

2022 Integrated Report
Letter to our stakeholders
Message from the President

Applying environmental management and DX to creating unique value for a future where everyone can shine in their own way



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STAKEHOLDERS LETTER

After two years of pandemic-induced business crisis, a V-shaped earnings recovery

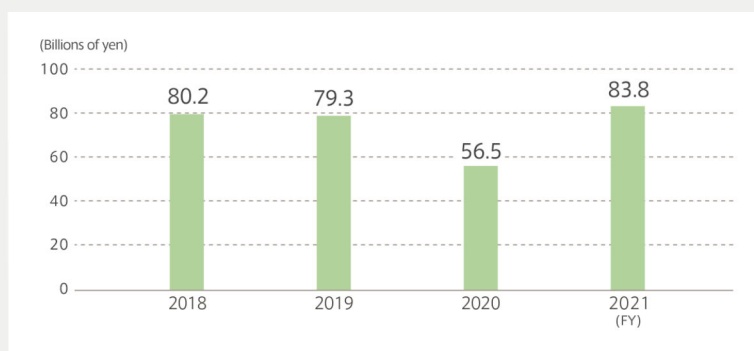
My start as Company president in spring 2020 coincided with the government's declaration of a state of emergency due to the COVID-19 pandemic. That was two years ago. During that time, I stood at the front of the Company and continuously promoted our WE ARE GREEN slogan to change the unprecedented crisis into an opportunity to bring about a major transformation. Our whole Group shares our aspiration and is working to create unique value as we pursue our Vision for 2030 to be a corporate group that continues to create value for the future.

The pandemic has persisted since I became president, and it's been frustrating to have to manage the Company without the benefit of in-person meetings with stakeholders. The message I have repeated inside the Company is to not rush and don't let the circumstance lead us astray; we must keep our feet firmly on the ground and remember the bigger perspective.

The Group has experienced the major crises of Japan's economic bubble and the global financial crisis, and we overcame both by remaking ourselves. Based on my experience at that time, I was convinced that if we were flexible and calm about change, we would definitely be able to overcome this crisis.

Even as the pandemic continued, in the past fiscal year we generated substantial growth in both sales and profits in a strong real estate market and produced a V-shaped recovery that included record-high operating profit. I am very proud of our performance because it shows the Group working together at its very best with Group employees remaining dedicated to their work while protecting the safety of our customers and the work sites.

Operating profit



However, other companies in our industry are expanding both their results and presence at an even faster pace. We cannot be complacent, but must continue working tirelessly.

The Group transformation that I am aiming for has only just begun. My mission as the president of a pure holding company is to turn the Group's broad business wings into a true strength and create new value. That is the reason we are doing all we can to construct a robust and unique business portfolio.

Last year, we aligned our businesses into four segments based on the investment of management resources and growth strategies. We are now seeking to improve each segment's profitability and efficiency by applying common standards to evaluate the businesses and will implement reform in any area needing improvement.

In March 2022, we sold our Tokyu Hands subsidiary to Cainz Corporation. The decision to sell the subsidiaries was made because it was the optimal solution for maximizing both value to the customer and business value, and we found a new partner that shares the same values as Tokyu Hands.

I believe selling the business is a big step forward in rebuilding our business portfolio. Going forward, we will seek to transform and grow each business by managing our business portfolio both quantitatively and qualitatively and keeping a firm eye on changes in the business environment.

In May, we formulated the medium-term management plan 2025 to realize our ideal vision described in our long-term vision. In the restructuring phase during the first half of the long-term business policy, we will seek to improve our earning power and efficiency to regenerate growth in the post-COVID-19 period.

Our competitive advantage is the breadth of our business wings spanning from development to management and operation.

I recently traveled to Chiba Prefecture to visit our Abiko Village, a large condominium complex developed by Tokyu Land Corporation in 1977 and managed and operated by Tokyu Community Corp. I was surprised and awed by how well maintained and managed the property is, making it hard to believe it's 45 years old. I was told that Tokyu Community and the very conscientious residents are working together so the building will have a long life.

The whole complex has a truly wonderful layout and the "local community" has been formed from the careful maintenance and renovations that have been conducted over the years. Abiko Village has a high occupancy rate, and the owners and residents are proud that the complex received an award from the Building and Equipment Long-Life Cycle Association, an association promoting the construction of buildings with long lifecycles.

That project that was built nearly half a century ago taught me what it means to turn the breadth of our business wings into a true strength. Our work does not end when construction is done, we must use our wings across a wide range of business areas and join with stakeholders to build a city together. That process will create a city that is loved for decades, and I believe it is an ideal to strive for. By engaging in a wide range of businesses spanning development, management, operation, renovation, and distribution and matching them to customer life stages, we are creating a virtuous cycle of listening directly to our customers and creating new businesses and services to meet their needs.

