Message from the Officer in Charge

Aiming for business restructuring and the growth of each business to improve our earning power and efficiency

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Progress of medium-term management plan (financial targets)

		FY2021 (Result)	FY2022 (Result)	FY2023 (Forecast)	FY2025 (Target)
Efficiency	ROE	5.7%	7.3%	8.8%	9%
	ROA	3.2%	4.1%	4.0%	4%
	EPS	¥48.84	¥67.21	¥87.37	¥90 or more
Profit targets	Operating profit	¥83.8 billion	¥110.4 billion	¥112.0 billion	¥120.0 billion
	Net profit*1	¥35.1 billion	¥48.2 billion	¥62.0 billion	¥65.0 billion
Financial soundness	D/E ratio	2.3x	2.2x	2.3x	2.2x or less
	EBITDA multiple	10.7x	9.3x	10.1x	10x or less
	Asset-utilizing business*2 ROA	3.2%	3.5%	3.1%	3.6%
	Human capital-utilizing business*2 Operating profit margin	4.2%	7.7%	8.0%	8.1%

*1. Profit attributable to owners of parent
*2. Asset-utilizing business: Urban Development / Strategic Investment
Human capital-utilizing business: Property Management & Operation / Real Estate Agents

Medium-term management plan progress

In fiscal 2022, we were able to exceed all of our target indicators thanks to a favorable real estate sales market as well as the recovery in demand for domestic and international tourism with the end of the COVID-19 pandemic. For the first time ever, operating revenue and operating profit exceeded the ¥1 trillion and ¥100 billion milestones, respectively. In fiscal 2023, we are planning on increases in both revenue and profit. This includes an operating revenue of ¥1.12 trillion (+¥114.2 billion year on year), operating profit of ¥112.0 billion (+¥1.6 billion), and profit attributable to owners of parent of ¥62.0 billion (+¥13.8 billion). Buoyed by a favorable business environment and centered on condominium sales, the hotel business, the real-estate sales agent business, and sales of assets, we are ahead of our initial medium-term management plan projections. The drastic increase in our net profit is the result of an improvement in extraordinary items with the end of the intensive business restructuring we conducted throughout the two years of fiscal 2021 and 2022. For fiscal 2023, we are forecasting an ROE of 8.8% and earnings per share of ¥87.37, approaching our targets of 9% and ¥90 or more, respectively, for fiscal 2025, the final year of our medium-term management plan. We will continue to aim for "improving our earning power and efficiency," the theme of our medium-term management plan, and strive for growth in earnings per share as well as the continued achievement of ROE which exceeds the cost of shareholders' equity.

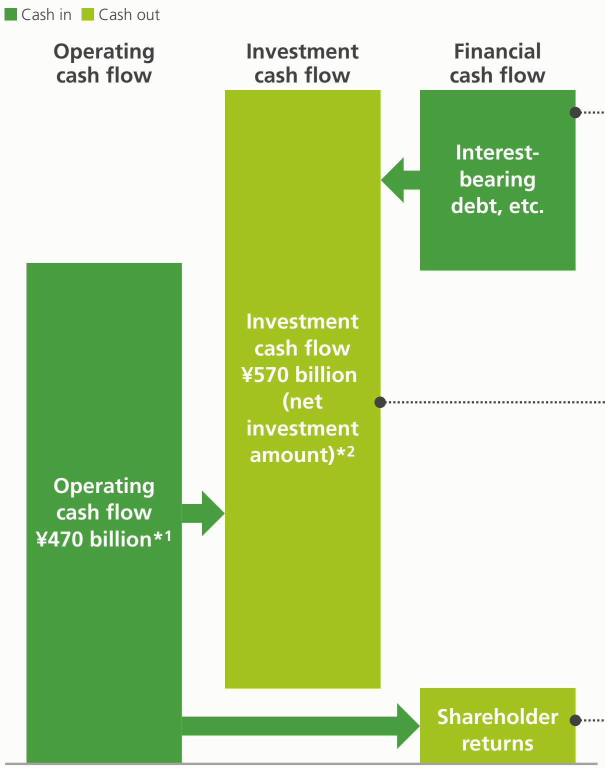
Capital allocation

In the current medium-term management plan extending through fiscal 2025, we are aiming to balance what is optimum for growth investment, financial soundness, and returns to shareholders. From fiscal 2021 to fiscal 2025, we plan to invest ¥2.2 trillion, of which ¥2.0 trillion will be invested in the asset-utilizing business segments of urban development and strategic investment. We will be particularly strengthening our investments in highly profitable renewable energy facilities as well as revolving real estate investment businesses, which includes logistics facilities and rental housing. With regard to our expected returns for our investments in asset-utilizing businesses, we will be aiming for NOI yields at around 5.0% for our Group-owned property businesses and IRR around 6.5% for our revolving real estate investment businesses, and will be investing in maintaining and improving asset efficiency.

