COMPANY INFORMATION

Letter to Our Stakeholders

We will create premium value that addresses societal themes to realize a future where everyone can be themselves and shine with vigor

President & CEO, Tokyu Fudosan Holdings Corporation

Summary of the previous mediumterm management plan and changes in the global economy

Since I became president in 2020, I have always carried a notebook where I write down anything that comes to my mind—management developments, societal trends, things I experience, and my visions for an ideal future. Writing down my ideas, realizations, and feelings in that notebook, and looking back at them from time to time helps me to organize my thoughts and understand what my position is now.

In the current fiscal year, our Group launched the new medium-term management plan 2030. Opening my notebook at such a juncture, I realized that, although the specific words may differ, I have been thinking about the contents of the new plan since the very beginning of my presidency. The three key themes of the new medium-term management plan—the promotion of the Greater Shibuya Area strategy, the establishment of a GX business model, and the expansion of glocal business, which I will be discussing later—are major pillars for enhancing the Group's overall strength, and others and I have long recognized their importance.

At the time of Tokyu Fudosan Holdings' founding 12 years ago, we released corporate advertising with the message, "With unchanging spirit, we will change." I believe that the fact that we have been able to maintain stable sales of ¥1 trillion for the five years since I became president is because we placed great importance on this message.

The new medium-term management plan is based on our GROUP VISION 2030 10-year long-term vision formulated in 2021, as well as our long-term management policy. These concepts serve as the compass for the entire Group in these highly uncertain times. Aiming to realize "a future where everyone can be themselves and shine with vigor," we have adopted "WE ARE GREEN" as our Group slogan and have been working to transform the Group by backcasting from where we want to be in 2030. We established the first half of our long-term management policy as a restructuring phase, and the second half as a resilience phase. The new plan was launched in the current fiscal year to serve as the resilience phase.

Before I introduce the new plan, I will first discuss the positioning and results of the previous medium-term management plan. During the previous plan, which served as the restructuring phase of our longterm management policy, we promoted fundamental business structure reforms aimed at achieving high profit growth and improving efficiency. In order to promote growth once again after the COVID-19 pandemic, we restructured our business portfolio and assets based on the two axes of quantitative and qualitative assessments taking into account intra-Group synergies.

Previous medium-term management plan targets: operating profit of ¥120 billion, net profit of ¥65 billion
Long-term management policy reference indicators: operating profit of ¥150 billion or more, net profit of ¥75 billion or more
*Net profit attributable to owners of parent

As a result, we achieved the previous medium-term management plan's financial targets two years ahead of schedule. In the last fiscal year, we achieved record profits, with operating revenue of ¥1,150.3 billion, operating profit of ¥140.8 billion, ordinary profit of ¥129.2 billion, and net profit of ¥77.6 billion. Based on these favorable results, we decided to move into the resilience phase one year ahead of our initial schedule.

However, a major factor behind these strong results is the tailwind provided by the business environment, and other companies in the same industry have also seen a boost in their performance. We have no intention of settling for the status quo. Looking around the world, a variety of changes are taking place that could affect the Japanese economy, such as the tariff policies of the U.S. Trump administration. In Japan, meanwhile, there are also numerous issues, such as labor shortages, rising material prices, and logistics problems, and we need to strengthen our relationships with our partner companies and suppliers.

Particularly in these uncertain times, in managing the Group, it is important that we keep a close eye on domestic and international trends while also keeping the big picture in mind and avoid being swayed by temporary changes in the environment. During the new medium-term management plan period, we will expand our business beyond the real estate industry in Japan to build a robust business portfolio that will remain resilient in the face of major market fluctuations.

Accelerating the Group's business transformation with a six-year medium-term management plan

In the new medium-term management plan, which serves as the resilience phase of our long-term management policy, we will build a solid and distinctive business portfolio based on the creation of premium value that addresses societal themes. Underlying this is the aim, which I have been pursuing since I became president, of transforming our broad range of business domains into a true strength of the Group.

Since I joined Tokyu Land Corporation, the Group has experienced two management crises: the bursting of the Japanese bubble economy, and the global financial crisis. These bitter experiences made me keenly aware of the importance of always approaching management with a recognition of the potential for danger, and of strengthening the competitive advantages of our business. As president, it is my role to always provide a sure direction for the future based on lessons learned from the past. During the COVID-19 pandemic, I saw the potential danger of a changing environment as an opportunity to push through business restructuring and DX, and turned it into a driving force for Group reform during the previous medium-term management plan period. Now Japan is at a major turning point, shifting from a 30-year-long deflationary economy to an inflationary one.

