corporate Auditors. To ensure transparency with respect to director compensation and appointments of directors and auditors, we maintain a Compensation Advisory Committee and a Nomination Advisory Committee. In addition, we have adopted a corporate officer system to enhance the soundness and efficiency of management by separating and strengthening management and executive functions. Mitsui Fudosan also invites and appoints outside directors in order to strengthen the oversight functions of the directors and enhance management transparency. Furthermore, Mitsui Fudosan has established the Advisory Committee, consisting of experts from business and academia, to further broaden and diversify the perspective of management.

In addition, auditors conduct audits in a bid to evaluate the status of business execution by directors while coordinating with the Corporate Auditor's Department, which serves as the internal audit department of the Company, as well as certified public accountants. Moreover, steps have been taken to put in place the Mitsui Fudosan Group Compliance Policy as well as a structure that will ensure that Group directors and employees engage in business activities in an appropriate manner.

Corporate Governance Structure



(1) Board of Directors

The Board of Directors, which consists of 12 members (including four outside directors), makes decisions on material issues of Mitsui Fudosan and monitors the business execution status of directors. In addition, under Article 373 (1) of the Companies Act, Mitsui Fudosan has designated a special managing director who may pass judgment on the urgent acquisition of assets via bidding, etc., when so empowered by the Board of Directors under Article 362 (4) of the Companies Act. The corporate auditors also attend meetings of the Board of Directors and provide opinions as necessary. Board meetings are attended by corporate auditors, who provide opinions as necessary. During the period June 29, 2017, to May 11, 2018, 11 Board of Directors meetings were held, with each director achieving an attendance rate during the term of over 90%.

Number of Directors and Auditors (as of June 30, 2018)	
Directors	12
Number of independent directors on the Board of Directors	4
Female directors	1
Auditors	5
Outside auditors	3

(2) Compensation Advisory Committee

The Compensation Advisory Committee, comprising the President and Chief Executive Officer (Representative), one internal director, and four outside directors, meets on matters pertaining to the compensation of managing directors.

(3) Nomination Advisory Committee

The Nomination Advisory Committee, comprising the President and Chief Executive Officer (Representative), one internal director, and four outside directors, meets on matters pertaining to the nomination of managing directors and corporate auditors.

(4) Board of Corporate Auditors/Corporate Auditor's Department

The Board of Corporate Auditors, comprising five corporate auditors, including three outside auditors, formulates auditing policies and determines assignments. It also receives reports and discusses material items on audits conducted according to these policies and assignments. Note that the Corporate Auditor's Department has been established specifically to assist the corporate auditors with their work, and each corporate auditor has been assigned three dedicated employees. (as of October 1, 2018).

(5) Corporate Officer System

Mitsui Fudosan has introduced a corporate officer system with the aim of creating a business execution framework that best suits its operating environment and activities. By promoting the separation and reinforcement of the management and executive functions, the system enhances management soundness and efficiency. In addition, seeking to further reinforce the management of the Mitsui Fudosan Group, we have also introduced a Group corporate officer system, under which executives at Group companies have been given a status and mission similar to those of the corporate officers.

(6) Executive Management Committee

The Executive Management Committee, consisting of executive corporate officers, has been formed to deliberate and report on important matters related to business execution and supervises internal control and risk management. Full-time corporate auditors also attend meetings to stay informed of important decision-making processes and the status of business execution, and provide opinions as necessary.

(7) Advisory Committee

Mitsui Fudosan has also established an Advisory Committee, consisting of experts from business and academia, to diversify the perspective of management by providing comprehensive and forward-looking advice from an objective viewpoint.

(8) Financial Auditing

Mitsui Fudosan has concluded an auditing contract with KPMG AZSA LLC as its certified public accountant, which conducts audits. There is no shared interest between the auditor and the Company, nor between employees conducting operations for the auditor and the Company.

Strategy Planning Special Committee

Formulates and deliberates Group strategy and management plans and supervises risk management, with the goal of discussing and managing the execution of those plans and other specific management issues.

Risk Management Special Committee

Manages business risk by formulating risk management policies and plans; tracking, evaluating and formulating responses to risk issues; issuing instructions, etc.

Social Contribution Special Committee

Promotes social contributions by formulating policies and measures related to social contribution activities and revising and evaluating objectives, targets and plans.

Environmental Special Committee

Promotes environmental activities by formulating policies and measures related to environmental activities and revising and evaluating objectives, targets and plans.

Board of Director Decisions and Reports

The following matters shall be resolved by or reported to the Mitsui Fudosan Board of Directors as stipulated by laws and regulations, the Company's Articles of Incorporation, and company rules such as those regarding the Board of Directors.

