

Expecting improved earning power in the medium and long term through the Group's own unique style of environmental management and DX

Five outside directors with diverse professional backgrounds and areas of expertise candidly exchanged their views on the Group's medium-term management plan and growth strategies, discussing plan and strategy progress, their future expectations in these areas, and relevant issues which need to be addressed.



Satoshi Miura Outside Director

Mr. Miura's career has encompassed key positions in the NTT Group, including President of Nippon Telegraph and Telephone Corporation, as well as Vice Chair of Nippon Keidanren (Japan Business Federation). He was appointed an outside director in 2021.

Tsuguhiko Hoshino Outside Director

After joining the Ministry of Finance, Mr. Hoshino was involved in the establishment of the Financial Services Agency and later served as Director General of the Tax Bureau and Commissioner of the National Tax Agency. He was appointed an outside director in 2021.

Saeko Arai Outside Director

Ms. Arai began her career as a certified public accountant providing auditing and other services. She later managed a company in the United States, co-founded an IT company, and became the first female CFO in Japan. She was appointed an outside director in 2018.

Yumiko Jozuka Outside Director

Ms. Jozuka has specialized knowledge from her extensive career as a government official in the Japanese Ministry of Health, Labor and Welfare and the Cabinet Office, where she focused on promoting workstyle reform and women's participation in the labor force. She was appointed an outside director in 2021.

Makoto Kaiami Outside Director

Mr. Kaiami has abundant knowledge and experience in the field of compliance. His career has included positions as Associate Vice-Minister of Justice in charge of Litigation Affairs, Minister's Secretariat, Ministry of Justice; Chief Judge, Tokyo Family Court; and Chief Judge, Tokyo District Court. He was appointed an outside director in 2018.

Rebuilding the Group's business portfolio and its financial capital strategy

The Group's management plan is steadily being implemented, ROE is improving, and the decision-making of the executive team is well-regarded

—How do you evaluate our progress in the rebuilding of the Group's business portfolio under its long-term management policy?

Kaiami One of the points of the Group's long-term management policy is the rebuilding of its business portfolio. As part of this, what to do with Tokyu Hands became a frequent point of discussion by the Board of Directors. Tokyu Hands had a strong brand image and even we outside members had a strong attachment to it, never mind the Group's employees. The COVID-19 pandemic resulted in the deterioration of Tokyu Hands' performance, but even so, I think it took a lot of courage to make the decision to transfer its shares in March 2022. Cainz, the receiving company, is a partner who shares the same ideals as Tokyu Hands, and I am very glad they were able to make the best use of Hands. This decision also resulted in an increase in ROE for the term, and I praise the executive team for making it.

Arai I feel the same way. In terms of the Group's financial capital strategy, as well, the series of drastic revisions made to the business portfolio have provided a major boost to the improvement of ROE. At the same time, however, our D/E ratio is still high compared to other enterprises in the same industry, and I'd like to see efforts being made in the medium and long term to strengthen our earning power and improve this ratio.

Digital transformation (DX) will be important in this area, as well as many others. Promoting digitalization, which ties into DX, while also giving consideration to what's best for the entire Group

centering on Tokyu Fudosan Holdings will further improve ROE. At the individual project level, as well, it is crucial to make decisions in accordance with a hurdle rate based on the cost of capital, so I definitely want to see continuing efforts in this area.

I'd also like to note I can sense a determination to achieve the KPIs of the medium-term management plan, not only from management but also from frontline employees. I believe this kind of determination derives from the "challenge-oriented DNA" that is this Group's founding spirit.

Hoshino Ms. Arai touched on KPIs, and I believe that working to improve asset efficiency and increase control of investment spending and recovery after setting appropriate indicators is a foundation for growth. Having a bird's-eye view of the Group's businesses as a holding company, we evaluate these businesses based on shared indicators, take a chronological view, provide external statements and explanations, and also provide satisfactory internal explanations. I feel that our financial capital strategy is providing a clear vector to align with, and this has enabled the effective revision of our business portfolio.

However, while we are currently riding the wave of a healthy real estate market and a recovery in inbound demand for tourism, going



forward we should keep a close watch on the macro economy and financial conditions overseas. I feel it is important that we continue to engage in thorough monitoring of these areas and take them into consideration.

