FIRST BROTHERS

Shareholder Return Policy and Business Direction with Due Consideration for Share Price and Cost of Equity

July 10, 2026

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

Note: The matters described in this presentation reflect the direction of discussions by the Board of Directors and remain under consideration. They have not been formally approved or finalized.

Over the past 10 years, shareholders' equity has increased from 7.8 billion yen to 26.0 billion yen, representing a stable CAGR of 12.8% since our listing

Our core business is proprietary real estate investment, under which we acquire real estate using our own capital, enhance asset value, and generate returns through operations and eventual sale. We focus on regional cities that are less accessible to large institutional investors, as well as complex projects that peers tend to avoid, leveraging our proprietary investment expertise to identify and enhance value

We have remained profitable every year since our listing, and unrealized gains (value not reflected on the balance sheet) on our property portfolio have reached 16.6 billion yen. We have increased the year-end dividend for 10 consecutive years since initiating dividend payments, and are considering raising the minimum dividend level further

These achievements reflect our distinctive investment strategy and stable business foundation

Financial indicators supporting our business

12.8%	10-year CAGR of shareholders' equity since our listing
¥16.6 billion	Unrealized gains on property portfolio. Shareholder value not reflected on the balance sheet
10 years	We have increased the year-end dividend for 10 consecutive years, from an initial 15 yen per share when we first began paying dividends to 35 yen per share in FY11/25
None	We have not recorded a loss since our listing

Earnings structure

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We generate stable lease income primarily through our real estate business while enhancing property value to realize gains

First earnings pillar: Lease income (income base)

Stable net operating income (NOI) from about 90 properties
NOI yield: 7.1%, fixed-rent ratio: approx. 70%

This stable income base enables us to take a long-term approach to enhancing property value

Second earnings pillar: Gain on property sales through value enhancement (asset rotation)

We acquire properties, enhance their value through renovations, operational improvements, and tenant leasing, and then sell them to buyers that place the highest value on the assets. Unrealized gains totaled 16.6 billion yen

Two-tier gross profit structure (million yen)

Lease income has continued to grow steadily

Direction of dividend policy (from FY11/27 onward)

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Raising the minimum dividend level to support steady growth in shareholder returns

Until now, we have targeted a dividend equivalent to 2.0% of shareholders' equity (DOE: 2.0%). Going forward, we are considering raising this to 2.5% and establishing it as a new minimum level, with further increases in stages over time. At the same time, we plan to simplify our shareholder return framework by revising the current approach, which can be difficult to understand and has resulted in irregular distributions. Under the new framework, dividends will increase automatically as profits are generated and shareholders' equity grows. Further, we expect to gradually increase the DOE ratio over time. By combining business growth with a gradual increase in the minimum dividend level, we aim to establish a shareholder return policy under which dividend growth is more closely aligned with our long-term growth

We plan to introduce the new policy from FY11/27 or later

Revision of dividends (per share estimates)

First stage	Medium-term target	Medium- to long-term target	Long-term target
2.5%	**3.0%**	**3.5%**	**Over 4%**
≈ 46 yen per year	**≈ 55 yen per year**	**≈ 64 yen per year**	**≈ 74 yen or more per year**
New minimum level (under consideration)	Market standard level	Further increase	Targeting industry-leading levels

Note: Dividend per share is calculated based on shareholders' equity of approx. 26.0 billion yen and the number of shares outstanding as of end-FY11/25

Note: All of the above is subject to ongoing consideration.
We are considering paying an interim dividend for FY11/27 based on FY11/26 results, even if the shareholder return policy is revised.

Review of shareholder benefit program (from FY11/27 onward)

Expanding eligibility to make our shares easier to buy and sell

Under the current shareholder benefit program, benefit points increase with holdings of up to 5,000 shares. This encourages investors to retain large shareholdings, reducing trading activity and market liquidity

1. Considering a lower maximum eligible shareholding

We are considering lowering the maximum eligible shareholding to allow the program to benefit a broader range of shareholders and increase trading volume

2. Aligning the eligibility requirements for long-term and short-term shareholders

We aim to stimulate trading demand and improve share liquidity by applying the same eligibility requirements

3. Reviewing the frequency of shareholder benefits

We are considering introducing additional record dates for shareholder benefits, in addition to the fiscal year-end, to determine whether doing so would help improve share liquidity

Revisions under consideration

	Current	After revision
Max. eligible shareholding	5,000 shares	**Less than 5,000 shares**
Long-term holding requirement	One year or longer	**Abolished (uniform eligibility requirements)**
Frequency	Year-end only	**Considering additional distributions during the year**

For shareholders currently holding large shareholdings

If these revisions are implemented, the maximum number of shareholder benefit points will be reduced. However, we expect increased trading activity will improve share liquidity and help eliminate the valuation discount associated with low liquidity
Combined with the planned increase in dividends, we aim to provide total shareholder returns over the medium to long term that exceed current levels