(1) Matters related to shareholders' meetings

(2) Matters related to directors

- Preliminary selection of director candidates
- The appointment and dismissal of representative directors
- The appointment and dismissal of executive directors
- Compensation and bonuses for directors
- Other important matters

(3) Matters related to the Company's structure

(4) Important matters related to compliance, etc.

- Formulating a compliance promotion plan for the fiscal year
- Reporting on the results of compliance promotion activities implemented during the fiscal year
- Formulating an audit plan for the fiscal year
- Reporting on audit activities implemented during the fiscal year
- Evaluating internal controls concerning financial reporting during the fiscal year and formulating audit-related policy (J-SOX activities)

(5) Important matters related to personnel

- The appointment and dismissal of corporate officers and executive corporate officers
- The appointment and dismissal of key employees
- Compensation and bonuses for corporate officers, etc.

(6) Important matters related to finance and assets

(7) Other matters that are especially important in regard to managing the Company or executing duties

Internal control

The Mitsui Fudosan Group sets up and manages an internal control system that conforms to the Companies Act. We endeavor to put in place systems to ensure that the execution of business by directors and employees complies with laws and regulations and the Company's Articles of Incorporation. With this in mind, the Board of Directors of Mitsui Fudosan formulated the following basic policy and maintains its proper operation.

Basic Policy to Put in Place an Internal Control System That Will Ensure the Proper Execution of Business Activities by a Company Limited by Shares

1. System to ensure that execution of business by directors conforms to laws and regulations and the Company's Articles of Incorporation

The Company is working to ensure compliance through formulation and implementation of a compliance promotion plan, based on its Compliance Rules and other internal rules. The Company has also established a Risk Management Special Committee and put in place a compliance structure to prevent violations of laws and regulations and its Articles of Incorporation.

2. System related to storage and management of information concerning the execution of business by directors

All information is appropriately stored and managed according to internal rules, including the Document Rules, the Information Management Rules and the Information System Management Rules.

3. Regulations and other frameworks related to prevention of losses

Based on Risk Management Regulations and other internal rules, the Executive Management Committee supervises and controls risk management items concerning the Company or the Mitsui Fudosan Group. It heads two committees charged with uncovering and comprehending risk issues and devising solutions for them—the Strategy Planning Special Committee, which handles business risk management, and the Risk Management Special Committee, which is responsible for management of administrative risk.

In addition, the Crisis Management Subcommittee, which reports to the Risk Management Special Committee, was established to meet when necessary to respond to accidents and other highly urgent matters.

4. Framework for ensuring that the business of directors is executed efficiently

To promote the separation and strengthening of the management and executive functions for which directors are responsible, the Company has adopted a corporate officer system, part of a framework intended to ensure that the business of directors is executed efficiently.

Concerning the execution of business based on decisions of the Board of Directors, internal rules, including organizational rules and rules governing administrative authority, set forth who is in charge and their responsibilities and promote efficient business by also setting forth procedures for execution.

5. A system to ensure that the execution of business by employees conforms to laws and regulations and the Company's Articles of Incorporation

The Company is working to ensure compliance through formulation and implementation of a compliance promotion plan, based on its Compliance Rules and other internal rules. The Company also maintains a Risk Management Special Committee and a compliance structure to prevent violations of laws and regulations and its Articles of Incorporation.

In addition, based on its Internal Control System Rules, the Company has established a point of contact for consultation regarding compliance problems inside and outside the Company.

Further, based on Internal Audit Rules, the Internal Audit Department monitors the operation of the compliance framework as well as compliance with laws and regulations, and reports to the Board of Directors and the Board of Corporate Auditors.

6. Framework for ensuring appropriate business practices by the corporate group comprising the Company and its subsidiaries

Through appropriate management of its Subsidiaries and Affiliates Administration Rules and Overseas Affiliates Administration Rules, the Company seeks to ensure the efficient execution of business by directors of its subsidiaries, while management is based on approval and monitoring by Mitsui Fudosan.

Each Group company also has in place a compliance framework and Internal Control System based on the Mitsui Fudosan Group Compliance Policy. The Internal Audit Department conducts audits of the subsidiaries' compliance frameworks and their compliance with laws and regulations, and reports to the Board of Directors and the Board of Corporate Auditors.

7. A system for employees to assist auditors with their duties and matters concerning the assurance of independence of these employees from directors and the effectiveness of instructions given to these employees

The Corporate Auditor's Department has been established specifically to assist the corporate auditors with their work, and each corporate auditor has been assigned a dedicated employee.

Said employee shall be under the chain of command of the corporate auditor, who shall also evaluate the employee's performance. Transfer of said employee shall take place only upon prior discussion with the corporate auditor.

