Corporate Governance

Outside Directors' Discussion

A roundtable discussion was held among Tsunehiro Nakayama, Shinichiro Ito, Eriko Kawai, and Mami Indo, all four of whom serve as outside directors, covering themes ranging from their review of the Long-Term Vision: VISION 2025 to their expectations and assessments of & INNOVATION 2030 as the Group's new long-term vision, the effectiveness of the Board of Directors, and the human resource strategies. Details are presented as follows.

Eriko Kawai
Member of the Nomination Advisory Committee
Member of the Compensation Advisory Committee

Shinichiro Ito
Chairperson of the Nomination Advisory Committee
Chairperson of the Compensation Advisory Committee

Mami Indo
Member of the Nomination Advisory Committee
Member of the Compensation Advisory Committee

Tsunehiro Nakayama
Member of the Nomination Advisory Committee
Member of the Compensation Advisory Committee

Toward Realizing the Group's Long-Term Vision

Looking Back on VISION 2025, the Group's Long-Term Vision

What are your thoughts on how Mitsui Fudosan has grown thus far through VISION 2025, the Group's Long-Term Vision?

Ito I feel that the Company has steadily grown throughout this period. Even as the facility operations business, including retail facilities as well as hotels and resorts, struggled owing to the pandemic, which we failed to predict when initially formulating VISION 2025 in 2018, the office leasing and property sales businesses experienced steady growth and the logistics properties and other businesses witnessed robust trends. Meanwhile, the retail facilities and facility operations businesses enjoyed an extremely quick positive turnaround following the end of COVID-19, so in this sense, I feel the Company has grown steadily overall. I also believe VISION 2025 produced significant outcomes during this period in such areas as our evolution into a global company, particularly with the emergence of several large-scale projects in New York, London, and elsewhere that will underpin our bright future.

Nakayama I agree. I think the Company has fared well and has shown signs of achieving the aspirations of VISION 2025 well in advance. As Mr. Ito just mentioned, the businesses that struggled the most during the pandemic emerged as engines of growth quite rapidly after COVID-19 came to an end. I feel their ability to release the energy pent up over this time also benefited the Company. Moreover, having raised the key concepts of "getting better with age" and "real estate as a service" under VISION 2025, another key aspect of this growth was the Company's efforts to evolve its core business of real estate. One outcome of VISION 2025 that left a particularly deep impression on me is that the Mitsui Fudosan Group was able to clearly illustrate its message of keeping one step ahead of the industry.

& INNOVATION 2030, the Group's New Long-Term Vision

The Company formulated & INNOVATION 2030 as its new long-term vision.
What are your expectations and thoughts on such matters as the formulation process and hopes in putting the Vision in place?

Indo As Mr. Nakayama mentioned, the Company has achieved the targets it initially laid out under VISION 2025 in terms of numbers and has established the foundation for further evolution. The Board of Directors therefore formulated & INNOVATION 2030 in light of these achievements, particularly by involving us as outside directors in multifaceted discussions on how we will change going forward under the new long-term vision. Looking at both Japan and the world beyond, natural disasters, fluctuations in interest and exchange rates, the emergence of generative AI, and other changes in the external environment are having increasingly profound impacts on management. Against this backdrop, we thoroughly debated the long-term vision from the perspective of how the Company should grow in a manner that goes beyond the framework of a real estate company. Although it might appear that the real estate industry has changed in a relatively moderate way over its long history, the Company is now attempting to significantly transform the industry. And for this reason, we offered a broad range of opinions as outside directors with a diverse range of backgrounds.

Kawai I feel the same way. As far as the formulation process is concerned, I was impressed that the Board truly incorporated our opinions as outside directors, and I believe that this created a long-term vision that everyone could accept. While the vision under & INNOVATION 2030 is to contribute to the creation of added value for society as an industry developer, I feel the plan maintains a good balance in progressing toward this bigger picture under the two approaches of business strategies and financial strategies. Moreover, in a positive sense, I am also glad we were able to hammer out aggressive numerical targets.

Nakayama As soon as the outside directors became involved in the formulation process, the Company prepared an extensive array of materials, which allowed us to really debate the new vision. I heard the internal management team even lodged together during the process, and it was easy for us to join in the discussions.

Ito I believe we were fully prepared to proceed with our discussions from the perspective of deciding what path to take toward 2030, using VISION 2025 as the launchpad. The term "industry developer" includes the Mitsui Fudosan Group's policy of going beyond the bounds of a real estate developer in a way that allows it to undertake the challenge of entering into new industries. In this sense, I believe this term matches quite well with the new vision.

Tsunehiro Nakayama | Outside Director

After serving for many years in top management positions in the financial industry, including Representative Director and Deputy President of Mizuho Corporate Bank, Ltd. and Representative Director and Chairperson of Merrill Lynch Japan Securities Co., Ltd., Mr. Nakayama was appointed a director of Mitsui Fudosan in June 2019. He also serves as a member of the Company's Nomination Advisory Committee and Compensation Advisory Committee.