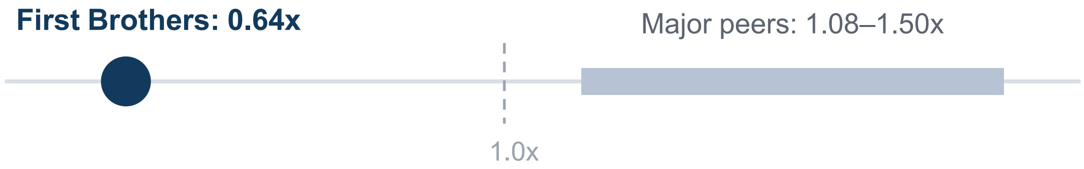
Note: All of the above is subject to ongoing consideration.

In the following slides, we explain the thinking behind the policies outlined in the first half of this presentation

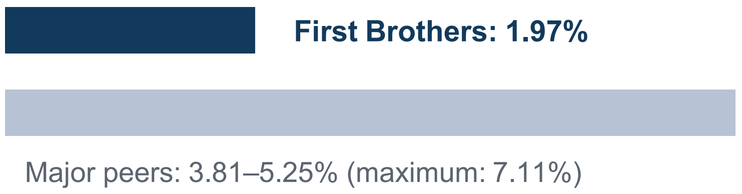
Under the business model described earlier, our PBR stood at 0.64x as of end-May 2026. While many major listed companies trade at PBR above 1.0x, our valuation remains significantly below that level

The underlying reason is structural. As we have expanded our balance sheet through the investment business, we have come to be viewed as a company whose earnings are highly dependent on gains from property sales and therefore more volatile. The following slides outline the framework we intend to use to address this issue

PBR: First Brothers vs. major peers (anonymous; range)



Effective DOE (shareholder yield assuming a PBR of 1.0x)



Major peers: Listed companies primarily engaged in proprietary real estate investment.
Source: Each company disclosures, compiled by First Brothers

Economics of the income base

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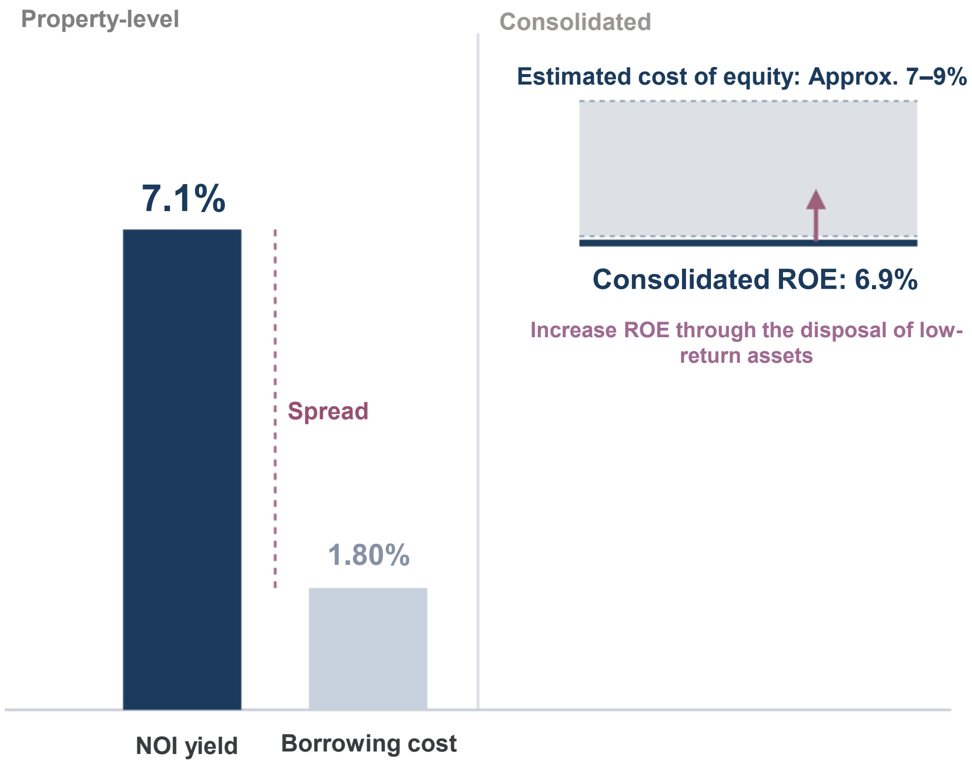
While each property generates returns above the cost of equity, there remains room to improve consolidated ROE

Stabilized properties generate an NOI yield of 7.1%, providing a sufficient spread over the 1.80% borrowing cost. At the individual property level, returns exceed the cost of equity

