Roundtable Discussion Between Three External Directors

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Improvement of Corporate Value Through Enhancement of Corporate Governance and Evolution of Board of Directors

The following is a roundtable discussion between three external directors in which they touch on several subjects that pertain to the ongoing growth and corporate value improvement of the Tokyo Tatemono Group. In addition to talking about corporate governance systems, these individuals delved into the decisions made through these systems and how to enhance human resources, remuneration systems, and business portfolios.

Transformation of the Board of Directors and Enhancement of Decision-Making Processes

Onji I became an external director at Tokyo Tatemono in 2018. When I look back at that time, I am reminded of how the majority of the agenda items for Board of Directors meetings were investment projects. In this manner, the Board was largely a body for deciding what business activities would be undertaken. Since the change in the secretariat and in the members of the Board, however, I feel that we have been devoting more time to strategic discussions on a variety of matters, such as management plans, M&A activities, and new businesses. In this manner, the Board has been transformed into a body for making institutional decisions for driving improvements in corporate value after extensive discussion. Investment projects can still be found among agenda items, but now discussions of such projects are framed around the potential impact an investment might have on the medium-term business plan. This change has contributed to greater accuracy in decision-making.

Nishizawa One year has passed since I became an external director at the Company. I joined right after the announcement of the current medium-term business plan, and I remember how the Board would tend to focus a lot on discussion of individual projects at this time. Such discussions of individual projects gave me glimpses into the Board's decision-making processes and frontline and other business activities at Tokyo Tatemono. I was thus able to build an understanding of these matters while getting an idea of the underlying assumptions that shaped discussions at Board meetings.

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Tanouchi One thing that I remember really leaving an impression after I became an external director was how Tokyo Tatemono took part in projects of a massive scale, measured into 10s or even 100s of billions of yen. As an external director, I believe that my role is less about getting into the details of individual projects and more about offering input from an overarching perspective looking at risks and other matters. I have a lot of praise for how the Company provides thorough briefings in advance of Board meetings to ensure that we can take part in discussions after clearing up any matters that we might not have understood. In addition, the Chairman of the Board frequently asks for input from us external directors, injecting a healthy degree of tension into meetings.

Nishizawa At Board meetings, we are encouraged to freely ask questions. Even if a question cannot be answered on the spot, the Company will provide a response at a later date or in some other way. I therefore feel that Tokyo Tatemono is taking steps to ensure that no information remains hidden, thus making the Board a functional venue for fundamental discussions.

Business Understanding Gained Through External Directors Meetings and Communication with Future Management Candidates

Onji By welcoming Mr. Nishizawa and Ms. Tanouchi to the Board a year ago, Tokyo Tatemono increased the ratios of external directors and of women on the Board. This move introduced new perspectives into the Board and thus made it possible to discuss matters from a more diverse range of viewpoints. Around the time that you two joined, the Company also began organizing External Directors Meetings to provide opportunities to learn about business divisions. By helping external directors get a better understanding of its business, the Company has made it easier for external directors to take part in discussions based on the prerequisite specialized knowledge.

Nishizawa At the External Directors Meetings held during fiscal 2025, I was able to gain a better understanding of Tokyo Tatemono's businesses and to engage in communication with future management candidates. I believe that explaining one's job to others is a good way to learn about the temperaments, explanation skills, and general interpersonal skills of individuals. I was able to see this belief in action when listening to the explanations from division heads and other core personnel at study sessions. This made the meetings all the more beneficial.

Tanouchi The ability to think about how to explain the Company's business to someone who doesn't have a background in this industry and to anticipate the type of questions they might ask will be an important skill when one assumes a management position. For this reason, I feel that having business leaders explain their businesses to external directors is a mutually beneficial exercise.

Onji The provision of opportunities for more in-depth communication between executive function individuals and external directors is a big step forward. However, I still think that Tokyo Tatemono still has some work to do when it comes to developing succession plans. The Company could make progress on this front by increasing opportunities for external directors to interact with future management candidates, both inside and outside of formulaic meeting settings, and utilizing the Nomination Advisory Committee.

