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Market's Perspective on Seibu HD's Management Issues and Value Creation Opportunities

October 2, 2026



Seibu HD’s competitive advantage lies in its ownership of real estate in urban and resort areas with significant potential for value enhancement, and the company presents NAV growth through reinvestment in these properties as its equity story

Seibu HD positions its real estate holdings in urban and resort areas with significant potential for value enhancement as the source of its competitive advantage

“Central Tokyo areas such as Takanawa, Shinagawa and Shiba Park, and resort areas such as Karuizawa, Hakone and Furano are what clearly sets Seibu Group apart (omitted).
Seibu HD, “Supplementary Materials regarding ‘Seibu Group’s FY2024-FY2026 Medium-term Management Plan and Progress on Management Conscious of Cost of Capital and Share Price’ (released May 14, 2026)” (Jun. 15, 2026), p. 2
English translation by 3D Investment Partners Pte. Ltd. (3D)”

“The Shinagawa and Takanawa area has approximately 130,000 square meters of land in total. (omitted) Shinagawa is close to Haneda Airport and is already slated to be a terminal for the Linear Chuo Shinkansen, so we see it as an area with considerable potential.
Asahi Shimbun, “(Leader’s View Interview) Seibu HD President Ryuichiro Nishiyama” (Aug. 27, 2025)
English translation by 3D”

“No other real estate or railway company in Japan operates hotels in resort areas on this scale, including Karuizawa and Hakone. This is a tremendous competitive advantage for us, which is why we are investing to enhance their value.
Toyo Keizai Shikiho Sokuho, “[9024 Seibu HLD] Top Interview: President Nishiyama on ‘Growth Strategy for the Real Estate Business’ (5)” (Aug. 18, 2025)
English translation by 3D”

“Without properties of its own, a company would have to start by borrowing to acquire them, but our strength is that we already own an abundance of properties, giving us considerable flexibility at the start of the cycle.
Asahi Shimbun, “(Leader’s View Interview) Seibu HD President Ryuichiro Nishiyama” (Aug. 27, 2024)
English translation by 3D”

Seibu HD presents NAV growth through reinvestment in these properties as its equity story

Executive Summary

Investment highlights



01

Achieving Sustainable Growth Centered on the Real Estate Business
① To pursue capital efficiency, transitioning from a business model based on ownership to one that grows through both capital recycling* and ownership.
② Implementing liquidity without exceptions, starting with Tokyo Garden Terrace Kioicho, and optimizing the business portfolio through capital recycling.
1. Generation of unrealized gains through liquidation (all properties owned by the Seibu Group are subject to this)
2. Reinvesting funds obtained through liquidity to maximize real estate value (NAV growth)
- Redevelopment in urban areas (Takanawa, Shinagawa, Shiba Park)
- Redevelopment along the Seibu Shinjuku and Takadanobaba lines
- Full-scale resort development (Karuizawa, Hakone, Furano, Nikko, etc.)
- Acquiring new properties
3. Introducing Seibu ROIC as a measure of capital efficiency
4. Enhancing asset management functions to cycle capital recycling
※ A business model that grows by continuously reinvesting funds from liquidity and reinvestment

02

Capturing inbound demand, continuing raising price, and building a structure of 250 hotels in Japan and abroad to improve profitability in Hotel and Leisure business

03

Prioritizing growth investments that lead to an increase in corporate value while ensuring stable and continuous enhancement of shareholder returns
1. Dividend policy: Setting the dividend forecast per share for the fiscal year ending March 2025 at 30 yen and introducing a progressive dividend with a lower limit of DOE 2.0% to achieve increased dividends through profit growth, in addition to stable dividends
2. Share buybacks: Implemented flexibly based on the balance sheet situation

04

Strengthening corporate governance as a foundation for implementing new long-term strategies and medium-term management plans

4

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Seibu HD, “Seibu Group’s Long-term Strategy to 2035 FY2024-FY2026 Medium-term Management Plan” (May 9, 2024)

To deliver on its equity story, Seibu HD announced an asset-light strategy in 2021. As a major step, it monetized Kioicho in 2024 and committed to growing NAV by reinvesting the proceeds in real estate

Background / Objectives

2021

Asset-light strategy
launched

- Following massive losses during COVID-19, launched management reforms centered on **asset/business sales and monetization**, and the **separation of hotel ownership from operations** (creation of Seibu Prince Hotels Worldwide Inc. (SPW) dedicated to operations)
- Objective: **build a resilient financial structure capable of withstanding recurring crises, and lower the break-even point**

2024

Kioicho monetization

- Placed a “**growth strategy centered on the real estate business**” at the core of its Long-term Strategy to 2035 and **decided to monetize Tokyo Garden Terrace Kioicho (Kioicho)** as the first step
- Objective: **generate funds for growth investment through capital recycling (asset rotation)**, and allocate those funds to enhancing value of key hotels, redevelopment and shareholder returns

