

Message from the COO

Mid- to long-term strategy for sustainable growth on the way to our centennial

Hirotsugu Otomo

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President, COO

My first full year as COO

2025 gave us plenty to celebrate—our 70th anniversary, the Osaka-Kansai Expo. But the new year brought a run of developments few of us saw coming, and the operating environment has grown correspondingly murkier. Geopolitical risk keeps compounding: shifting tariff policies worldwide, rising tensions in the Middle East, strain on logistics and energy supply. At home, the upward trend in interest rates is now unmistakable, and we will have to get used to being in an era of rising interest rates. Currency swings, energy costs, and climbing labor costs are all challenges no single company can control on its own, which is exactly why reading change accurately, in both the short and medium term, and managing with a clear eye on what lies ahead, matters more than ever.

Since taking over as president in 2025, I have visited a great many of our offices and plants around Japan, briefing staff on our management plan's progress, the thinking behind our two business headquarters system, and improvements underway on the ground, as well as meeting with younger employees along the way. Listening closely to what they each have to say, acting quickly on the issues they raise, and shaping our longer-term strategy through ongoing dialogue with the front line: that, I have come away convinced, is what matters most.

Results and challenges of the 7th Plan

The seeds we planted for sustainable growth are paying off—our quantitative targets, achieved a year ahead of schedule

I feel real confidence in the ¥500 billion operating income milestone set out in our Seventh Medium-Term Management Plan. It shows that the path toward our founder's dream—¥10 trillion in net sales by 2055, our centennial—is steadily taking shape. As for the plan's quantitative targets, we reached our sales and profit goals

a year early, though a few items remain unmet; we will keep working on those with the same sense of responsibility, pursuing growth aggressively rather than easing off. The seeds we have planted for future growth under the 7th Plan are our Livness business, timber and wood-based construction in the non-residential domain, our newly established Data Center Business Division, and our corporate venture capital (CVC) fund. Together, these are steadily building a foundation for sustainable growth—reshaping our business portfolio, strengthening our recurring-revenue segments, advancing capital investment and digital transformation, and pursuing our carbon-neutral strategy at a deeper level.



Organizational evolution through the shift to two business headquarters

In April 2025, we moved from our previous seven-division structure to a twin structure consisting of our umbrella business segments—the Housing Solutions Headquarters and the Business Solutions Headquarters ("two business headquarters system"). This change is meant to speed up decision-making and strengthen management and oversight from a company-wide perspective. A year in, and the new structure is functioning well. We are consolidating overlapping functions, delegating authority, and transferring operations while strengthening cross-organizational collaboration through shared customer information and technology—all in service of better solutions and greater efficiency.

We have also been optimizing how we allocate our human resources—shifting people toward revenue-generating frontline roles and reworking how that work gets done—and we have revised our HR assessment framework, moving to annual reviews starting in fiscal 2026. For our leadership layer, we have instituted a framework placing greater emphasis on longer-term perspectives, aiming to embed a culture that drives up corporate value and develops our people. In October 2025, we also established a Management Committee to speed up management decisions and clarify the Board of Directors' role, separating business execution more cleanly from oversight. That's moving us toward a more monitoring-oriented board.



COO Otomo dialoguing with office staff

Challenges for future growth

Managing with a sharper focus on asset efficiency

Under the 7th Plan, we invested aggressively in overseas business, but geopolitical risk and shifting policy now call for more cautious judgment. Going forward, we will weigh our investment direction with stability, resilience, and sustainability firmly in mind. At the same time, we will pursue growth investment that's mindful of asset efficiency alongside building the foundations for future growth and taking on new businesses—strengthening our operating base through better asset efficiency, talent development, and higher productivity.

We have been active real estate investors up to now, but going forward we need to lean harder into balance-sheet

discipline as we fully adjust to an era of positive interest rates. On the ground, that means holding firmly to what we call the "three decisive actions": knowing when to commit, when to let go, and when to act boldly, as we steadily convert long-held, underperforming assets into cash. Where an asset cannot be sold or put to use, the answer is not to cling to a past decision—it is to judge quickly and redirect that capital toward the next stage of growth. Keeping capital turning that way is, I believe, essential in an era of positive interest rates. I especially want the Group's next cohort of leaders to take failure in stride, taking it as a natural outcome of trying, and to think for themselves about where the capital should go next.

Alongside improving asset turnover this way, we are also watching cost ratios closely, working to strengthen our earnings base even further.

Turning societal challenges into growth opportunities for our domestic business

In our domestic business, we see structural shifts—the falling birthrate, an aging population, the widening gap between urban centers and regional areas—as growth opportunities, and we are adapting our strategy region by region and business by business to grow alongside the communities we serve.

The Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities segments remain our growth engines. At Rental Housing, we intend to grow by addressing customers' needs—maximizing asset value for property owners and meeting rising demand from families. At the Commercial Facilities Business and the Logistics, Business and Corporate Facilities Business, we have identified semiconductor plants and data centers as particular growth areas and are building up construction expertise and our ability to formulate better project proposals. Our advantage has always been combining a diverse range of assets based on our land intelligence to formulate proposals that maximize value; from here, we extend that proposal-making capability into equipment and facilities as well, strengthening collaboration across the Group to sharpen our competitive edge.

We are aiming to restore the Single-Family Houses Business to renewed growth as a core business, raising the share of factory-built production under our "industrialization of construction" philosophy to deliver both cost competitiveness and quality. We will tailor our strategy to local attributes and conditions, and rather than chasing unit volume, we intend to focus on lifting the value of each individual home—improving profitability as a result.

Maximizing customer LTV and building LTV through our Livness business

Through Livness, our housing-stock business launched in 2018, and BIZ Livness, launched in 2024 to cover the non-residential sector, we have worked to maximize customer lifetime value (LTV) and building LTV by improving



seismic resistance and environmental performance and rethinking how spaces are planned. In this way, our Livness businesses add social and environmental value to existing buildings rather than simply buying and reselling them.

With Livness, we see room to add value even to existing homes—by evolving their functionality and how people can live in them. We are encouraging circularity of Japan's housing stock by capitalizing on their price advantage over newbuilds while carefully assessing each building's value and developing the mechanisms needed to pass it on to a new generation.

With BIZ Livness, we are now moving fully into building regeneration—engaging carefully with each property's use and needs and maximizing building value by choosing the best method available, whether that's renovation and refurbishment or, where warranted, demolition and

rebuilding, rather than treating the latter as the default. Some of the properties in our REIT are approaching the 20-year mark, and we are also considering reacquiring them at the right time and under the right conditions, raising their value, and bringing them back to market.

Building on our relationships with the more than two million customers who live in homes we have built, we intend to keep supporting each customer's life closely while advancing building regeneration and circularity—growing Livness into a ¥1 trillion business by the 2030s.

Linking climate mitigation and adaptation to business value: putting circularity into practice through "create," "use," and "revitalize."

We treat reducing our environmental impact as inseparable from building business value. We see environmental measures as an opportunity to create added value, and we are embedding them into our operations as we quantify and make their effects visible—advancing ZEH and ZEB adoption alongside cutting greenhouse gas emissions in our products and building materials. In Japan, our monitoring systems are largely in place, and we are gaining visibility across the supply chain as a whole. Overseas, we are building the right monitoring approach for each country and region as we go.

Our circular economy work runs on three ideas: create, use, and revitalize. Under *create*, we are increasing our use of recycled inputs in the principal building materials used in new construction. Under *use,* we are extending building lifespans through purchase–refurbish–sell and extended-warranty work, while making the resulting reduction in resource use easier to see. Under *revitalize,* we are focused on material recycling*—particularly of waste plastics—from waste generated across our Group's production, construction, renovation, and demolition sites, taking resource circularity to a higher level.

Timber is a particular focus of our environmental and resource-circularity work. Through our Future with Wood project, we have been exploring how to put wood's environmental value and potential to work in construction, accumulating the technology, design capabilities, construction know-how, and supply chains needed to do it. Three projects we helped develop won the Japan Wood Design Award 2025, and proposals seeking to make the most of wood's particular qualities are growing more common.

Steel still has real advantages in fire resistance and earthquake resilience, so we are also focusing on hybrid construction that combines wood with other materials. That said, advances in materials technology now make it possible to build wooden structures with strong fire resistance, and the range of applications keeps expanding. In our support for reconstruction in the aftermath of the 2024 Noto Peninsula earthquakes, we erected wooden recovery housing using locally sourced timber and wood previously used in Osaka-Kansai Expo buildings—an effort we see as addressing regional needs and building business value at the same time.

Going forward, each of our business headquarters and Group companies will look at how to put circular economy models into practice across our whole value chain, in pursuit of the right balance between revitalization and circularity.

* A recycling model in which waste materials are used as inputs for new products.

To our shareholders and investors

Share prices have continued to swing widely amid heightened uncertainty worldwide. We do not consider any particular share price at any given time as reflecting a company's true value—it is shaped by business performance, yes, but also by the externalities and investor sentiment, among other factors. That said, we take market valuations like the price-to-book ratio (PBR) seriously, as an important message from investors, and we use them to sharpen our management and growth strategy.

We run a diverse range of businesses, and the market has mixed views on how that portfolio fits together. What makes us distinctive, though, is that these businesses have grown by complementing one another.

As we reshape our business structure, I want to give equal weight to solving discrete issues and lifting the value of the Group as a whole. I intend to keep explaining the synergies between our businesses and the progress of our transformation scrupulously, and work through dialogue to help our stakeholders to a better understanding of how we create value.