The Group's diverse human capital is the ones who carry out and sustain our wide variety of businesses. We boast an industry-leading presence in both the property management business and the brokerage business, and continuing to build our competitive advantages is further developing our Group identity.

Developing businesses that leverage our extensive customer contact points and operational know-how will enable us to provide new value to our customers and lead to the growth of the Group. Future society is one of our stakeholders, and I strongly feel that our Group's mission is to use our various projects for sustainable urban development.

In our home ground of the Greater Shibuya Area, the Group is working to improve the appeal of the entire area following the concept of "future sharing." The Shibuya commercial district is active 24 hours a day, and its charm lies in its diversity and entertainment. By weaving "impressive experiences" into the district's characteristic multifunctionality, we will boost its international attractiveness by proposing a new Shibuya-style urban lifestyle.

Sakuragaoka smart city concept



Numerous redevelopment projects are scheduled for the Shibuya Station area, and we will use the full breadth of our business wings to create value and build a community that, like the Abiko Village, will be loved for a long time.

An environmentally advanced company turning environmental issues into business power

The long-term vision we announced last year set environmental management and digital transformation (DX) as Group policies. We recognize that in the business environment ten years from now services and products will be selected based on the degree that they protect the environment and that the rapid integration of digitalization will significantly change how business is done.

Beginning in the current fiscal year, we have begun a phase in which we will incorporate these policies into concrete initiatives and produce tangible results. When we announced the medium-term management plan, we simultaneously issued our Environmental Management Report and DX Report, in which we presented to the Group and the public our value creation roadmap and the main initiatives we will pursue.

Environmental management means building on business opportunities in every Group business using the environment as a starting point. With environment awareness rapidly increasing in our society, environmental initiatives are more than an obligation, they are a business opportunity. Superficial efforts will not be enough, we need to seriously confront the environmental issues facing society and turn the solutions into power for new businesses.

Since its founding, the Group has used its business activities to contribute to a sustainable society and address environmental issues. When Tokyu Land Corporation's first president, Noboru Goto, set about developing a resort in the tropical island of Palau, he did everything he could to respect the harmony with nature, telling the planners, "Don't construct buildings taller than a palm tree." Tokyu Land Corporation took early steps to clarify its stance on the environment and established its Environmental Philosophy in 1998.

In my own experience, I became strongly conscious of the environment when I was a new employee assigned to the resort division. Resort development and management relies on the blessings of nature. One of our biggest missions is to use appropriate management to create a flourishing environment for future generations.

A good example of how we have connected the environment to business is our renewable energy business, where we have moved ahead of other companies in recent years and have become an industry leader in business performance. The business is developing solar power plants and wind power plants across the country, and by 2025 we aim to have the power generation capacity equivalent to two nuclear power plants.

The time is approaching when environmental value will be recognized as part of product value. As an environmentally advanced company we will continue leveraging the Group's advantages in environmental initiatives to address issues with a focus on our three priority areas of decarbonized society, recycling-based society, and biodiversity conservation.

Connecting digital technology and business, and using new "impressive experiences" as a source of competitiveness

The COVID-19 pandemic has caused major changes in our social lifestyles. I feel that the biggest change in business has been the rapid and wide spread integration of DX. It is truly an instance of turning a crisis into an opportunity. I believe we can use the power of digital technology to bring about a major transformation of our business and spur further growth.



The concept that is key to realizing DX is "fusion" - fusion of all aspects of life, fusion of online and offline, fusion that extends beyond business and organizational boundaries. We plan to make maximum use of digital technology to create value by removing barriers and creating fusion across what we call Lifestyle Creation 3.0.

Our DX vision is "removing all boundaries with the power of DX." We will maximize the value of our assets and human capital to establish a new profit model based on the three themes of business process, customer experience (CX), and innovation.

CX is of utmost importance to the Group because framing our services from the customer's perspective is essential to operating our various B2C businesses. We will use of our wealth of customer contact points, particularly at actual locations, and the know-how and data we have accumulated from our wide range of businesses to provide customers with "impressive experiences" in every situation.

The leaders of the next era will be the social native Z generation. When I talk to the younger generation, I find them to be very sensitive to society, whether it be the environment or DX, and they have many new ideas and concepts. We will actively listen to these voices and create an environment where the younger generations can take the lead creating new businesses and services.

Digital technology is evolving at a high pace. To fully harness the power of digital in our business, we need to raise the level of digital literacy throughout the organization. At each Group company, we will systematically train "bridge personnel" who will incorporate digital into their business and lead projects. Our newly established DX technology company TFHD digital Co., Ltd. will lead our hiring of advanced digital human capital and build a system for accumulating knowledge internally and facilitating co-creation with Group companies and external partners.

