

# CHAPTER 1

## Value Creation at Tokyu Fudosan Holdings

Here, we present both the qualitative and quantitative aspects constituting our value creation, as well as outlining the unique characteristics of Tokyu Fudosan Holdings, particularly via the Letter to Our Stakeholders, the Process for Value Creation, and Value Provided Through the Six Material Issues.

# Letter to Our Stakeholders



**Hiroaki Hoshino**
President & CEO,
Tokyu Fudosan Holdings Corporation

## Refining the companies that make the Tokyu Fudosan Holdings Group strong and taking Group management to the next stage while continuing to be chosen by customers through the provision of premium experiential value, local value, and environmental value

### Embodying a mindset of "keeping an even keel in both calm and rough waters"

My name is Hiroaki Hoshino, and I assumed the position of president & CEO of the Company in April 2026. Although Tokyu Fudosan Holdings Corporation has only a 13-year history, more than 70 years have passed since the founding of our core company, Tokyu Land Corporation, and over a century since the origin of our business, the Den-en Toshi Concept, came into existence. We will pass on the challenge-oriented DNA that has been continuously inherited throughout our history to the next generation. In a similar vein, I have received the baton from my predecessor, Hironori Nishikawa, and I feel the weight of the responsibility of being president & CEO every day.

One phrase I hold dearly is "keeping an even keel in both calm and rough waters." We must remain humble when things are going well and stay composed when circumstances do not go as planned. I discovered this Chinese proverb during my early years, when I struggled to recruit tenants for the Group's first high-rise office building, Setagaya Business Square (Yoga, Tokyo), and it became a source of encouragement for me.

When I joined Tokyu Land Corporation in 1989, there was still excitement about the bubble economy, but it was also a time of major transition. While new buildings were being completed one after another, the subsequent economic downturn rapidly worsened the financial condition of companies. I made countless cold calls along Route 246 from Shibuya, where the Company is located, to Yoga, only to be repeatedly turned down and experience many setbacks. Through this experience, I learned the importance of practicing self-discipline and facing situations calmly.

Even today, I keep these words close to my heart. We will not become complacent with the achievement of solid results or be daunted by a rapidly changing business environment. We will instead demonstrate the Group's shared DNA and axis of value creation, leverage our strength in abundant consumer touchpoints, and reinforce collaboration with corporate clients to open up new growth opportunities. While identifying what needs improvement and what should be passed on, I aim to further evolve Group management for long-term sustainable growth and take us to the next stage.

## Updating to medium-term management plan next fiscal year

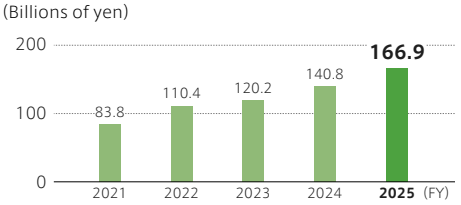
Our long-term vision, GROUP VISION 2030, announced in fiscal 2021, serves as a compass indicating our ideal vision. As a member of the Board of Directors, I was involved in formulating the vision. Meanwhile, under the vision's slogan "WE ARE GREEN," we set forth the goal of realizing "a future where everyone can be themselves and shine vigorously," and we presented a clear path for enhancing corporate value even amid the COVID-19 pandemic.

During the first five years of our 10-year long-term management policy, we focused on fundamental business structural reforms as part of the restructuring phase. Under Mr. Nishikawa's strong leadership, we stabilized our business portfolio at a faster pace than planned. Therefore, we began the second half of the plan one year early and launched the six-year Medium-Term Management Plan 2030 (hereinafter, "the Plan") in fiscal 2025, the year ended March 31, 2026. In the resilience phase, we are working to enhance efficiency and durability by building a robust and distinctive business portfolio. While adhering to our management policies to date, we will act with a sense of urgency to achieve further profit growth. ▸P.37

In fiscal 2025, the first year of the Plan, Tokyu Fudosan Holdings achieved record highs in both revenue and profits, marking five consecutive years of revenue and profit growth. Furthermore, we achieved our fiscal 2027 targets for net profit and ROE two years ahead of schedule. NAV per share increased by more than 10% compared with the end of the previous fiscal year and is growing at a pace exceeding expectations. While we benefited from tailwinds in the real estate sector, these significant achievements are mainly thanks to the efforts of the approximately 30,000 Group employees working diligently on the Company's front lines.

