

Refer to the ESG Data at the end of this report for the following governance-related data.

### Compliance

- Number of Compliance Violations Handled by the Risk Management Special Committee
- Tax Payments by Country/Region

### Corruption Prevention

- Corruption-related Fines, Surcharges, and Arbitrations

### Corporate Governance

- Number of Directors and Auditors
- Reason for Selection as Outside Directors and Corporate Auditors
- Compensation by Title, Amount of Compensation by Type and Number of Applicable Executives
- Compensation of Executives Exceeding ¥100 Million

# Governance

## Compliance

### Basic Policy

In accordance with the Mitsui Fudosan Group Compliance Policies, 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 (established April 28, 2005; revised August 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?

## Compliance Structure

The officer in charge of general administration assumes overall responsibility for compliance, receiving reports from the Compliance Management Department and others. Matters deemed to be of particular importance are reported to or submitted for review by the Board of Directors or the Executive Management Committee. Said officer is also responsible for formulating a compliance-related action plan each fiscal year, including the enactment, revision or repeal of company rules; training in such areas as laws and regulations as well as company rules; and the monitoring of, and issuance of reports regarding, compliance with same. Said officer is also responsible for overseeing compliance activities based on this plan. Group companies are required to formulate and implement compliance promotion plans, and these are reported upon by the officer in charge of general administration and verified by the Company at fiscal year end.

## Compliance Training

Mitsui Fudosan provides compliance training to new employees, newly appointed executive managers and directors, including officers, with the aim of improving compliance awareness. It also implements e-learning-based training for all corporate officers.

### Main Training and Awareness-Raising Initiatives (Company)

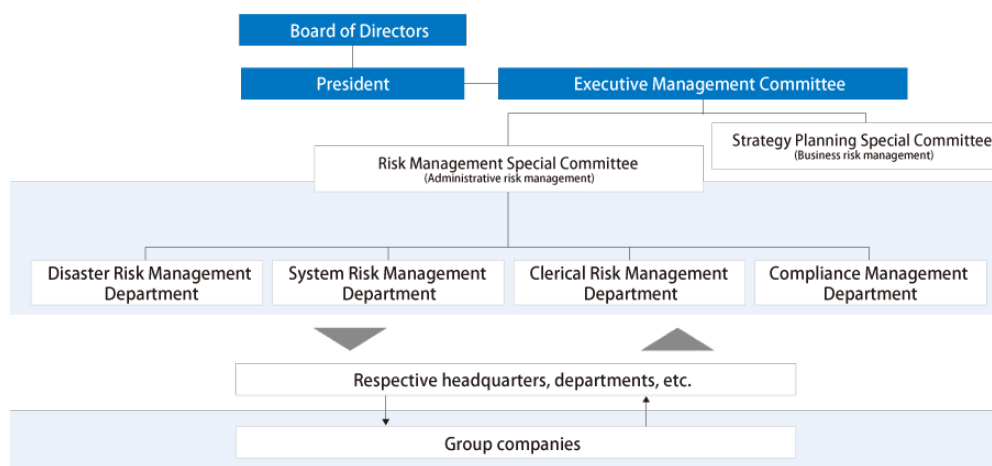
	Initiative	Target	Content
Internal training	New employee training	New employees	(April) *Implemented at the beginning of every month for dispatch and contract employees
	Newly appointed executive manager training	Newly appointed executive managers	Study sessions on preventing bribery, restrictions on dealing with Antisocial Forces, information security, preventing insider trading, etc. (March)
	Officer compliance training	Directors, executive managing officers, full-time corporate auditors, etc.	(September)
	Overseas compliance training	Overseas Business Division, employees assigned to overseas subsidiaries	Explanation of compliance violation case studies including cases involving overseas companies, education regarding the importance of preventing bribery, etc. (December)
	Training for local staff at overseas subsidiaries	Local staff at overseas subsidiaries	Training on bribery prevention, personal information protection, and on the internal whistle-blower system, etc. (October, February)
	Companywide compliance training (e-learning)	All staff, including managing officers	(June, November)
Awareness-Raising Initiatives	Internal bulletins	All directors and employees	Mitsui Fudosan Group Compliance Policies shared through internal bulletins and handbooks
	Compliance news	All employees	Information issued on such topics as eliminating contacts with Antisocial Forces, awareness of the dangers posed by ransomware, and others requiring the exercise of caution during the course of business (April, July, October, February)

## Risk Management

### Risk Management System

Under the Executive Management Committee, which supervises overall risk management for the Group, the Strategy Planning Special Committee and the Risk Management Special Committee manage business risk and administrative risk respectively.