Creating an organizational culture for diverse human capital to thrive

Our Company shares were shifted to the new Prime Market with the reorganization of the Tokyo Stock Exchange. We are subsequently stepping up our measures to strengthen governance, establish sustainable growth, and improve corporate value over the medium and long term. One of the KPIs of our long-term management policy is to improve the effectiveness of the Board of Directors (through a third-party evaluation), and we working to achieve that by ensuring management soundness and transparency and by constructing a governance system that contributes to swift decision-making.

While improving governance, I am also emphasizing reforming the organizational culture as a foundation for sustainable growth.

We are creating an organizational culture in which diverse human capital can thrive. That's the type of organization and personnel I am aiming for. Society is placing increasing importance on human capital. In my long experience in human resources, I have found that the most effective way to improve the value of human capital is to "diversify the entrance and exit."

Hiring is the entrance, retirement is the exit. It is obvious that Japan's entrenched systems of mass hiring of new college graduates and mandatory retirement hinder the mobility of human capital.

One company cannot change the whole system, but we will create a structure that is open to various human capital, such as a by hiring mid-career professionals and creating opportunities for post-retirement individuals to rejoin the work force.

Families and lifestyles have changed a lot since I was young. Nowadays, we are in an era where taking an extended break will not adversely impact the promotion or career of either a man or a woman. It is important to be a company that makes it possible for an individual to work the way they want. The COVID-19 pandemic set the stage for new work styles, and we are creating a system that accommodates various workstyles so employees can work in a way that best suits their lifestyle.

Human capital is essential assets that generate innovation and is the source of the Group's value. As we seek to promote a diverse workforce, the gender gap is presently one of our biggest issues. Our long-term management policy sets various KPIs, such as for the percentage of women hired and women in management positions, but we have also begun providing various types of support, such as flexible mechanisms and systems to be more responsive to employee needs and so everyone can work in their own way and be active throughout their career.

An organizational culture that accepts diversity cannot be created overnight. During internal conversations in the Company, I often stress two points: Remove unconscious bias and Ensure psychological safety. Preconceived, unconscious ideas of a certain group, like the LGBTQ community, hinder communication. We are seeking to remove those obstacles one by one to create an environment of mutual respect.

Our health and productivity management activities include supporting the mental and physical health of our employees and creating a dynamic workplace. Through our corporate activities, products, and services, we will join with our customers and business partners to promote the overall health of society.

Our objective is to protect the safety and security of group employees, and to continue to be innovative and growing together with stakeholders. To achieve this goal, I also am working to shed old ways of thinking and be open to new ideas for improving our organizational culture.

Becoming a corporate group that is not only trusted but loved for accepting all individual lifestyles

I believe our WE ARE GREEN slogan, which is easy for anyone to understand, clearly communicates our purpose and our vision, and feel that it is gradually taking root inside and outside the Company.

The GREEN in our slogan is not just the environment. WE ARE GREEN represents our goal of "a future where everyone can be themselves and shine vigorously." Green is our corporate color, and the color gradation represents the diversity of the Group's wide range of businesses and human capital. Respect all values, accept diversity, and accept different ideas and ways of thinking. We will fuse the powers of the various shades of green of our Group businesses to create new value that will enhance our corporate value and help realize a sustainable society.

Another essential element to fulfilling our social responsibility is supply chain initiatives. Since 2016, we have been participating in the United Nations Global Compact, which supports Ten Principles of human rights, labor, the environment, and anti-corruption. We will provide strength as society advances by working with our business partners to promote human rights, health and productivity management, and environmental management.

What can we do for the future society? That question is on my mind every day as I manage the Group. I believe it is important for management to take a broad view and be bold. Particularly in this era of so much uncertainty, we must not get caught up by trivial near-term matters or stuck in fixed ideas or stereotypes. I strongly believe that we need future-oriented management that will steadily lead us to accomplishing what we envision for ourselves.

Consistent actions geared to the future will earn stakeholder trust, and they will eventually become "attached" to our Company. When a customer feels an attachment to a product or service, they would naturally have an affection for the Company too. I want our corporate Group to go beyond being trusted to being loved. To do that, we will accumulate the Group intangible asset of our unique value creation, and with that we will build strong brand power. The reason we will aim for that is because brand power is proof of attachment.

Last but not least, our ideal is a society in which individuals can be physically and mentally healthy and enjoy their own way of living and thinking. The Lifestyle Creation 3.0 concept fusing living, working and spending time is synonymous with a way of life. We want to create a bright future where each person lives their life their own way and achieves their own happiness. I feel so strong about this because I feel a sense of mission as a person who is building society. I believe a company is a mirror that reflects society and, together with our stakeholders, we will continue to working to create a sustainable society and grow as a company.