In the past, the Group's financial structure was weak, and as a result, we were forced to cut back on investments during the poor real estate markets following the collapse of Japan's bubble economy and the 2008 global financial crisis. Ordinarily, a poor market is exactly the time to be investing. In addition, we have experienced an increase in the number of large-scale and long-term projects, such as our redevelopment projects centered on the Greater Shibuya area, and from the perspective of being able to promote our businesses regardless of the economic climate, we believe it is of the utmost importance to maintain and improve our financial soundness. Accordingly, we plan to gradually improve our D/E ratio in the medium and long term through such means as accumulating periodic profit, with a target of 2.2 times or lower by the end of fiscal 2025.

In addition, we will steadily promote investment recovery, including the realization of unrealized gains through our revolving real estate investment businesses and asset replacement. Between fiscal 2021 and 2025, we are planning on a net investment amount in this area of ¥570 billion. The funds will be raised from operating cash flow and interest-bearing debt. Regarding interest-bearing debt, we raise such debt with continued stability and cost reductions as priorities. We are continuing to diversify our sources and financing methods, and to lengthen repayment periods and fix interest rates (the ratio of long-term interest-bearing debt at the end of March 2023 was 95.9%, and the ratio of fixed interest-bearing debt was 95.3% [both excluding non-recourse debt]).

Capital allocation



Precondition as of the end of FY2025
- Interest-bearing liabilities: ¥1.65 trillion
- D/E ratio: 2.2 x or less

Gross investment ¥2.2 trillion

Classification	Investment amount	Notes
Asset-utilizing businesses	¥2.0 trillion	Expected return perspective • Group-owned property businesses: NOI yields at around 5.0% • Revolving real estate investment businesses: IRR around 6.5%
Urban Development	¥1.33 trillion	• Office and commercial facilities: ¥620 billion • Residential: ¥710 billion
Strategic Investment	¥670 billion	Renewable energy: ¥240 billion • Logistics, commercial facilities: ¥280 billion • Overseas: ¥150 billion
Human capital-utilizing businesses	¥150 billion	
TFHD Corporation	¥50 billion	M&As, CVCs, etc.

Shareholder Returns Policy
- Dividend payout ratio: 30% or more
- Continuation of stable dividend payout

*1: Net income + depreciation/amortization expenses
*2. Includes inventory investment

Portfolio management progress

When we formulated our medium-term management plan, we evaluated all of our businesses along the two axes of qualitative evaluation and quantitative evaluation. Centering on businesses placed in the category of "fundamentally restructure," over the past two years, we focused on revising our business and asset portfolios. In our restructuring efforts to improve our earning power and efficiency, nothing has been considered off-limits. For example, in fiscal 2021, we transferred all shares of Tokyu Hands, a business which was facing declining profitability as well as issues with future growth potential. In addition, in fiscal 2022, we made the decision to sell Tokyu Plaza Ginza, whose asset efficiency had declined. By the previous fiscal year, our initiatives for businesses requiring fundamental restructuring were nearly complete. Going forward, we will be continuing to promote the restructuring and growth of each of our businesses with a focus on improving efficiency and centering on businesses placed in the category of "revise and advance."

