Message from the Officer in Charge

Improving our earning power and efficiency to increase corporate value

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Progress of medium-term management plan (financial targets)

		FY2022 (Result)	FY2023 (Result)	FY2024 (Forecast)	FY2025 (Target)
Efficiency	ROE	7.3%	9.6%	9.0%	9%
	ROA	4.1%	4.2%	4.2%	4%
	EPS	¥67.21	¥96.40	¥98.27	¥90 or more
Profit targets	Operating profit	¥110.4 billion	¥120.2 billion	¥130.0 billion	¥120.0 billion
	Net profit*1	¥48.2 billion	¥68.5 billion	¥70.0 billion	¥65.0 billion
Financial soundness	D/E ratio	2.2x	2.1x	2.1x	2.2x or less
	EBITDA multiple	9.3x	9.4x	9.4x	10x or less
	Asset-utilizing business*2 ROA	3.5%	3.0%	3.1%	3.6%
	Human capital-utilizing business*2 Operating profit margin	7.7%	9.3%	9.8%	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

Achieving all financial targets in the medium-term management plan two years ahead of schedule

In fiscal 2023, backed by a robust real estate trading market, both asset sales and real-estate sales brokerage performed well. Our hotel business also thrived thanks to vigorous domestic and international demand. As a result, we were able to achieve all financial targets for fiscal 2025, the final year of the medium-term management plan, two years ahead of schedule. Of particular note, profit attributable to owners of parent was ¥68.5 billion (up ¥20.3 billion from the previous fiscal year), a significant increase due, among other factors, to an improvement in extraordinary items after the completion of the intensive business restructuring we conducted in fiscal 2021 and 2022. In turn, ROE also improved to 9.6% (+2.3 points year-on-year).

In fiscal 2024, despite the immediate concerns regarding inflation and rising domestic interest rates, we expect the real estate sales and condominium market to remain strong and inbound demand to stay high. Accordingly, we are planning on both revenues and profits reaching record highs, with operating revenue of ¥1,130 billion (+¥27 billion year-on-year), operating profit of ¥130 billion (+¥9.8 billion), and profit attributable to owners of parent of ¥70 billion (+¥1.5 billion). We are also planning on an ROE of 9.0% and earnings per share (EPS) of ¥98.27. We will continue to aim for "improving our earning power and efficiency," the theme of the current medium-term management plan, and strive for growth in EPS as well as the continued achievement of ROE which exceeds the cost of shareholders' equity.

The first year of our next medium-term management plan will be the fiscal year ending March 2026, and we are working on its creation with the aim of releasing it publicly in May 2025. However, based on the better-than-expected progress of the current medium-term management plan, we intend to revise the reference indicators for fiscal 2030, which are operating profit of ¥150 billion or more and profit attributable to owners of parent of ¥75 billion or more, with the aim of achieving even greater growth.

Capital allocation

In the current medium-term management plan, capital is being allocated to achieve an optimal balance between investment in growth, financial soundness, and shareholder returns. Of the ¥2.2 trillion in gross investment from fiscal 2021 to 2025, ¥2 trillion is planned to be invested in asset-utilizing businesses. In addition to offices and commercial facilities, we are increasing the funds we put into highly efficient real estate investment businesses such as renewable energy facilities, logistics facilities, and rental housing to promote profit growth and improve asset efficiency.

Although the environment for acquiring land for sites continues to be highly competitive and challenging, we are making progress on our investments as envisioned in the current medium-term management plan. At the same time, we are maintaining our approach of making investments placing particular emphasis on securing the returns our shareholders expect. Going forward, we will continue to make investments that contribute to the maintenance and improvement of asset efficiency which exceeds expected return targets while paying attention to factors such as construction cost trends.

In addition, per revolving real estate investment businesses and asset replacement, net investment from fiscal 2021 to 2025 is planned to be ¥570 billion. As of the present time, investment recovery is progressing well, supported by the firm real estate and condominium market conditions. There are concerns that the real estate trading market may undergo a change in tone due to future domestic interest rate trends, and in recent years we have been diversifying the types of real estate assets in our portfolio intended for sale. By expanding out from our traditional focus on offices and commercial facilities into more rental housing, logistics facilities, and hotels, we are building an asset portfolio in which, in the event the markets for one or more asset types experiences a downward trend, other types can compensate for any declines.

