

Aiming to Be a Corporate Group that Continues to Be Trusted and Loved by All Stakeholders



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Turning an Unprecedented Crisis Into an Opportunity, and Driving the Group's Transformation

Firstly, I would like to extend my sincere condolences to everyone affected by the COVID-19 pandemic, and my heartfelt thanks to all of the healthcare professionals and those working hard to maintain our social infrastructure.

The Tokyu Fudosan Holdings Group engages in a wide range of BtoC business operations connecting with many customers, in areas such as commercial facilities, hotel and resort facilities, fitness clubs and senior housing, as well as BtoB operations which include the supply of renewable energy. Under the current circumstances, we feel a renewed and heavy sense of responsibility for our role in supporting the social infrastructure that protects safe and secure lifestyles.

We have numerous essential workers, working at the facilities we operate nationwide, to ensure the continuous provision of services to our customers. We are proud of our Group employees making continuous efforts on the front lines. Moving forward, we will keep making our very best efforts, leveraging the Group's combined total capabilities to ensure the continuity of our business activities, with a priority on preventing the spread of infection and ensuring safety. ▶ See page 22, "Adapting to the New Normal as Society Changes with the COVID-19 Pandemic"

The Speed of Transformation Demanded as a Result of the COVID-19 Pandemic

I was appointed president and representative director of Tokyu Fudosan Holdings Corporation this spring. The mission entrusted to me as representative director of our pure holding company is to pursue total optimization of the Group from a medium to long-term perspective, and aim to improve corporate value and achieve sustainable growth. I want to create a roadmap for us to become a corporate group that is considered needed by all of its stakeholders, and—by extension—by society as a whole.

Fiscal 2020 is the final year of our Medium-Term Management Plan 2017-2020, which we have worked towards since fiscal 2017. With the impact of the pandemic, however, we expect to fall short of all of the financial indicators that we had set. Currently, we are working to determine what kind of impact the pandemic will have on our business operations in both the with- and post-COVID phases, and holding discussions with regard to our medium- and long-term management plan for next fiscal year onward. However the Group's stance of aiming to improve shareholder and corporate value by seeking to enhance its earning power while maintaining financial discipline remains unchanged. ▶ See page 46, "Financial Capital Strategy"

After a major crisis such as this, it is conceivable that we will see a paradigm shift, in which the values of society as a whole will change. I am determined to drive the Group forward powerfully in its transformation, with a view to adapting to this post-COVID world. It seems safe to say that, as a result of the pandemic, the changes that we had predicted in the social and business landscape will be taking place quite a lot sooner than we had envisaged. For this reason, I focus daily on the importance of advancing this transformation with an even greater sense of speed and urgency than ever before.

Business Management Crises We Have Overcome in the Past

The Group has faced several other major business management crises in the past, and has overcome these difficulties by transforming itself.

The greatest crisis that the Group has faced since I joined TOKYU LAND CORPORATION in 1982 was the collapse of the Japanese economic bubble, the "asset price bubble" during the early 1990s. As the

popular myth surrounding land prices that they would continue to rise indefinitely began to fall apart, the Group suffered serious damage as a result of plummeting land prices. In response, we used the situation as an opportunity for change, shifting the focus of our business structure away from the conventional long-term development of suburban detached housing towards the leasing of properties such as office buildings and commercial facilities.

By 2008, the negative legacy of the economic bubble had been settled, and the Group had finally gotten itself back on track for future growth and begun expanding its business operations. Then came the bankruptcy of Lehman Brothers, the climax to the US subprime mortgage crisis. The simultaneous fall in stock prices around the world ushered in a global financial crisis. The Tokyu Fudosan Holdings Group, too, was forced to deal with massive losses, and we worked at full strength to optimize our balance sheet.

As we were doing so, in 2011 came the Great East Japan Earthquake, which left the whole country in a state of shock. At the time, I was TOKYU LAND CORPORATION's executive officer responsible for crisis management. I worked to formulate company-wide BCPs (Business Continuity Plans), and was kept busy ensuring the safety of our employees and providing support for communities affected by the disaster.

