

2021 Integrated Report
Message from the President

Working under the Group's slogan of WE ARE GREEN to create a future where everyone can be themselves and shine vigorously



Aiwari Teshikawa

President & CEO,
Tokyu Fudosan Holdings Corporation

WE ARE GREEN MESSA

WE ARE GREEN — . This is the slogan of GROUP VISION 2030, our long-term vision that we announced in May this year. After the announcement, we received the greatest response ever, from both inside and outside the Group. I feel that it served as a catalyst for letting them know what we wanted to tell them.

We have developed this long-term vision reflecting our strong belief that we need a guidepost for management showing the direction of the Group, more so because we are living in an era of volatility, uncertainty, complexity and ambiguity (VUCA). Consequently, we have developed our management policy by discussing what we want to be a decade from now, based on a backcasting approach rather than the conventional building-up type plan.

For the long-term vision, we have reorganized our philosophy in light of the origin and history of the Group and set themes of our efforts to create value (materialities), thus creating a roadmap for us to achieve our ideal vision and enhance the shareholder value and the corporate value.

The slogan represents our desire to merge the diverse green power offered by the Group and lead to the creation of new value. Using our corporate color green as the base color, we express the diversity of the Group's wide range of business activities and human capital using a color gradation. Green symbolizes the environment and sustainability, as well as our goal of creating a future where everyone can be themselves and shine vigorously; in the same way as young leaves sprout and grow bigger, taking advantage of their own individuality. Under the slogan of WE ARE GREEN, we all will aim to be a corporate group that continues to create value for the future.

It is one year since I was appointed president, but the transformation of the Group has just been begun. We plan to announce our medium-term management plan for fiscal 2025 in May next year. I have renewed my determination to shift up another gear here to achieve the Group's ideal vision with speedy management.

Creating stages for each one person to shine

The theme of our value creation that we aim to achieve by 2030 is to realize a future where everyone can be themselves and shine vigorously through the creation of a variety of attractive lifestyles. In anticipation of changes in individuals, society, and the environment, we have summarized what we expect the world to be like, from four perspectives.

Our vision of the world in 2030

1. Toward an era in which the meaning of going to real places will be questioned
2. Toward an era in which contribution to the environment becomes a corporate value
3. Toward an era of personalized customer service
4. Toward an era of co-creation through borderless society

On the level of individuals, the emergence of Generation Z, who are social natives and have high environmental awareness, will significantly change consumption patterns and lifestyles. We expect society to evolve into one where individuals will pursue their happiness based on their respective values instead of common criteria.

From a social perspective, we expect fundamental changes in the concepts of time and place, such as the integration of the online with the offline and changes in the definition of urban and rural areas.

Looking at the environment, we see measures to tackle climate change and moves to achieve decarbonization spreading as common issues of global citizens. While borders are being eliminated around the world, I understand that we will be required to have strong awareness of the social significance of businesses and co-create value through partnerships.

I believe that providing stages for each person to shine in light of this business environment will lead to the Group's distinctive value provision to customers.

Making the breadth of our business wingspan into an advantages

Under our long-term management policy aimed at achieving our ideal vision, we will aim to enhance shareholder value and corporate value by building a solid and distinctive business portfolio and by improving ROE and achieving EPS growth.

To accomplish this, we have established environmental management and digital transformation (DX) as a Group policy. I believe it is precisely these two pillars that will be the key driver to turn the wingspan of our business, which is a distinctive feature of the Group, into a real advantage. Both require a higher perspective, which enables us to take an overall view of the Group. I myself will take the lead in accelerating our initiatives.

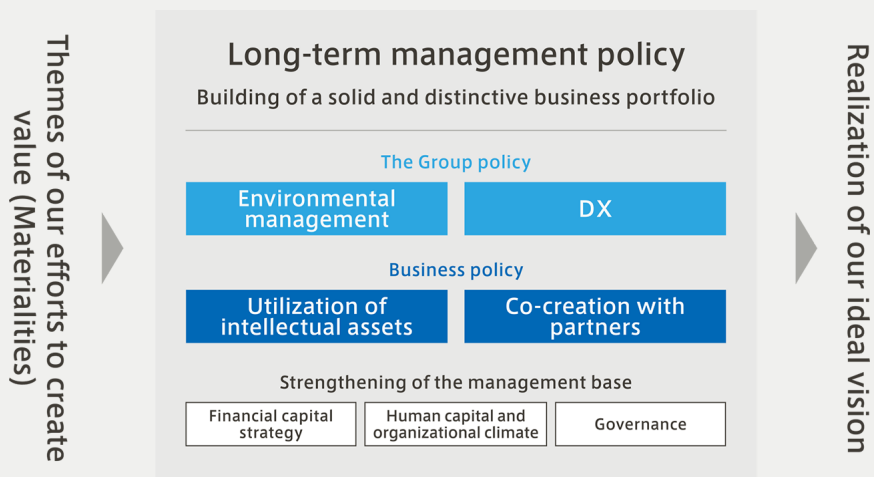
In addition, we have positioned utilization of intellectual assets and co-creation with partners under our business policy, so as to further evolve the associated assets expansion model. We will strive to generate earnings from know-how and data obtained from associated assets and maximize business value by actively utilizing external resources.

