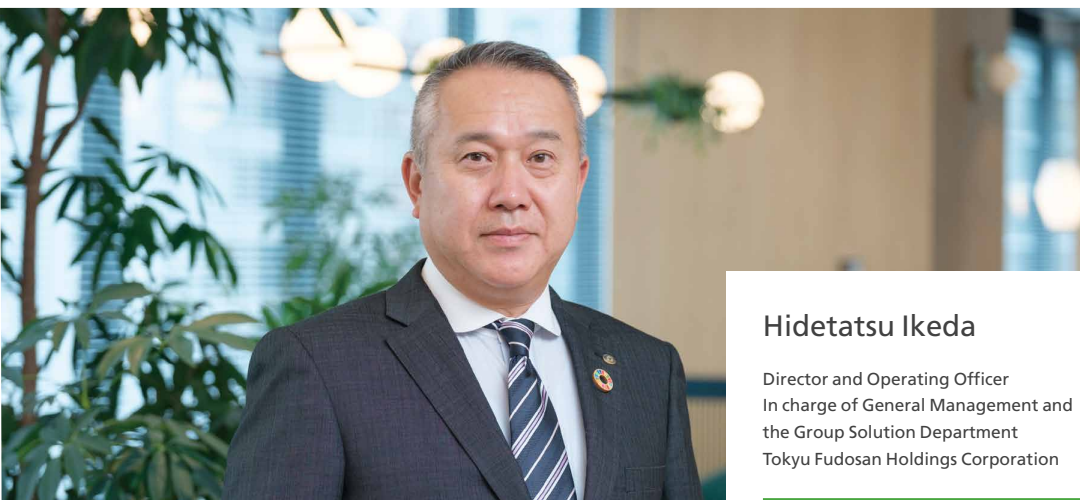


Message from Executive Officer

Enhancing corporate value by building a solid and distinctive business portfolio and raising efficiency, growth potential, and resilience to market fluctuations



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Reviewing the previous medium-term management plan

In May 2021, we formulated GROUP VISION 2030, our long-term management policy for the period up to FY2030. Then in May 2022, we announced the Medium-Term Management Plan 2025, covering the first half of this policy up to FY2025, which we positioned as a restructuring phase.

Over the Medium-Term Management Plan 2025 period, we accelerated business restructuring and boldly reshuffled businesses and assets. This has enabled us to enhance efficiency and achieve considerable profit growth that even exceeds our targets. Specifically, we cleared all targets for financial indicators, including ROE and profit targets, in FY2023, two years ahead of the final year of the plan.

In FY2024, we realized further improvements in efficiency and profitability, recording ROE of 9.9% (compared to the plan target of 9%), ROA of 4.5% (4%), operating profit of ¥140.8 billion (¥120.0 billion), and net profit of ¥77.6 billion (¥65.0 billion). Each of these represents a significant increase on the targets set in Medium-term Management Plan 2025.

Therefore, we were able to complete the medium-term management plan 2025 ahead of schedule in FY2024 and we are now implementing the medium-term management plan 2030, a new medium-term management plan formulated in May 2025.

The FY2030 targets in our long-term management policy are for operating profit of ¥150.0 billion or more and net profit of ¥75.0 billion or more. At present, we are on

Progress of the previous medium-term management plan (financial targets)

		FY2022 (result)	FY2023 (result)	FY2024 (result)	FY2025 (target)
Efficiency	ROE	7.3%	9.6% ▶	9.9%	9%
	ROA	4.1%	4.2% ▶	4.5%	4%
	EPS	¥67.21	¥96.40 ▶	¥108.69	¥90 or more
Profit targets	Operating profit	¥110.4 billion	¥120.2 billion ▶	¥140.8 billion	¥120.0 billion
	Net profit*1	¥48.2 billion	¥68.5 billion ▶	¥77.6 billion	¥65.0 billion
Financial soundness	D/E ratio	2.2 times	2.1 times ▶	2.1 times	2.2 times or less
	EBITDA multiple	9.3 times	9.4 times ▶	8.9 times	10 times or less
	Asset-utilizing business*2	3.5%	3.0% ▶	3.0%	3.6%
	ROA				
	Human capital-thriving business*2	7.7%	9.3% ▶	10.7%	8.1%
	Operating profit margin				