Reforming our human capital and organizational climate

Praise for our human capital strategies and organizational structure; further promoting women's success in the workplace is the next step

—With regard to its human capital and organizational climate, the Group has established a strategy of fostering an innovative organizational climate with a sense of unity. What are your views on our progress in this area?

Miura I feel the executive team has done much to foster a sense of unity throughout the Group. Centering on the Group's holding company, they have made clear their vision and management policy while creating and implementing the medium-term management plan. Having the leaders of key Group companies serve as members of the holding company's Board of Directors makes it possible to share information and align along the same vector, and I believe the composition of the Board is functioning well.

The Group has also stated that it is working to strengthen external coordination, and in fact we have engaged in partnerships with JR East as well as a variety of others and additionally engaged in the exchange of personnel, and these efforts have produced synergies. I feel that this aspect has also furthered the fostering of our corporate culture. In fiscal 2023, we have continued to make good progress in our medium-term management plan and I believe this has also had a positive impact both on the

confidence of the Group as a whole and in the fostering of organizational climate.

Jozuka Currently, there is much attention being paid to human capital strategies that interlock with management strategies. It's an approach which identifies the kind of human capital and organizational structure needed based on a vision for one's future businesses drawn from management strategies. For our Group as well, this perspective will be important in acquiring and cultivating human capital.

One thing I would particularly like to praise is the Group's establishment of its three human capital strategies—"Develop people who create value," "develop organizations with diversity and a sense of unity," and "enhance motivation to work and foster an employee-friendly work culture" (➡ See p. 72). Through the establishment of a dedicated diversity and inclusion section, the Group has also set up a strong implementation structure, and I have high expectations regarding our progress in this area going forward. Although the ratio of women among new graduate hires has risen to 46%,* it is the unfortunate truth that in Japanese society, the burdens of childbirth and childrearing still tend to fall mostly on women. Against this background, it is important to consider how we can foster women's ambition and capabilities, and how we can create a work environment which enables women to succeed as core elements of a company on the same level as men.

*As of April 2023

Increasing profitability

Thorough dialogue with investors is key to improving return on capital and corporate value

—Please share your ideas for how to improve our under 1.0 price to book ratio (PBR) and other measures to increase profitability.



Hoshino As I discussed shortly before, the Group is revising its business portfolio per its financial capital strategy, and we are currently making selections and engaging in the concentration of investments and businesses. I believe it's important not to get too caught up in the 1.0 benchmark and end up taking short-term measures such as share buybacks. Providing thorough explanations to investors with regard to our growth investments to increase profitability and corporate value while taking into account capital cost and the returns investors expect will improve shareholder assessment in the medium and long term and serve as a true means of increasing PBR beyond 1.0.

Arai With respect to that point, I think that providing slightly more frequent information disclosure to investors would also be effective. For example, when we announced positive performance in the fiscal 2022 financial results, stock prices jumped and PBR improved. We had predicted these results to a certain extent during the period and had communicated them through our information disclosure, but this fact was only reflected in stock prices after the financial results were released. It seems there may be some room for improvement in how we convey information to investors.

I believe “experiential” dialogue could be one highly effective means of communication. When I received on-site briefings of the facilities at Kudan-Kaikan Terrace and TOKYO PORTCITY TAKESHIBA, I was able to directly experience and was impressed by their innovative ideas and the details put into every nook and cranny. If we were to create more of these kinds of opportunities for investors, I believe it would give them a clearer understanding of the Group’s value and would be effective in increasing PBR.

Jozuka I also feel that we should be thinking about effective public relations methods. For example, we could use digital twinning technology to recreate real-world locations in virtual space and display models of new facilities in these spaces so that investors can tour and realistically experience them as if they were actually there.

At the same time, while PBR can’t be ignored, what is crucial is that we strengthen our earning power in the medium rather than the short term. In that regard, I believe our strategy of revising our business portfolio and creating a leaner corporate body is the right way to go and I want to see this strategy continue to be properly implemented in the future.