2025

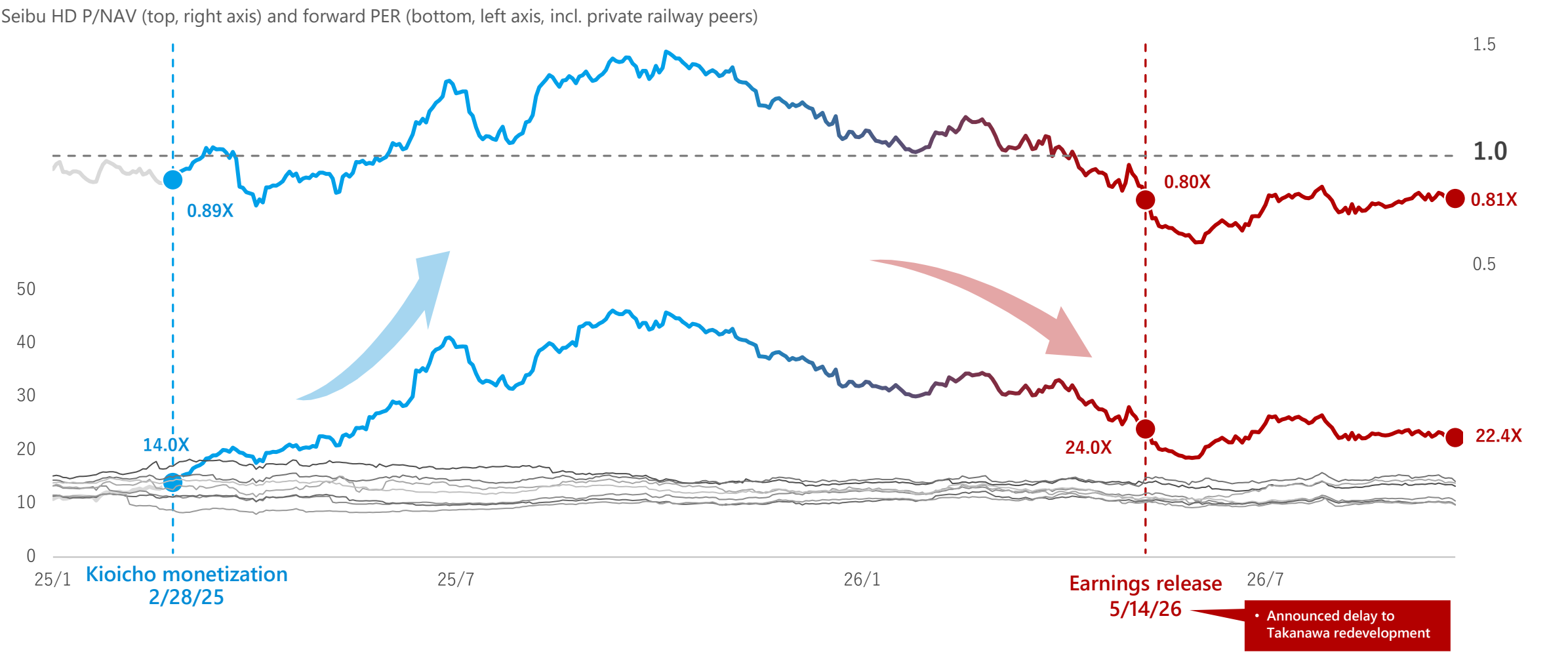
Disclosure of NAV per
share / Commitment to
NAV growth

- Began **calculating and disclosing NAV per share** (Adjusted PBR ②¹) in its updates on “management conscious of cost of capital and share price”
- Objective: adopt the maximization of **real estate value (= NAV growth)** through reinvestment of monetization proceeds as a management KPI, and demonstrate its commitment to achieving that growth to the capital markets

Note: [1] “Adjusted PBR ②” uses net assets per share (the denominator of PBR) calculated by adding after-tax unrealized gains on rental and other real estate and certain hotel/leisure assets at each period end to period-end shareholders’ equity.

Following these initiatives, the capital markets expected Seibu HD to shift to NAV-focused management, and the shares temporarily traded at a premium to NAV. However, the share price has since fallen back below NAV

After the Kioicho monetization, P/NAV rose from 0.89x to above 1.0x, and PER diverged from private railway peers as the market began valuing the shares on a NAV basis. However, the rise was only temporary: P/NAV is now below 1.0x.



Note: [P/NAV] P: closing share price on each day. NAV per share: shareholders' equity at the end of the most recent quarter, plus 0.7 times the sum of the unrealized gains disclosed by the company on (i) investment and rental properties, (ii) the hotel portions of the Takanawa, Shiba Park, Shinagawa and Karuizawa areas, and (iii) certain hotel and leisure business assets outside the four areas above; divided by the number of shares outstanding excluding treasury shares. Figures used: Jan. 4, 2025–Mar. 30, 2025: (i) ¥337.1bn, (ii) ¥378.2bn, (iii) ¥98.7bn; Mar. 31, 2025–Mar. 30, 2026: (i) ¥207.3bn, (ii) ¥378.2bn, (iii) ¥98.7bn; Mar. 31, 2026–Sep. 29, 2026: (i) ¥212.7bn, (ii) ¥482.1bn, (iii) ¥98.7bn. [Forward PER] Source: Bloomberg.

The capital markets expect growth in NAV per share to be achieved by reinvesting the proceeds of real estate sales in projects whose expected returns exceed the cost of capital

“ In its previous update report, SBI stated that the ability to repeat the monetization → reinvestment → value creation → re-monetization cycle is essential to achieving NAV growth.

However, **asset monetization in itself does not increase NAV**, and once taxes and transaction costs are taken into account, asset monetization can even reduce NAV.

What matters, in SBI's view, is whether the proceeds from monetization can be reinvested in projects with returns above the cost of capital, thereby increasing asset value.

SBI Securities, "Seibu Holdings (Prime 9024)" analyst report (Aug. 5, 2026)

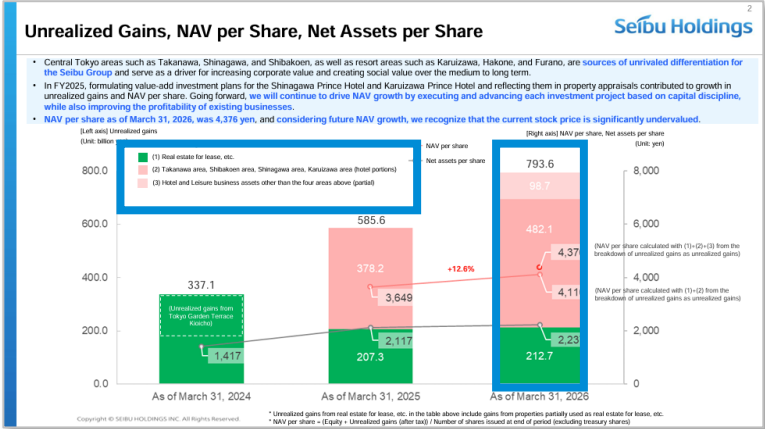
English translation by 3D

Seibu HD's shares appear to trade at a discount to NAV because the capital markets do not expect NAV per share to grow at a rate exceeding the cost of capital going forward

Seibu HD differs from peers in that most of its unrealized gains are concentrated in hotel properties slated for value-enhancing investment, including redevelopment, giving it greater NAV growth potential than typical real estate developers

Breakdown of unrealized gains as of March 31, 2026

- ① Rental and other real estate: 27%
- ② Hotel/leisure business assets: 73%
- ③ Of the unrealized gains in ②, those attributable to hotels in the Takanawa, Shiba Park, Shinagawa and Karuizawa areas: 83%



Seibu HD’s distinctive features

	Share of NAV accounted for by income-producing real estate (rental and other real estate)	Expected NAV growth rate
Listed real estate developers	Most unrealized gains are concentrated in rental and other real estate, comprising income-producing properties with limited scope for redevelopment	Growth is constrained by after-tax rental yields and is largely linear (akin to simple interest)
Seibu HD	Rental and other real estate account for only 27% of unrealized gains, while over 70% of unrealized gains are in hotel/leisure business real estate with significant scope for value enhancement Of these, over 80% are in areas such as Takanawa, Shiba Park, Shinagawa and Karuizawa, where large-scale value-enhancement investment, including redevelopment, is already underway	Redevelopment and value-enhancement investment enable compounding growth e.g., NAV per share grew at an average annual rate of 17% between the start of construction at Kioicho (2013) and its completion (2016)