*1 Profit attributable to owners of parent

*2 Asset-utilizing business: Urban Development / Strategic Investment Human capital-thriving business: Property Management & Operation / Real Estate Agents

course to achieve these levels five years ahead of schedule in FY2025. Accordingly, in the Medium-Term Management Plan 2030, we have revised the FY2030 targets upward to operating profit of ¥220.0 billion or more and net profit of ¥120.0 billion or more.

Business portfolio management

In the previous medium-term management plan, we actively engaged in the transfer and sale of businesses and assets that were struggling in terms of efficiency and profit. Specific examples include the transfers of Tokyu Hands and the fitness business and the sale of Tokyu Plaza Ginza and low-profit golf courses and ski resorts.

Furthermore, in the renewable energy business, which will be a focus for the

Group going forward, we acquired shares of Renewable Japan in January 2025, which is engaged in development, power generation, management, and operation of renewable energy projects, including solar, wind, and hydroelectric power, and made it into a consolidated subsidiary. This M&A has increased the capacity of our renewable energy facilities by approximately 30% and added a renewable energy facility management and operation business to the Group. In addition to developing and owning renewable energy facilities, we are now able to engage in management, operation, and electricity sales, strengthening our foundation for building a renewable energy value chain.

As a result of this portfolio management approach, which balances both conservative and progressive perspectives, the Group's portfolio

now comprises businesses that have a competitive advantage and offer growth potential.

Capital allocation in the medium-term management plan 2030

We recently started implementing the medium-term management plan 2030, which we are positioning as the resilience phase covering the second half of our long-term management policy. We will work to demonstrate even greater synergies between businesses and raise the competitive advantage of each business.

Specifically, we have established three

key themes covering areas where market expansion can be expected due to the changing and heightening of social needs, namely promoting the Greater Shibuya Area strategy, establishing a GX business model, and expanding global business.

By addressing these themes, we will build a solid and distinctive business portfolio in order to realize high growth rates and increase resilience to market fluctuation risk.

To achieve these goals, we plan to make net investment totaling approximately ¥1 trillion over the six years of the plan. The gross investment amount is forecast as ¥3.8 trillion and

about ¥3.5 trillion will be allocated for asset-utilization investments in the Urban Development and Strategic Investment segments.

We have allocated ¥2.1 trillion to the Urban Development segment. Within this, ¥700.0 billion will be invested in offices and commercial facilities, including development projects in the Greater Shibuya Area and the Shinjuku West Gate Redevelopment Plan, while ¥1.4 trillion will be allocated to the residential business for investments such as for-sale condominiums in city centers and redevelopments, and rental condominiums.

