

Stakeholder Engagement for Improving Corporate Value through Dialogue and Co-Creation



As part of its sales activities, Tokyo Century seeks to understand the issues and goals of customers and partners so that it can supply them with the ideal financial services and value.

By building relationships through joint businesses with customers and partners and continuously enhancing our financial services through the merging of our respective strengths and expertise, we aim to heighten the value we supply to our customers, partners, and society.

Major Engagement Methods and Measures

- ➡ Communication through sales activities
- ➡ Joint businesses and personnel exchanges with partner companies
- ➡ Sharing of knowledge related to financial service planning and other initiatives



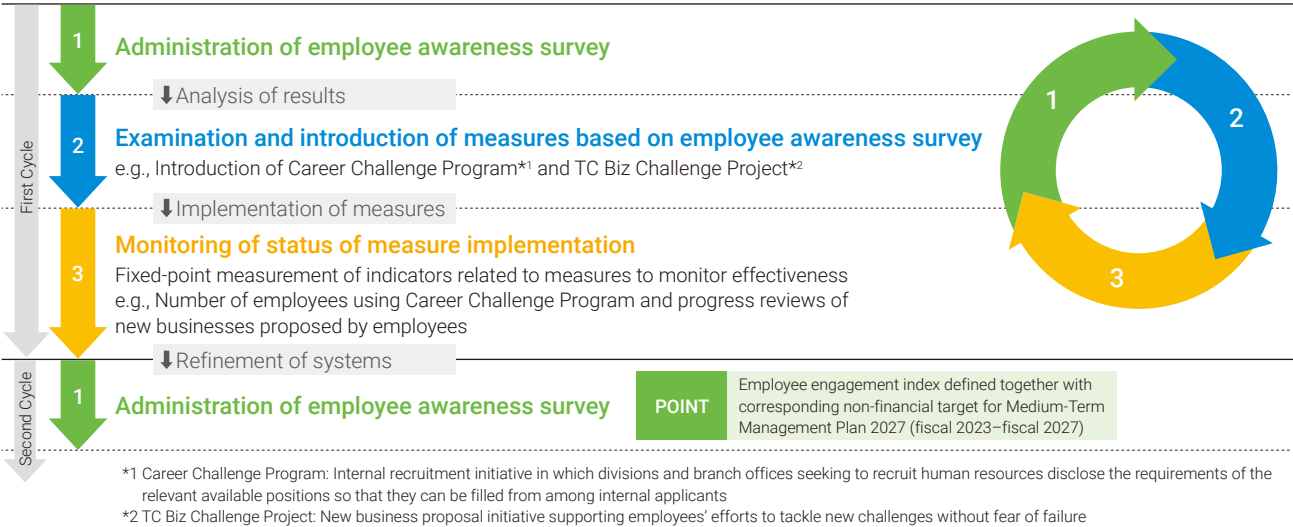
Tokyo Century aspires to develop a workplace environment in which every employee is respected and able to fully exercise their talents, and we are actively working to heighten employee engagement. Moreover, the input gained from employee awareness surveys is used in discussions by the Management Meeting and the Board of Directors for analyzing issues and planning future initiatives. Responding to such input is positioned as an important management priority.

By entrenching a cycle of appropriately incorporating employee input into management, we will endeavor to bolster employee engagement by building trust with employees and improving our workplace environment.

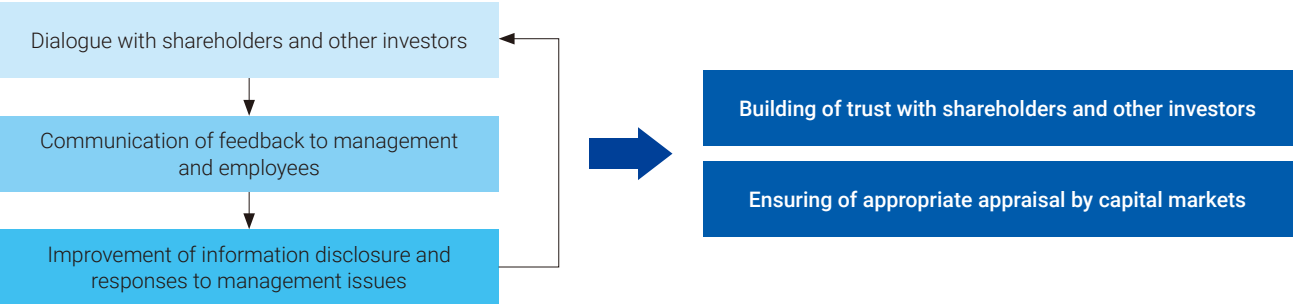
Major Engagement Methods and Measures

- ➡ Employee awareness surveys
- ➡ 360-degree evaluations
- ➡ Career Design Office (career consultation venue)
- ➡ TC-Mee+ meetings for exchanges among employees (discussion forums with the president)

Cycle of Improving Employee Engagement through Dialogue



Tokyo Century advances its investor relations (IR) activities with a focus on generating a cycle of proactive dialogue with shareholders and other investors and communicating the input and requests solicited thereby to management and employees. The input gained during the course of IR activities is used to improve information disclosure and respond to management issues in order to build trust with shareholders and other investors and ensure that capital markets accurately appraise the Company, which in turn is anticipated to contribute to higher corporate value over the medium to long term.