Seibu HD, “Progress of the Seibu Group’s Medium-term Management Plan (FY2024–FY2026) and management taking into account capital costs and the stock price”(Disclosed on May 14, 2026)” (Jun. 15, 2026), p. 2

NAV per share is highly likely to grow at a rate exceeding the cost of capital, and Seibu HD is therefore inherently better placed than real estate developers to achieve a NAV premium

Nevertheless, Seibu HD's NAV per share is not expected to grow at a rate exceeding the Company's cost of capital, and its shares trade at a discount, reflecting two main issues identified by the capital markets

Issues identified by the market

1

The formulation and execution of business plans for its real estate holdings, which are necessary for sustained growth in NAV per share, and the disclosure and explanation of those plans, have been insufficient

- Seibu HD has continued to discuss large-scale redevelopment concepts for individual properties, but **to date none has produced notable results or progress**
- **No quantitative, objective explanation** of how **past NAV growth** was achieved
- **No quantitative, objective roadmap** for how **future NAV growth** will be delivered

2

Ownership and operation of the hotel real estate that accounts for most of its value are integrated within the Group, creating a risk of dis-synergies that could impair the value of both the real estate and hotel businesses

- **Real estate owner:** because hotel operations are effectively tied to a Group company, **the discipline that comes from comparing and selecting operators to enhance real estate value is absent**
- **Hotel operator:** because management contracts are effectively guaranteed, **discipline to improve operating capabilities and brand strength is weak**

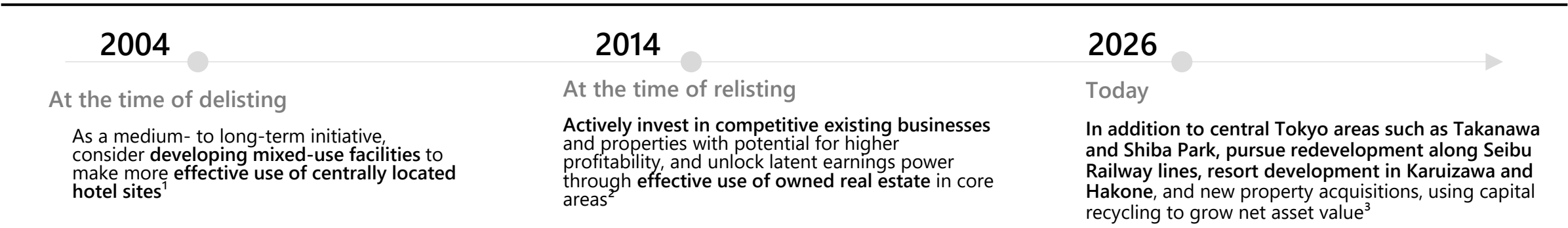
As a result, the market does not expect Seibu HD's NAV per share to grow at a rate exceeding the cost of capital going forward

Issue Identified by the Market-1

The formulation and execution of business plans for its real estate holdings, which are necessary for sustained growth in NAV per share, and the disclosure and explanation of those plans, have been insufficient

For 20+ years, Seibu HD has continued to discuss large-scale redevelopment concepts for individual properties, but to date, except for Kioicho, none has produced notable results or progress

Seibu HD has discussed large-scale real estate redevelopment plans for 20 years...



...yet, key individual projects remain stuck in the “discussion / consideration” stage with no progress

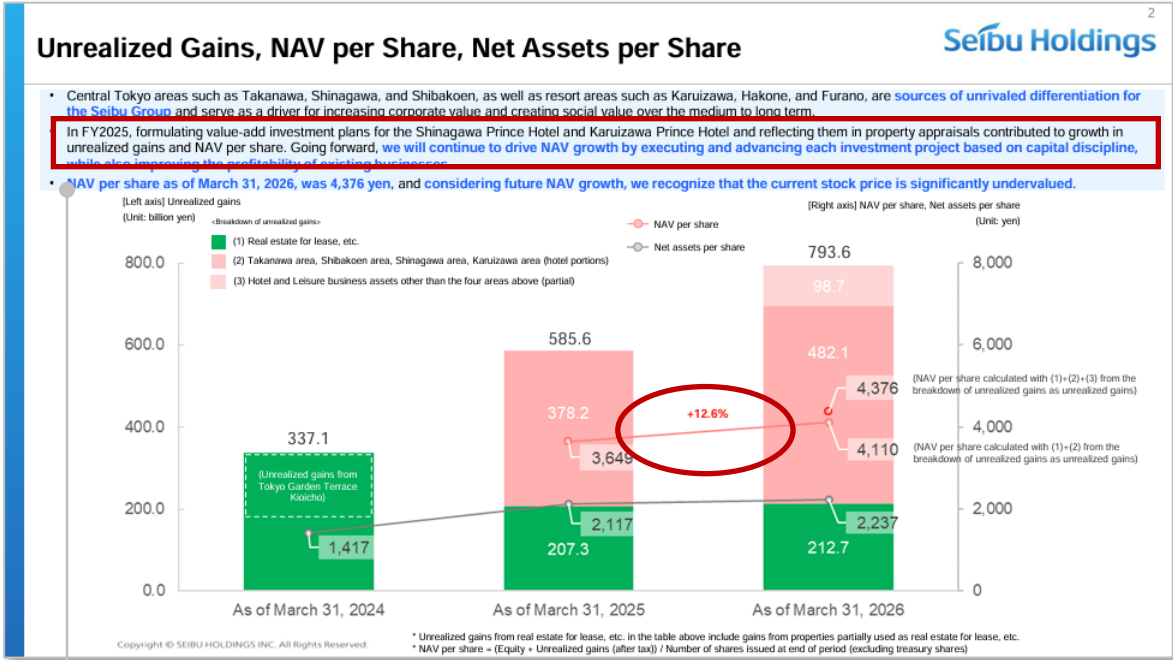
Shinagawa / Takanawa	Shiba Park	Shinjuku
- Despite aiming to start construction in 2018 and complete the redevelopment in time for the Linear Chuo Shinkansen’s planned 2027 opening, construction had still not begun 12 years later - After stating in 2025 that construction would begin “from FY2027 onward,” the following year the start was pushed back two years to FY2030	- Twelve years after saying in 2014 that it would “consider” the project, the Company’s 2026 position is still only to “continue discussions” - Completion is stated as FY2035 or later, with no concrete plan yet disclosed	- Mentioned only three times in seven years, each time still at the “consideration” stage - As of 2026, even consideration of the main redevelopment is not expected to begin “until FY2035,” with no start date set
2014: Respond with a sense of urgency 2016: We want to complete the redevelopment in time for the Linear Chuo Shinkansen opening 2020: There will be no delay to the plan 2025: Start construction in the Takanawa area during the next medium-term plan period (FY2027–2029) 2026: (omitted) Schedule revised. Start of new construction pushed back two years from the original plan	2014: We will consider the project while monitoring progress on deregulation 2018: The overall plan is yet to be developed 2023: Nothing has been finalized yet, but we will allocate those funds into redevelopment of Shiba Park and (omitted), or into resort development 2026: Continue discussions toward redevelopment based on an urban development concept centered on Shiba Park	2020: Consider using space under the elevated tracks as shared offices 2024: Also begin terminal development at Seibu-Shinjuku and Takadanobaba stations 2026: Consider hotel/commercial facility renovations; main redevelopment to be considered from FY2035 onward