Around the time the impact of the global financial crisis began to show signs of coming to an end, and with the strong conviction of its senior management to ensure that "the same kind of crisis would never be repeated again," the Group listed two real estate investment trusts (REITs) organized by TOKYU LAND CORPORATION on the stock market, and began building a system for further accelerating its cyclical reinvestment model. In 2013, we established Tokyu Fudosan Holdings Corporation, as a pure holding company, strengthening the management base of the Group. After that we formulated a medium- and long-term management plan leading up until fiscal 2020, and worked to achieve stable growth for the Group such as by accelerating the pace of investments in good quality leasing properties, in the Greater Shibuya Area among others. ▶ See page 10, "At a Glance"

The key thing that I have learned from these past management crises is the importance of having a stable revenue base and financial base. When a company falls into a management crisis, it takes several years for the situation to come to an end, and for the company to recover. When you consider the impact of this on the organization's culture, the loss is enormous. I have felt keenly just how important it is to surely and steadily amass earnings from day to day in order to prevent this.

Now is Not the Time to Panic or Be Swayed by Others Around Us

Unlike the collapse of the economic bubble and the global financial crisis in the past, the current COVID-19 pandemic is not caused by financial factors, but rather by an external factor (i.e. the virus). Unlike the management crises of the past, in which the company had massive interest-bearing liabilities and was forced to immediately sell off assets, thanks to our sure and steady amassing of profits since the shift towards a holding company system, I also regard this current crisis as a chance to take the offensive.

Our Group has so far responded flexibly to the market conditions and environments while shifting its earning structure. In this current crisis, too, while withstanding short-term decreases in sales and cost-cutting primarily in our BtoC business operations, we believe that a new world will open up before us if we envisage the post-COVID world ourselves and spin the buds of next generation businesses.

In the media, we often see examples of extreme reporting which have an impact on the business environment, such as articles arguing that there is no need for offices, or stating that there is a complete lack of inbound demand. During situations such as this, I think that we must not be swayed by fleeting information, and identify the essential changes that are taking place, with our feet firmly on the ground. Based on our past experiences overcoming management crises, I am spreading the message, within the Group, the now is not the time to panic or be swayed by others around us; and am forcing myself to constantly consider our next moves from a long-term and higher-up perspective.

The Potential of Shibuya Remains Unchanged

On our home, Shibuya, we have worked to alleviate the long-standing issue of the shortage of office space, completing both the office building SHIBUYA SOLASTA and the large complex SHIBUYA FUKURAS in 2019.

In response to the COVID-19 pandemic, we have seen progress in the widespread adoption of workstyles such as telework and work-from-home. The way offices are used is changing. With the number of options available for workplaces and workstyles increasing, the significance of offices as “places where people gather together” is being reviewed, and we also hear many opinions asserting the necessity of face-to-face communication. With regard to this debate, rather than a two-dimensional argument between offline and online, I think that we

should show people ways of working which are suitable for this new era, utilizing the positive points of both online and offline.

The SHIBUYA SOLASTA building in which we are based is a showcase for doing that. Here, by implementing new workstyles and engaging in various experimental initiatives ourselves, we are proposing a diverse range of workplaces to our customers. ▶ See page 37, “Live Offices Proposing and Implementing New Workstyles”

Shibuya has always been a multi-faceted district filled with diversity. In addition to the cultural foundation of movies and music, Shibuya has developed as one of a handful of commercial centers that communicates fashion and other new trends. This has now seen the addition of good quality office stock, with creative content and startup companies gathering in the area. The fact that Shibuya offers such truly diverse urban functions gives it a unique appeal that cannot be found in other areas such as Marunouchi, Nihonbashi or Roppongi.

The grouping of other richly individualistic areas such as Aoyama, Omotesando, Harajuku, Ebisu, and Daikanyama forms the Greater Shibuya Area. We are advancing the Greater Shibuya Area concept for increasing the value of the overall area, and working to create a city area that is sustainable in the long term. Even with the new lifestyles being demanded under the current pandemic, we believe that the appeal and attraction of the Greater Shibuya Area remains unchanged, and our policy is to continue to invest proactively in the area.