Major IR Activities

| | Activities | Frequency in Fiscal 2022 | Details |
|--------------------------------------|---|--------------------------|---|
| Analysts and institutional investors | Earnings calls | 4 times | Quarterly earnings calls (Three-month and nine-month calls led by officer responsible for investor relations; six-month and full-year briefings led by the president) |
| | Meetings with the president | Approx. 25 | Meetings between the president and analysts and institutional investors in Japan and overseas (including small meetings) |
| | Meetings with IR representatives | Approx. 230 times | (Of which, approx. 50 meetings with overseas institutional investors) Meetings with analysts and institutional investors in Japan and overseas |
| | Business strategy briefings | 1 time | Business strategy briefing on joint businesses with the NTT Group |
| | Overseas roadshows | 1 time | Face-to-face meeting between the president and overseas institutional investors |
| Private investors | Company briefings for private investors | 2 times | Briefings on the Company, business strategies, shareholder return policies, etc. |



Integrated Report 2022 Named High-Quality Report by Domestic Stock Management Institutions of GPIF

Every year, the institutions contracted to manage the domestic stock holdings of the Government Pension Investment Fund (GPIF) name a number of excellent integrated reports and high-quality integrated reports from Japanese companies. In 2023, Tokyo Century's *Integrated Report 2022* was one of the 95 named high-quality integrated reports. Tokyo Century is committed to enhancing the quality of disclosure through its integrated reports and other IR tools in order to facilitate dialogue with investors and other stakeholders and thereby improve corporate value.

Shohei Ura

Head of Japan Engagement Strategy
Amundi Japan Ltd.

Koichi Baba

President & CEO, Representative Director
Tokyo Century Corporation

TRANSFORMATION

Institutional Investor

DIALOGUE

President

Tokyo Century continuously engages with investors to guide efforts to improve corporate value.

Expectations for transformation necessary for achieving medium- to long-term growth and impression of basic policies and management targets of Medium-Term Management Plan 2027

Baba

In times of uncertainty, it is not enough for us to simply respond to changes; we must actively transform ourselves to lead the era. In fiscal 2023, Tokyo Century launched Medium-Term Management Plan 2027. This plan puts forth the concept of TCX, or Tokyo Century Transformation, which encapsulates the Company's strong commitment to transforming itself. Based on this concept, we aim to strengthen our earnings power through portfolio transformation, human resource and organizational transformation, green transformation, and digital transformation. We will also be promoting environmental, social, and governance (ESG) initiatives for this purpose.

Strengthening earnings power requires us to heighten our profitability. Recognizing that asset efficiency is integral to profitability, boosting our profitability could be viewed as akin to increasing asset efficiency. Improving the profit margins for our segment assets worth some ¥5.4 trillion to increase efficiency should contribute to growth in earnings per share. We thus emphasize return on assets (ROA), which we calculate as net income attributable to owners of parent divided by total assets, when gauging the extent to which we have strengthened earnings power.

Ura

What most captured my attention about Medium-Term Management Plan 2027 was

the phrase “bring about change.” In fiscal 2020, Tokyo Century announced its intention to grow based on its seven pillars of business strategies. It was thus quite impactful how, in Medium-Term Management Plan 2027, the Company chose to not only pursue growth in scale but also shift focus toward improving capital efficiency. I took this course correction to be a message indicating Tokyo Century’s adoption of a policy of increasing efficiency to strengthen its earnings power, based on the fact that strong earnings power is vital if the Company is to transform in advance of changes to the times. The disclosure of ROA targets for individual operating segments and other measures to break

financial targets down by segment seem to have been a decision made to underscore this message.

Also, as one of its concrete strategies, I understand that Tokyo Century plans to replace assets in its portfolio to shift toward growth businesses as it seeks to increase the representation of high-margin service businesses in order to heighten efficiency. However, I feel that it would be even more compelling if the Company was to offer more detail with regard to the strategy of shifting toward service businesses, such as the standards that will be used when replacing assets as part of specific business strategies.