In times of inflation, only truly unique products and services can gain market recognition. The companies that survive in this environment will be the ones that break away from the deflationary mindset of maintaining profits through cost reductions, and generate profits in excess of inflation-induced cost increases with strong pricing capabilities.

"Challenge-oriented DNA" is in our Group's founding spirit, and this economic change is an opportunity for us to fully demonstrate our innate proactive stance. By combining societal themes with the Group's strengths, we will boldly take on the challenge of creating unique premium value. Through this, I believe it will be possible to transform our broad range of business domains into a true strength of the Group.

Many of our employees are of a generation that has not experienced inflation in the form of rising interest rates and prices. Precisely because of this, however, we will use this major economic turning point, much like the COVID-19 pandemic, as an opportunity to transform how we think and, in turn, work toward the further advancement and growth of our Group.

A unique business ecosystem that supports value creation

Our value creation is supported by the Group's unique business ecosystem, which is driven by a wealth of customer contacts and our business creation capabilities.

The Group's distinctive business domains include a real estate sales agent business that is at the top of its class in the industry; an industry-leading condominium, building, and facility management business; a hotel and resort business; the Greater Shibuya Area; and renewable energy. The Group also possesses a wide variety of customer contacts, such as relationships with real estate investment and financing partners as well as global players. The incredible volume of information generated from these customer contacts and our unique ability to create businesses by assembling a diverse menu of proposals, plans, and projects is a source of the Group's strengths.

To further enhance this ecosystem, it is essential that we strengthen our management foundation in terms of financial capital, human capital, organizational climate, and governance. Under a highly effective governance system that ensures fairness and transparency in management and enables prompt and decisive decision-making, we will work to secure sound financial capital as well as foster human capital and an organizational climate that will support us in the challenges we take on.

Establishing competitive advantages in each business and increasing our corporate value

Under the new medium-term management plan, the aim of our business portfolio management is to achieve high growth potential through synergies among each of our Urban Development, Strategic Investment, Property Management & Operation, and Real Estate Agents segments, together with increasing durability against market fluctuations by capturing markets with different characteristics and expanding stable profits. In order to realize this, it is essential that we increase our presence in areas that are not easily affected by the domestic real estate market, such as our renewable energy business and regional area management.

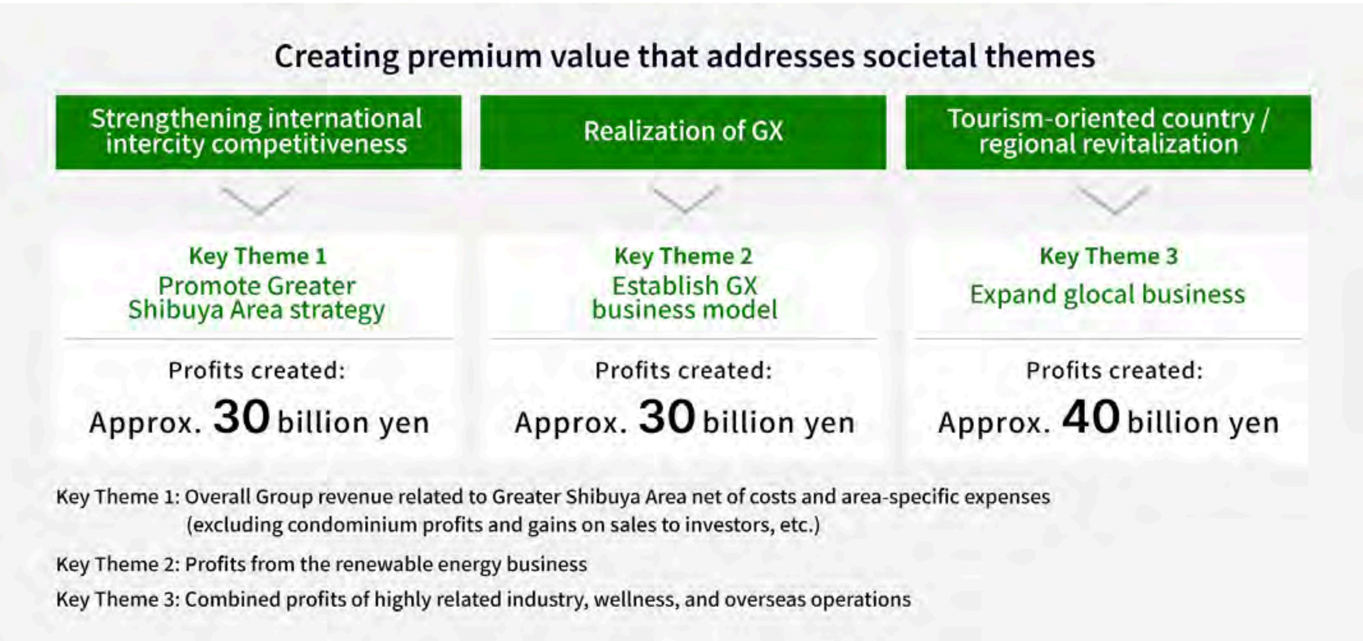
Through initiatives based on the new plan, we aim to achieve operating profit of ¥220 billion or more and net profit of ¥120 billion or more in fiscal 2030. The key issue is how to translate our financial results into increased corporate value. We take the fact that our PBR has been below 1 times for some time as an indication that we have not sufficiently achieved this. We will continue working to improve PBR by breaking down the elements that comprise ROE and PER and managing the content of the initiatives as well as the KPIs tied to these elements.