▶ See page 25, “Feature: Greater Shibuya Area Concept”

Increasing Customer Experience Value Through Digital Transformation (DX)

Solving Social Problems Through Lifestyle Creation

The origins of our Group lie with the Den-en Toshi Company, established by Eiichi Shibusawa and his associates in 1918. At that time, urbanization and population influx were progressing in Tokyo, and the signs of a housing shortage were becoming apparent. Den-en Chofu was developed based on the British-originated Garden City (Den-en Toshi) concept, combining the merits of both nature and the city.

For over more than 100 years since then, we have continue to inherit the Challenge-oriented DNA of working to resolve a variety of social issues through our business activities, and expanded our business portfolio with real estate as our starting point. ▶ See page 12, “Social Issues and the History of Lifestyle Creation”

Our three core strengths can be summarized as our Diverse Assets and Customers, a Corporate Culture that Produces Unique Businesses, and our Highly Specialized Personnel and Knowhow. ▶ See page 11, “Our Three Core Strengths”

As I also touched upon earlier, a distinctive feature of our Group’s business operations is that we have many points of direct contact with customers, in comparison with other general real estate companies. It is because we have such a wide range of contact points with customers, that we are able to sensitively detect changes in customer needs in the field and create unique businesses.

Our value creation is really born out of dialogue with customers. The keyword that symbolizes our value creation is Lifestyle Creation, in which we work to resolve various social issues through new home, work and play styles.

Lifestyle Creation has continued to evolve through three phases. After Lifestyle Creation 1.0, in which we developed business from buildings and other real estate, the concept evolved to Lifestyle Creation 2.0, in which we utilized buildings to propose solutions. We now advocate Lifestyle Creation 3.0, which combines every aspect of life, transcending

the conventional boundaries of living, working and spending time.

▶ See page 24 feature, “Taking Up the Challenge of Lifestyle Creation 3.0”

With the arrival of this new era, in which people can work anytime, anywhere, the boundaries between work and life for modern people are becoming increasingly blurred. It can therefore be said that the diversification of workstyles is essentially also the diversification of lifestyles. The range of options for spending time—playing, learning, resting and creating—has also become increasingly diverse, to the point where they can no longer be discussed in a uniform manner. The focus now is on how people work, live and spend their time. I feel that the Lifestyle Creation 3.0 concept is precisely what is needed for us to live in this modern era, to create a society in which people can feel happy and healthy both physically and mentally through the provision of an extensive array of time-spending options and experiences.

Making the Breadth of Our Business Wingspan Into a Real Advantage

As the Group, we have sought to create unique value through the provision of services for all manner of life stages and overall areas, namely, the time axis and spatial axis, respectively, developing a wide range of businesses. The width of our business wingspan is one of our group’s key advantages, and is so broad because we have built up various kinds of value creation in line with changes in the needs of customers and society. ▶ See page 14, “Unique Value Creation”

At the same time, having a broad business wingspan alone is not sufficient to achieve the realization of Lifestyle Creation 3.0, which combines every aspect of life. It is essential to maximize the depth of each business, and the synergies between businesses.

Our role as a pure holding company, is to allocate management resources appropriately as we seek to achieve total optimization of the Group from a medium to long-term perspective, to match changes in



business conditions. Based on that, we delegate the execution of business to the Group’s various operating companies, in order to maximize the effective utilization of the strengths of each Group company. Moving forward, in addition to seeking to increase the speed with which we implement strategies at each operating company, we will also work to turn the Group’s broad business wingspan into a real advantage by driving business operations beyond the boundaries between individual operating companies. Specifically, our policy is to work to rebuild our business portfolio by carefully examining and determining which business operations we will continue as they are, which business we will revise, and which ones we will discontinue with a constant focus on total optimization, rather than the individual optimization of operating companies.

Society is Changing as a Result of Digitalization

We are currently in the midst of a pandemic, living in an age filled with unpredictable elements we refer to as VUCA*. It is because we live in such a highly uncertain era that we must face up to the social issues that we must tackle from a long-term perspective, taking a bird’s-eye view of developments in the world around us.