The 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 and the president.



## Major Risks

### Business risk

- Economic environment risk
- Interest rate risk
- Funds procurement risk
- Real estate business competition risk
- Real estate development risk
- Lease income risk
- International business risk
- Competitor risk
- Asset valuation risk
- Cost of revenue from operations risk
- Climate change transition and physical risk
- Natural and man-made disaster risk
- Environmental risk
- Pandemic risk

### Administrative risk

- Legal compliance risk
- Legal and policy change risk
- Litigation and conflict risk
- Conflict of interest risk
- Internal controls and accounting risk
- Cybersecurity risk

### 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.

### Response to climate-related issues

The Company examines, annually in principle; whenever there are significant changes in regulations, the legal system, technology, or market trends; and whether or not there have been significant changes to risks specified in business plans, or any short-term risks that must be dealt with. As an example relating to an existing regulation, we have determined that the possibility of the scope of greenhouse gases set forth in the Tokyo Metropolitan Environmental Security Ordinance being expanded, and/or of rules relating to permitted emission levels being tightened, represent an important risk. Also, buildings including medium-scale structures with a floor area of 300 m<sup>2</sup> or more were required to meet the energy efficiency standards set forth in the Building Energy Efficiency Act starting from April 2021.

In yet another example, we have considered the degree of impact that climate change may have on our overall business activities, and we recognize that the amount of CO<sub>2</sub> emissions we generate in the course of our activities is a priority issue. Since electric power-related emissions account for the largest proportion of total CO<sub>2</sub> emissions, we are a member of the RE100 initiative, among other efforts.

## Strategy Planning Special Committee

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The goal of the Strategy Planning Special Committee is to manage business risk by reviewing management plans and specific management issues, and managing the execution of responses to such issues.

The Strategy Planning Special Committee provides the following functions for Mitsui Fudosan and the Mitsui Fudosan Group.

1. Formulation and review of Group strategies
2. Medium- to long-term business planning and fiscal-year planning, prior review, and coordination
3. Review of policy responses to specific management issues, and promotion and management of such policies
4. Planning, proposal formulation, and review of organizational structures, staffing, etc.
5. Supervision of business risk management for Mitsui Fudosan and the Mitsui Fudosan Group
6. Review of other important matters

## Risk Management Special Committee

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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 Compliance 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 emergency incidents, accidents, etc.

The Risk Management Special Committee meets, as a rule, on a once-a-month basis, to identify and understand risk issues, and then review and propose preventative and response measures. The committee conveys information to the entire company and the Mitsui Fudosan Group as necessary.

### Main Agenda Items of the Risk Management Special Committee

Report on condition of risk (incidents, accidents, etc.)

Report on legal issues and compliance

Plan and report on J-SOX compliance

Plan and report on protection of personal information

Inspect and report on information systems security

## Response 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.

## Establishment of an Internal Consultation Service

The Company 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,\*<sup>1</sup> 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.\*<sup>2</sup> 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.\*<sup>3</sup>

\*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.

## 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. 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.

Auditors conduct audits of business execution by directors while coordinating with the Audit Department, which serves as the internal audit department of the Company, as well as certified public accountants. To ensure proper operation of the auditing function, we rotate our auditors in an appropriate way. The Audit Department periodically conducts audits to review observance of the Code of Conduct and Code of Ethics, and identify any compliance violations.

## Complying with the Antimonopoly Act

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

The Company 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 maintains a steadfast position of strictly avoiding any and all relationships with anti-social forces that threaten the order and safety of civil society. Having formulated internal regulations including The Mitsui Fudosan Group Compliance Policy, Compliance Rules and Compliance Procedures, the Company strives to clarify basic views and procedures related to the elimination of antisocial forces while raising internal awareness.

Each division of the Company also investigates and confirms that a transaction partner is not involved in organized crime before the transaction begins. The Company regularly cooperates with the police, the National Center for Removal of Criminal Organizations, lawyers, and other outside expert organizations, and in the unlikely event the Company faces unwarranted demands or violent behavior from such organizations, the necessary action will be taken, including contacting the relevant police department and taking legal measures.



