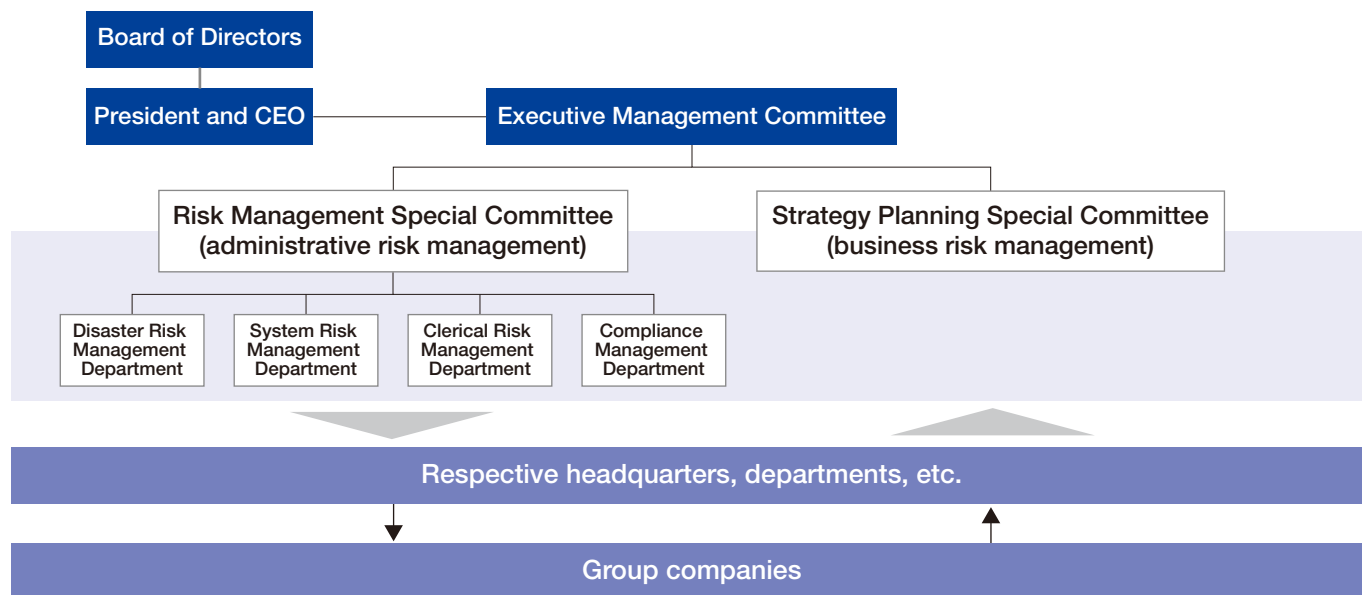


# Risk Management

The Executive Management Committee supervises overall risk management for the Group, and the President and Chief Executive Officer, who chairs the Executive Management Committee, supervises risk management. Under their supervision, the Strategy Planning Special Committee and the Risk Management Special Committee manage business risk and administrative risk, respectively.