However, consolidated ROE for FY11/25 was 6.9%, below the cost of equity of approx. 7–9% disclosed in the Corporate Governance Report. The primary reason is that the balance sheet includes assets that make only a limited contribution to earnings

We intend to continue disposing of and replacing such assets, while reinvesting in areas with higher expected returns. Through these initiatives, we aim to bring consolidated ROE close to the returns generated by our individual property investments. This is the core of our business transformation strategy

Property-level returns and consolidated ROE



We aim to better reflect property-level returns in consolidated ROE

Our view on cost of equity

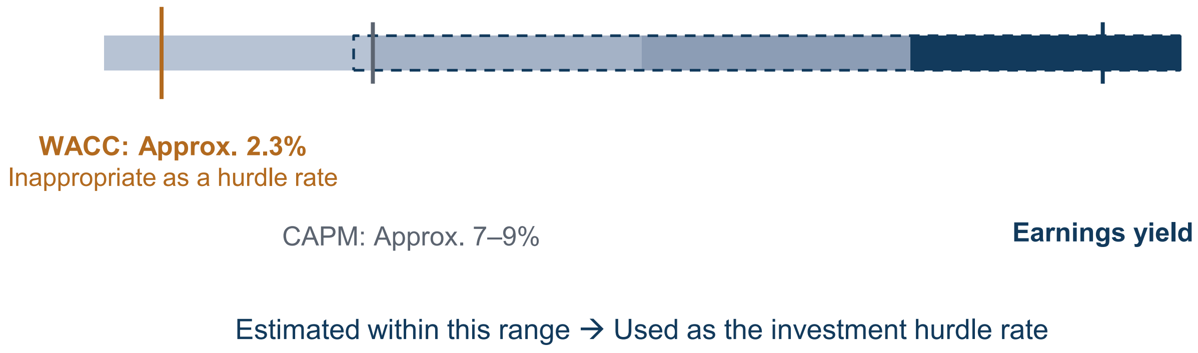
We are redefining our view of the cost of equity as the benchmark for value creation

In the Corporate Governance Report, we disclosed an estimated cost of equity of approx. 7–9% based on CAPM and other methodologies. However, given our limited share liquidity and high proportion of stable shareholders, we believe CAPM alone tends to underestimate the cost of equity

We intend to assess our cost of equity using a broader range of indicators, including the earnings yield (the inverse of the PER), and incorporate that assessment into the hurdle rates used for investment decisions

We also believe that WACC, at approx. 2.3%, is too low to serve as an appropriate hurdle rate, given our relatively high leverage

Estimated cost of equity range and investment hurdle rate



Our approach to shareholder returns

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We will make decisions on raising the DOE based on our capacity to sustain higher dividend payments through business operations

Gradual increases in DOE will be determined based on our capacity to pay dividends, as reflected in our earnings and cash flow. Raising the DOE increases the dividend yield, which is expected to support the share price and, in turn, contribute to an improvement in our PBR. At the same time, we will position the shareholder benefit program as a means of improving share liquidity, complementing investment incentives for individual investors

Criteria for raising the DOE

Dividend-paying capacity (earnings and cash flow)

→

Target level

Targeting a level that would maintain a shareholder yield of at least 3.5% even at a PBR of 1.0x

→

Expected benefits

Higher dividend yield → Improved PBR

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Leveraging our investment expertise more broadly while strengthening our two-tier earnings model

We will pursue four strategic initiatives to expand our stable lease income base and enhance the efficiency of our disciplined asset rotation strategy through property sales and reinvestment. At the same time, we will explore opportunities to expand into new areas where our investment expertise can be applied. Details of these initiatives will be announced by the end of the current fiscal year

A
Optimize the pace of property sales

Secure capital for reinvestment by optimizing the holding period

→ **Asset rotation**

B
Increase lease NOI

Reshuffle the portfolio and improve operating efficiency

→ **Income base**

C
Optimize leverage

Debt strategy aligned with the interest rate environment

→ **Asset rotation**

D
Revise portfolio size and geographic allocation

Redesign the portfolio's geographic allocation

→ **Income base**

Common principle: Invest only where expected returns exceed the cost of equity
Allocate investment expertise between proprietary investments and new business areas

Disclosure policy and timeline

We will continue to communicate with the market and grow together with shareholders who share our vision

We will continue to provide more meaningful disclosures to help investors better understand our business model and investment philosophy. This presentation represents the first step, outlining our business model and shareholder return framework. We plan to disclose the specific details of our business transformation initiatives by the end of the current fiscal year

July 2026	FY11/26	Ongoing
Q2 results announcement	Medium- to long-term policy	Enhancing disclosure through our official website and IR activities
Business model + shareholder return framework	Toward transforming the business structure	Continue communicating our strengths

We will continue to grow steadily together with shareholders who support us over the long term

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Inquiries

Corporate Planning Department, First Brothers Co., Ltd.
+81-3-5219-5370
IR@firstbrothers.com