In Japan, with its progressing social problems of low birth rate and ageing society, labor shortages and difficulties in recruitment—brought about by the shrinkage of the productive population—are becoming increasingly apparent. As an operator of labor-intensive building/facility management and operation services, these are very important issues for the Group.

Moreover, customer needs are changing as a result of dramatic progress in technological innovations. In particular, the Generation Z*2 that will support our society in the future are digital natives who have been familiarized with the Internet and social media from childhood. They are said to have tendency towards valuing individuality, and it is thought that diversification of value and individual optimization will continue to progress further as a result of this. There will therefore be a need for the products and services that we provide to change into solutions that are better matched to the needs of individuals, rather than being uniform one-size-fits-all solutions.

In the Group’s business domains, too, there is now a possibility of domination by new players from outside the industry. We must make full use of our imagination, and maintain a healthy sense of crisis.

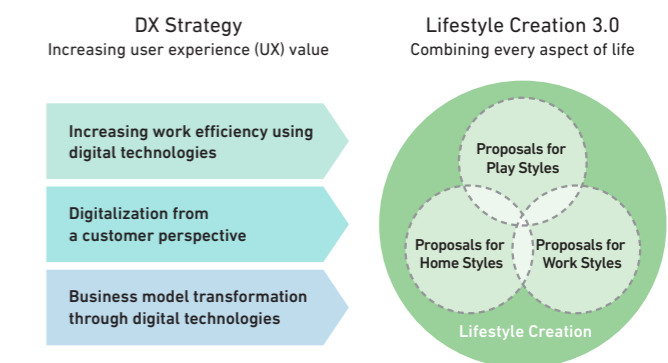
Bold Business Innovation Through DX

To boldly execute the transformation that we had already conceived, and with this current sense of crisis, we established the Digital Transformation Promotion Office in April this year. We now regard the digital transformation (DX) of our business operations as a key pillar of our growth strategy. The three elements of this DX are increasing work efficiency using digital technologies, digitalization from a customer perspective and business model transformation through digital technologies. The purpose of driving DX is to establish a competitive advantage by transforming our work processes, organization and corporate culture, thereby offering merits to all of our stakeholders including not only customers but also our employees and suppliers.

As I stated earlier, a distinctive feature of our Group is that it has extensive contact with customers over a long period of time. Using this advantage, we will utilize data accumulated within the Group as we seek to improve operational and work process efficiency, and increase corporate value by encouraging the transformation of business models spanning across the Group.

We believe that pursuing the Lifestyle Creation 3.0 concept I mentioned earlier increases customer experience value, and that DX is an effective means of doing this. (Figure 1. DX Strategy and Lifestyle Creation 3.0)

Figure 1. DX Strategy and Lifestyle Creation 3.0



Moving forward, through initiatives such as utilizing data internally within the Group and creating smart cities, we will aim to create added value for real estate such as buildings and other physical spaces using digital technologies. The flagship project for our smart city initiatives is TOKYO PORTCITY TAKESHIBA, which we opened this year.

Through this project and others like it, we are proposing urban lifestyles that combine new work and home styles, with smart buildings that feel as though they are from the near future. SoftBank Corporation has moved into the Office Tower—one of our largest ever buildings—as a tenant, and is engaged in joint efforts to build the smart city utilizing cutting-edge technologies. The project has also been selected by Tokyo Metropolitan Government as an advance model project for Smart Tokyo.

The power of technology is essential to the future of urban development. By conducting demonstrative testing utilizing real-time data and cutting-edge technologies such as robotics, MaaS (Mobility-as-a-Service), Augmented Reality, Virtual Reality and 5G, with our Takeshiba project, we are communicating our image of the kind of next-generation urban development which embodies our DX strategy. ▶ See page 28, "Feature: TOKYO PORTCITY TAKESHIBA"

Creating a Foundation for Executing Transformations

The Digital Transformation Promotion Office is pushing ahead swiftly with DX initiatives by taking a leading role in implementing the Business x IT (digital) strategies while coordinating organically with our corporate

planning & IT strategy divisions, under the leadership of our director responsible for DX. We have launched an organization comprising responsible personnel at each operating company from across the Group, and are working to resolve issues through information-sharing session and meeting on themes. (Figure 2. DX Promotion System)

With regard to securing and developing human capital, we have defined the necessary abilities required by DX personnel as being able to create business designs using new digital technologies as a starting point based on knowledge of existing businesses, and are holding internal training sessions and communicating DX-related information. We are also driving investment in human capital, including bolstering our hiring of mid-career personnel.

