

Message from the Officer in Charge

Promoting environmental management and DX to create a strong business model that is difficult to imitate

Eiji Yamane

Operating Officer
Supervisor for the Group Corporate Planning Department,
Group Sustainability Promotion Department,
and Group Digital Transformation Promotion Department
Tokyu Fudosan Holdings Corporation



Materiality promotion progress

As an operating officer of Tokyu Fudosan Holdings since April 2023, I have been in charge of the Group's corporate planning, sustainability promotion, and digital transformation (DX) promotion. I strive to link management strategies with management resources and incorporate diverse ideas and technologies so we can create new value and enhance and improve both our sustainability and competitive edge.

Our Group pursues an ideal vision to "create value for the future" and aims to resolve social issues through business activities, and, together with our stakeholders, achieve growth as well as a sustainable society. In our long-term vision, we establish non-financial KPIs in line with each of six materialities determined based on social challenges, and through concrete measures, we are working to improve our corporate value.

"Create a variety of lifestyles"

"Create communities and lifestyles that encourage well-being"

Our creation of new products and services as well as the number of projects which tie into community planning in line with the new trends of a post-COVID-19 world are increasing.

In addition to creating facilities such as wellness offices and hotel residences which demonstrate the significance of their spaces, we place emphasis on creating mechanisms, like area management and the local production and consumption of energy, which connect people and communities and produce safety and vitality. Through these, we aim for social value which will last on into the next generation.

"Create a sustainable environment"

"Create value in the digital era"

We are accelerating measures to realize a decarbonized society. At the same time, we are also aggressively working to upgrade the infrastructure of the systems needed to reform our business processes.

In promoting the Group policies of environmental management and DX, what is important is for each individual employee to be aware that the environment and DX are things that affect them personally and to incorporate these concepts into their work. Through the disclosure of Environmental Management Report and DX Report as well as awareness campaigns and training, understanding has gradually permeated throughout the Group, and the number of initiatives which have a major impact on society have increased.

"Create an organizational climate under which diverse human capital is enlivened"

As symbolized by our human capital management, our management and human capital strategies have become more interlocked. An organization which is diverse yet united as one team and which is willing to engage in trial and error is an organization that is able to demonstrate its true strengths. The cultivation of human capital and the fostering of an organizational climate require a certain amount of time, and accordingly, we will be taking deliberate steps toward both.

"Create governance to accelerate growth"

We recognize the necessity of management that is cognizant of market valuation and the capital cost

needed to improve corporate value. Of the Group's many management resources, our human capital and information capabilities present particular strengths and potential which are difficult to portray through financial statements, and we are creating systems to further enhance their superiority and in turn increase corporate value.

The growth opportunities presented by the Group policy of environmental management

Since our establishment our Group has promoted environmentally-conscious business. From the start, the recycling of limited resources and businesses which coexist with natural capital have been specialty fields for us. Examples include urban development, resort operation, greening projects, real estate agency for pre-owned homes, and building renovation and life-extension. We will be able to meet the major demands of this age of realizing a decarbonized society, a recycling-based society, and biodiversity conservation as an environmentally advanced company because of our foundational desire to seek harmony between business and the environment which we have cultivated over the years. We believe that there are a great many opportunities for growth through environmental management at the fringes of our existing business domains.

We are ahead of schedule in our plans in this area and expect to achieve the targets of our measures to realize a decarbonized society early. We have continued to steadily expand investments in our renewable energy business, one of the Group's greatest strengths. In December 2022, Tokyu Land Corporation switched entirely to renewable energy to power

Medium- to Long-term Growth Strategy Management Strategy Promotion and Progress

all of its business locations and facilities, meeting its targets for the international RE100 initiative.

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The original target was 2025, and we see the achievement of this ahead of schedule to be a result of our capabilities in renewable energy, which are among the strongest of any company in Japan. Further, in fiscal 2022 we had reduced our CO₂ emissions (Scope 1 and 2) to 50.6% of fiscal 2019 levels. In addition, we have begun introducing internal carbon pricing (ICP).