Kaiami It is definitely true that it is necessary for corporate management to be cognizant of PBR. At the same time, however, I feel that concentrating on PBR to the exclusion of other aspects is not a good idea.

From the start, Tokyu Fudosan Holdings Corporation grew while touting the philosophy of resolving social issues through business. Looking at the Group’s senior housing, for example, this is a business that will not necessarily result in large profits, but it contributes to the resolution of a social issue. We must take care not to ignore this aspect in the excessive pursuit of revenue. In turn, I think just like everyone else has said that taking the time to

emphasize the social value we provide to investors will also lead to stock prices increasing.

Miura It is necessary to always bear PBR in mind, but ultimately it is only one indicator. A corporation belongs to its shareholders, but at the same time, it must also provide value to customers, the local community, and a wide variety of other stakeholders. It is essential not to focus exclusively on PBR but rather to consider where to position PBR as just one indicator in our management strategies aimed at achieving sustainable growth.

Two Group policies

Balancing environmental management and DX and turning Shibuya into a model city for the world

—Please share your expectations as well as what areas you think need improvement with regard to our creation of unique value through environmental management and DX.

Kaiami Regarding environmental management, in addition to solar and wind power generation, I’d also like to see offshore wind power generation incorporated into our strategies. Also, I feel it would be good to call a little more attention to our effective utilization of renewable energy in the buildings we have developed.

Miura Our Group has been relatively quick to take part in international frameworks, such as our endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and RE100 participation. This is also an area we should emphasize more. Offshore wind power generation was brought up, but that is a completely different competitive environment to solar power. It is a field that is also seeing the full participation of international companies, and it is crucial to have a strategy with regard to who to partner with and

in what form the business should take. Caution is also important, but it is an area that requires a company to make bold and quick decisions.

Jozuka I think the “WE ARE GREEN” slogan is also a great fit for our environmental management initiatives. At the same time, however, I feel that perhaps we should publicize our more concrete environmental management initiatives a little more.

Looking at solar power, I think solar power generation on agricultural land initiatives, in which solar power is generated on the same land used for agriculture, is interesting. Our Group would be able to use its unique strengths as a real estate developer to implement such projects. I also feel that there is still much room for growth in the field of solar power, so I’d like to see us engage in a close examination of this concept.

Hoshino Re-reading “WE ARE GREEN,” I feel like “WE” can mean not just the Group but all of our stakeholders. This slogan inspires in me an image of individual people and the way they live their lives as flowers, with each individual sprouting new leaves and making use of their unique characteristics to grow big and strong, embodying the “future where everyone can be themselves and shine vigorously” we are aiming for. I think that “WE ARE GREEN” could become a widespread catchphrase calling on everyone to take action and work together to make that kind of world a reality. Going forward, our implementation of not just environmental management but DX, as well, should evolve into business development which incorporates the participation of our stakeholders. Environmental management is an area in which it is easy to include people from outside the Group, so I’d like us to combine environmental concerns and DX as we work to achieve management predicated on stakeholder participation and become a widely loved corporate group. I anticipate that as the

slogan for this movement, “WE ARE GREEN” will permeate even further and be used even more extensively.

Arai Speaking of combining environmental management and DX, the Tokyu Group is developing a variety of facilities under the themes of work, play, and living in the Greater Shibuya area. Through these efforts, we have begun to create a world leveraging DX where the employees who work in Shibuya’s offices, the local residents who visit the area as a place for rest and relaxation, and the plants and animals which gather there all coexist in harmony. Our Group’s initiative in the Greater Shibuya area will realize “real estate as a service” which incorporates DX and digitalization leveraging renewable energy into area management, and I expect it could well make Shibuya into a model city not just for Japan but also the world.

Jozuka I too feel a sense of ambition in the Group’s business ventures and believe they have the power to make Japan more vital. With regard to DX, the Group’s structure for its promotion is quite spectacular.—Centering on Tokyu Fudosan Holdings and TFHD digital,* each company in the Group is being provided with powerful support in their initiatives.