Approach toward transformation to achieve ideal asset portfolio and improvements necessary to bolster market evaluation over medium to long term

Baba Each of our five operating segments is important to Tokyo Century, and I believe that it is crucial for us to grow these segments in a balanced manner. Raising ROA through asset replacement is the mission of every operating segment, after defining the degrees of independence and authority delegated thereto. We encourage operating segments to act with

autonomy in order to achieve higher levels of effectiveness.

All operating segments are engaged in growth businesses that are their primary drivers. However, as some businesses in these segments are underperforming, there may come a time when we need to consider withdrawing from businesses or downsizing the associated

assets. The capital recovered in said ways will be allocated to high-profit, high-potential businesses as we replace the assets in our portfolio.

As another aspect of revising our portfolio, we established a new operating segment, the Environmental Infrastructure segment. In the past, we advanced environmental businesses as part of the operations of the Equipment Leasing, Specialty Financing, and other segments, but these businesses were judged to lack efficiency. It is therefore my hope that going forward the Environmental Infrastructure segment will function as the nerve center for the environmental businesses advanced on a Companywide basis in order to heighten their effectiveness from a Companywide perspective. It was more than a decade ago when we embarked on a new journey with the establishment of the International Business segment. Today, this segment has grown to have an asset portfolio with a scale of ¥650.0 billion. We have a track record of expanding the asset portfolios of newly launched segments, and I am committed to making the Environmental Infrastructure segment such a success as well.

Ura I have high expectations for the newly established Environmental Infrastructure segment, especially given how long it has been since the last new segment. Generally, the more unclear it is what a company is doing on an overall basis, the likelier it is that it will be discounted. The same applies when it comes to the Company’s overall asset portfolio and the possibility for investors to apply a conglomerate discount to Tokyo Century. This means that making business strategies and rules clearly visible from the outside is crucial for avoiding being discounted.

I agree with you in that it is important to have operating segments that act autonomously and responsibly in the process of revising the portfolio. At the same time, however, management and the Board of Directors

need to view these efforts from an overall perspective accounting for the entirety of the portfolio to confirm that segments are properly emphasizing profitability and efficiency. Adopting this approach, I want to see Tokyo Century engage in frequent communication with investors to stress its commitment to discipline in pursuing overall optimization and its strong determination toward improving profitability.

I think it is fair to say that Tokyo Century’s ESG initiatives are on a par with global standards. Regardless, the market’s assessment has resulted in a price book-value ratio that is less than 1.0 times. This is likely partially due to recent performance and other financial factors. Another factor, however, may be that the Company has yet to effectively communicate its ESG narrative to the market. Tokyo Century is fully capable of continuously generating earnings. If this fact, as well as the ESG strategies that underpin this earnings power, is consistently stressed when communicating with the market, I am sure that Tokyo Century will see improvements in its price book-value ratio.

Baba You are exactly right. Under the previous medium-term management plan, our performance became more volatile as a result of developments like the COVID-19 pandemic. In fiscal 2022, we undertook what we refer to as a “great reset” by recording losses on our Russia-related exposure and on operational investment securities. Going forward, I think it will be important for us to eliminate the sources of volatility in performance and take steps to recover our evaluation in the market.

We will also need to be diligent when communicating to stakeholders about our practicing well-thought-out ESG management that will support us in getting back to our prior compound annual growth rate and achieving constant growth.

Strengths and weaknesses of unique business model underpinning Tokyo Century’s competitiveness

Baba All companies are a combination of changing and unchanging elements. Looking at Tokyo Century, the unchanging elements are the sources of its strength. These include our discerning eye as a leasing company, which we have honed for over five decades, and how we provide value by allowing customers to use

assets under the arrangement that is most convenient for them.

What changes, meanwhile, is the specific services we offer, which are changing in conjunction with the increasing digitalization and decarbonization of society, as well as the ways in which customers use assets.

I really feel your passion about achieving ongoing growth through high efficiency. I hope that Tokyo Century will demonstrate this commitment in its every action and its communications with investors.

—— Shohei Ura

Significant changes have occurred in these regards over the past several years. For example, we have seen the emergence of services that utilize the data associated with assets as well as ways of using assets for reducing greenhouse gas and other emissions. If we are to respond to changing customer and social needs, it will be imperative for us to flexibly transform our business model. Tokyo Century cannot accomplish this task alone; the Company must be capable of working toward its goals together with its business partners. I am confident that such a capacity for collaboration will become a unique competitive edge for Tokyo Century.