As regards ROE, we have set a target of 10% or more for FY2030, and we will continue to achieve ROE at a level that exceeds the cost of shareholders' equity, which we recognize as 7-8%. In our asset-utilizing businesses, we will focus on ROA, and in our human capitalthriving capital businesses, we will focus on operating profit ratio as our KPI, and through the three Key Themes I will discuss later, we will raise the level of both of these. While steadily building up equity to reduce financial leverage, we will also improve ROE by executing investments with an emphasis on efficiency and portfolio management-focused business management. To improve PER, we will seek to reduce the cost of shareholders' equity and increase the expected growth rate by improving our durability against market volatility risks, establishing competitive advantages in each business, and linking non-financial strategies with business strategies. In addition, we aim to achieve an EPS average annual growth rate of 8%, which was set as a target for the first time in the new medium-term management plan. Going forward, we will remain committed to sustainable profit growth.

With regard to shareholder returns, taking into account that our earning power has steadily increased as a result of the business restructuring in our restructuring phase, we have raised the dividend payout ratio to 35% or more. At the same time, we will introduce a progressive dividend to more clearly demonstrate dividend stability, and continue to aim for both sustainable profit growth through ongoing investment in growth, as well as dividends in line with EPS growth.

Business strategy that addresses the three societal themes

In the new medium-term management plan, among various societal themes, we have identified strengthening international intercity competitiveness, realizing GX, and a tourismoriented country/regional revitalization as areas where the Group can particularly leverage its strengths and where continued efforts will be required beyond FY2030. Based on these, we established three Key Themes: the promotion of the Greater Shibuya Area strategy, the establishment of a GX business model, and the expansion of glocal business. We aim to generate ¥30-40 billion with each Key Theme, for a total of approximately ¥100 billion in profits.



Key Theme 1: Promotion of the Greater Shibuya Area strategy

With deep tech and the power of entertainment, make Shibuya an area that will drive the enhancement of Tokyo's international competitiveness

In order to develop the Japanese economy in a globalized society, it is essential to enhance the international presence of Tokyo, its capital city. As major cities in Asia gain strength, it is essential that the vitality and attractiveness of Tokyo be strengthened as the central city that drives the economic growth of Japan as a whole, including regional cities. We wish to see Tokyo set a precedent for solving the problems faced by Japanese society by revitalizing industry, addressing environmental issues, and strengthening disaster resilience.

Key locations that enhance Tokyo's international competitiveness generally include office areas that serve as business and financial hubs, and places with largescale facilities that attract customers. Among such locations, Shibuya is an area with a particularly distinctive character. It is a business district where IT companies and other start-ups are concentrated, and at the same time, it is an urban tourist area that boasts a high communication potential thanks to the culture of Shibuya interweaving highly unique content and people. Because of these differing attractions, Shibuya has a distinctive gravitational pull that is unmatched not only in Tokyo, but also in the world.