However, the better our performance, the more we must remain level-headed. Rising interest rates, soaring building construction costs, and global geopolitical risks are causing significant changes in the business environment compared with when the Plan was formulated. Strong

**Operating profit**




results now do not necessarily guarantee continued growth into the future. The question before us is how we will continue to grow as a corporate group as we head toward 2030 without being satisfied with our current results.

To that end, we will update the Plan and announce it next year. We will place importance on growing more flexibly and powerfully in response to operating environmental changes, paving the way for the future.

* BPS added to unrealized gains of leased properties per share (after adjustment for tax)

## Becoming a group that forms a scrum and passes the ball to one another

The Tokyu Fudosan Holdings Group has a history of responding to the needs of the times by proposing ways of living, working, and spending time that align with people's lifestyles, thereby expanding the value it provides and pioneering new business domains.

What has supported this progress is the centrifugal force generated as each Group company has tackled its own market and continuously taken on new challenges beyond its boundaries. Starting with the establishment of Tokyu Land Corporation, which was spun off from the real estate division of Tokyu Railways (now Tokyu Corporation), each company that was created amid changing times has expanded its business and now possesses a high degree of expertise and market presence. This is proof that, rather than relying on Tokyu Land Corporation, which handles development, Group companies have honed their strengths in their own markets with their own customers. The Group is composed of strong individual companies. This is a major competitive advantage of the Group that remains unchanged even after transitioning to a holding company structure.

However, to achieve future growth, it is not enough to simply strengthen each individual Group company. Each must remain autonomous while facing the same direction and passing the ball to one another, akin to a rugby team. We will work closely together as a scrum and thereby create greater value as a group. We must evolve our management in such a manner.

The key is to reconnect the internal capital the Group has cultivated in order to deliver greater value to customers and society. Information and opportunities gained by one Group company can lead to value creation by another. Instead of

confining themselves to their own corporate boundaries, Group companies must pursue approaches that maximize value for the entire Group. Increasing the total number of such ball passes among Group companies will be the crux of Group management going forward.

As the holding company, Tokyu Fudosan Holdings provides a common axis for the Group and, working behind the scenes, creates an environment where its group of robust companies can demonstrate their strengths. Autonomous individuals come together, move forward on their own initiative, and continue to organically create value that cannot be generated alone. This is my philosophy of Group management.

## Aiming higher through the creation of premium value

Under the Plan, our aim is to create premium value that addresses social issues.

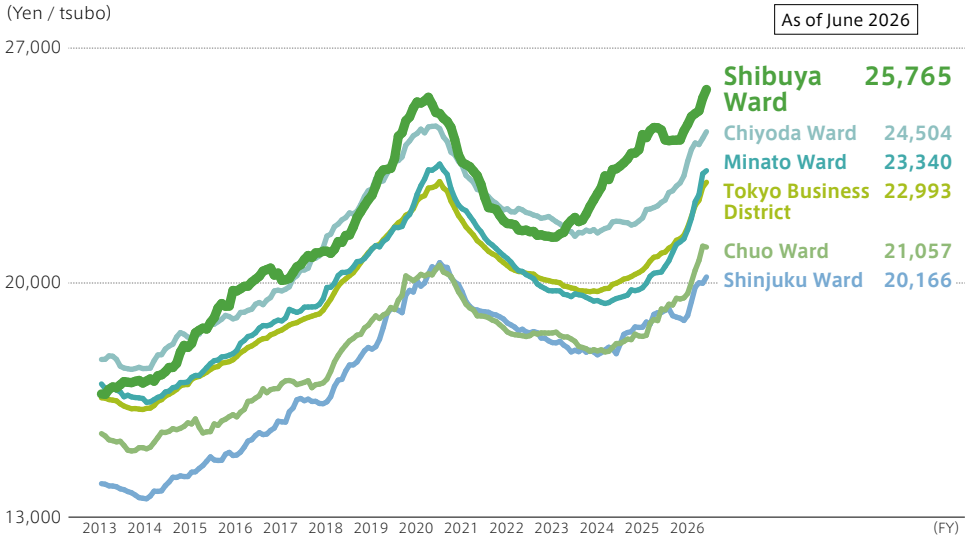


We have launched a growth strategy to proactively increase our top line during the transition to an inflationary economy. Premium value does not mean products or services in a high-price band. Rather, it is value that gives customers, communities, and society a reason to continue choosing us.