At the Group, we had a marked tendency to take a self-supporting approach. Today, when businesses are increasingly sophisticated and complex, it is important to join hands with external partners proactively in pursuit of optimal solutions.

We will look outward, without being trapped by stereotypical views, in our efforts to acquire new business opportunities.

Overview of the GROUP VISION 2030, Long-term Vision

WE ARE GREEN Create Value for the Future



Enhancing our business competitiveness with environmental management

The United States has rejoined the Paris Agreement and referred to the carbon border tax. In Japan, the Suga Administration has declared that it will achieve carbon neutrality by 2050. These and other international initiatives have been accelerated to achieve a carbon-free society and recycling-oriented society. Arguably, we have entered an era when companies' environmental initiatives are linked directly to their competitiveness. At the Group, we developed our basic environmental policy in 1998 and began to take initiatives such as the *Midori wo Tsunagu* Project, urban greening, and biodiversity conservation. Through these and other activities, we have been practicing environmentally friendly management from an early stage.

Under our long-term management policy, we will aim to reduce the environmental impact of all of our businesses by taking advantage of our competitive edge in the renewable energy business. Regarding climate change, we have set high goals of achieving the Science Based Targets (SBT) of limiting warming to 1.5 degrees Celsius by 2030, with our supply chain included in the targets of our activities to achieve this, and attaining net zero emission by 2050. We will continue to lead the industry and strive to improve our competitiveness as an environmentally advanced company by working in harmony with international actions.

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At the same time, we will work to create comfortable communities and lifestyles that contribute to the environment as part of our activities to suggest lifestyles in our own way. Promoting environmental management also leads to the development of a mindset to solve social issues through business activities. Each one of the Group's employees will work on businesses by keeping in mind our responsibility for the present and future society.

Realizing asset as a service with DX

For DX as the other element of the Group policy, we will work on the operation process, customer experience (CX), and innovation. The irreversible flow of digitalization is about to bring major changes to all the business domains where we operate. Previously, the source of our competitiveness lay in the upstream of the value chain. In the digital era, however, contacts with customers will be the source of our competitiveness. In particular, we will focus on the creation of impressive experience by improving CX, taking advantage of various contacts with the customers of the Group.

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At the Group, we operate a large number of businesses that involve direct contact with customers. They include operation services for various assets, property management and real estate agents businesses, and our retail brand store, Tokyu Hands. The ability to create unique businesses through dialogues with customers. This is a great advantage over other general real estate companies in an era when points of contact with customers are the source of competitiveness.

Collaboration within the Group and with external parties are essential for promoting DX. We will advance Group-wide initiatives so as not to fall in the DX trap — that is, seeking the optimal solutions fragmentally — as we experienced in IT reform.

The progress of DX is accelerating the elimination of boundaries among different aspects of life, that is, living, working and spending time. I believe that increasing importance will be attached to the value of Asset as a Service (AaaS) in the coming digital era. We will enhance the value of assets by merging the physical with the digital, such as developing smart cities, and by creating advanced service models through the promotion of Online Merges with Offline (OMO) initiatives.

Evolving lifestyle creation

We have been proposing diverse lifestyles, which are created by merging living, working, and spending time, from the viewpoint of the time axis and space axis.

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I feel that the merger of different aspects of life, which we have been advocating as Lifestyle Creation 3.0, is making faster progress than expected, partly reflecting the impact of the COVID-19 pandemic. Telework has spread, and diverse workstyles have become more common. The diversification of workstyles is essentially also the

diversification of lifestyles. I think that lifestyles that combines life scenes, such as workcations, which bring together work and vacations, and multi-habitation, will continue to emerge in the future.

We will proactively suggest new lifestyles that are appropriate for the coming era, by combining the breadth of our business wingspan, which has diverse solutions for work styles, home styles and play styles with environmental management and DX as the Group policy.



Shibuya Sakuragaoka Block Redevelopment Plan (Rendering)

Enhancing the value of the greater shibuya area

The Greater Shibuya area, which is our business base, is the place where we will create a new city by adopting Lifestyle Creation 3.0, the Group's strength, in the overall area.

The flow of people in urban areas has changed markedly with the spread of telework in the COVID-19 pandemic. However, unlike Marunouchi, business district and Nihonbashi, commercial district, Shibuya has always had multi-faceted appeal as a place for working, living, and playing. Startups attracted to the non-authoritarian atmosphere of Shibuya see the area's great potential as a place for innovating — more so now with the changes taking place. To further enhance the value of the greater Shibuya area, we will continue aggressive investments in both urban development and branding of the area.