And it is this very Shibuya that is our Group's home ground. Since the birth of our core company, Tokyu Land Corporation, more than 70 years ago, we have been based here in Shibuya, working with the local government, businesses, and residents while striving to develop the area through our corporate activities. Because of our long-standing relationships with the local community and our deep knowledge of the area, we can grow together with Shibuya as we aim to make it a driving force of Tokyo's international competitiveness. Based on this conviction, we are promoting a strategy to enhance the attractiveness of the Greater Shibuya Area, which covers a 2.5-kilometer radius around Shibuya Station encompassing the neighborhoods of Shibuya, Harajuku, Omotesando, Yoyogi, Daikanyama, and Ebisu, all of which have their own unique cultures and rich personalities.

We have finished developing the major physical components of the Greater Shibuya Area strategy, such as Tokyu Plaza Harajuku "Harakado," Shibuya Sakura Stage, Yoyogi Park BE STAGE, and Forestgate Daikanyama. Now, we will begin encouraging the seeds we planted in our restructuring phase to flower through the strategies outlined next. We will make Shibuya into a stage that will encourage visitors to shine brightly and self-actualize. To do so, we will focus on three perspectives. The first is to build a startup ecosystem that will sustainably create new industries by taking advantage of the fact that the Greater Shibuya Area has naturally grown to become an IT business district. The second is to realize the concept of "Entertainment City Shibuya," an exciting city that never sleeps, by developing content bursting with spectacle unique to Shibuya. The third is to develop safe and secure urban infrastructure that will serve as the foundation for the area's growth. In cooperation with the Tokyu Group, we will concentrate the Group's resources in the Greater Shibuya Area and make it shine as a world-class destination.

Shibuya Sakura Stage, completed in November 2023

Leverage the value chain of the renewable energy business to strengthen environment-oriented business creation

Green transformation (GX), which converts environmental value into business, is an international trend that is promoting carbon neutrality. The Japanese government aims to increase the ratio of renewable energy sources in Japan from the current level of 20% to 40-50% by 2040, and has set a goal of ¥150 trillion in public and private investment over a 10-year span extending into the early 2030s. Our Group has one of the top renewable energy businesses in Japan and is able to take advantage of energy supply and demand business opportunities from upstream to downstream. For us, GX is a means of solving societal issues and, at the same time, a field in which we can achieve significant differentiation from competitors who primarily only engage in real estate.

Currently, the GX market is showing growth not just in the field of renewable energy generation, but also in a variety of peripheral services, including optimal energy control, carbon credit trading, and regional cooperation-based support for the expansion of renewable energy. Against this backdrop, our Group not only has the largest renewable energy generation capacity in Japan, but is also steadily building a value chain in the renewable energy business, including the operation and management (O&M) of power generation facilities as well as retail sale. We are transforming from a traditional power generation company to an environmental energy company that provides a wide range of services required to realize a safe, secure, and sustainable renewable energy society.

Going forward, we will strengthen both our asset-based businesses, including non-FIT businesses, which are expected to see market expansion due to their flexible pricing capabilities even in an inflationary environment, and our non-asset-based businesses, such as O&M and electricity retailing, which leverage our value chain. We will also seek new business opportunities deriving from our renewable energy business, such as the development and operation of data centers, advanced logistics facilities, and other facilities that are expected to consume large amounts of electricity.

Our expertise in renewable energy projects as well as community development conducted in cooperation with local communities is one of our strengths as a developer. Combining this knowledge with our business promotion capabilities enables us to design a wide array of products that maximize the value of renewable energy.

Building a value chain not only expands business opportunities, but also improves service quality and reduces costs by bringing operations in-house. We do not expect our renewable energy business to fully contribute to profits until fiscal 2027 or later, and have positioned the current period as one of upfront investment. By ensuring that we stay on top of current trends while creating synergies with the Group’s internal businesses and building a business model that is difficult for other companies to imitate, we will boost operating profit from the current level of approximately ¥5 billion to ¥30 billion by fiscal 2030.

Balance sustainable community development and growth to achieve regional co-creation that addresses global needs

We have positioned high added value businesses co-created with regional partners and which address the changing international business environment as "glocal" business, and are working to expand such. In the background lie the issues of Japan's declining birthrate and aging population, and we recognize that it is essential to utilize regional characteristics such as culture and nature as economic resources in order to create selfsustaining communities, especially in outlying regions where these problems are becoming more serious.