## Information Security Management System

The Company 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 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

## Business Continuity Plan (BCP)

In addition to creating disaster-resilient neighborhoods, the Group aims to ensure the safety and security of employees, tenants, and customers at facilities it operates by working on business continuity plan initiatives, such as by running disaster countermeasure training and first-aid training.

In principle, we hold Groupwide disaster countermeasure training three times a year, which imagines different scenarios where a large-scale earthquake has occurred. We carry out these drills to make sure we can respond smoothly to a variety of situations.

(Theoretical scenarios)

- An earthquake occurs directly below Tokyo during working hours
- An earthquake occurs directly below Tokyo outside working hours
- A major earthquake occurs outside Tokyo near branch offices

### Scale of, and degree of damage caused by, hypothetical earthquake under Tokyo for the drills

(In line with Central Disaster Management Council expectations)

#### 1. Scale

Maximum 7 on the JMA Seismic Intensity Scale in some areas, centered on the southern part of the city

#### 2. Damage

- (1) Infrastructure: blackouts, water cuts, gas supplies can only be supplied through intermediate-pressure pipes
- (2) Public transport: all lines closed in the metropolitan area
- (3) Communications: general lines down, the internet still usable

(For more details, please see the Safe and Secure Neighborhood Creation page)

⇒ [https://www.mitsufudosan.co.jp/esg\\_csr/society/04.html#p06](https://www.mitsufudosan.co.jp/esg_csr/society/04.html#p06)

## Tax Transparency

### Policy

Based on its compliance policies, the Group pays an appropriate level of tax and through its fair and highly transparent corporate activities, contributes to co-prosperity in harmony with society and the realization of a sustainable society. As a global entity, the Group pays attention to international organizations and trends—such as the OECD and the BEPS Project—and has constructed a suitable tax affairs framework for the Group. Maintaining this system, the Group will fulfill its social obligation in regard to taxation.

### Compliance with Tax Laws

The Group conducts its corporate activities in strict compliance with all applicable tax laws and in the spirit of taxation, as well as guidelines from international organizations such as the OECD, the EU, the UN, etc., and takes into consideration legislative intent. Furthermore, it pays all prescribed taxes by their designated due dates in accordance with their country of origin.

### Transfer Pricing

With regard to dealings among its international partners, the Group will take into consideration the arm's length price and appropriately distribute earnings based on the degree to which each party contributed, as well as on analysis of the functions, assets, and risks of the relevant subsidiary and country.

### Eliminating Double Taxation

In order to avoid tax on the same economic gains being applied across numerous countries, the Group will implement measures, including adhering to the tax treaties of those countries in which it is conducting its business.

### Securing Transparency

The Group will disclose its policies regarding taxes, and take care to provide easy-to-understand explanations and maintain a high level of transparency for each respective country's taxation authorities.

### Relationships with Taxation Authorities

The Group will obey each respective country's tax administration and tax collection procedures. Further, it will maintain healthy and normal relations with relevant taxation authorities, and will not offer any inappropriate benefits or provisions. Should the Group and taxation authorities come into conflict, we will proactively discuss the matter with the authorities to find a resolution and prevent reoccurrences through appropriate improvement measures concerning the issue.

### Tax Planning

In order to maximize value for shareholders, the Group will implement appropriate and fair tax minimization measures. It will not, however, conduct any inappropriate tax planning, including measures such as applying beneficial taxation systems that disregard the legislative intent behind laws and regulations. Nor will it deliberately avoid taxes in ways that are not in line with its business goals or actual conditions, or by utilizing tax havens.

### Governance System

Under the Executive Management Committee, which supervises overall risk management for the Group, the Risk Management Special Committee manages business risk, including tax affairs.

The director who 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 belongs to the Risk Management Special Committee, and periodically reports on risk management to the Board of Directors. As part of our risk management, the Audit Department periodically conducts audits to review observance with the Code of Conduct and Code of Ethics, and identify any compliance violations. For more details on the specific framework and other aspects of the system, please see the Risk Management section.



## Policy to Prevent Bribery and Corruption

The 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 Policies 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. Through our Sustainable Procurement Standards, we are working to completely eliminate bribery and other forms of corruption at suppliers and contractors.