Indo From & INNOVATION 2030, I strongly sense the Company's aspiration to drive innovation in a way that exceeds the framework of the real estate industry. We considered the approaches through which the Company can have a major impact on society, as well as how to create social value, in a manner that goes beyond the bounds of the real estate industry. We also raised the idea of exploring new business domains, as well as further developing and evolving as a platformer, as the methods for achieving these goals. But I feel the term "platformer" is also a central

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keyword that must be considered in concert with the term "industry developer." Specifically, the reason for this is that the Company is not simply stating it will coordinate related parties for the purpose of developing industries, but that this combination of the two terms serves as the Company's declaration that it will become a platformer for this purpose. I believe this concept is extremely important as the Mitsui Fudosan Group transforms toward more innovative business models in the future.

What is your assessment of the financial strategies in & INNOVATION 2030?

Nakayama Going beyond simply creating social value through its business strategies, & INNOVATION 2030 also presents a path toward the creation of economic value through its financial strategies. As such, I believe the plan as a whole is firmly grounded. Discussions focused entirely on creating social value can without question, however, become somewhat detached. In this regard, the plan lays down concrete numerical targets and financial strategies from the perspective of creating economic value and looks beyond simple profit growth for these strategies, in particular, as a means of indicating ways of giving back the generated profits and improving efficiency. I feel the plan presents a more complete picture and is extremely important, in the sense that, as a private-sector operating company, Mitsui Fudosan has illustrated a cycle whereby it generates profits while contributing to society, and then returns these profits back to society, as well.

Kawai The financial strategies are also easy to understand and stand firmly. They serve to strengthen shareholder returns through consistent, sustained profit growth, as well as improvements in asset efficiency based on BS control, for a company like Mitsui Fudosan that is involved in long-term projects.

Indo I wholly agree. I feel that working out financial strategies from this kind of overall perspective also helps put the capital markets at ease, yet the quantitative ROE target level of at least 10% for the period around fiscal 2030 is not one the Company will necessarily be able to easily achieve. Even so, I feel the capital markets have high expectations for the Company.

What are your expectations in terms of expanding into new asset classes and exploring new business domains as worked out in the business strategies?

Shinichiro Ito | Outside Director

After serving for many years in top management positions, including President & Chief Executive Officer, Representative Director and Chairperson of the Board, Representative Director of ALL NIPPON AIRWAYS CO., LTD. and ANA HOLDINGS INC., Mr. Ito was appointed a director of Mitsui Fudosan in June 2019. He also chairs the Company's Nomination Advisory Committee and Compensation Advisory Committee.

Nakayama I feel there is significant room for growth in regard to creating neighborhoods that harness the power of sports and entertainment, which was raised as a new asset class.

Indo I think so, too. After I toured the completed LaLa arena TOKYO-BAY in Funabashi, Chiba, I gained a completely new perspective on the value I had placed on arenas up until that point. The jumbotrons that show the arena can be seen comfortably from any seating level, regardless of where you sit, thereby creating the sense of a live performance. In this regard, the facility offers a lot of added value.

Ito I think the impacts of the Tokyo Dome coming under the umbrella of the Mitsui Fudosan Group have also shown up in a major way in these kinds of facilities.

Nakayama That makes sense. In addition, the new asset classes covering the rental labs and office buildings, as well as data centers, are domains in which the Company has introduced its intention of demonstrating its abilities as an industry developer and platformer.

Indo The rental labs and office buildings businesses will go beyond providing social value to create economic value as well. In fact, the Company has already established a track record in creating aerospace business-related networks such as LINK-J and cross U.

Ito I believe these areas fully leverage the President's message, which link the dreams and visions of each individual to reality, as well as the Company's culture. I think President Ueda's leadership here has been particularly impressive.

Indo I agree. From a laboratory perspective, Japan and the world beyond are aiming to create new value in the life science and other scientific fields, so these areas readily attract capital. Which is exactly why I feel the Company will be able to demonstrate its full functionality as an industry developer. I have high expectations for the Company here because, in one sense, the term "industry developer" holds the same meaning as creator of industry frontiers. In regard to the data center business, the arrival of the era of AI will drive increased power consumption and give rise to major changes in the very design methods for semiconductors. Against this backdrop, the key points will be how the Company aligns the new assets possessed by the Mitsui Fudosan Group with this era and whether it can lead the world.

Nakayama As far as these new challenges for the next generation, including new business domains, are concerned, there is no need to achieve the same profit margins in the same time frame for each new domain. Although this approach requires calm, calculated monitoring, I think it would be interesting for the Company if all goes well.