8. Frameworks for enabling directors and employees to report to the corporate auditors, for other reporting to the corporate auditors, and for ensuring that audits by the corporate auditors are conducted effectively

Corporate auditors attend meetings of the Board of Directors.

Full-time corporate auditors also attend meetings of the Executive Management Committee, which oversees internal controls and risk management, receives reports when necessary, and shares these at meetings of the Board of Corporate Auditors.

In addition, the corporate auditors receive regular audit reports from the Internal Audit Department and the Company's certified public accountant, and exchange information to build cooperation.

Matters that have become subject to internal consulting are reported to the corporate auditors as appropriate via the Risk Management Special Committee, and the Internal Control System Rules contain provisions stating that the act of consulting itself will not be reason for detrimental treatment of the person requesting consultation.

9. Framework for enabling directors, auditors and employees of subsidiaries, or individuals receiving reports from those listed, to report to corporate auditors, and for ensuring that individuals providing such reports will not, by reason of having made said report, be subject to detrimental treatment as a result

Full-time corporate auditors attend meetings of the Executive Management Committee, which oversees internal controls and risk management, receives reports as necessary, and shares them with the Board of Corporate Auditors.

They also work to exchange information as appropriate with the directors and auditors of the Company's subsidiaries, either directly or through relevant departments, and receive progress reports on implementation of internal audits at subsidiaries.

Matters subject to internal consulting under the Internal Control System, of each Group company are also reported to the Company's corporate auditors as appropriate via the Risk Management Special Committee or the department concerned. Rules regarding each Group company's Internal Control System contain provisions stating that the act of consulting itself will not be reason for detrimental treatment of the person requesting consultation.

10. Policies regarding procedures for prepayment or reimbursement of expenses arising in the execution of the corporate auditors' duties or related to processing of other expenses and liabilities arising from execution of those duties

Expenses required for the execution of the corporate auditors' duties shall be borne by the Company at cost.

Internal Auditing System

The Audit Department verifies the effectiveness of risk management and internal control systems from the perspective of the entire Mitsui Fudosan Group. At the same time, the Department puts in place audit activity plans in order to evaluate and improve risk management and

internal control systems, and undertakes internal audits following authorization by the Board of Directors.

Results of the internal audits are reported to the officers in charge with feedback directed to the appropriate departments. Thereafter, follow-up activities are undertaken to assess the status of improvement progress. Moreover, details of audit activities are reported every six months to the Executive Management Committee, Board of Directors, and Board of Corporate Auditors. Every effort is made to share information and coordinate with auditors.

Based on Japan's Financial Instruments and Exchange Law, Mitsui Fudosan evaluates the status of internal control relating to the current Mitsui Fudosan Group financial report at the end of each period. An Internal Control Report is then submitted and disclosed publicly. Results of the most recent Internal Control Report have been audited by KPMG AZSA LLC and deemed as appropriate.

Reasons for Selecting Outside Directors and Their Attendance

Mitsui Fudosan appoints its outside directors with the expectation that they will contribute their extensive experience and broad knowledge to the Company's management, and that they will play an appropriate role in strengthening the audit function of the Board of Directors and ensuring transparency.

The Company also appoints its outside auditors with the expectation that they will bring an objective stance to auditing the directors in the performance of their duties, based on their expert knowledge and extensive experience. Note that, in line with Tokyo Stock Exchange requirements for judging the independence of independent officers, the Company uses the following standards for judging said independence: whether there is a risk of conflicts of interest with any of the Company's general shareholders; whether any special interests exist with the Company; and whether in working to enhance the soundness and transparency of the Company's management, the individual is capable of making objective, fair and impartial judgments.

Reason for Selection as Outside Directors and Corporate Auditors

Name	Reason for Appointment	Fiscal 2017 Attendance at Board of Directors Meetings and Board of Corporate Auditors Meetings
Managing Director Toru Yamashita	As a current outside director of the Company, Toru Yamashita has properly fulfilled his duty of strengthening supervisory functions and ensuring the transparency of the Board of Directors. The Company has reappointed him as an outside director and independent officer in the expectation that he will make further contributions in this role.	12/13
Managing Director Toshiaki Egashira	As a current outside director of the Company, Toshiaki Egashira has properly fulfilled his duty of strengthening supervisory functions and ensuring the transparency of the Board of Directors. The Company has reappointed him as an outside director and independent officer in the expectation that he will make further contributions in this role.	13/13
Managing Director Masako Egawa	As a current outside director of the Company, Masako Egawa has properly fulfilled her duty of strengthening supervisory functions and ensuring the transparency of the Board of Directors. The Company has reappointed her as an outside director and independent officer in the expectation that she will make further contributions in this role.	12/13
Managing Director Masafumi Nogimori	As a current outside director of the Company, Masafumi Nogimori has properly fulfilled his duty of strengthening supervisory functions and ensuring the transparency of the Board of Directors. The Company has reappointed him as an outside director and independent officer in the expectation that he will make further contributions in this role.	10/13*
Corporate Auditor Yoshitaka Kato	As a current outside corporate auditor of the Company, Yoshitaka Kato has demonstrated sufficient ability to audit the directors' execution of their duties. The Company has reappointed him as a corporate auditor and independent officer in the expectation that he will make further contributions in this role.	Board of Director Meetings: 12/13 meetings Board of Corporate Auditor Meetings: 12/13 meetings
Corporate Auditor Yasushi Manago	As a current outside corporate auditor of the Company, Yasushi Manago has demonstrated sufficient ability to audit the directors' execution of their duties. The Company has reappointed him as a corporate auditor and independent officer in the expectation that he will make further contributions in this role.	Board of Director Meetings: 13/13 meetings Board of Corporate Auditor Meetings: 12/13 meetings