“ I have followed your company since before the 2014 listing. Kioicho and Tokorozawa demonstrate your track record in large-scale real estate development, but we have also been hearing about other developments for a long time ”
— Seibu HD Outside Director IR Meeting (Mar. 9, 2026) English translation by 3D

Note: [1] Summarized from Seibu Railway Co., Ltd. / Kokudo Corp., “Agreement on Seibu Group Reorganization and Capital Strengthening” (Nov. 10, 2005); [2] summarized from Seibu HD’s Securities Report for New Listing Application (Part I) (Mar. 2014) / Prospectus for New Share Issuance and Secondary Offering (Apr. 2014); [3] summarized from Seibu HD website “To Our Shareholders” / FY ended Mar. 2026 Annual Securities Report.

Seibu HD has not been able to provide a quantitative, objective explanation for how NAV growth was achieved in the past

Seibu HD reported 12.6% growth in NAV per share for FY3/26, explaining that the principal driver was the development of value-enhancement investment plans for Shinagawa and Karuizawa and the incorporation of those plans into property valuations



Seibu HD, "Supplementary material regarding "Progress of the Seibu Group's Medium-term Management Plan (FY2024–FY2026) and management taking into account capital costs and the stock price"(Disclosed on May 14, 2026)" (Jun. 15, 2026), p. 2

In FY2025, developing value-enhancement investment plans for the Shinagawa Prince Hotel and Karuizawa Prince Hotel and incorporating them into property appraisals contributed to growth in unrealized gains and NAV per share.

However, the market is unable to understand the drivers of NAV growth in sufficient detail to verify and evaluate them



Participant

If we define NAV as net assets plus unrealized gains, the question is whether your company is really growing its unrealized gains.

There are factors such as improved market conditions and lower book values due to depreciation, but we see little sign of gains being generated through internal growth.

Last year you disclosed Adjusted PBR ②, which includes unrealized gains on some hotel assets, but this could simply have been handled by counting all unrealized gains from the outset, and I find the logic of releasing unrealized gains incrementally and saying NAV is growing rather unconvincing.

Seibu HD Outside Director IR Meeting (Mar. 9, 2026)

Q&A at Seibu HD FY3/26 Earnings Briefing (May 14, 2026) English translation by 3D

English translation by 3D



Participant

Regarding the Adjusted PBR ② you explained today, you said the main contributors were value enhancement at Shinagawa and Karuizawa; could you tell us the respective proportions or percentages attributable to value-enhancement and to expanding scale?



Executive Office in charge

The increase in unrealized gains at Shinagawa and Karuizawa made a very large contribution; (omitted) more than half of the 12.6% increase in NAV per share came from the increase in unrealized gains at these two hotels (omitted).



Participant

Understood. I think I can work it out to some extent myself, so I will try later, but (omitted) I think it would be clearer if you disclosed the actual amount of unrealized gains; what do you think?

Seibu HD has not presented a quantitative, objective roadmap for how future NAV growth will be delivered (1/2)

Seibu HD argues that uncertainty makes it difficult to explain the extent and timing of future NAV growth from value-enhancing investment

Seibu Holdings

We would of course like to update the figures to show how much NAV will rise as a result of value-enhancement investment and, consequently, how the Adjusted PBR ② shown in the spring will change.

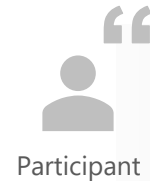
However, we are currently formulating business plans during the medium-term plan period. To determine how to enhance value, what the resulting numbers will be and how they will be reflected in NAV, [we first need to formulate the business plans and then have appraisal firms assess them.](#)

That work is currently underway, so [it is difficult to include those figures now.](#) Accordingly, we are considering disclosing each business plan separately as it is completed.

Seibu HD FY3/26 Q2 Earnings Briefing Q&A

English translation by 3D

However, market participants have pointed out that, while Seibu HD espouses NAV growth-centered management, it has presented no roadmap, leaving them with no way to value the company



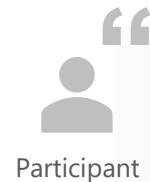
Participant

Let me ask again: when assessing your corporate value, [what should investors look at?](#) I would like some [quantitative indicators](#) that allow investors to confirm that your corporate value is increasing.

Some investors may feel they cannot buy your shares because they look expensive on a PBR or PER basis, relative to other developers or railway companies. For valuation purposes, [are there indicators, KPIs or a Seibu-specific framework that you would like institutional investors to focus on?](#)

Seibu HD Real Estate Business IR Meeting (Mar. 18, 2026)

English translation by 3D



Participant

As investors looking at your company, [what should we use as a basis for valuation, and what should we monitor and place confidence in?](#)

We heard that you intend to move forward and are considering various initiatives, but you have not yet presented anything concrete.

[We still do not know what we should monitor](#) to determine whether your plans are steadily progressing. Without that, it is difficult for me to defend the investment internally.

Seibu HD Real Estate Business IR Meeting (Mar. 18, 2026)

English translation by 3D

Seibu HD has not presented a quantitative, objective roadmap for how future NAV growth will be delivered (2/2)

Market participants point out that the roadmap they require has three elements—timing, absolute NAV and IRR—and that without disclosure of these, future NAV growth cannot be priced in

“



Participant

I would like to ask how you plan to disclose NAV going forward. My concern is that [the longer the wait for real estate development, the greater the discount applied to P/NAV reflect that delay](#). For the capital markets to reflect Adjusted PBR ②, I believe two indicators are necessary: [the timing of development and the absolute NAV expected at that time](#).