Contributing to community development through tourism and industry will be key. The decline of industry due to the shrinking population is becoming more serious in Japan's regional areas. In response to this situation, the Japanese government has been promoting industry-focused community development with the goal of revitalizing outlying regions, and in recent years has been focusing on the promotion of a tourism-oriented country to capture growing inbound demand. Given this, we expect great results from our glocal business, because our Group has long engaged in the development of businesses that are rooted in local communities and based on local resources throughout Japan.

Making Japan a tourism-oriented country is an area where we can leverage the strengths we have cultivated through our longstanding resort business. What I ultimately aim for with resorts is not to temporarily increase the number of tourists to an area but rather to revitalize local industry and culture. That is how I felt when I took charge of the resort business some 30 years ago, and that is how I still feel today. In fact, I believe that it is now more important than ever for resorts to coexist and co-prosper with their local communities.

Take, for example, Niseko in Hokkaido. One of the world's leading winter resort destinations, travelers come here from all around the globe. Through public-private collaboration, we are working to make Niseko an all-season resort that attracts visitors outside of winter as well, and to expand its tourist draw in terms of both time and space.

Niseko Hirafu Green Park, a community-wide initiative which aims to revitalize Niseko during its "green" season

The same concept applies to our industrial development, in which we balance sustainable community development with our own growth. Through projects such as Southern Tosu Cross Park, a community-based industrial park in Tosu City, Saga Prefecture, we seek to not only build a unique facility, but also to give rise to an entire area around that facility that supports local life and business, enhancing local appeal by promoting employment and consumer activity.

In our overseas operations business, which are expected to continue to grow beyond 2030, we will strengthen our ties with overseas partners and reinforce our operations in the U.S. and Asia.

From environmentally progressive brands to environmental premiums that increase earning power

By expanding business domains while responding to the needs of the times, we have transformed ourselves into an environmentally progressive corporate group that supports lifestyle creation. Concern for the environment is something that has been a part of us since we first began developing real estate. Our environmental management, which we have established as Group policy, is also highly regarded. One example of this is our renewable energy business, which we launched in 2014 as one of the earliest domestic operators to enter the market.

Another example is Tokyu Land Corporation, the core company of the Group. Tokyu Land boasts a long list of environmental accomplishments, including becoming the first Japanese company to receive official certification for achieving the targets of RE100, an international initiative promoting the use of renewable energy to achieve decarbonization. Tokyu Land has thus established a distinctive presence in the industry as an environmentally progressive brand.

In the past, environmental activities were secondary to actual business and only implemented when reserves allowed, but today, companies must base their business activities on environmental management if they wish to remain a preferred choice for customers. For example, when we develop an environmentally friendly office building, we also incorporate the enhancement of the value of the surrounding area by strengthening local disaster resilience and promoting community formation to increase the satisfaction of the companies that occupy it. As this illustrates, we enhance our earning power in terms of creating high added value for our customers and increasing asset value into the future by combining our strengths with societal issues and providing solutions for people’s lives from the perspective of environmental management. By appealing to the societal desire for sustainability with the Group’s unique premium environmental value, we will drive profit growth in this inflationary era.

While the Group’s progressive environmental initiatives have already received high external recognition, consumers are not fully aware of the value of our environmental contributions. We recognize that our own communications have not been sufficient in resolving this issue. Going forward, we will pioneer markets where environmental value is economic value and establish ourselves as a leader by proactively disseminating information to a wide range of stakeholders, including consumers.

Generative AI is key to leveraging our intellectual assets: Driving change through human-DX collaboration

Alongside environmental management, we have established digital transformation (DX) as Group policy. In order to maximize the strengths of our business creation capabilities and wide range of customer contacts, and drive our unique business ecosystem even more effectively, it is essential that we turn information into explicit knowledge through the use of DX. In addition, many of the Group's businesses employ labor-intensive models that are vulnerable to the effects of population decline, thus making the use of DX of particular significance in ensuring our corporate sustainability.

Having instilled an awareness of and commitment to the use of DX in all Group companies, generative AI will be key to further business development. The Group has built a strategic data platform that aggregates internal information collected in a wide range of business areas, such as customer, business partner, and property information, as well as external information, such as market data, and we are actively incorporating AI into this. By accelerating the use of data across the Group and creating high added value services, we are promoting the transformation of a wide range of business domains into true strengths.