Eriko Kawai | Outside Director

Ms. Kawai serves as Professor Emeritus of Kyoto University. Active overseas for many years, and with a wealth of experience as a management consultant at various international organizations, including the Bank for International Settlements (BIS) and the Organization for Economic Cooperation and Development (OECD), Ms. Kawai was appointed a director of Mitsui Fudosan in June 2021. She also serves as a member on the Company's Nomination Advisory Committee and Compensation Advisory Committee.

Effectiveness of the Board of Directors and Dialogue with Capital Markets

Please tell us about your future roles as outside directors.

Indo One of our roles as outside directors is to thoroughly monitor the Company and ensure that it does not exceed risk tolerances while observing the progress in the business strategies we have discussed thus far. I feel that one of the obligations of the Board of Directors, and of us as the outside directors in particular, is to observe whether the Company remains on-balance even as it creates social value through the long reach of the Mitsui Fudosan Group.

Nakayama I feel the same way. Our stance as outside directors is to make sure the discussions on the executive side remain on track and are sustainable from the viewpoint of socially accepted common sense. Thoroughly monitoring management is therefore the role of the outside directors. The current Board of Directors includes an additional outside director, which means that five of the 13 directors are now outside directors. Yet I think we must also continue discussing this composition based on the perspective of the skills matrix for the entire Board of Directors. At the same time, we must also listen closely to feedback from the capital markets, where the standpoint of investors will serve as an opportunity for us to gain a new awareness. Moreover, I feel it is important for us as outside directors to share the feedback of the capital markets at Board of Directors' meetings and to deepen our discussions based on this feedback.

Ito Mitsui Fudosan has raised lofty targets for fiscal 2030, so I feel that society is watching with interest as to whether the Company will be able to clearly indicate its progress in numbers as it moves toward these goals in the future. I also hope that we can spend much more time discussing these themes further at the Board of Directors.

Kawai I agree. In addition to our discussions at the Board of Directors, we use the Outside Officer Meeting to take up themes that we have deemed important. This gives us more time to spend on debate, after which we provide the results of our discussions as feedback to the executive side. I feel this also serves as an effective form of monitoring, and as a good opportunity to reflect in management the various areas of knowledge possessed by the outside officers. I am convinced that the responsibilities of the outside directors are only going to grow more important over time.

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What are your thoughts on the initiatives for ensuring the effectiveness of the Board of Directors?

Nakayama I believe that the changes we made to some of the debate criteria for the current Board of Directors was a positive move in terms of further enhancing discussions. Naturally, for the Company, deciding whether to debate a topic at the Board of Directors is not simply an issue of money. And, obviously, I think the Company should raise topics that it feels are important in terms of management at the Board of Directors. So, I believe the Board should have this kind of flexibility. In this respect, I think we need to continue studying both the debate criteria and the necessary format for Board of Director discussions.

Human Resource Strategies for Realizing the Vision

Finally, what are your thoughts on the human resources who will support the Company's drive for innovation as it aims to realize its vision?

Kawai My impression is that Mitsui Fudosan presents a sense of stability through management policies based on long-term perspectives, values its people, and sincerely engages in efforts to develop human resources. It is therefore an excellent company at which all employees can work with abandon. So, I am glad to see the Company striving through work style reforms in recent years in an attempt to create stress-free work environments for women as well.

Ito It seems so to me, as well. The Company has a high level of employee engagement, and, under the leadership of President Ueda and his banner of dream, vision, reality, I think it has cultivated the soil to nurture vibrant employees.

Mami Indo | Outside Director

Having worked as an analyst and consultant at Daiwa Securities Co. Ltd. and Daiwa Institute of Research Ltd. and as a member of the Securities and Exchange Surveillance Commission, Ms. Indo has a wealth of experience and broad insight. Appointed as a director of the Company from June 2023, she is a member of the Nomination Advisory Committee and Compensation Advisory Committee.

Kawai On the other hand, I think the Company might need to further enhance its flexibility in regard to human affairs, particularly in terms of better attracting innovative personnel. The innovative class beyond the walls of the Company is highly fluid in terms of manpower. Even so, I think that Mitsui Fudosan should leverage its currently high level of engagement and aspire to be a company that balances these two aspects of fluidity and engagement.

Nakayama I have heard from employees that President Ueda has gone directly to the offices and sites where they work to explain the new long-term vision. And these employees have also commented that this action by the President is highly refreshing and felt it was good that his thoughts reached them directly.

Indo Human resource strategies tend to focus on the viewpoint of where and how to assign employees. I feel, however, that it is extremely important that these strategies take the fundamental perspective of how to ensure employees are satisfied with their work and become part of a team while working without stress.

Ito I fully agree. On another point, many of the workplaces at the Company's facilities are led by employees from Group companies, so I also think these strategies must incorporate the perspective of strengthening engagement across the entire Group.