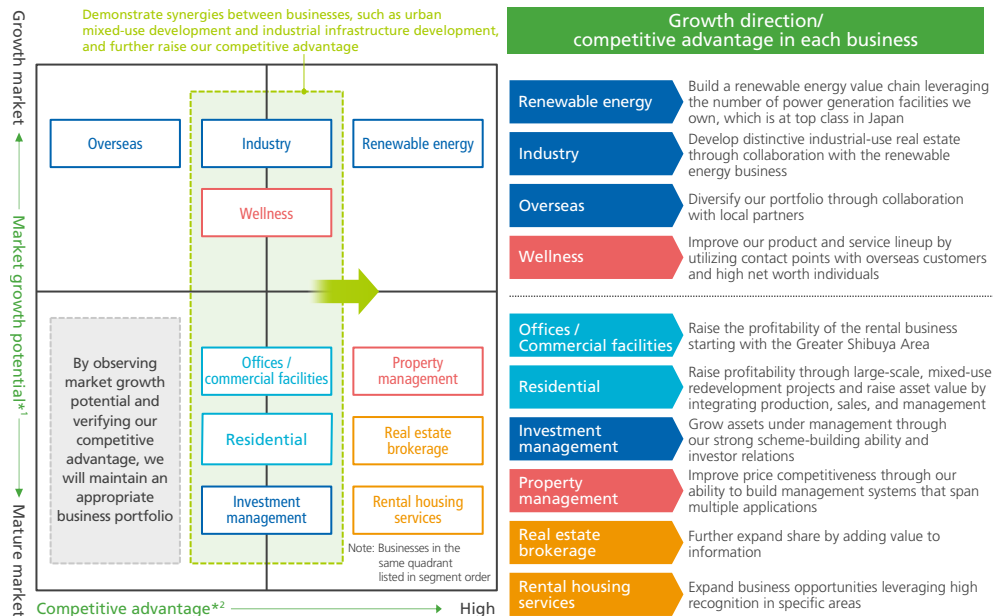
We have allocated ¥1.4 trillion to the

Strategic Investment segment. This includes ¥530.0 billion for renewable energy business such as solar or wind power generation facilities, ¥580.0 billion for logistics and industrial facilities in the industry business, and ¥280.0 billion for the overseas operations for investments in North America and Asia.

Our targets for return on investment are NOI yields of around 5.0% for owned businesses and a rate of return of around 8.0% for asset-rotating businesses.

Our forecast for annual gross investment over the plan period is approximately ¥630.0 billion per year. This is an increase of more than

Business Portfolio Management

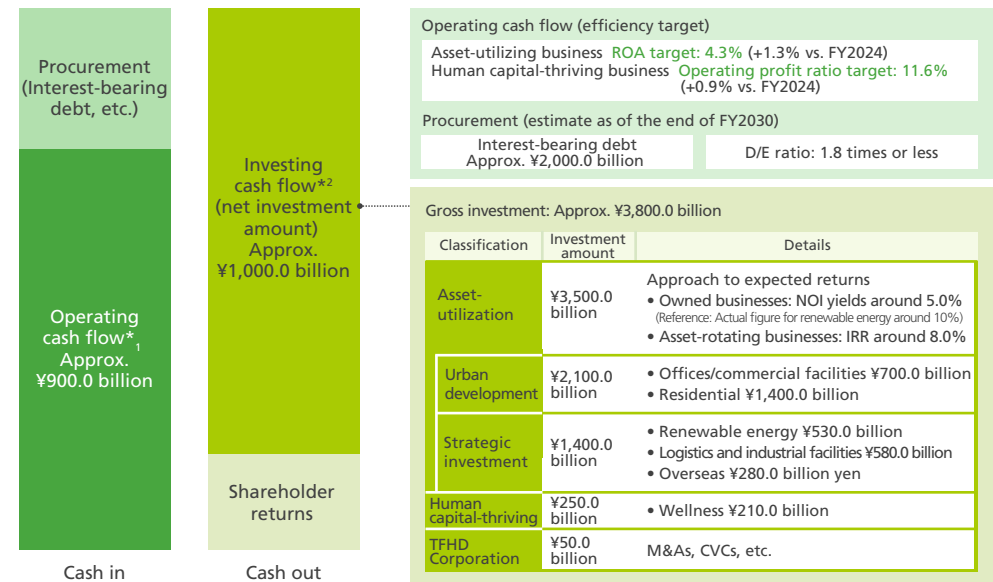


*1 Forecast up to around 2030

*2 Overall evaluation based on presence in the industry, differentiation from competitors, and ROA / operating profit ratio, etc.

Capital allocation

FY2025–FY2030



*1 Net profit + depreciation

*2 Including investment in inventory assets

30% compared to the previous medium-term management plan.