If you have any thoughts on appealing to the capital markets through this kind of disclosure going forward, I would like to hear them.

Seibu HD Real Estate Business IR Meeting (Mar. 18, 2026)

English translation by 3D

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Participant

On real estate, I would like to understand the risk-adjusted returns used in capital allocation more clearly.

For example, the same level of [NAV accumulating in 20 years versus 30 years has a very different present value](#). Even if we are told NAV will eventually reach a certain level, it is [very difficult for investors to rely on that and invest unless we can see metrics such as the project IRR](#).

I would like to hear any ideas you have for disclosures that could close the [information gap with the capital markets](#).

Seibu HD Outside Director IR Meeting (Mar. 9, 2026)

English translation by 3D

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Market participants point out that, absent a quantitative, objective roadmap, the redevelopment concepts amount to little more than pipe dreams

“



Participant

I have followed your company since before the 2014 listing. Kioicho and Tokorozawa demonstrate your track record in large-scale real estate development, but we have also been hearing about other developments for a long time

[While we hear a great deal about long-term developments, the near-term story feels somewhat lacking](#); I appreciate that the Karuizawa development is also significant, but [I can only view it as a distant pipe dream](#). The proposed through-service on the Tozai Line also sounds wonderful, but we do not know when it will be realized or what will happen when it is.

Seibu HD Outside Director IR Meeting (Mar. 9, 2026)

English translation by 3D

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For these reasons, the market currently lacks the information needed to determine whether Seibu HD's NAV per share will grow at a rate exceeding the cost of capital, and therefore lack confidence in NAV and its growth (1/2)

Triggered by the announcement of the delay to the Takanawa area redevelopment at the FY3/26 full-year results, sell-side analysts cut their target prices across the board, citing reduced confidence in NAV and its growth



Jun. 22, 2026

Target price: **¥3,000** (previously ¥4,500)

We **lowered our target price** because we revised the timing of real estate monetization in light of delays in completing large redevelopment projects. Mizuho Securities believes progress on major redevelopment in the Takanawa, Shiba Park and Shinjuku areas will be the source of medium- to long-term corporate value growth. However, the first major project, Takanawa B-1, is now **expected to be completed and opened in FY2035** due to rising construction costs and constraints on construction capacity. Plans for the Shiba Park and Shinjuku areas are also expected to take time to crystallize, so we believe it will take a considerable period before an increase in corporate value becomes evident.

English translation by 3D



Jun. 3, 2026

Target price: **¥2,600** (previously ¥5,200)

In light of the FY3/26 full-year results, SBI believes that **a fundamental review of the equity story has become necessary**.

SBI believes that achieving the NAV growth the company has set as its goal requires repeatability of the monetization → reinvestment → value creation → re-monetization cycle. However, SBI surmises that recent inflation has had a negative impact on two of these: reinvestment (construction delays and soaring construction costs) and value creation (lower returns due to rising costs). Fundamentally, the company's real estate monetization depends on the availability of reinvestment opportunities. Given the latest revision to the construction start date in the Takanawa area and the risk of delays in other development projects, SBI believes that **the timing of monetization has also become very difficult to see**.

English translation by 3D

For these reasons, the market currently lacks the information needed to determine whether Seibu HD's NAV per share will grow at a rate exceeding the cost of capital, and therefore lack confidence in NAV and its growth (2/2)

Triggered by the announcement of the delay to the Takanawa area redevelopment at the FY3/26 full-year results, sell-side analysts cut their target prices across the board, citing reduced confidence in NAV and its growth

J.P.Morgan

May 29, 2026

Target price: **¥3,100** (previously ¥4,700)

For the stock to be re-rated, the next medium-term plan starting in FY3/27 will likely need to address three points: (1) **an updated schedule for the development projects;** (2) **how much the ¥1.85 trillion investment plan for FY3/25–FY3/36 will increase;** and (3) **how the growing investment burden will be funded through cash inflows from real estate monetization, while still leaving sufficient room for shareholder returns.** (May 29, 2026)

The company's equity story is NAV growth through monetizing unrealized gains and reinvesting the proceeds. However, with **the investment burden and expected returns of the large-scale redevelopments still hard to see,** it remains **unclear whether this will translate into earnings growth above market expectations, higher corporate value, and shareholder returns.** (Aug. 5, 2026)

English translation by 3D

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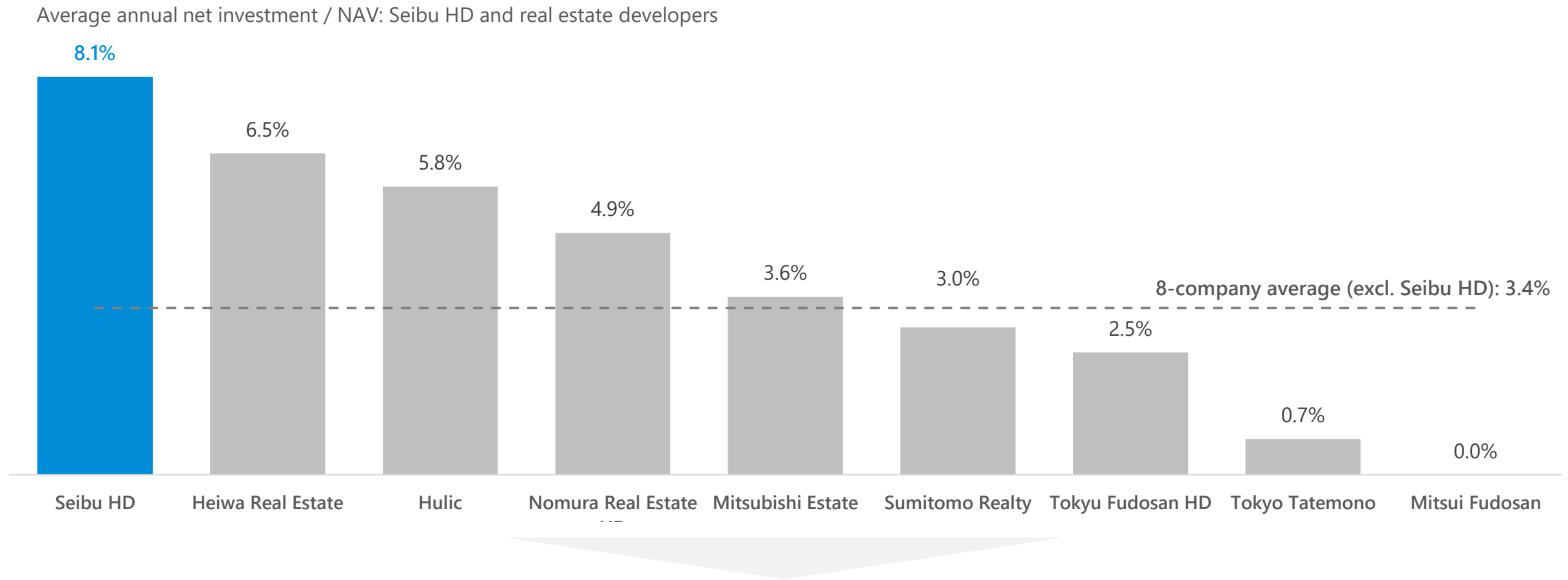
Jun. 4, 2026