At the core of this are experiential value, local value, and environmental value. Experiential value means creating moments and experiences that move people's hearts. Local value involves enhancing the unique character, history, and human connections of a local place to create lasting appeal for the community. Environmental value entails transforming environmental initiatives into solutions for addressing social issues and enhancing business competitiveness. ▸P.17 ▸P.31

Individual businesses alone cannot create such types of values. Only by combining the expertise and uniqueness of each Group company can we create premium value distinctive to the Group. The Plan places the creation of premium value at its center and focuses on three key themes that directly address social issues such as strengthening international urban competitiveness, promoting green transformation (GX), and advancing tourism and regional revitalization: promoting the Greater Shibuya Area strategy, establishing a GX business model, and expanding glocal business. ▸P.37

**Average market rents in Tokyo's five central wards**




## Riding the winds of the times blowing through our home ground

In creating premium value, we are devoting all of our efforts to community development in the Greater Shibuya Area. The Tokyu Fudosan Holdings Group has designated the area within a 2.5-kilometer radius centered on Shibuya Station as the Greater Shibuya Area and is advancing community development that integrates "work," "play," and "live."

It is clear that the winds of the times are now blowing through Shibuya, our home ground. Shibuya has become one of the most popular destinations for overseas visitors to Tokyo, and in terms of office rents, the average unit price in Shibuya Ward has surpassed that of Chiyoda Ward, reaching one of the highest levels in the city. People gather, companies gather, and information gathers. Diverse sources of data also tell a story about the high level of attention that Shibuya attracts. ▸P.38

Growth in the content sector, which the Japanese government is actively promoting, is reinforcing these trends. Shibuya, once known as Bit Valley, has become a hub for venture companies in IT and other software industries. Building on that foundation, companies and creators

involved in anime, games, manga, film, and music are now gathering in Shibuya. Today, content being created in Japan has a strong presence in the global market. Japan is shifting from an era led by heavy industries to one in which soft businesses, symbolized by Shibuya, will become the core driver of the Japanese economy. We are beginning to see this potential become a reality.

We are currently advancing a variety of initiatives to enhance Shibuya's appeal, including financing for content investment funds and collaborations with intellectual property (IP) owners that feature urban spaces as media. As a corporate group, we aim to build the foundations and mechanisms for a community that constantly supports creators. People with diverse interests gather, form new cultures, and from there, new businesses are born. Such businesses then spark new movements, attracting even more people. We believe this cycle is the wellspring of Shibuya's uniqueness, and we are working to create frameworks that facilitate this cycle.

## Enhancing the appeal of the Greater Shibuya Area through unique experiences only found there

The value of a city increases as more people gather there. While leveraging our assets to create an environment where people continue to gather, we also leverage the advantage of having Shibuya as our home ground to identify business opportunities throughout the community. Leveraging such strengths is essential in generating long-term earnings through the Greater Shibuya Area strategy.

Industry development is one of the pillars of this strategy. We have enticed start-ups to the Greater Shibuya Area and collaborate with overseas universities in accelerator programs. Going forward, we will provide spaces for entrepreneurs to operate and also develop the infrastructure for daily life that stimulates business creation, realizing a community where business and daily life are tightly integrated. Looking further ahead, we will enhance Shibuya's identity as a hub of knowledge with an eye toward nurturing the next generation of entrepreneurs. People are learning, finding inspiration, meeting peers, and launching businesses in the Greater Shibuya Area. Encouraging this flow is a powerful force in making "from Shibuya to the world" a reality.