*A DX technology company established in 2022



Medium- to Long-term Growth Strategy Outside Director Discussion

They are shown what can be possible with the use of digital technology, and in turn, this leads to new ideas emerging, increasing the vitality to the entire Group. We members of the Board of Directors are also provided with briefings on DX. Additionally, through DX reports, the Group provides external disclosure of its DX initiatives.

I believe that in part it is because of efforts such as these that we were selected for the DX Stocks 2023 list certified by the Ministry of the Economy, Trade and Industry and the Tokyo Stock Exchange.

Hoshino Shibuya is regarded an internationally competitive city, and recently there has been an increase in demand for office space in the area by a great number of IT and other companies. In terms of creating synergies between technology companies and overseas startups, as well, Shibuya is an optimum location. It is for these reasons that I am expecting our Group to take on a leadership role in establishing styles of business that are unique to Shibuya, and in uncovering new business opportunities.

Miura I think that DX will only really get underway from this point forward. While conventionally it has been difficult to create new services in the real estate industry, DX is a concept that only truly comes into its own with the

transformation of business models, so this is something I would definitely like to see us set our sights on.

Kaiami I feel there is also great potential for DX in the building and condominium management Tokyu Community engages in. I think DX can enable the creation of new business models unlike any that have existed before, such as building management that isn't dependent on manpower.

Arai Earlier, I talked about my experience touring TOKYO PORTCITY TAKESHIBA, and one of the things I was shown was the facility's use of cleaning and security robots. Shifting work that was previously the domain of human beings to AI and machines has the potential to eliminate labor shortages and also enable creative community planning. I am struck again by how closely tied DX is to the resolution of social issues.

I shouldn't just offer only praise and no criticism, so if I had to give an issue we are currently facing, it would probably be speed. The strengths we have that separate us from other enterprises can be even further enhanced with speed. I'm going to be a little harsh here, but in comparison to places like the United States, software development in Japan is quite old-fashioned. If we could accelerate our software development, we should see improvements in efficiency across all of our businesses.

Growth in the medium and long term

The Group's unique style of increasing earning power is the key

—Lastly, please share a message and your aspirations concerning the growth of Tokyu Fudosan Holdings going forward.

Kaiami Tokyu Fudosan Holdings is an extremely diligent company, so I haven't really felt that I've been able to contribute through my knowledge



and experience in my specialty areas of the law and compliance. Accordingly, instead I've shared my honest thoughts as an ordinary citizen and would like to continue to contribute that way going forward.

I became an outside director five years ago, and in that span the atmosphere of the Board of Directors has changed significantly. There are more women than before; the backgrounds of the members are more diverse; and Board meetings have become more effective, enabling opinions to be expressed more freely.

Arai To repeat myself, we need to increase our earning power. Doing so will not only improve PBR but also increase employee motivation. Above all, I'd like us to focus on how we earn. I think it is extremely important for us to further establish our own uniqueness while increasing our earning power at the same time.

Hoshino In the difficult times we find ourselves in now, I believe that what a company needs is the ability to turn issues into strengths. Facing issues and turning them into earning power is not something that can be achieved through ordinary means, which is precisely why I think we need to tackle this challenge with ambition and the "challenge-oriented DNA" that is rooted so deeply in our Group.

In implementing our environmental management and DX initiatives, the concept of "area management"—increasing value across the entirety of an area—is essential, and the extent to which we can involve the national and municipal governments will be key. I would like to contribute in this area through advice on the unique thinking and requirements of government authorities.

Jozuka My specialty is diversity, and so it is through that field that I would like to contribute. Through diversity, including consideration not just for women but also for LGBTQ persons and men, I will help realize "a future where everyone can be themselves, and shine vigorously." In my position as an outside director, I would like to help support women in the Group.

Miura In my time being involved in corporate management, I have come to believe strongly in the idea that "a company is its people." I would like us to reexamine how we utilize the human capital we have and what kind of human capital we accept and cultivate, including in the area of our human resources system.

In taking on new challenges, having a diverse rather than uniform group of people increases the comprehensive strength of an organization. Accordingly, I'd like to see us hire not only people who got excellent grades in school but also people with other unique and distinctive qualities as well. In turn, I'd like to contribute to initiatives in this area aimed at increasing the Group's comprehensive strength.