We recognize the importance of maintaining and improving our financial soundness in order to continue to promote large-scale, long-term projects, such as our redevelopment centering on the Greater Shibuya area, in any business environment. Financial soundness is similarly important for securing investment capacity for when real estate market conditions deteriorate, which is a good time to acquire properties and sites. Our D/E ratio was 2.1x at the end of fiscal 2023, achieving our target of 2.2x or less for fiscal 2025. We will continue working to steadily improve our D/E ratio over the medium and long term through such means as the accumulation of yearly profit.

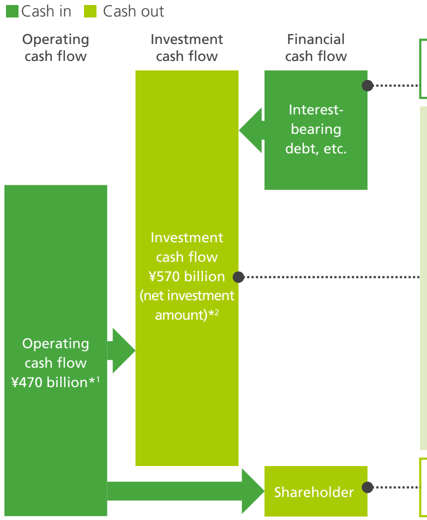
Although there has been a recent swell in concerns over rising domestic interest rates, we have long placed stability and cost reduction as priorities in our procurement of interest-bearing debt. We are also increasing our resilience to rising interest rates and changes in the funding environment by diversifying our funding sources and methods. We are shifting to long-term and fixed interest rates (possessing a long-term ratio of 95.8% and a fixed ratio of 95.5% as of the end of March 2024, both excluding non-recourse loans) and are continuing our issuance of ESG bonds.

In January 2024, the outlook for our long-term issuer rating by Japan Credit Rating Agency, Ltd. was changed from A (Stable) to A (Positive). We see this is a result of our efforts to improve our cash flow and financial structure by strengthening stable revenue sources such as office building leasing, real estate management, and the renewable energy business. We will continue working to reinforce stable revenue sources and improve our financial structure to see that our rating is further upgraded.

Portfolio management progress

When we formulated the current 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 two years of fiscal 2021 and 2022, we focused on revising our business portfolio. In fiscal 2023, as well, we endeavored to

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

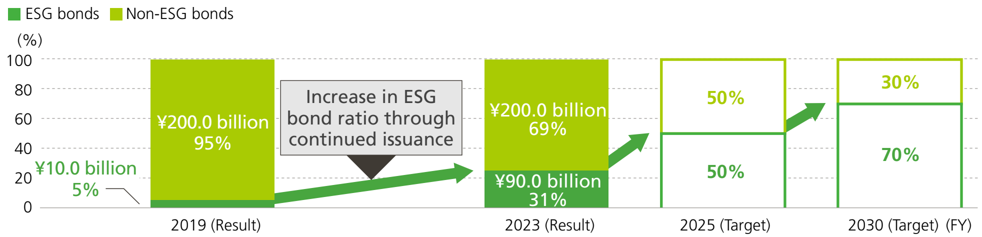
Classification	Investment amount	Notes
Asset-utilizing businesses	¥2.0 trillion	Expected return perspective • Group-owned property businesses: NOI yields at around 5.0% • Revolving real estate investment businesses: IRR around 6.5%
Urban Development	¥1.33 trillion	• Office and commercial facilities: ¥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

Continued issuance of ESG bonds

Aiming for both growth and the realization of a sustainable society through the continued issuance of ESG bonds, under the "WE ARE GREEN" Bond Policy concerning the long-term issuance of ESG bonds, we have set a target of increasing the ratio ESG bonds account for out of total issued bonds to at least 50% by the end of fiscal 2025 and 70% by the end of fiscal 2030.



improve our business portfolio by divesting all shares of fitness business operator Tokyu Sports Oasis and selling off unprofitable golf courses and ski resorts. In fiscal 2024, we will continue to promote the transformation and growth of each of our businesses with a focus on those businesses placed in the category of "revise and advance" to improve our earning power and efficiency.