In order to push ahead with DX, it is important to develop and enhance internal IT infrastructure, in addition to utilizing both internal and external resources. We will accelerate our DX initiatives using investment through corporate venture capital (CVC) and the creation of new businesses using internal venture schemes. We will also evaluate existing systems and update them as necessary, with the aim of building a platform that will enable us to visualize and utilize data, with a view to tackling the 2025 Digital Cliff problem*4 highlighted in the Japanese Ministry of Economy, Trade and Industry (METI)'s DX Report.

In addition to such strategies, organizational structure and culture will also be important drivers for advancing DX. We will work to execute our transformation with the awareness that such initiatives, seeking to achieve overall group-wide innovation, are also part of our DX strategy.

of this background, we are working to implement group-wide health management, with a priority focus on the physical and mental health of our employees.

Last year, when TOKYU LAND CORPORATION relocated its head office to the SHIBUYA SOLASTA building, we utilized the opportunity to launch the GREEN FLAG PROJECT; an effort to advance cross-divisional organizational cultural reforms driven primarily by young employees. The Group's management, too, hopes to back these kinds of initiatives led by young employees, and to link them on to the next generation of innovation. I myself will act as a flag bearer for improving openness within the company, responding flexibly and agilely to environmental changes, and aiming to create an autonomous organization that can turn the crisis before us into an opportunity.

Jingi-Dotoku (Humanity and Morality) and Giving Back to Society

One of my beliefs in managing the Group is that of conducting activities in line with the common sense of the world around us. When put into words this seems like something that goes without saying, but we are members of society, and our activities are constantly together with society. A major prerequisite for any company to continue to prosper in perpetuity is for each of its constituent members—in other words, its individual employees—to be moral, and to act properly and ethically. The Group as it exists today has been built as a result of the accumulation of that. We must not forget that, before being a profit-making company, we are also a public institution of society.

In his book *Rongo and Soroban* (Analects of Confucius and the Abacus), Eiichi Shibusawa, who formed the origins of our Group, stated that "The root of wealth is *jingi-dotoku* (humanity and morality). If wealth is not based on correct morality, then it cannot continue in complete perpetuity."

I also empathize very much with the idea that morality and earning exist in balance, and that we must create such a balance. The stance of valuing morality and pursuing what is morally just, with a sense of duty to come to terms to society, is the basic thinking of our Group. Eiichi Shibusawa preached this concept of *jingi-dotoku*, and worked in the pursuit of public profit. Like Shibusawa, TOKYU LAND CORPORATION's first president, Noboru Goto, also faced sincerely up to the social issues in front of him, and followed through on the stance of resolving those issues through business activities. Goto advocated that when a company carries out its original objectives properly, it is effectively giving back to society.

We are currently managing the Group based on our vision for sustainability, which is to "solve issues in the society through our business activities and work with stakeholders to realize a sustainable society and growth." The idea of following the correct path as a member of society, gaining wealth as a result, and achieving sustainable prosperity for both the company and society continues to be inherited by our Group to this day. ▶ See page 1, "Lineage of Challenge-oriented DNA"

Environmental, Social and Governance Initiatives

Having inherited these high ideals and sense of duty, we are Working continuously toward the achievement of our vision.

In this modern era, we face a mountainous heap of long-term

issues—including various environmental and energy-related problems—which must be tackled on a global scale, and the importance of initiatives in sync with international society is increasing. As members of international society ourselves, we are also contributing to the achievement of the Sustainable Development Goals (SDGs)—which were established at a UN summit in 2015—by 2030.