Building a foundation for sustainable growth

During the previous medium-term management plan period, the markets provided a tailwind that enabled us to realize smooth growth. However, this favorable business environment

will not necessarily continue into the future. We need to create a clear competitive advantage and then make improvements on an ongoing basis to avoid obsolescence. This will transform the Group into a robust organization that can generate revenue regardless of changes in the business environment.

To achieve this, under the new plan we will advance investment and business that emphasizes efficiency and growth potential, while also

improving our financial standing by accumulating periodic profits. In this way, we will aim to build a foundation for sustainable growth.

Initiatives for improving our financial standing will include expanding interest-bearing debt to around ¥2 trillion through growth investment while improving the D/E ratio to 1.8 times or less by building up equity. At the same time, we will grow profits at a rate that exceeds cost inflation and rises in

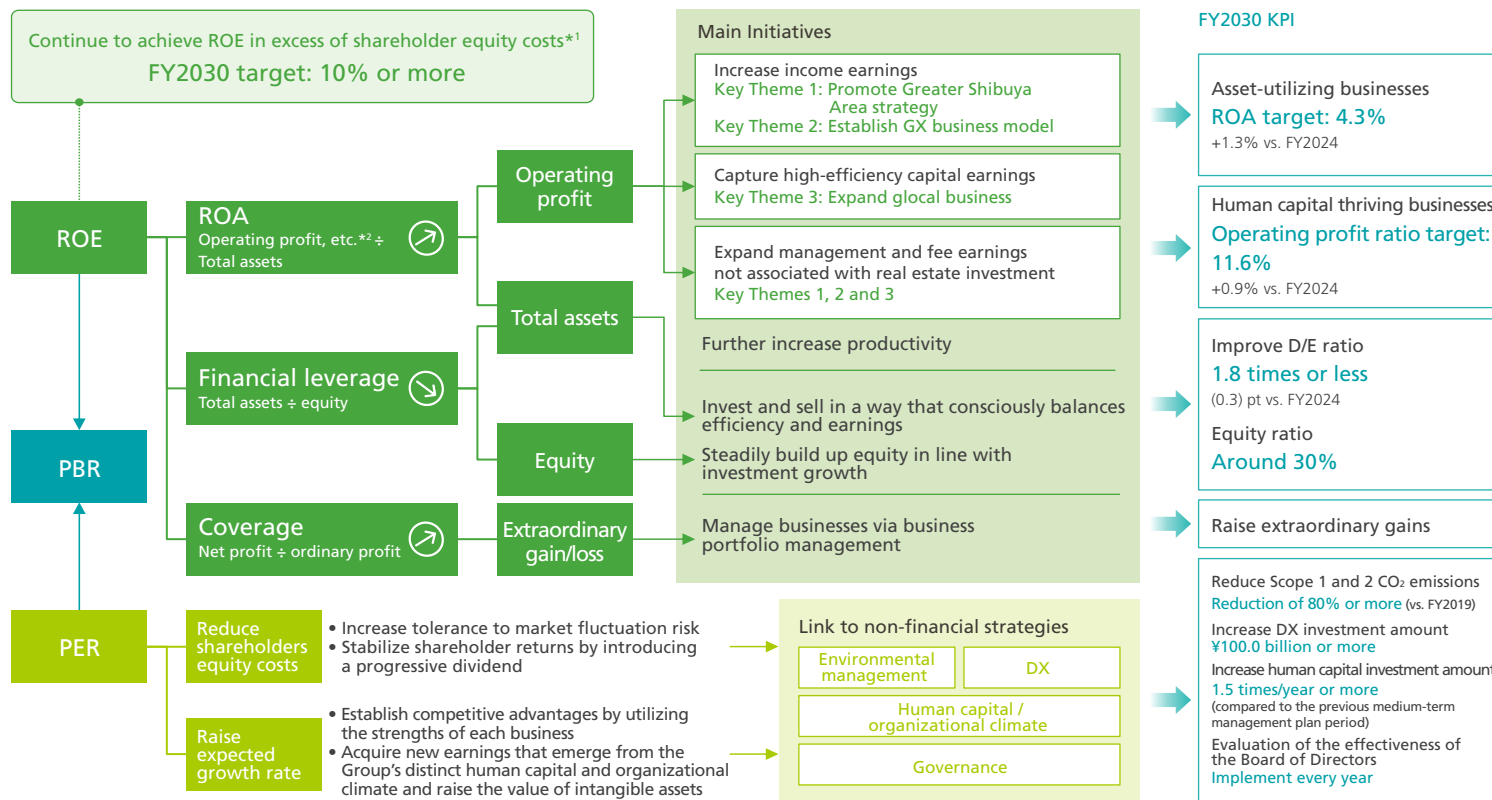
interest rates, and improve efficiency.