### 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.

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⇒ For the full text of the Mitsui Fudosan Group Compliance Policy, see Compliance.

### Mitsui Fudosan Group Sustainable Procurement Standards (Excerpt)

#### **5.1 Prevention of bribery and other forms of corruption**

Companies shall not engage in bribery, corruption, extortion, or embezzlement of any kind. In addition, companies shall not offer or condone promises, offers or permits as a means of obtaining bribes or other illicit or inappropriate benefits.

⇒ For the full text of the Mitsui Fudosan Group Sustainable Procurement Standards, see Policy under Supply Chain Management.

## Enhanced Compliance

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 work to prevent corruption by providing the internal whistleblower system.
- We comprehensively 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-related departments confirm the absence of any violations. In this way, we carry out a comprehensive examination in areas designated or assessed to be high risk, such as preventing bribery, eliminating organized crime, preventing money laundering, eliminating unfair transactions, preventing insider trading, and forbidding contribution to politicians and political organizations.
- In 2021, to assess the risk of corruption, we began conducting surveys based on the Sustainable Procurement Standards for suppliers and contractors to ascertain the situation at each company, asking about designated high-risk issues such as preventing bribery and other forms of corruption, avoiding interactions with organized criminal groups, and promoting fair business activities.
- 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.

## Political Donations

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.

Fiscal 2015–2021

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

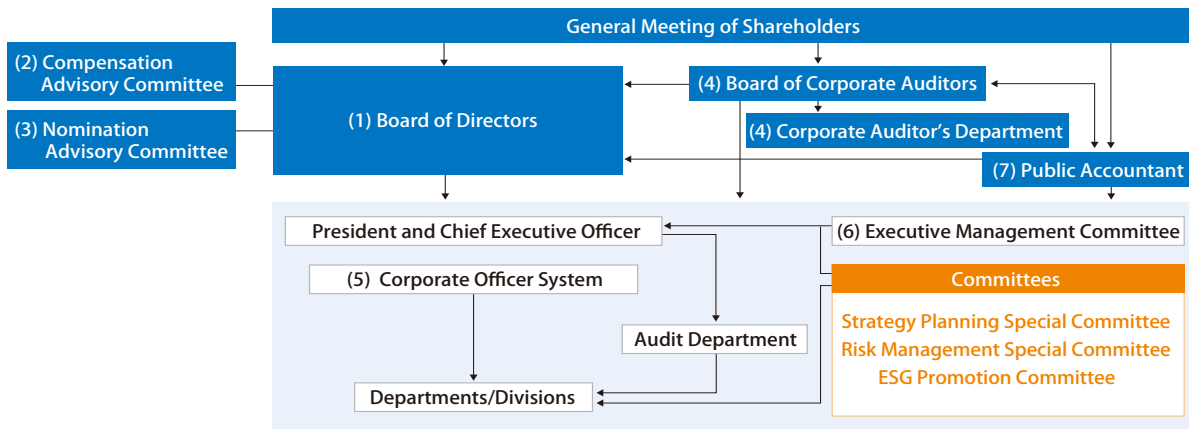
## Corporate Governance System

The 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.

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



Board of Directors
Reporting ↑ ↓ Supervision
Risk Management Special Committee
Offers unified business risk management, including formulating risk management policy at a Company and Group level The committee reports on its activities to the Board of Directors twice a year (and on important issues as necessary) The Board of Directors verifies these reports, and directs the committee to ensure effective risk management processes.
Chair : Executive Vice President (Chief Risk Officer)
Vice-chairs: Executive vice presidents Director of the Planning and Research Department Director of the Corporate Planning Department Director of the Accounting and Finance Department
Members : Head of the Internal Audit Department Head of the General Administration Department Head of the Corporate Communications Department Head of the Personnel Department Head of the Accounting and Finance Department Head of the DX Department (I)
Depending on the issue, representatives from departments responsible for Japanese or international businesses, Group companies, regional entities, and other bodies can join the committee

Board of Directors
Reporting ↑ ↓ Supervision
ESG Promotion Committee
Promotes action at a Company and Group level that contributes to ESG activities and the achievement of the SDGs, and initiatives aimed at decarbonization
Chair : President and Chief Executive Officer (Chief Sustainability Officer)
Members: Executive vice presidents Executive managing officers Senior executive managing officers Departmental heads

## (1) Board of Directors

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The Board of Directors, headed by Chairman Hiromichi Iwasa and comprising twelve members, including eight internal directors (Hiromichi Iwasa, Masanobu Komoda, Kiyotaka Fujibayashi, Yasuo Onozawa, Takashi Yamamoto, Takashi Ueda, Takayuki Miki, and Wataru Hamamoto) and four outside directors (Masafumi Nogimori, Tsunehiro Nakayama, Shinichiro Ito, and Eriko Kawai), decides on issues material to Mitsui Fudosan and monitors the execution of business by managing directors.