With regard to our response to climate change, we endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and support RE100, which TOKYU LAND CORPORATION acquired, —an international initiative which aims to operate businesses using 100% renewable energy—and other activities aimed at suppressing climate change. Our renewable energy business, ReENE, has now grown to a rated power capacity of over 1GW, with over 50 facilities nationwide including those currently under development. We have also issued Green Bonds, which are used to raise funds for environment related projects. ▶ See page 52, "Environment"

To further advance our social initiatives, in fiscal 2019 we established our Human Rights Policy and Sustainable Procurement Policy, setting forth details of how we will work to thoroughly ensure fairness in our overall supply chain, respect for human rights and consideration for the environment. ▶ Page 51, "Social Needs"

In corporate governance, in fiscal 2019, we incorporated third-party assessment by lawyers with no advisory relationship with the Group into our assessment of the effectiveness of our Board of Directors. Moving forward, we will continue seeking to enhance our governance system with a view to improving management efficiency and building a sound and highly transparent management framework.

▶ Page 54, "Corporate Governance"

Going Beyond Trust to Become a Corporate Group that Is Loved

The role of management is to achieve sustainable growth by increasing corporate value, by transforming the value provided through businesses (outputs) into value provided to society (outcomes). We believe that corporate value—which expresses the size of our impact on society—is the sum total of the levels of satisfaction of all of our stakeholders. We list five types of satisfaction by stakeholder (Customer Satisfaction, Shareholder and Investor Satisfaction, Local and Social Satisfaction, Client and Partner Satisfaction, and Employee Satisfaction), and work to increase corporate value by expanding this circle of satisfaction. ▶ See page 8, "Value We Provide"

The most important thing in order for us to be a corporate group that continues to create value is to continue to be trusted and loved by all of our stakeholders. In order for us to captivate a diverse range of customers, it is necessary to deliver something which goes beyond trust; something emotional other than just practical utility. We could call it an attachment or fondness for the brand, or even becoming "fans" of the Group. I can't help but feel that it is these kind of emotional, intangible assets that hold the key to the future of our Group.

Our aim is to become a corporate group that is loved by its stakeholders, by securing empathy with our ideas and initiatives. To achieve this aim, we will continue working ceaselessly to create value together with our 30,000 or so employees*5, at over 100 Group companies.

Figure 2. DX Promotion System



Achieving a Sustainable Society and Growth by Expanding the Circle of Satisfaction

Human Capital Strategy and Promoting Health Management

I believe that the source of the Group's value creation is undoubtedly its human capital. The active contribution of younger generations is essential to reading future needs and creating innovation with new ideas.

Until now, too, we have advanced workstyle reforms to create more active workplaces, and had worked to implement telework and work-from-home since before the COVID-19 pandemic. In order to make maximum effective use of human capital, we are advancing HR strategies such as diversity and inclusion, work-life balance and HR development.

▶ See page 50, "Human Capital Strategies"

In particular, promoting health management is an important management issue. While we can expect to see improvements in productivity as a result of introducing new technologies and advancing DX, it is also necessary for employees to familiarize themselves with these new technologies. As interpersonal relationships and behaviors change, and our home lives become more closely combined with our work, we experience an increase in physical and mental stress. We must also turn our attention to the fact that we may begin to suffer from lack of exercise.

For these reasons, the significance of health management is increasing, not only as a way of responding to the demands of society for lengthening healthy lifespans, but also as a way of maintaining the energy of employees to tackle the challenges of new changes. In view

*1. VUCA: A term that is used to describe unpredictable socioeconomic environments. The initials stand for Volatility, Uncertainty, Complexity, and Ambiguity.

*2. Generation Z: A general term for the generation of people born between 1996 and around 2010. This generation is currently gaining attention for its values and characteristics as the generation following on from the so-called Millennial Generation, who entered their 20s during the 2000s.

*3. Smart City Takeshiba has been selected as one of the projects in a public offering by Tokyo Metropolitan Government aimed at creating a Smart Tokyo.

The project will aim to implement services spanning multiple fields, utilizing cutting-edge technologies in an urban environment.

*4. The 2025 Digital Cliff problem: The Report on Digital Transformation (DX) published by METI in 2018 pointed out the possibility that Japan may suffer an economic loss of up to 12 trillion yen per year from 2025 onward if Japanese companies fail to make progress in DX going forward.

*5. Number of group employees: This number includes temporary employees.