Target price: **¥3,300** (previously ¥4,250)

The outlook for the Takanawa area redevelopment, including the construction start date, is unclear, and the resulting uncertainty over the monetization schedule and profit growth has **reduced confidence in NAV;** we also believe concerns about softer lodging demand due to higher airfares and inflation are weighing on the share price.

English translation by 3D

Because Seibu HD has the highest ratio of average annual net investment to NAV among real estate developers, it has an even greater responsibility to explain the expected growth rate of NAV per share to the market and to achieve a P/NAV of 1.0x



Given that it is actively investing capital entrusted to it by shareholders while P/NAV is below 1.0x, Seibu HD, more than any of its peers, must clearly explain to the market how that investment contributes to NAV growth and achieving a P/NAV above 1.0x

Note: See the Appendix for the basis of each listed company's average annual net investment as a percentage of NAV.

Unlike a J-REIT, Seibu HD has a wide range of options to address its P/NAV discount and, having committed to NAV growth, it is expected to transparently disclose its business plans for NAV growth and the progress of those plans

	J-REIT (investment corporation)	Seibu HD (operating company)
Guidelines on value enhancement	N/A	■ As a listed company, Seibu HD's purpose is to strive for the sustained enhancement of corporate value, and its real estate holdings are management resources for growing that value (Corporate Governance Code General Principle 4, Principle 4-1 and interpretive guidelines¹⁾) ■ A P/NAV below 1.0x calls for analysis of its causes and the formulation, disclosure and implementation of improvement measures (management conscious of cost of capital and share price²⁾)
Legal framework	■ Legal constraints limit the options to address a P/NAV discount — In practice, almost all profits are returned as distributions (Act on Special Measures Concerning Taxation, Art. 67-15(1)(ii)(e)) — Prohibited by law from undertaking building construction, etc. "itself" (Act on Investment Trusts and Investment Corporations, Art. 193(1); FSA "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.," VI-2-6-3, Evaluation Items concerning the Business of Real Estate-Related Fund Operators (5)), so development is limited and dependent on the sponsor — Has a unitholders' meeting and board of officers, but asset management must be entrusted to an external asset management company (Act on Investment Trusts and Investment Corporations, Art. 198(1))	■ Not subject to the legal constraints that apply to J-REITs, and can choose and implement measures to address its P/NAV below 1.0x — Relatively free to choose among retained earnings, reinvestment, share buybacks, etc. — Can execute NAV growth through redevelopment → value enhancement → capital recycling on its own balance sheet — Autonomous governance through the shareholders' meeting and board of directors
What the company should do, given the shareholders' expectations placed on its real estate holdings	■ Real estate is a source of income for distributions to unitholders; what is required is a stable yield ■ The purpose of disclosure is likewise to enable unitholders to objectively verify that the real estate generates sustainable distributions, not to explain growth in the value of the real estate itself	■ Real estate is a management resource for growing corporate value, and Seibu HD itself has committed to growth in NAV per share (Seibu HD, "Long-term Strategy 2035 and Medium-term Management Plan (FY2024–FY2026)," p. 4, etc.) ■ What is required is the formulation and execution of business plans for its real estate holdings to deliver that growth, and the purpose of disclosure is to enable the market to verify the path to NAV growth and progress toward it

Note: [1] The Tokyo Stock Exchange's Corporate Governance Code (Jul. 21, 2026) states that "given its fiduciary responsibility and accountability to shareholders, the board of a listed company should, in order to promote the sustainable growth of the company and the increase of corporate value over the mid- to long-term and to improve earnings power, capital efficiency and the like, ... set the broad direction of corporate strategy," and that companies "should appropriately allocate capital and other management resources, including by undertaking growth investment and reviewing the business portfolio, in order to achieve the basic policies for earnings plans and capital policy and the targets for earnings power, capital efficiency and the like" (pp. 16–17); [2] the Tokyo Stock Exchange's "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" (Mar. 31, 2023) lists, as a point of analysis and evaluation, "where, even if return on capital exceeding the cost of capital has been achieved, the company has not received a sufficient market valuation, for example a PBR below 1x, the factors behind this," states that "where, even if return on capital exceeding the cost of capital has been achieved, PBR has not reached a sufficient level, such as being below 1x, this suggests that investors do not sufficiently value the company's growth potential," and states that companies are "expected to present, in a manner that is easy for investors to understand, policies and specific targets for improvement in return on capital and market valuation" (pp. 3–4).

Issue Identified by the Market-2

Ownership and operation of the hotel real estate that accounts for most of its value are integrated within the Group, creating a risk of dis-synergies that could impair the value of both the real estate and hotel businesses

In general, under a business model that integrates ownership and operation of hotel real estate, neither the real estate owner nor the hotel operator is subject to strong discipline to enhance value, and dis-synergies arise on both sides

Owner

- Unlock and maximize the latent value of real estate

Operator

- Strengthen operating capabilities and brand strength, and retain / expand management contracts

Separated ownership and operations (Preferred management model)

Compare and select among multiple hotel operators, objectively assess performance, and change the operator when necessary

- Competitive operator-selection process
- Objective assessment of operational performance using STR (Smith Travel Research) benchmarking, etc.
- Right to terminate contracts based on performance tests and termination clauses

Discipline supports enhancement of real estate value

Unless the operator continuously delivers returns above the real estate owner's expectations, it will lose the management mandate

- Competition to retain and win mandates encourages investment in operating capabilities and brand strength
- Growth depends on securing additional management contracts from third-party owners

Operations are conducted with accountability and constructive tension

Integrated ownership and operations (Seibu HD model)

For Seibu Real Estate Inc. (SRE), the owner, hotel operations are effectively tied to a Group company, leaving limited scope to compare the performance and proposals of multiple hotel operators and select the best operator