Tokyu Plaza Omotesando "Omokado," viewed from Tokyu Plaza Harajuku "Harakado"

The other pillar is urban tourism. The Greater Shibuya Area offers a wide variety of attractions, including nightlife, pop culture, food, music, and fashion. We will improve both the physical and experiential aspects of hotels, commercial facilities, and entertainment venues to fully welcome people drawn to these attractions. Furthermore, we will leverage the unique characteristics of each part of the area to extend visitors' length of stay and encourage them to explore further. We will transform the Greater Shibuya Area into a community where new interactions and spending occur day and night, converting our investments in community development into stable streams of revenue.

These initiatives are designed to provide unique experiential value that can only be found in this community. In fiscal 2026, we established the Greater Shibuya Area & Experiences Strategy Promotion Office as a Group-wide initiative. We will strengthen collaboration among the Group's various businesses nationwide, including sports, arenas, entertainment, and education, to further enhance the unique experiential value we offer in both urban and regional areas.

## Utilizing green energy as part of next-generation infrastructure for community development

In 2014, ahead of sector peers, we entered the renewable energy business, and today we have become an environmentally advanced company with top-class renewable energy power sources and value chains in Japan.

Our renewable energy business not only contributes to the environment but also supports the sustainable development of local communities. Building long-term relationships of trust with a diverse range of regional stakeholders, including landowners, aligns well with the real estate business, and above all, energy infrastructure is the essential pillar underpinning community development. In the coming era, our initiatives in green energy will address environmental needs and also enhance the competitiveness of cities and industries, creating new local value.

The Tokyu Fudosan Holdings Group's uniqueness lies in its ability to combine the abundant capital it has accumulated through urban development and property management with its expertise in renewable energy development and operation, enabling the Group to deliver significant value that unifies real estate and the environment. We will enhance enterprise value by leveraging environmental value, such as that created via real estate that utilizes renewable energy,

environmentally friendly logistics facilities and data centers, and industrial community development projects that promote regional industrial clusters.

In particular, the industrial real estate sector has strong electricity demand and hefty needs for decarbonization. This is why there is great potential in providing locally generated green energy together with real estate as an integrated solution. Our focus is on development, operations, power supply, and co-creation with local communities. Through this chain of value offerings, we will establish a GX business model and make it into a new growth engine for the Group.

## Accelerating growth through co-creation with corporate clients

The Tokyu Fudosan Holdings Group has created new businesses needed by society and its customers with multiple touchpoints that are closely connected to people's lives. We have also earned the trust of individual customers through building management, real estate agents, resorts and leisure facilities, and rental housing services, including housing for students.



No. 1 Ishikari Renewable Energy Data Center, completed in March 2026

Looking ahead, we will leverage our strength in wide-ranging customer and market touchpoints as a gateway to new co-creation while demonstrating our unique ability to create businesses, even in fields where corporate clients are the main customer.

For example, in industrial domains such as logistics facilities and data centers, which require significant assets and energy, there is ample opportunity for the Group to demonstrate its business creation capabilities. As these are new business fields for the Group, we must gain a deep understanding of the issues faced by our corporate partners and the areas in which they envision future growth.

It is important to strengthen relationships with corporate clients with the aim of expanding business opportunities. As the leader of the Group, I personally intend to directly address the management issues faced by our corporate partners and identify opportunities for co-creation, thereby creating an engine of growth.

## Aspiring to be a group where people can work energetically and with enjoyment for the benefit of others

Above all, it is the power of people that supports our value creation. One of the Group's major strengths, unmatched by sector peers, is that over 90% of our approximately 30,000 employees are engaged in businesses driven by human capital. No matter how outstanding our assets or expertise may be, it is communication between people that leverages these strengths and connects them to new business opportunities. That is why I regard human capital as the cornerstone of Group management and continue to strengthen it. ▸P.43

What I value most is autonomy, one's ability to think and act independently. Rather than waiting for instructions, our employees can sense changes among our customers and in society, look ahead, and consider what actions they can take. We look outward and achieve results as a team. An organization where such behavioral traits arise naturally is essential in this era of rapid change.

At the same time, it is also important that each employee can work with energy and enjoyment. Our employees can feel that their work is helping others and gain fulfillment by overcoming challenges together with colleagues. It is vital to move forward together while supporting one another. Accumulating such experience leads to greater job satisfaction among employees and strengthens the organization.