Development of a Strong Yet Flexible Business Portfolio

Onji I believe that there is a need for more extensive discussion on business portfolio strategies. At the moment, such discussions tend to be limited to asset portfolio matters, like whether or not specific properties should be sold. Going forward, I think that it would be wise for the Company to define its vision for its operations in commercial properties, residential housing, hotels, logistics properties, and other sectors, and then set its strategies accordingly.

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Tanouchi I agree. When we examine Tokyo Tatemono's future growth prospects, I am sure we will find opportunities in fields that lie adjacent to existing businesses. Such fields could include stand-alone homes in the Residential Business or the improvement of value in the Commercial Properties Business. Another potential option could be fields where we can anticipate synergies with existing businesses. It will thus be important to examine such possibilities in line with the Company's growth strategies and to determine the M&A and other methodologies that will be used to explore these possibilities.

Nishizawa Uncertainty is rising in the operating environment due to factors such as growing geopolitical risks and increases in interest rates. These means that the Company will need to be constantly considering how to enhance its organizational capacity to identify and address integrated and other risks. Tokyo Tatemono is currently enjoying strong performance in its core businesses. Nevertheless, it would be prudent for it to look at the possibility of strengthening operations in fields that will be resilient to market downturns or, in other words, that are not reliant on the balance sheet.

Tanouchi In the future, Tokyo Tatemono should look at the roles that its businesses play in its overall portfolio and then determine how to prioritize investments based on the degree to which these businesses conform to growth strategies.

Transition to Remuneration Systems Emphasizing Capital Markets

Onji Over the period from 2025 to 2026, the Company undertook a revision to the remuneration systems for internal directors that led to it increasing the portions of remuneration attributable to performance-based remuneration and stock-based remuneration. I think that this revision was an important step toward striking a balance between committing to performance and pursuing medium- to long-term growth while incorporating the perspective of capital markets.

Tanouchi In regard to performance-based remuneration, specifically, ROE is a viable indicator for reflecting performance in remuneration. I therefore think that the Company should consider utilizing this indicator in assessments. Conversely, it can be a challenge to determine the appropriate degree to which difficult-to-quantify factors, such as ESG factors, should be reflected in assessments. Nevertheless, by incorporating such factors into remuneration systems, Tokyo Tatemono has installed frameworks for ensuring that management is always mindful of the Company's medium- to long-term growth.

Nishizawa When taking a global perspective, I think that the increase to the portions of remuneration attributable to performance-based remuneration and stock-based remuneration was a natural progression. Looking ahead, the Company will need to address issues pertaining to how to set targets for specific indicators and assess these indicators. As an external director, I therefore see a need to carefully examine the new systems to ensure they can be entrenched in a state that is effective.

Advice for Strengthening Governance and Enhancing Discussions at Board of Directors Meetings

Onji Earlier, I talked about the standards for raising proposals to the Board of Directors. There might be a need to revise these standards in conjunction with the growing scale of Tokyo Tatemono's assets. Nevertheless, I want to the Company to continue presenting M&A and new business projects to the Board if they are of significant strategic importance. This should be done regardless of the monetary scale of a given project.

Tanouchi Tokyo Tatemono's Board of Directors is operated in a highly effective manner that is similar to that of a monitoring board. There are some proposals that are raised to the Board after discussion by the Executive Committee. If there was a way for the Board to track the type of discussions conducted by the Executive Committee, it might make it easier for the Board to engage in more wide-ranging discussions.

Nishizawa No matter how diverse and open an organization is, the decisions it makes will become more homogeneous the more time passes. The same can be said of external directors. Accordingly, rather than focusing only on skill matrixes, it would be advisable for the Company to consider the losses that could occur as a result of a static Board membership.

Onji The role of external directors will change in conjunction with the growth of the Company. I am committed to contributing to improved corporate value while responding appropriately to changes and utilizing outside viewpoints to increase the effectiveness of the Board of Directors.