- Even if operating performance lags, the owner effectively has no option to change the operator

Discipline to enhance real estate value is weakened

For SPW, the operator, management mandates for the Group's hotel properties are effectively assured, with little risk of losing them

- There is also limited incentive to expand management contracts from third-party owners

Discipline and incentives to improve operating capabilities and brand strength are weakened

Weak discipline to enhance real estate value: it has been suggested that SRE may have failed to realize approximately ¥70bn of real estate value in the 2022 sale to GIC, which required continued operation by the Group

* Excerpt



Facing financial deterioration, Seibu HD sold 31 hotels and other facilities in June to GIC, Singapore's sovereign wealth fund. **Around ten parties approached during the sale process were told from the outset that a Seibu HD subsidiary would continue operating the assets.** This was the **biggest reason the sale price was low.**

For funds interested in buying the assets, the **ideal scenario was to switch operations to a major international hotel chain.** Such chains have built strong brands, operating know-how and global customer networks. (omitted) In other words, hotels operated by major international chains can draw guests from around the world.

(omitted) Requiring continued operation by the Seibu Group meant buyers could not **switch to a major international chain to maximize earnings.** As a result, the **roughly ten potential buyers did not bid up the price; instead, they kept their bids low.**

"If the management contract had not been included, the price might not have doubled, but it should have been about 50% higher," said one fund industry source. Some funds proposed keeping the Prince Hotel name while also adding a Marriott brand, but those proposals were not accepted.

Diamond Online, "Why Seibu's Bulk Sale of Prince Hotels Was at a 'Rock-bottom Price' [Latest Investment Fund Trends]"
(Masami Usui, Jul. 4, 2022)
English translation by 3D

Weaker discipline and incentives to improve operating capabilities and brand strength: in fact, SPW, whose management contracts are effectively guaranteed, has twice postponed its own stated growth target without giving reasons, and growth in the number of properties it operates has significantly lagged the overall market and foreign operators

The target date for expanding the number of operated properties—the key growth driver—has repeatedly been pushed back without concrete analysis or explanation

2017

First announced target of 250 properties within 10 years (target achievement: 2027)

■事業取得後の展開数

既存・開発中	50 (国内43、海外7 10月開業の名古屋含む)
中長期目標	150
プリンスホテル	30 (既存18、開発中12)
StayWell Hospitality Group Pty Ltd	100

250ホテル規模へ事業を拡大

Seibu HD, "Notice Regarding Acquisition of StayWell Hospitality Group Pty Ltd Business" (Jul. 3, 2017)

English translation by 3D

2022

Target delayed by 5 years (target achievement: 2032)

“ We have set a goal of expanding from 84 hotels in Japan and overseas today to 250 over the next ten years. (omitted) We also believe we can target management contracts for hotels newly acquired by GIC. In other words, we are shifting onto the offensive. ”

Nikkei Business, "Seibu HD President Goto: Prince Hotel Sale Marks Shift to Offensive Strategy" (Apr. 1, 2022)

English translation by 3D

2024

Target delayed by a further 3 years (target achievement: 2035)

“ The Company also aims to increase the number of hotels to 250 by FY2035 (currently 86): 150 overseas and 100 domestic (currently 26 overseas and 60 domestic). This implies roughly doubling the domestic portfolio and increasing the overseas portfolio about fivefold. ”

Toyo Keizai Online

"Seibu HD: 'Real Estate, Not Hotels or Railways, Will Be the Growth Engine' — Prince Hotels Shift to Asset Transfers and Management Contracts" (Jan. 18, 2024)

English translation by 3D

Growth in the number of operated properties has significantly lagged both the domestic Japanese average and foreign operators¹

Growth in number of hotel properties (2000 = 1.0x; property count shown below)

	2000	2010	2020	2025
Seibu (Prince Hotels)	1.0x 108 properties	0.8x 83 properties	0.9x 102 properties	1.1x 113 properties
Japan hotel market	1.0x 8,110 properties	1.2x 9,688 properties	1.5x 12,347 properties	1.8x 14,730 properties
Foreign operators	1.0x 38 properties	4.1x 154 properties	6.4x 244 properties	10.7x 405 properties

Note: [1] Seibu = cumulative year-end number of hotels operated by Seibu (including Prince-branded hotels). Japan hotel market = hotel operating establishments in the Report on Public Health Administration and Services (fiscal year-end; estimated from 2020 onward). Foreign operators = domestic properties operated by 22 major foreign groups.
Sources: e-Stat; Seibu Prince Hotels Worldwide history; company disclosures.

20

Market participants have also been highlighting the dis-synergies between SRE and SPW for some time

““



Participant

I would very much like to hear how you would like investors to value NAV.

Ordinarily, given that your company owns real estate, has AM and PM capabilities, and operates hotels, one would [expect the shares always to trade at a premium to NAV](#). Yet over [your long history they have almost always traded at a discount](#).

Overcoming that situation would be positive for both your company and the real estate industry as a whole.

Seibu HD Real Estate Business IR Meeting (Dec. 25, 2025)

English translation by 3D

””

““



Participant

Given the uncertainty of whether Adjusted PBR ② will exceed 1.0x, how has the Board discussed the situation in which [the two core businesses other than real estate could be seen as creating a conglomerate discount](#)?

With real estate positioned as the core business, I [do not understand whether the railway business and expansion of hotel management contracts actually create synergies that translate into corporate value](#). I would like to know how the Board is discussing this.

Seibu HD Outside Director IR Meeting (Mar. 9, 2026)

English translation by 3D

””

““



Participant

Please tell us whether there are areas where you now feel [dis-synergies may be arising](#).

Also, when operating a property as a hotel within the real estate business, what criteria do you use to decide whether to use the Prince Hotel brand or a different brand?