Our initiatives for a recycling-based society as well as biodiversity and nature conservation include promoting reuse in residential areas, recycling food from our membership resort hotels, rebuilding existing properties, and creating wooden buildings using sustainable materials. Our efforts have attracted greater attention from the public, and going forward we will continue to focus efforts on this field with our own unique spin.

In order to further accelerate such initiatives, in the previous fiscal year, we started a Sustainable Action Awards program which



Forestgate Daikanyama's TENOHA Building. In collaboration with government authorities and businesses engaging in circular economy activities, Forestgate Daikanyama will connect consumers with sustainable initiatives as a focal point for activities which tie the community and city together.

recognizes employees who take on the challenge of sustainable initiatives. In the first year alone, there were 123 submissions. By praising Group members for their creative and forward-thinking challenges, we will encourage others within the Group to do the same and create new business opportunities in turn.

The growth opportunities presented by the Group policy of DX

The initial DX measures we are promoting are to further strengthen the competitiveness of our core businesses. These include the development of business processes to achieve efficient working styles utilizing digital technology, and the promotion of customer experience (CX) which creates impressive experiences and highly convenient services based on our real world and digital contacts with customers. The data thus accumulated will enable us to know expected values and issues felt by our customers and staff, and to find optimum measures with a greater degree of accuracy. In turn, this will be reflected in our product development and service models, increasing business competitiveness. Further, it will be transformed into businesses leveraging digital technologies in ways only we are capable of, directly leading to the creation of revenue opportunities (innovation).

In recognition of our innovative DX initiatives, the Group was selected for the DX Stocks 2023 list. We are continuing to take on new challenges with alacrity regarding key business strategy matters. In the field of business processes, one example includes our creation of a system to optimize facility operation and personnel distribution. In the field of CX, we have

introduced a new way to experience residential spaces using digital twinning and VR. And in the field of innovation, we have created a new, cutting-edge service utilizing the technology of NFTs (non-fungible tokens—digital data using block chain technology which is impossible to substitute or forge).

Promoting DX requires information system infrastructure that is highly safe and expandable, and the cultivation of human capital capable of connecting business with digital technology and taking the lead in project implementation. We have developed a Zero Trust network and a training system to develop DX talent and have put these into full operation from fiscal 2023.

Enhancing the resiliency of asset-utilizing and human capital-utilizing businesses

In order to achieve business stability and growth as well as the optimum utilization of management resources, we believe it is necessary to increase the resiliency of our core businesses against future uncertainties in line with their innate characteristics so that we may avoid excessive contractions.

We believe that our asset-utilizing businesses require a higher level of resiliency and resolve to survive the transition to interest rate increases and an inflationary economy. This means they require revolving investment that is much more aware of timelines, along with the creation of a highly resilient framework to survive increasing construction as well as water, lighting, and heating costs.

We believe our human capital-utilizing businesses require a more advanced business model predicated on the difficulty of securing sufficient labor in the future. The depth of our intangible assets, symbolized by our human

capital and information capabilities, is one of the Group's strengths, and there is a need for us to further enhance our knowhow and knowledge and transform these into intellectual assets.

Both types of businesses leveraging their breadth, detecting changes in market conditions early on, and signaling each other will make it possible to turn change into opportunity. Together with engaging in the close coordination of information within the Group, we will keep a watchful eye on financial markets and industry trends and increase the resiliency of our management foundation.

Refining a business model that is difficult to imitate

Both of the Group policies of environmental management and DX increase the difficulty of imitating our business model, and we believe they are keys which will lead us to further growth opportunities in our existing business domains, and additionally serve as keys to the creation of new business opportunities through co-creation with new companies and municipalities. We lag behind the world in sustainability transformation (SX) and DX. Going forward, it is extremely likely that the skill with which we handle these will influence our corporate value. We must accelerate our preparations for transformation, flexibly engage with many ideas and technologies, and, at the same time, continue to apply ourselves to improving in these areas. By refining our management resources as intellectual assets together with the creation of a strong business model that is both difficult to imitate and able to survive adversity no matter how market conditions may change in the future, we will aim to be a corporate group that continues to be customers' first choice.