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

## Risk Management System



## Major Risks (Please refer to the Securities Report\* for the countermeasures being taken against each risk.)

**Business Risk:** Business risk is primarily risk associated with advancing business and earning profits.

Name of risk	Overview
Risk due to change in the business environment	<ul style="list-style-type: none"> <li>Changes in business environment in general (exchange rate fluctuations, rising interest rates, declining birthrate and aging population, etc.)</li> <li>Changes in customer needs (lifestyle changes following the spread of the coronavirus infection, etc.)</li> </ul>
Risk associated with market interest rates	<ul style="list-style-type: none"> <li>Rising fund procurement costs associated with rising interest rates</li> <li>Deterioration in the Company's performance associated with rising interest rates (falling housing sales prices, rising investor yield expectations)</li> </ul>
Risk associated with exchange rate fluctuations	<ul style="list-style-type: none"> <li>Cost fluctuations through import prices</li> <li>Impact of the inclusion of the PL/BS statements of overseas business</li> <li>Decrease in rent revenues due to the impact of tenant companies' performance</li> </ul>
Risk associated with climate change	<ul style="list-style-type: none"> <li>Large-scale climate change</li> <li>Changes in needs that take climate change risks into account</li> </ul>
Geopolitical risk	<ul style="list-style-type: none"> <li>Impact of countries/areas concerned</li> <li>Impact of supply chain disruptions, etc.</li> </ul>
Risk associated with the spread of infectious diseases	<ul style="list-style-type: none"> <li>Business restrictions due to the spread of the coronavirus infection</li> <li>Decrease/change in customer needs due to the spread of the coronavirus infection</li> </ul>
Risk from competition in the real estate industry	<ul style="list-style-type: none"> <li>Competition with other companies in each business</li> <li>Disruptive innovation</li> </ul>
Risk associated with rental income	<ul style="list-style-type: none"> <li>Decrease in rental income due to tenant cancellations/rent reductions, contract cancellations, tenant bankruptcies, etc.</li> </ul>
Risk of changes in asset values	<ul style="list-style-type: none"> <li>Falling asset values due to declining demand for housing/rising investor yield expectations</li> </ul>
Cost fluctuations risk	<ul style="list-style-type: none"> <li>Price fluctuations in costs for construction, energy, labor, etc.</li> </ul>
Fund procurement risk	<ul style="list-style-type: none"> <li>Increase in funding costs due to changes in the lending attitudes of financial institutions, etc.</li> <li>Rise in market interest rates</li> <li>Financial market turmoil</li> <li>Downgrading of the Company's credit rating, etc.</li> </ul>

Name of risk	Overview
Real estate development risk	<ul style="list-style-type: none"> <li>Cost increases and schedule delays due to a variety of circumstances during development (weather, disasters, buried objects, soil contamination, etc.)</li> </ul>
Risk associated with overseas business	<ul style="list-style-type: none"> <li>Business environments in overseas countries (inflation, exchange rates, civil wars/conflicts, impact of geopolitical risks on countries/areas concerned, etc.)</li> <li>Financial status, etc. of local partner companies</li> </ul>
Risk related to property portfolio location	<ul style="list-style-type: none"> <li>Occurrences of natural disasters, man-made disasters or acts of terrorism (earthquakes, typhoons, missiles, etc.) that cause damage to areas where our assets are concentrated</li> </ul>
Risk associated with changes to laws, regulations, and government policy	<ul style="list-style-type: none"> <li>Changes to business structure and fund procurement methods in response to changes in laws and regulations</li> </ul>
Risk associated with securing diverse human resources	<ul style="list-style-type: none"> <li>Insufficient human resource development and recruitment to respond to changes in the business environment and changing needs</li> </ul>

## Administrative Risk: Operational risk associated with administrative duties

Name of risk	Overview
Disaster risk	<ul style="list-style-type: none"> <li>Natural disasters (earthquakes, wind and flood damage, etc.)</li> <li>Man-made disasters (war, acts of terrorism, etc.)</li> </ul>
System risk	<ul style="list-style-type: none"> <li>Systems failures and data leaks due to cyberattacks, etc.               <ol style="list-style-type: none"> <li>IT systems</li> <li>Control systems</li> </ol> </li> </ul>
Compliance risk	<ul style="list-style-type: none"> <li>Violations of laws, company rules, social norms, etc.               <ol style="list-style-type: none"> <li>Violations of laws and regulations in business execution</li> <li>Violations of laws and regulations for employee personal gain</li> </ol> </li> </ul>
Quality risk	<ul style="list-style-type: none"> <li>Caused by product/service/operation quality               <ol style="list-style-type: none"> <li>Properties/real estate</li> <li>Management and operation business</li> <li>Other business</li> </ol> </li> </ul>

\* See our annual securities report for details (In Japanese only).  
[https://www.mitsui-fudosan.co.jp/corporate/ir/library/fs/pdf/YUHO\\_2303.pdf](https://www.mitsui-fudosan.co.jp/corporate/ir/library/fs/pdf/YUHO_2303.pdf)