Initiatives to improve corporate value and market valuation

Through intensive business restructuring, our ROE went from 5.7% in fiscal 2021 to 9.6% in fiscal 2023, meeting and exceeding our medium-term management plan's fiscal 2025 target of 9.0%. In March 2024, our stock price exceeded the book value per share (BPS) and our price-to-book ratio (PBR) recovered to 1x. In August, however, the stock price level dropped significantly in part due to the unusual market and our PBR is presently below 1x again. We believe that 1x is the minimum line for our PBR, and we recognize the need to further improve our reputation among shareholders and investors.

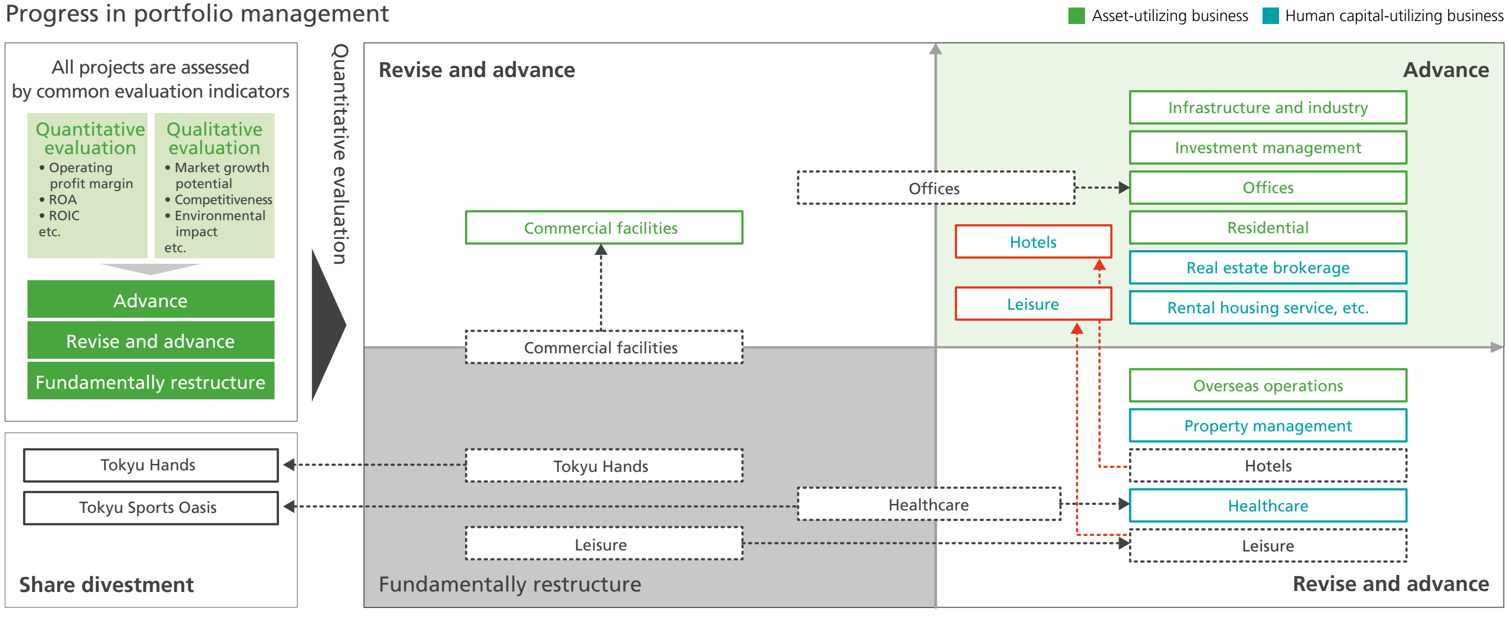
Looking at PBR as ROE x PER, to further improve our PBR, we believe that first of all it is essential that we achieve a sustained level of ROE that exceeds the cost of shareholders' equity. We recognize that our cost of shareholders' equity is 7–8%, and we will continue our efforts to improve efficiency in order to achieve an ROE above this level.