### 1. Role of the Board of Directors

The Board of Directors shall determine matters deemed vital to the Company, and oversee execution of duties by the directors.

### 2. Composition

The Board of Directors shall comprise no more than 15 directors.

### 3. Term of office for directors

The term of office for directors shall be from selection until the close of the General Shareholders' Meeting for the fiscal year ending within two years of selection.

### 4. Chairperson

The Board of Directors shall be chaired by the Chairman of the Board.

### 5. Decision-making process

Decisions made at the Board of Directors will require more than half of the directors to be in attendance, and will need the support of more than half of those in attendance.

### 6. Matters to be determined

The following matters shall be decided and reported.

- (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

### Director nomination policy

Taking into account Company and Group management philosophies and strategies, candidates deemed suitable to be directors are nominated, after overall consideration of diversity-including personal qualifications, capabilities, views, and gender. At present, two of the seventeen directors and auditors are women (11.8%), and in the future we will work to ensure diversity for the Board of Directors, including mandating that one or more of the directors must be a woman.

## Managing Directors' Expertise, Experience (skills matrix) , and Attendance at Board of Directors Meetings \*1

	Attendance at Board of Directors Meetings (FY2021)	Areas of expertise and experience						
		Corporate management	Treasury, accounting and finance	Compliance and risk management	Global	Technology and innovation	ESG and sustainability	Urban development (real estate development, etc.)
Hirokichi Iwasa Chairman of the Board	12/12	●	●	●		●	●	●
Masanobu Komoda President and Chief Executive Officer	12/12	●	●	●	●	●	●	●
Kiyotaka Fujibayashi Managing Director and Executive Vice President	12/12	●		●			●	●
Yasuo Onozawa Managing Director and Executive Vice President	12/12			●			●	●
Takashi Yamamoto Managing Director	12/12	●		●	●			●
Takashi Ueda Managing Director	12/12		●			●		●
Takayuki Miki Managing Director	Newly appointed		●			●		●
Wataru Hamamoto Managing Director	12/12		●			●	●	●
Masafumi Nogimori Outside Director	12/12	●		●	●	●	●	
Tsunehiro Nakayama Outside Director	12/12	●	●	●	●		●	
Shinichiro Ito Outside Director	11/12	●		●	●	●	●	
Eriko Kawai Outside Director	10/12 *2		●	●	●	●	●	

\*1 The above list does not contain all of the areas of expertise and experience of each managing director.

\*2 New appointment effective June 29, 2021.

## (2) Compensation Advisory Committee

The Compensation Advisory Committee, headed by independent outside director Masafumi Nogimori as Chairman and comprising six members, including four independent outside directors (Masafumi Nogimori, Tsunehiro Nakayama, Shinichiro Ito, and Eriko Kawai), President and Chief Executive Officer Masanobu Komoda, and one internal director (Yasuo Onozawa), meets on matters pertaining to the compensation of managing directors.

## (3) Nomination Advisory Committee

The Nomination Advisory Committee, headed by independent outside director Masafumi Nogimori as Chairman and comprising six members, including four independent outside directors (Masafumi Nogimori, Tsunehiro Nakayama, Shinichiro Ito, and Eriko Kawai), President and Chief Executive Officer Masanobu Komoda, and one internal director (Yasuo Onozawa), meets on matters pertaining to the nomination of managing directors and corporate auditors, as well as the appointment and dismissal of managers.

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

The Board of Corporate Auditors, headed by senior corporate auditor Masatoshi Sato, comprises two internal auditors (Masatoshi Sato and Hiroyuki Ishigami) and three outside auditors (Yoshitaka Kato, Yasushi Manago, and Yukimi Ozeki), for a total of five auditors, and 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 there are two dedicated employees.