Initiatives to improve corporate value and market valuation

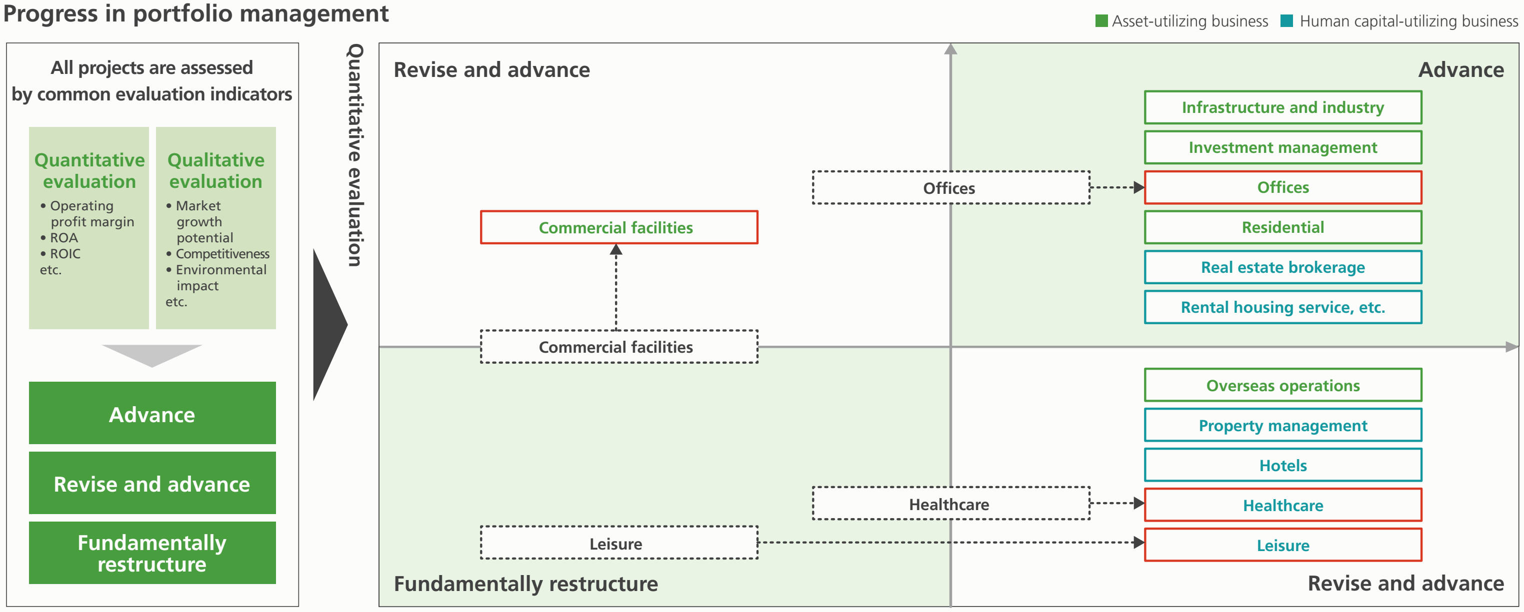
Through our intensive business restructuring over the past two years, we had planned on improving our ROE from 5.7% in fiscal 2021 to 8.8% in fiscal 2023. However, the PBR (price-to-book ratio) of our stocks has continued to fall below 1.0 (as of the end of July 2023), and we recognize that improving our valuation by shareholders and investors is an issue.

PBR can be broken down as ROE times PER, and in order to improve our PBR, we believe it is necessary to improve both ROE and PER. Looking at ROE first, in the short and medium term, we are aiming for a target ROE of 9% in our medium-term management plan. We will continuously achieve ROE which exceeds the cost of shareholder's equity through the initiatives presented in our medium-term management plan. Specific examples of these initiatives include the steady promotion of large-scale development property projects, the strengthening of our highly profitable renewable energy and logistics facility businesses, and improving operational efficiency via digital transformation (DX) and other means.

To improve PER, we recognize that it is important to convince shareholders and investors that we can grow sustainability over the medium and long term. And in order to achieve sustainable growth over the medium and long term, it is important that we grasp trends in the world, resolutely face high-priority social challenges and, through our businesses, work to resolve those challenges. The reason why is because when there are large social challenges, the businesses which resolve those challenges also grow large. The greatest challenge society faces at this time is the issue of the environment, and we believe that the trend toward companies with a greater degree of environmental contribution being customers' first choice will grow stronger going forward. As established in our long-term management policy, we promote environmental management as the Group policy, and will be accelerating our expansion of environmentally-oriented business opportunities.

An additional challenge we see before us is proactively engaging in dialogue with shareholders and investors to a greater degree than ever before to gain their understanding of our initiatives, understand in turn shareholder and investor expectations with regard to the Group as well as where we fall short of those expectations, and utilize this information in our management strategies. In order to provide shareholders and investors with confidence that we are on the path toward future growth, in addition to promoting the initiatives presented in our long-term management policy and medium-term management

Progress in portfolio management



* Quantitative evaluations based on FY2023 results and FY2024 plan; qualitative evaluations based on expectations for the period through to the mid-2020s.

Initiatives to enhance corporate value and market valuation

Improve corporate value and market valuation by promoting and achieving the long-term management policy and medium-term management plan 2025.