In addition to aggressively investing in the development of a DX environment, we are also focusing on developing our human capital to utilize this environment. By reducing manpower and improving efficiency in our routine operations, we will promote the shift to creative operations and enhance experience value for customers. This shift will also increase employee job satisfaction and lead to further enhancement of experience value, in turn helping us to secure the competitive advantages envisioned in the new mediumterm management plan. As we promote the fluid continuation of this cycle, we will transform our business models utilizing our intellectual assets and acquire new sources of revenue.

Creating premium value through experiences, communities, and the environment

Based on these initiatives, the "premium value" that we are committed to in our new medium-term management plan can be organized into the following three layers.

The first is the provision of "experience value" to individuals. The Greater Shibuya Area provides visitors with unique experiences and excitement that cannot be found anywhere else. We aim to deliver personalized excitement to our stakeholders through such an approach as suits each business.

The second is "local value" to society. Local value is created through the elevation of local appeal into community enrichment, and collaboration with local government and other partners is essential to its creation. In order to make local resources shine as economic resources, it is necessary to become deeply involved in the community, up to and including the local energy situation, logistics environment, and industrial structure. By deepening such contacts with business sites throughout Japan with an area management perspective, we will improve the value of local areas.

The third is the aforementioned "environmental value." As natural disasters and other risks continue to increase, the time is coming when people choose the products and services that are a part of their lives and lifestyles based on their environmental value. We believe that we can provide the environmental value the world will desire in the future by taking advantage of the many environmental initiatives we have implemented while always looking ahead.

A vital organization whose creative culture makes the most of each employee's individuality

Approximately 90% of the Group’s employees are involved in Human capital-thriving business like distribution and property management and operation, making human capital a wellspring of sustainable growth for us. We view the knowledge, skills, and drive of the Group’s approximately 30,000 employees as a resource, and we recognize that actively investing in our human capital is particularly important in strengthening our management foundation.

As we invest in human capital, my goal is to foster a creative culture that is unique to our Group. My idea of being “creative” means to continue to be inventive in order to make today better than yesterday and tomorrow better than today. The work that our employees undertake is diverse, but this is an attitude that all share.

The starting point for being inventive is to love something, and we all have something we love. Personal interests, pleasant ways of passing the time… When people are able to superimpose what they like onto their own work and think about the value provided to society, they become inventive. We have been able to expand our business domains because we have had a large number of employees who sought to give shape to the things they loved, and we have an organizational culture that respects this desire.

“One person’s love becomes the starting point for moving the world.” This is a sentence from the new medium-term management plan statement, and it is a thought that is consistent with our vision for 2030: “a future where everyone can be themselves, and shine vigorously.” In a time when the different values of each individual are respected, we believe that by cultivating a creative culture in which the diversity of our human capital can be fully utilized, we can have a significant impact on society.

Prospering together with the society of the future through the everevolving concept of "WE ARE GREEN"

We define our stakeholders as our customers, Group employees, business partners, local communities, shareholders and investors, and future society. These six groups are specified in our pledge to society, and we define our corporate value as the sum total of the levels of satisfaction of all of our stakeholders. We believe that we can achieve our goal of "a future where everyone can be themselves, and shine vigorously" by continuing to provide three premium values to our stakeholders through our business activities.

Our community development, organization, and people may look the same on the outside, but what is inside is constantly evolving. I have engaged in management based on the worldview that such flexibility is a source of resilience to withstand changes in the environment and society. The key visual that graces the cover of the new medium-term management plan embodies this belief.

It depicts the energies of the various businesses and human capital of our Group jostling and connecting with each other like cells to continuously change and create. The image is painted with a base green color along with rich gradations of blue, pink, and yellow. In an age when societal issues are becoming increasingly diverse and complex, we have evolved the Group's worldview for 2030 while continuing to seek to unite the power of our human capital as embodied in the Group slogan "WE ARE GREEN."

We will further solidify the Group's businesses and create premium value to meet the expectations of our stakeholders. We will take to heart the concept, "With unchanging spirit, we will change," as stated 12 years ago when the Company was established, and strive to create a future where everyone can be themselves, and shine vigorously.

Key visual illustration for the medium-term management plan 2030

2025 Integrated Report for the year ended March 31, 2025

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