Name	Reason for Appointment	Fiscal 2017 Attendance at Board of Directors Meetings and Board of Corporate Auditors Meetings
Corporate Auditor Yukimi Ozeki	As a current outside corporate auditor of the Company, Yukimi Ozeki has demonstrated sufficient ability to audit the directors' execution of their duties. The Company has reappointed her as a corporate auditor and independent officer in the expectation that she will make further contributions in this role.	Board of Director Meetings: 13/13 meetings Board of Corporate Auditor Meetings: 12/13 meetings

*Mr. Nogimori has attended all ten Board of Directors meetings since his appointment during the current fiscal year.

Executive Compensation

Managing directors' compensation consists of basic compensation in an amount within the scope set and approved by resolution of the 106th General Meeting of Shareholders, bonuses paid as short-term incentives that comprehensively take into consideration such things as business results achieved in each fiscal year which must be approved by resolution at the General Meeting of Shareholders, and stock options paid as medium-term incentives in an amount within the scope set and approved by resolution of the 95th General Meeting of Shareholders. Compensation paid to managing directors (outside directors) is solely basic compensation.

Compensation paid to corporate auditors is solely basic compensation in an amount within the scope set and approved by resolution of the 106th General Meeting of Shareholders.

In addition, the Company has established the Compensation Advisory Committee, which the Board of Directors consults on managing directors' compensation prior to decisions made at the Board of Directors. Compensation for the Company's directors and corporate auditors for fiscal 2017 was as shown below.

Compensation by Title, Amount of Compensation by Type and Number of Applicable Executives

Title	Total Compensation (Millions of Yen)	Amount of Compensation by Type (Millions of Yen)			Number of Applicable Executives
		Basic Compensation	Stock Options	Bonus	
Internal directors	947	490	70	386	9
Internal corporate auditors	96	96	-	-	2
Outside directors and corporate auditors	87	87	-	-	8

Compensation of Executives Exceeding ¥100 million

Name	Title	Amount of Compensation by Type (Millions of Yen)			Total Compensation (Millions of Yen)
		Basic Compensation	Stock Options	Bonus	
Hiomichi Iwasa	Chairman of the Board and Chief Executive Officer (Representative)	109	14	89	213
Masanobu Komoda	President and Chief Executive Officer (Representative)	109	14	89	213
Yoshikazu Kitahara	Managing Director (Representative)	68	9	50	128

■ Analysis and Evaluation of Board of Director Effectiveness

Each year, the Company analyzes and evaluates the efficacy of the Board of Directors, aiming to further enhance its functions. An overview and results of our evaluation of the Board of Directors' efficacy are provided below.

(1) Evaluation method

The Company conducted interviews with all directors and asked them to complete free-response questionnaires regarding Board of Directors' efficacy, conducting an analysis and evaluation at the Board of Directors meeting held on May 25, 2018.

(2) Evaluation items

- Board of Directors structure (number of members, ratio of executive to non-executive members, diversity, etc.)
- Status of operation of the Board of Directors (number of meetings held, attendance rates, time spent for deliberation, number of items deliberated, provision of information, questions and answers, etc.)
- Other (issues raised in the previous evaluation of Board of Directors' efficacy; Compensation Advisory Committee; Nomination Advisory Committee; meetings of outside directors and outside corporate auditors; etc.)

(3) Evaluation results and future response

To achieve sustained increases in the Group's corporate value, it was confirmed that the Board of Directors efficacy was properly maintained. The results of this evaluation will be used to further improve the functioning of the Board of Directors.

■ Shareholder Voting Rights

- The principle of one vote per share of stock shall be applied to all corporate voting matters
- Disclosure of voting results
- Shareholder appointment and dismissal of directors