

Commercial Properties Business

Working

Living

| | |
|---------------------|---|
| Basic Policy | Strengthen the stable revenue base Accelerating and expanding asset-turnover business |
| Key Strategy | Steady promotion of large-scale redevelopment projects Acceleration of the property sales to investors business Expansion of service business |

The Commercial Properties Business focuses mainly on the international city of Tokyo. Our activities include urban development, the development and operation of office buildings, retail facilities, and hotels. We also offer services such as building maintenance, preservation, and remodeling. In addition, we pursue a wide range of development projects—including medium-sized office buildings, logistics facilities, hotels, and retail facilities—carefully tailored to the characteristics of each location and region. Once operational, these properties are sold to investors.

Related Material Issues

- Strengthening Tokyo's competitiveness as an international city
- Addressing the diverse needs of customers and society
- Contributing to a safe and secure society
- Promoting a decarbonized society
- Promoting a recycling-oriented society
- Revitalizing and utilizing real estate stock
- Value co-creation and innovation
- Community building and revitalization
- Social implementation of technology
- Wellbeing

Asset Types

Office buildings

Logistics properties

Hotels

Retail facilities

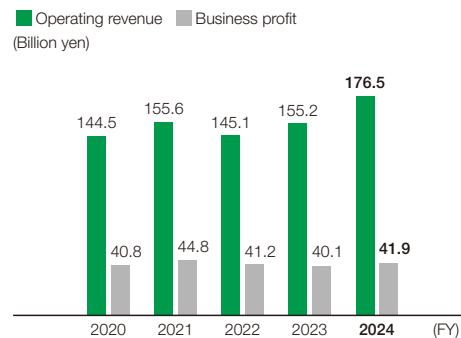
Medium-sized
office buildings

Business Fields

Leasing, property sales to investors, building management service, construction, etc.

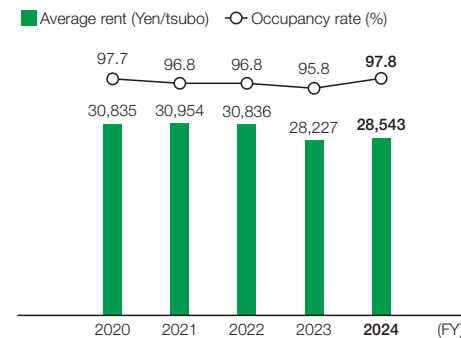
Performance Indicators

Operating Revenue and Business Profit*

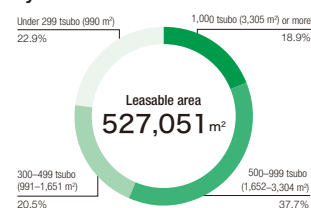


* Business profit before change

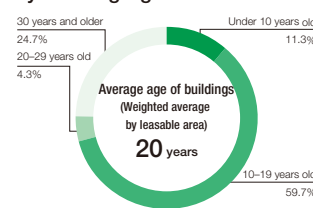
Average Rent and Occupancy Rate



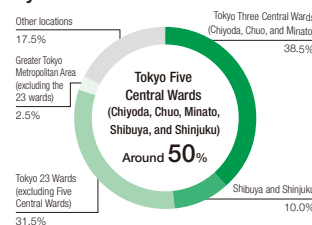
Proportion of Leasable Area by Standard Floor Plate Size



Proportion of Leasable Area by Building Age



Proportion of Leasable Area by Location



Opportunities

- Pressing need for increasingly sophisticated office space in order to secure personnel and enhance productivity
- Remarkable advances in AI and technology, rapid expansion of the e-commerce market, and the reevaluation of supply chains
- Growth in leasing income driven by inflation
- Diversifying real estate utilization needs amid growing investment demand and robust inbound tourism
- Social demand for initiatives in renewable energy and the circular economy

Risks

- Intensifying competition between global cities and economic areas
- Declining workforce
- Escalating construction, management, and labor costs fueled by labor shortages and inflation
- Rising real estate capitalization (cap) rates in response to interest rate increases

Strengths

- A wealth of know-how and experience in large-scale redevelopment and asset-type development
- Urban development initiatives that increase area value, including the Yaesu-Nihonbashi-Kyobashi (YNK) area
- Track record in tenant leasing across a wide range of asset types
- Trust from tenants, customers, and partner companies
- A highly competitive office building portfolio
- A wide array of information sources, including financial institutions and long-standing business partners, in addition to the Group network

Strategic Direction

- With a focus on business expansion through large-scale redevelopment, we will optimize Group-wide management and operations and work to maximize the value of our owned office buildings and surrounding areas through value co-creation with tenants, customers, and with public, private and academic partners.
- From a medium-to-long-term perspective, we will hold hotels, logistics facilities, and other assets in addition to office buildings, with the aim of enhancing risk management and increasing yields on rental assets.
- We will pursue continuous business expansion and the creation of added value across the entire value chain, delivering high-quality offerings for each asset type and ensuring ongoing land acquisition and property sales.
- For properties to be sold to investors, we will expand Group assets under management (AUM) to capture fee business opportunities in addition to capital gains.