Utilizing digital transformation (DX) and AI is also an important means to achieve this. The Group's DX initiatives are steadily progressing, as evidenced by our inclusion in DX Brand 2026, and they have become a source of competitive advantage over our sector peers. We bring information and knowledge to those who need it, increasing the time people can devote to more creative work. Our approach to DX is not to replace people with digital technology but to redirect human capabilities toward higher value creation. ▸P.34

"One person's love becomes the starting point for moving the world." This sentence is written in the Plan as an expression of the true appeal of our work. The things that excite and inspire us can become new products and services. What we do for ourselves becomes something for others, and ultimately for society. We will foster a creative culture

that spins this virtuous cycle as the foundation of the Group.

### Engaging in dialogue with investors and building long-term relationships of trust

As the basis supporting value creation, the Tokyu Fudosan Holdings Group is strengthening governance alongside its human capital, organizational culture, and financial capital strategy. By appointing six independent outside directors to the Board of Directors, we have established a structure that ensures sound and transparent management while enabling prompt and decisive decision-making. From fiscal 2026 onward, we have revised the composition of the Nomination and Compensation Committee to further increase diversity and the ratio of independent outside directors.

In evaluating the effectiveness of the Board of Directors, we ensure objectivity by having an external consultancy firm design, tally, and analyze the evaluation process and by obtaining a third-party assessment from an attorney with no advisory relationship to the Company. The results of the Board effectiveness evaluation in fiscal 2025 indicated that enhancements in reporting by the Risk Management, Sustainability, and Information Security committees, as well as the timely sharing of risk information, have helped improve the Board's effectiveness.

To achieve long-term sustainable growth, it is essential to balance growth investments with financial discipline. In potential growth domains, we will flexibly allocate the necessary capital while maintaining a sound financial position and thoroughly focusing on capital efficiency, especially in this era of rapid change.

I place importance on both pursuing growth in scale and achieving growth with quality. While being mindful of financial indicators, such as ROE, EPS, and NAV, we decide which businesses to invest capital in, which assets to enhance, and which assets to replace. We will continuously review our business portfolio and enhance our growth potential, efficiency, and resilience in order to increase the overall corporate value of the Group.

When engaging in dialogue with shareholders and investors, we place importance on accurately conveying the true state and progress of the Group. As long as we are entrusted with capital, it is fundamental to management that we deploy it efficiently and deliver shareholder returns through the enhancement of corporate value. At the same time, not all shareholders and investors seek the same returns. We will thus openly communicate our strengths, areas designated for growth, challenges to overcome, and management policies, and by gaining understanding regarding our unique approach to value creation, we will build long-term relationships of trust.

### Aiming to be a corporate group constantly chosen by its customers

I aim for us to become a corporate group that comes to mind first when someone faces a challenge or wants to commence a new undertaking. We want to be the entity that customers, communities, and companies think of first when they consider seeking advice. That is what I believe it means to remain a chosen corporate group.

Aligning with the spirit of the times in Shibuya, continuing to be an environmentally advanced company, and expanding growth opportunities in the corporate and industrial sectors are all initiatives to redefine the reasons why customers decide to choose us first. At the same time, our business does not end with the Greater Shibuya Area. We have roots in communities across Japan and work together with local residents, governments, companies, universities, and partners to cultivate unique value in each region. While maintaining a global perspective, building trust at the local level is our distinctive approach to growth.

As president & CEO, my role is to present a broad vision and direction and be a guiding axis for the Group. Under this guiding axis, we trust one another, support each other when needed, pass the ball, and work together as a scrum. Members of management will take the lead in embodying the essence of a strong team and will foster a culture of autonomy and collaboration throughout the Tokyu Fudosan Holdings Group.

I aim to be a leader who supports autonomous individuals and organizations from the ground up so they can demonstrate their full potential. That is the ideal I strive for. Possessing the mindset of "keeping an even keel in both calm and rough waters," which I described at the beginning of my message, we will strive to be a corporate group that continues to create value and is chosen by customers, communities, society, and the capital markets as we open up the future.

September 2026



President & CEO,
Tokyu Fudosan Holdings Corporation