The main risks we envision during the plan period are increases in construction costs and interest rates. We plan to address the increase in construction costs by steadily advancing projects in which added value readily emerges, such as residential redevelopment projects, as well as projects with highly standardized construction, such as solar power facilities. To counter rising interest rates, we will practice capital-light business, including utilizing outside capital, and expand management and fee earnings not associated with real estate investment, with a focus on human capital thriving businesses.

Indicators and initiatives focused on enhancing corporate value

In recent years, there has been increasing pressure from the stock markets for companies to improve efficiency and realize growth and our Group is no exception. When we announced our business results and new medium-term management plan in May 2025, our share price rose, confirming that the new plan has been received fairly positively by the markets. However, since then, our PBR has remained at around the 1 time level and we recognize that we need to further raise our market reputation.

Seeing as PBR is ROE multiplied by PER, we will work to raise PBR by tackling each of these constituents, tying each one to specific medium-term management plan initiatives and KPIs. Furthermore, we will strive to raise PBR



*1 Shareholders' equity costs recognized at 7–8%

*2 Operating profit + interest income + dividend income

by prioritizing measures that are judged to be highly necessary.

While ROIC is obviously an important indicator for visualizing capital efficiency, and we are using it internally, we have decided to focus more intensely on ROE as it is an indicator that is directly linked to share price and PBR. We believe that continuously recording ROE that exceeds shareholders' equity costs will be essential for improving our reputation in the markets. We are aware that at present, shareholders' equity costs are around 7 to 8%, but we will aim to achieve ROE of 10% or more by FY2030 by maintaining ROE levels that are firmly in excess

of shareholders' equity costs each fiscal year.

Furthermore, to improve PER, it will be crucial to advance initiatives that bring shareholders' equity costs down, alongside initiatives that will raise expected growth rates. To lower shareholders' equity costs, we will increase our tolerance to market fluctuation risk by expanding businesses with profitability that is not linked to the real estate market in Japan, such as the renewable energy business and inbound tourism business. We will also improve the stability of shareholder returns through measures including the introduction of progressive dividends. To increase expected growth rates, we will establish competitive advantages that utilize

the strengths of each business and synergies between businesses, acquire new earnings that emerge from the Group's distinct human capital and organizational climate, and raise the value of intangible assets.

Shareholder returns policy

Since transitioning to a holding company structure in 2013, the Group has essentially maintained progressive dividend payments. It has also flexibly increased dividends when profit growth is greater than anticipated. In FY2024, the final year of the previous medium-term management plan, we paid a dividend of

¥36.5 per share. This means the dividend has increased at an average annual rate of around 30% compared to FY2021 when the long-term management policy was set.

The shareholder returns policy in the new medium-term management plan clarifies the introduction of a progressive dividend and has set a target payout ratio of 35% or more for the period up to FY2027, the halfway point of the plan. Going forward, we will continue to prioritize the allocation of funds to growth investments, while maintaining ongoing profit growth and firmly raising EPS. We will also strengthen shareholder returns to pay dividends that reflect this growth in EPS.