Seibu HD Real Estate Business IR Meeting (Mar. 18, 2026)

English translation by 3D

””

Seibu HD's response in light of these circumstances

In light of the gap between the growth it envisions and the capital markets' assessment, in July 2026 Seibu HD established a "Capital Allocation Review Committee" led by its outside directors, with participation from external experts

Purpose		To examine the optimal capital allocation to underpin the next medium-term management plan, and to establish capital discipline and investment priorities aimed at “ maximizing the growth rate of NAV per share ”
Role		As an advisory body to the Board of Directors, to conduct deliberations that contribute to effective discussion and oversight by the Board, drawing on the insight of the outside directors and the expertise of external experts
Themes		Redefinition of capital discipline and management indicators across all Group businesses; examination and prioritization of capital and resource allocation for the real estate, hotel/leisure, and urban transportation/regional businesses and for key properties; measures to optimize the business portfolio; and specific value-enhancement plans for key properties
Members	Outside directors ×4	Masafumi Tsujihiro (Chairperson): Diamond Inc., Editor-in-Chief of Weekly Diamond → Director → Professor, Teikyo University (current) / Outside Director of Seibu HD since 2018
		Atsumi Arima: Dai-Ichi Kangyo Bank → Executive Officer, Mizuho Bank (General Manager, International Business Division) / Outside Director of Takashimaya and Canon / Outside Director of Seibu HD since 2021
		Yuichi Ikeda: Ministry of Finance → Director-General, Planning and Coordination Bureau, Financial Services Agency → Executive Director, Bank of Japan / Outside Director of Seibu HD since 2024
		Saeko Arai: Certified Public Accountant → Director and CFO, IRI → CEO, IRI USA / Outside officer of Kao and Konica Minolta / Outside Director of Seibu HD since 2026
	Internal directors ×3	Ryuichiro Nishiyama: Dai-Ichi Kangyo Bank → joined Seibu HD in 2009 → General Manager, Public Relations Department → General Manager, Corporate Planning Division → President and Representative Director of Seibu HD since 2023 (currently CEO and COO)
		Masayuki Ishihara: Nikko Securities → Nikko Asset Management (CIO, CRO) → President, PAG Real Estate Investment Advisory → joined Seibu HD in 2024 → currently Managing Executive Officer
		Takeo Harada: Joined Seibu Railway in 1995 → General Manager, Corporate Strategy Department and Head of the President’s Office, Seibu HD → currently Director, Senior Executive Officer and General Manager of the Corporate Planning Division
	External experts ×2	Nobumichi Hattori: Nissan Motor → Managing Director, Goldman Sachs → Visiting Professor at Hitotsubashi, Waseda and Keio Universities / Outside Director of Ain Holdings and Advisor to Hakuholdo DY
Atsushi Toda: Mitsubishi Bank → Managing Director at foreign investment banks (Morgan Stanley, etc.) → Executive Vice President and CFO, Prologis REIT → currently Representative of Rainmakers		

We expect that, by squarely addressing the issues identified by market participants and presenting a path to growth in NAV per share, the Committee will earn the confidence of the market, and that executing the plan on that basis will dramatically enhance Seibu HD's corporate value

Appendix

Calculation methods for each listed company's average annualized net investment and NAV

Company	Average annualized net investment	NAV
Seibu HD	The sum of central Tokyo redevelopment (¥720bn), resort development (¥84bn), new property acquisitions and corporate-value-enhancing M&A, etc. (¥240bn), hotel renovations and overseas M&A (¥300bn) and value enhancement of key hotels (¥50bn) in the FY2024–FY2035 capital allocation, less the after-tax cash inflow of ¥320bn from the Kioicho monetization, annualized. For central Tokyo redevelopment and resort development, based on the company's past Q&A, a construction cost overrun of 20%—less than the 40–50% indicated—over the respective disclosed figures (¥600bn and ¥70bn) is assumed.	NAV per share of ¥4,370 as disclosed by the company, multiplied by 254 million shares outstanding (excluding treasury shares).
Heiwa Real Estate	The sum of redevelopment investment (¥40bn), property acquisition investment (¥23bn) and capex (¥17bn) set out as the FY2024–FY2026 capital allocation in the "Medium-term Management Plan 'WAY2040 Stage 1'" (updated Mar. 31, 2026), less property sale proceeds of ¥37bn, annualized.	NAV per share of ¥3,334 as disclosed by the company, multiplied by 66 million shares outstanding (excluding treasury shares).
Hulic	Net investment of ¥280bn in the real estate business for 2026–2029, as disclosed in the "Medium- to Long-term Management Plan (2026–2036)" (Feb. 3, 2026), annualized.	Calculated by adding after-tax unrealized gains on rental and other real estate to the company's shareholders' equity.
Nomura Real Estate HD	Net investment calculated from investment of ¥2.05tn and recovery of ¥1.7tn disclosed in the capital allocation plan of the "Management Plan (Long-term Management Policy and Three-year Plan (FY3/26–FY3/28))", after excluding amounts relating to residential sales and strategic investment, annualized.	NAV per share of ¥1,193 as disclosed by the company, multiplied by 856 million shares outstanding (excluding treasury shares).
Mitsubishi Estate	Based on the disclosure in the "FY2025 (FY3/26) Results IR Data Book" that cumulative net investment over the ten years from FY3/20 to 2030 is expected to be approximately ¥2–3tn, assumed at ¥2.5tn over ten years and annualized.	Set at ¥6,940.6bn, being the company's shareholders' equity plus after-tax unrealized gains on rental and other real estate, inventories and equity investments. The impact on NAV of after-tax unrealized gains on inventories and equity investments was calculated with reference to a Nikkei article dated Aug. 3, 2026.
Sumitomo Realty	The sum of growth investment (¥700bn) and condominium investment (¥500bn) disclosed as the cash allocation for the tenth three-year plan in the "Tenth Medium-term Management Plan (FY3/26–FY3/28)", less condominium sales proceeds of ¥700bn, annualized.	Calculated by adding after-tax unrealized gains on rental and other real estate to the company's shareholders' equity.
Tokyu Fudosan HD	Net investment of ¥1tn for FY2025–FY2030 disclosed in the "Medium-term Management Plan 2030" (May 9, 2025), prorated by the share of investment in offices and commercial facilities (¥700bn) within total gross investment of ¥3.8tn, annualized.	NAV per share of ¥1,739 as disclosed by the company, multiplied by 713 million shares outstanding (excluding treasury shares).
Tokyo Tatemono	Net investment of ¥140bn set out as the three-year cash allocation in the "Medium-term Management Plan (FY2025–FY2027)" (Jan. 16, 2025), prorated by the share of large-scale redevelopment (¥200bn) within total gross investment of ¥1.28tn, annualized.	Adjusted BPS of ¥4,852 as disclosed by the company, multiplied by 207 million shares outstanding (excluding treasury shares).
Mitsui Fudosan	Growth investment in core businesses of ¥2tn disclosed by the company as its assumed cumulative cash allocation for FY2024–FY2026 in the "Long-term Management Policy '&INNOVATION 2030'", less asset recovery of ¥2tn, annualized.	NAV per share of ¥2,541.5 (Nikkei article dated Aug. 3, 2026), multiplied by 2,691 million shares outstanding (excluding treasury shares).

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