Ura I have a lot of praise for Tokyo Century's unique business model. This model goes beyond simply providing the value of assets to include joint efforts with business partners to resolve social issues in order to deliver higher levels of convenience and use value. Notable M&A activities conducted by Tokyo Century include Aviation Capital Group LLC and CSI Leasing, Inc. In these examples, we see the Company starting with minority ownership, fostering a true partnership based on deep mutual understanding over the course of years before finally converting these companies into consolidated subsidiaries. Here, we see the strength of Tokyo Century in choosing partners, learning about partners' needs, and building mutual trust. This strength will no doubt be a powerful asset toward broadening the Company's business scope and ultimately raising asset

efficiency. There are a lot of opportunities for Tokyo Century to seize in the future, and I think that the Company still has a lot of potential.

However, fostering partnerships takes time, and change is always happening. This means that flexibility is essential when deciding to continue or discontinue an investment. In this manner, it is important for a good balance to be maintained between acting with speed and taking time to assess a situation.

As far as weaknesses of the Company, I think that there is room for improvement when it comes to corporate governance systems. Tokyo Century's current management bodies, which include the Management Meeting and the Investment Management Committee, are functional, and business in all operating segments is executed by managers with high degrees of specialized insight. For these reasons, I believe that the Board of Directors should be positioned as a venue for discussion and oversight regarding Companywide rules and portfolio policies. The ideal numbers and composition of directors should be determined based on this positioning as Tokyo Century seeks out the ideal governance structure given its multiple business portfolios. Our interactions thus far have revealed that you, President Koichi Baba, are highly committed to reforming governance, and I look forward to seeing the steps you decide to take.

Focuses in human capital management

Baba I see management and employees as being equal. For this reason, Tokyo Century needs to become an organization with a corporate philosophy that resonates with people, inspiring them to join, and in which employees feel that our initiatives contribute to their growth and self-actualization.

This is why the Company and its employees should be aligned along a single vector to act as a united entity. The previous medium-term management plan defined our vision of becoming a global corporate group with a diverse team of people, and I think we are finally at a point when we can really work toward that vision. Once again, Medium-Term Management Plan 2027 puts forth the concept of TCX, or Tokyo Century Transformation. Based on this concept, I am spreading the message within the organization that we all need to become

transformative people who are able to bring about change. I therefore hope that everyone at Tokyo Century will be able to evolve into such transformative people, brimming with ambition and potential.

Ura My firm takes a medium- to long-term stance toward investments, and our fundamental approach is to invest in companies that are expected to achieve ongoing growth through high levels of efficiency. A core aspect of ensuring the continuity of this growth and of operating a company is human capital investment, and of particular importance in this regard is whether or not the people working at a company feel happy. Multiple factors can affect whether a person feels happy at their company, including their level of pay, how conducive the working environment is to acquiring skills, or if there are opportunities to form interpersonal



Tokyo Century will achieve ongoing profit growth by strengthening its earnings power and accelerating its ESG strategies. I hope to engage in a constructive dialogue with stakeholders to help them understand this growth narrative.

— Koichi Baba

connections. Regardless of the factor, it is important for a company to increase the number of its employees who feel happy working there.

For this reason, it is prudent to have a corporate culture in which people are appointed to positions based on their skills, as opposed to their background, especially given the diverse range of employees a company may have. Similarly, a company should have a variety of

compensation frameworks, which should be monitored to confirm whether or not they are contributing to higher employee satisfaction. Tokyo Century discloses the results of its employee awareness surveys. I am convinced that ongoing communication of such human capital initiatives to external stakeholders is sure to contribute to higher corporate value.

Passion about the future of Tokyo Century

Baba It is our customers that support Tokyo Century, and we cannot grow if they do not have a high opinion of us. Earning the praise of customers is at the heart of what Tokyo Century does. This is why I place so much emphasis on the cycle of reinforcing our partnership strategy as an asset and service provider and thereby winning the favor of customers, a cycle that allows us to form various new connections.

These new connections will contribute to higher satisfaction among the employees who work on our shared platform and give them tangible feelings of success and growth. This process will, in turn, fill them with ambitions they want to pursue going forward. I want Tokyo Century to be a platform that can support such ambitions, and I am confident that the Company will be able to grow together with its employees if it can accomplish this. This is the vision for Tokyo Century that I intend to work toward.

Ura I suspect that the COVID-19 pandemic and the recent emergence of geopolitical risks have led Tokyo Century to make some important discoveries. These discoveries appear to be reflected in the message communicated by Medium-Term Management Plan 2027: the message that Tokyo Century does not want to grow merely by expanding its asset portfolio but rather aims to achieve ongoing growth through high efficiency. Talking to you today really made me feel the passion behind this message.

As Tokyo Century moves into the phase of enacting its plan, I hope that the Company will demonstrate this commitment in its every action. Tokyo Century has a lot of potential, and I look forward to seeing how it continues to grow by advancing the partnership strategy it has implemented thus far and exercising its other unique strengths.