## (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, a role that was previously undertaken by company directors, the system enhances management soundness and efficiency. In addition, seeking to further reinforce the management of the Mitsui Fudosan Group, we have expanded the range of managers across the Group and 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) 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. The continuous auditing period of the auditor, the names and years of continuous auditing of the certified public accountants engaged in auditing in this fiscal year, and the composition of the assistants involved in auditing duties are as follows.

Continuous auditing period: 53 years

\* This is the number of years since the Asahi Accounting Company, the predecessor of KPMG AZSA LLC, became an audit corporation.

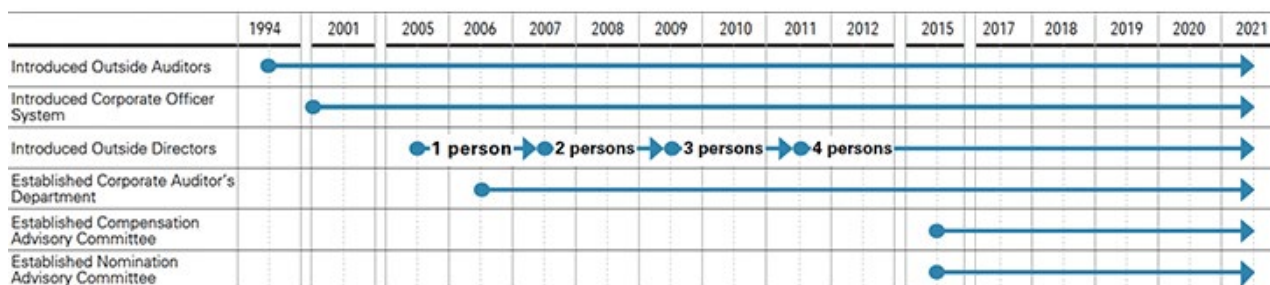
Name of certified public accountants who have executed audits

Designated limited liability employee business executives: Hiroyuki Yamada (7 years); Hiroyuki Ito (6 years); Hironori Hashizume (4 years)

\* Number of years of continuous auditing are shown in parentheses.

Breakdown of assistants involved in financial auditing duties

Certified Public Accountants: 18; Passed CPA exam: 8; Others: 18



## 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

Formulates risk management policies and plans; tracks, evaluates and formulates responses and recurrence prevention measures for risk issues; and shares information as necessary throughout the Company and the Group for the purpose of comprehensively managing operational risks (disaster risk, system risk, administrative risk and compliance, etc.) in the conduct of operations throughout the Company and the Group.

## ESG Promotion Committee

Formulates ideas and policies, sets goals, creates activity plans, manages progress and evaluates results in order to promote action that contributes to ESG activities and the achievement of the SDGs.

## Internal control

The Group has set up and manages an internal control system that conforms to the Companies Act. Mitsui Fudosan endeavors 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 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.

### **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.

## Internal Auditing System

The Audit Department verifies the effectiveness of risk management and internal control systems from the perspective of the entire 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 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.

## Executive Compensation

Managing directors' compensation consists of basic compensation in an amount within the scope set and approved by resolution of the 106th Ordinary General Shareholders' Meeting, 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 Ordinary General Shareholders' Meeting, and restricted stock compensation paid as medium- to long-term incentives in an amount within the scope set and approved by resolution of the 108th Ordinary General Shareholders' Meeting for the purpose of sustainably increasing the corporate value of the Group and further sharing shareholder value with shareholders. Compensation paid to managing directors (outside directors) is solely basic compensation. Compensation paid to corporate auditors will be within the scope of the total amount approved by a resolution at the 106th Ordinary General Shareholders' Meeting. The Company has established the Compensation Advisory Committee, comprised of the following 6 members: 4 independent outside directors who make up the majority and 2 internal directors, with one of these independent outside directors serving as chairman. The amount of compensation for directors is determined by the Board of Directors following consultation with the Compensation Advisory Committee. Corporate Auditor' compensation is determined based on discussions among corporate auditors.

The Board of Directors determines the details of compensation, etc. for individual managing directors for the fiscal 2020 under review pursuant to the above policy after consultations with the Compensation Advisory Committee. As a result, the details of compensation are deemed to follow the policy.