As part of these efforts, we made the decision to sell a portion of our interest in Shibuya Sakura Stage in February 2024. The buyer is a special purpose company in which Tokyu Land Corporation will make a silent partnership investment with a domestic institutional investment fund. Tokyu Land Corporation will continue to operate the property, including the sold portion, and the Group plans to receive continuous fee income from the asset management services provided to the buyer. Going forward, we will work to apply this model of utilizing outside capital at other properties with the aim of both improving efficiency and expanding our base of other stable revenue sources such as rental income.

To improve our PER, we recognize that it is important to convince shareholders and investors that we can grow sustainably over the medium and long term. To achieve such sustainable growth across this time frame, it is important that we keep up with the times and, through our businesses, work to resolve high-priority social challenges. And the larger the social challenge, the greater the growth of the business that can resolve it. 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. We will promote environmental initiatives established in our long-term management policy, such as promoting environmental management, accelerating our expansion of business opportunities rooted in the environment.

Another area we would like to work on to improve our PER is lowering the cost of shareholders' equity. To this end, we see importance in reducing the volatility of our business performance. We would like to grow businesses that are not linked to the domestic real estate market into new core businesses over the medium to long term, such as our renewable energy business as

Progress in portfolio management



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

well as inbound tourism-related businesses like our hotel and resort business. And we are currently formulating our next medium-term management plan with just this in mind.

We will also be more proactive in disclosing information and engaging in dialogue with our shareholders and investors to provide a better understanding of our initiatives. Further, we want to leverage such dialogue to understand the expectations of our shareholders and investors as well as the gaps between their expectations and reality. We will then incorporate this knowledge into our management strategies. We will strengthen the cycle of proactive disclosure, dialogue, and management strategy incorporation so that shareholders and investors can have confidence in our path to future growth.

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 EPS through growth investment and increase dividend amounts accordingly.

Initiatives to improve corporate value and market valuation

Increase corporate and market value by continuing to achieve ROE in excess of the cost of shareholders' equity and promoting initiatives based on long-term management policy.

PBR↑ = ROE↑ × PER↑

ROE

Improved earning power and efficiency

	FY2021	FY2022	FY2023	FY2024 (Forecast)	FY2030 (Reference)
ROE	5.7%	7.3%	9.6%	9.0%	10% or more

Continue to achieve ROE above cost of shareholders' equity (viewed as 7–8%)

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

Human capital-utilizing businesses
- Inbound demand initiatives
- Continued growth of real estate agent business
- 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

Reduction in cost of shareholders' equity

	FY2021	FY2022	FY2023	FY2024 (Forecast)	FY2030 (Reference)*
Operating profit	¥83.8 billion	¥110.4 billion	¥120.2 billion	¥130.0 billion	¥150.0 billion
Profit attributable to owners of parent	¥35.1 billion	¥48.2 billion	¥68.5 billion	¥70.0 billion	¥75.0 billion

*To be reviewed in the next medium-term management plan

Promotion of initiatives based on long-term management policy

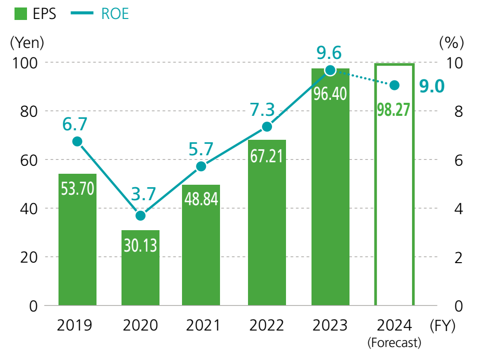
Group policy
Environmental management ···· Expand business opportunities rooted in the environment
DX ···· Establish a new revenue model by maximizing the values of assets and human capital

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

Shareholder returns

EPS and ROE



Dividends and dividend payout ratio