PBR ↑ = ROE ↑ × PER ↑

ROE

Improved earning power and efficiency

	FY2021	FY2022	FY2023 (Forecast)	FY2025 (Target)	FY2030 (Reference)
ROE	5.7%	7.3%	8.8%	9.0%	10% or more

Medium-term management plan initiatives

Asset-utilizing businesses
- Completion and operation of large-scale development properties
- Strengthening highly profitable businesses such as renewable energy and logistics facilities

Human capital-utilizing businesses
- Capturing the recovery in tourism demand
- Labor and manpower saving through DX

Financial capital strategy
- Promotion of business portfolio management
- Improvement of D/E ratio by increasing periodic profit

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PER

Sustainable growth over the medium to long term

	FY2021	FY2022	FY2023 (Forecast)	FY2025 (Target)	FY2030 (Reference)
Operating profit	¥83.8 billion	¥110.4 billion	¥112.0 billion	¥120.0 billion	¥150.0 billion
Profit attributable to owners of parent	¥35.1 billion	¥48.2 billion	¥62.0 billion	¥65.0 billion	¥75.0 billion

Long-term management policy

The Group policy	Environmental management ··· Expand business opportunities with the environment as a starting point DX ··· Establish a new revenue model by maximizing the values of assets and human capital
Business policy	Utilization of intellectual assets ··· Monetizing know-how and data Co-creation with partners ··· Breaking away from a closed, fully in-house approach
Strengthening of management foundation	Financial capital strategy ··· Profit growth with efficiency based on optimal financial capital structure Human capital and organizational climate ··· Fostering an innovative organizational climate with a sense of unity Governance ··· Building a fair and highly transparent governance system Building relationships with shareholders ··· Stable shareholder returns, proactive dialogue and disclosure

plan, we will also be enhancing our disclosure and dialogue with regard to these initiatives.

Shareholder return policy

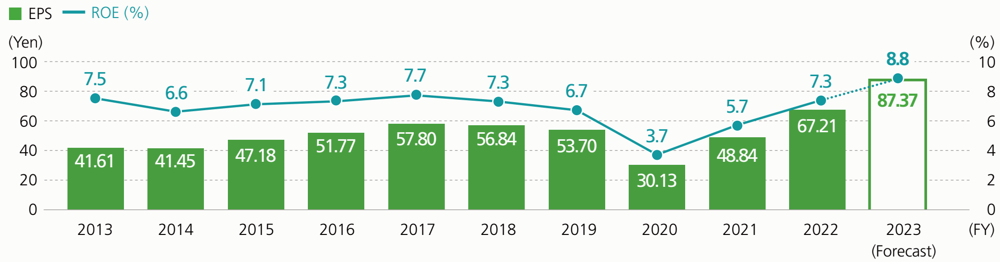
Our current policy for returning profit to shareholders is to provide a dividend payout ratio of 30% or more and to maintain stable dividend payments, with particular emphasis on stably maintaining and improving dividend amounts. We believe this policy was demonstrated in our maintenance of dividend amounts even when our performance was unfavorable due to the impact of the COVID-19 pandemic in fiscal 2020. Going forward, we will continue to make quality investments such as the Greater Shibuya area and other redevelopment projects as well as renewable energy facilities, and aim to expand earnings per share through growth investment and increase dividend amounts accordingly.

Formulation of the "WE ARE GREEN" Bond Policy for the long-term issuance of ESG bonds

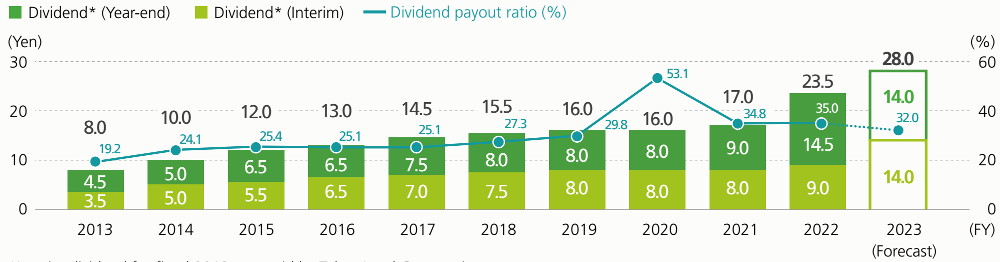
Based on GROUP VISION 2030, our long-term vision, we have determined a policy for the long-term issuance of ESG bonds. Having set targets of increasing the ratio of ESG bonds to 50% by the end of fiscal 2025 and 70% by the end of fiscal 2030, as of the end of fiscal 2022, our ESG bond ratio was 25%. Going forward, we will continue to advance and raise awareness of the Group's ESG initiatives while also aiming for growth and the realization of a sustainable society through the ongoing issuance of ESG bonds.

Shareholder return

EPS and ROE



Dividends and dividend payout ratio



*Interim dividend for fiscal 2013 was paid by Tokyu Land Corporation

ESG bond ratio