### **【Restricted stock compensation system】**

At the 108th Ordinary General Shareholders' Meeting held on June 26, 2020, the introduction of a restricted stock compensation system for managing directors of the Company, other than outside directors, in place of stock options was approved. The purpose of this was to provide an incentive for continual improvement of the corporate value of the Group, and to share greater shareholder value with shareholders. Stock acquisition rights which have already been granted as stock options but have not yet been exercised will continue to exist. However, no new stock options will be granted. Furthermore, we have also introduced a restricted stock compensation system to managing officers and Group officers who do not concurrently serve as managing directors.

### **【Policies relating to the determination of payment ratios for performance-based compensation and other forms of compensation】**

Compensation for directors consists of a bonus and restricted stock compensation, which are performance-based compensation, and basic compensation, which is compensation other than performance-based compensation. The payment ratio for performance-based compensation is around 45% - 50%, and around 50% - 55% for other forms of compensation.

### **【Indexes relating to performance-based compensation, reasons for selecting indexes for performance-based compensation, and method used to determine the amount of performance-based compensation】**

In regard to the bonus and restricted stock compensation – i.e. performance-based compensation – comprehensive consideration is given to factors such as performance for the current term, status of ESG-related initiatives, redistribution of profits among shareholders based on our returns policies, progress of "VISION 2025," our Group' s long-term management policies, the economic climate, and the business environment. In regard to the reasons for selecting these indexes, this is to increase the interrelationship between director compensation and performance and stockholder value. The amount of performance-based compensation is determined by the Board of Directors following consultations with the Compensation Advisory Committee, instead of leaving determination to the sole discretion of the President.

## Analysis and Evaluation of Board of Director Effectiveness

Each year, the Company analyzes and evaluates the efficacy of the Board of Directors, continually aiming to further enhance its functions. As for the method of analysis and evaluation, we used a third-party body for the development of a questionnaire and the analysis of the result.

An overview and results of our evaluation of the Board of Directors' efficacy are provided below.

### (1) Evaluation method

The Company conducted the questionnaire to all directors and corporate auditors regarding the Board of Directors' efficacy and interviews based on the issues recognized through the questionnaire. The results were then analyzed and evaluated at a meeting of the Board of Directors held on May 20, 2022.

### (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 auditors; etc.)

### (3) Evaluation results

Each evaluation item in the questionnaire received a high evaluation in general. According to the evaluation on the questionnaire and interviews, it was confirmed that the Board of Directors' efficacy was properly maintained because the improvement initiatives are being implemented on the basis of the previous efficacy evaluation as listed below to achieve sustained increases in the Group's corporate value.

### [Major Initiatives Based on the Previous Efficacy Evaluation]

#### i) Discussion, report, and sharing of important issues

When developing the Group Action Plan to Realize Decarbonized Society, a meeting of outside directors and outside auditors was held at the examination stage and the Board of Directors received the report at the formulating stage to discuss the issues, direction, and concrete efforts for realizing decarbonization within the Group.

#### ii) Improvement of governance and enhancement of supervisory functions of overseas subsidiaries

A meeting of outside directors and outside auditors was held on the theme Organizational Structure and Risk Management of Overseas Subsidiaries to discuss the improvement of governance and the enhancement of supervisory functions of overseas subsidiaries.

#### iii) Deepening the understanding of the Company's project by outside directors and auditors

A site tour to the Nihonbashi and Kashiwanoha areas, where we are promoting urban/town development, for outside directors and outside auditors to help them deepen their understanding of the Company's project.

### (4) Issues and future initiatives

For further improvement of the efficacy of the Board of Directors, the following initiatives will be implemented to solve the issues identified through the questionnaire and interviews:

#### i) Share the status of dialog with stakeholders

An opportunity will be arranged to share the whole idea about the status of dialogs with stakeholders in addition to the currently conducted explanation of each agenda item.

#### ii) Deepening the discussions at meetings of the Board of Directors

Questions and opinions discussed by the executives will be shared when explaining each agenda item to further deepen the discussion of the Board of Directors.

Evaluation results and other information will be used, while recognizing the following issues, to further improve the functions of the Board of Directors.

- For necessary agenda items, give greater consideration to sharing the discussion content on the executive side in order to deepen discussions at the Board of Directors.
- Continue to discuss themes such as SDGs and materialities of the Company.

## 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