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Besides Shibuya area, in the Tokyo Bay area, Takeshiba, we have been working to create a smart city by utilizing cutting-edge technology, centered on the smart building TOKYO PORTCITY TAKESHIBA. We will seek to turn Shibuya into a smart city by applying the know-how of urban OS construction cultivated in Takeshiba.

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Review of the medium-term management plan and our challenges

Under the medium-term management plan for the period to fiscal 2020, we could not achieve our financial targets due to the impact of COVID-19. However, we achieved certain results, such as expanding the base of our leasing business and growing our infrastructure business.

In addition, we recognize that we have the following four challenges at present:

- Increasing efficiency through balance sheet management
- Building a solid business portfolio
- Shifting away from labor-intensive operation
- Breaking away from a self-supporting approach and developing human resources.

The most important task is restructuring the business portfolio. We have reorganized our business segments into asset-utilizing business and human capital-utilizing business in light of differences between our businesses in social role and growth scenario.

In the asset-utilizing business, we have expanded our stable revenue base with the completion of major projects such as TOKYO PORTCITY TAKESHIBA and SHIBUYA FUKURAS. Accordingly, in the next phase, we will aim to improve profitability and efficiency by expanding cyclical reinvestment.

In the human capital-utilizing business, we will change labor-intensive business into the utilization of intellectual assets by making use of our intellectual property, such as knowledge of property management and operation, and advanced technologies. We will therefore improve productivity, aiming to achieve profit growth.

Leader's mission and tasks

My mission as the leader of the pure holdings company is to allocate management resources appropriately to achieve total optimization of the Group from a medium to long-term perspective, to match changes in business conditions. We will work on the following three tasks to enable us to operate across the boundaries between operating companies, rather than the individual optimization of those companies.

1. Business portfolio management We will build a solid and distinctive business portfolio by evaluating each business based on criteria that are common to all businesses. To maximize the business value, we will review our businesses fundamentally, including the use of external capital, such as M&A and alliances, among our options.

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2. Governance reform We will continue to build a fair, highly transparent corporate governance system. Ongoing efforts are being made to improve our governance system, so that it contributes to sustainable growth. We are advancing third-party evaluations from the viewpoint of improving effectiveness, in addition to increasing the number of outside directors and securing diversity. Moving forward, we will reinforce this system in anticipation of our move to the Prime Market.

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3. Organizational climate reforms I believe that human capital constitutes the most important part of our management foundations. I expect our employees to maintain a professional attitude, backed by a sense of mission to face society and by a strong sense of ethics. And I will spearhead efforts to develop an integrated, innovative organizational climate to fulfill the role of the company and employees, aiming to enhance our corporate value, starting with a contribution to social issues. Regarding workstyle reforms and the creation of a vibrant workplace, diverse ways of working have emerged due to the COVID-19 pandemic. It has made it more important than ever to promote health and productivity management. While the integration of work and life is making progress, we will adopt initiatives that help employees deal with physical and mental stress.

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The Group continues to be supported beyond trust

We believe that the corporate value of the Group is the sum total of the levels of satisfaction of all of our stakeholders. Among them, those of us in the working generation have a responsibility to pass on to future generations a world filled with hope and a rich environment. Therefore, we have added future society as our sixth stakeholder to the Group philosophy that we redefined.

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I am sometimes surprised at the high environmental awareness of the younger generation. What baton can we pass on to future generations as an environmentally advanced company? We will create value which we can boast to future generations, in a future-oriented manner, without being caught up in conventional ideas or custom.

In my last year's message, I stated that the most important thing in order for us to be a corporate group that create a value for the future is to continue to be trusted and loved by all of our stakeholders. The ideal vision has remained unchanged. If customers are attached to our products and services beyond reason and trust, they should naturally continue choosing those products and services. I feel that we need to continue building up emotional, intangible assets that are something more than an actual benefit, or strong brand power as it were, as the value of the Group.

To become such a group, it is important that, first and foremost, our Group employees should come to like their companies and feel loyalty to them. I would like to make the Group a highly trustworthy organization, where we are aware of our responsibilities as working members of society, respect diverse values, and boldly take on new challenges.

When each person behaves faithfully every day and builds the trust of the individual, the aggregate becomes the trust of the organization. We need to continue our current evaluations that our predecessors have accumulated.

Our Group started from the development of Den-en Chofu, which was created in a pioneering initiative by Eiichi Shibusawa and his colleagues about a century ago. Since then, our Challenge-oriented DNA has been passed down, and the Group has consistently worked to solve social issues through its business activities. We maintain this founding spirit today and will continue to move forward with society.

Finally, if I can describe the slogan of our long-term vision, a future where everyone can be themselves and shine vigorously, in my own words, it is a society where anyone can feel happy in their own way. I would like to create a bright future where anyone can make themselves happy in their own ways. And I believe strongly that, by continuing to create sustainable value to achieve this, the Group can play a role in creating a bright future.

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