Value Provided to Stakeholders

- Through area management and optimized building management and operations, the Tokyo Tatemono Group helps unlock the full potential of neighborhoods and properties. In doing so, we contribute to the wellbeing of tenants and local residents, and to the ongoing revitalization of neighborhoods through the establishment of community and innovation ecosystems.
- By supplying and selling competitive, diverse assets that meet contemporary needs, we contribute to the real estate market and broader economy, while enhancing returns to all shareholders and investors through improved capital efficiency.

Initiatives for Area Management

In addition to developing and operating buildings, the Tokyo Tatemono Group actively engages in area management initiatives. Working with local communities to make use of event and public spaces within our buildings, we plan activities that contribute to the vibrancy and appeal of the surrounding area. In this way, we help foster interaction, heighten the appeal of the broader neighborhood, and help strengthen the city's competitiveness.

We place importance on our ties with local communities, participating in local events in redevelopment areas among other initiatives. Our aim is to help pass on tradition and culture to future generations while contributing to the creation of attractive urban infrastructure and services.



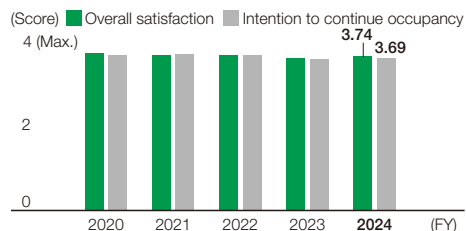
The Sanno Festival, a tradition that dates back to the Edo period

Customer-Oriented Management and Operations

The Company conducts an annual customer satisfaction survey of its office building tenants. We collect feedback from the perspectives of safety, security, and comfort, and have continually made improvements based on tenant needs.

We also hold an annual event called the “Human Building* Exhibition,” which brings together all Group companies in the Commercial Properties Business Division. The event showcases and recognizes outstanding examples of building management and customer service, helping strengthen awareness of the importance of quality improvement and customer satisfaction. Going forward, we aim to accurately identify customer needs and deliver value that fully meets those needs, ensuring that our commercial properties continue to be positively evaluated.

Trends in Overall Satisfaction and Intention to Continue Occupancy



Note: Based on the Company's own monitoring indicators

Human Building
— いつも、真ん中の人。 —

* An internal branding initiative launched by the Tokyo Tatemono Group's Commercial Properties Business Division in 2012 under the slogan “Always people at the center.” The initiative brings together all division staff as a team to enhance both the physical aspects, such as buildings and facilities, and the quality of services, thereby delivering high value to customers.

Initiatives for Property Sales to Investors

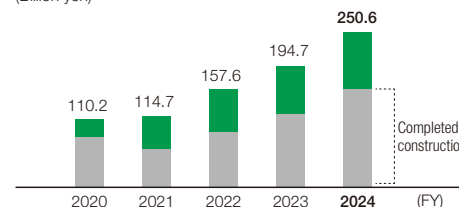
In our property sales to investors business, we significantly increased both acquisitions and sales during the previous medium-term business plan period (FY2020–FY2024). In the Commercial Properties Business, we handle a diverse range of asset types, including logistics properties, hotels, retail facilities, and medium-sized office buildings to meet a variety of real estate investment needs, while also accumulating stock for future gains on sales.

Under the new medium-term business plan, we will accelerate sales based on the stock and diverse range of asset types we have built up. Additionally, we plan to move forward with realizing unrealized gains by strategically selling non-current assets, primarily office buildings, to optimize our asset portfolio.

We also plan to broaden our investment scope to include new investment types, such as R&D/ office complexes and data centers, in addition to our existing asset portfolio. There is still stiff competition for acquiring land, but we are steadily securing properties by restructuring our organization, expanding and nurturing our talent base, and building strong tenant relationships.

Commercial Properties Business: Balance of Real Estate Held for Sale

(Billion yen)



(As of December 31, 2024)

| Asset Type | Number of Properties | | Asset Scale (Billion yen) | |
|---|----------------------|-------------------|--------------------------------------|------------------------|
| | In operation | Under development | Balance of real estate held for sale | Total amount invested* |
| Logistics properties | 8 | 17 | 1,215 | Approx. 305.0 |
| Hotels, retail facilities, medium-sized offices, etc. | 22 | 19 | 1,291 | Approx. 210.0 |
| Total | 30 | 36 | 2,506 | Approx. 515.0 |

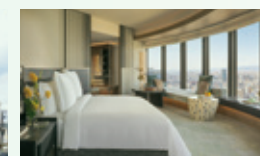
* Total amount invested = Post-acquisition costs + Book value at acquisition

Highlights Collaboration with Hotel Operators

In the hotel business, Tokyo Tatemono leverages its know-how as a developer and collaborates with a diverse range of operators to develop and operate a wide variety of hotel types. With further growth anticipated in the luxury hotel market, the Four Seasons Hotel Osaka opened in August 2024, followed by the Hilton Kyoto in September. Looking ahead, we also plan to open the Raffles Tokyo and the SEN/KA TOKYO by The Crest Collection. We will continue



Hilton Kyoto (center)



Guest room
(Photo by Ken Seet; courtesy of the Four Seasons Hotel Osaka)

to pursue the ideal mix of hotel operators and hotel types based on location and project characteristics, with the goal of maximizing business value.