

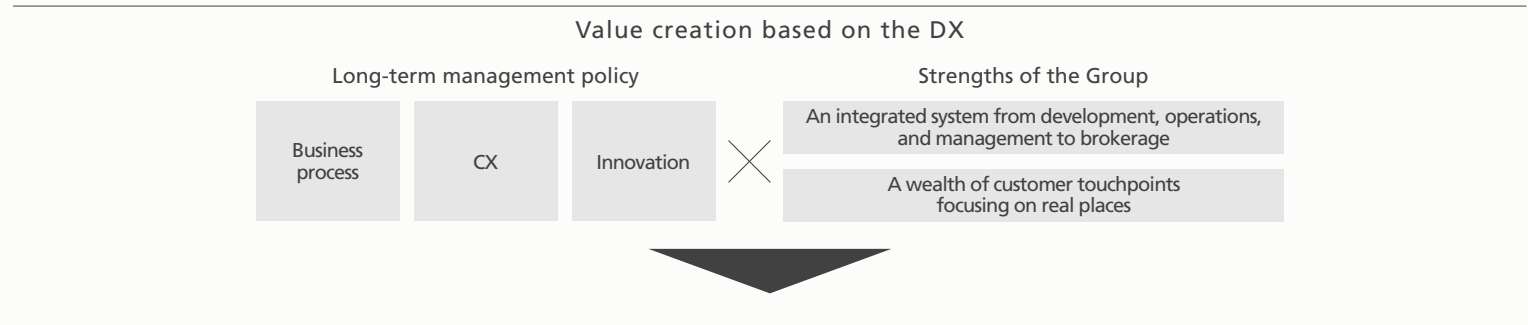
Establishing a new revenue model by maximizing the values of assets and human capital



The Group’s policy on DX is to advance the strategy of our long-term vision based on the three action policies of Digital Fusion—removing all boundaries with the power of DX, which is our DX Vision.

We have positioned digitalization as a means for maximizing the value of our human capital and assets. In our asset-utilizing businesses, we will work to solve regional issues by leveraging our strengths, including the ability to use a wide range of assets and our business direction capabilities, to combine digital and physical elements in a way that draws people into towns and cities. In our human capital-utilizing businesses, we will use our considerable intangible assets, including a wealth of customer contact points, our human capital, and our operational expertise, to proactively work toward the creation of new value, such as data utilization that transcends organizational boundaries and the realization of synergies. In recognition of the specific initiatives we have implemented to enhance customer interactions using digital technology, we were selected as a Digital Transformation Stock (DX stock) 2023.

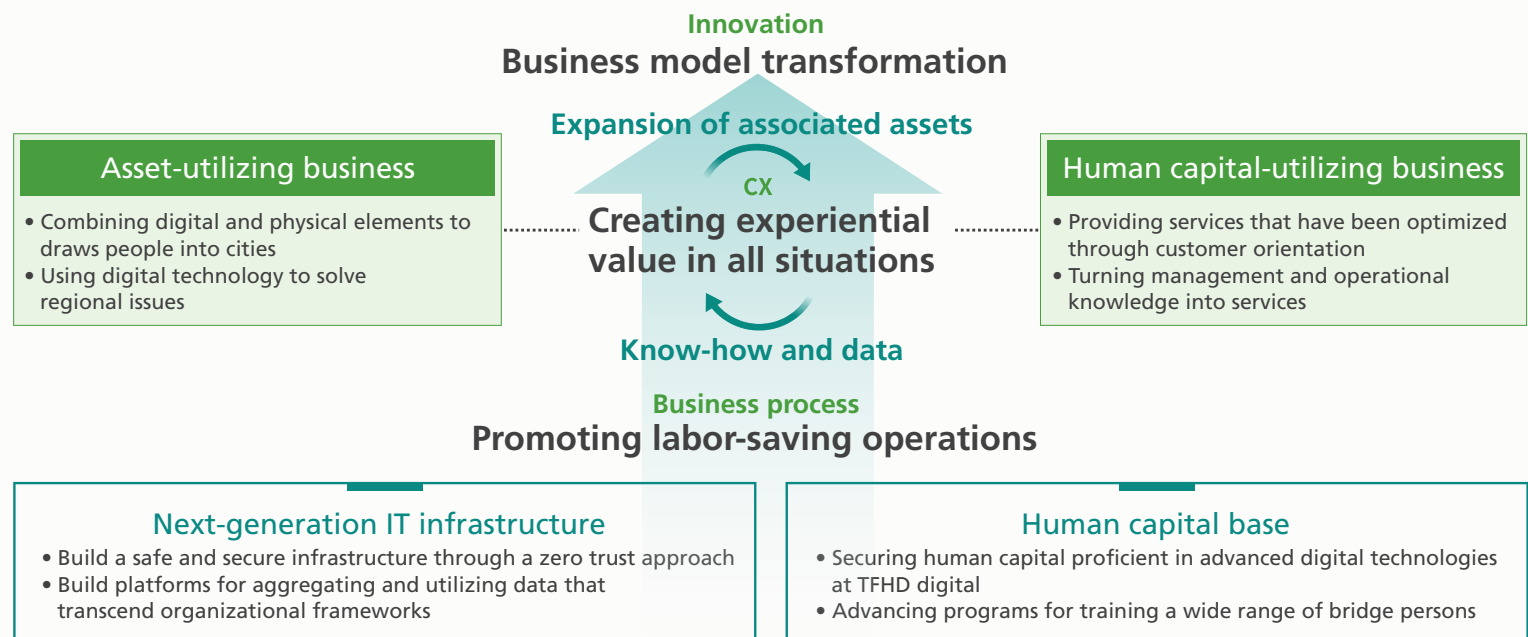
Also, to promote DX, it is essential to establish next-generation IT infrastructure and a human capital base. We are focusing on strengthening our information security environment and building platforms for utilizing data. In regard to human capital, we are systematically cultivating a pool of employees who can play a central role in advancing DX within the Group, who we are calling “bridge persons.” Going forward, we will enhance the competitiveness and profitability of our businesses and expand revenue opportunities so that we can achieve our medium-term management plan.



Group policy for DX in the medium-term management plan

Establishing a new revenue model by maximizing the values of assets and human capital

Digital Fusion—removing all boundaries with the power of DX



Creating value that contributes to new growth and greater competitiveness

By promoting the Group's policy on DX, we are aiming to establish new revenue models by leveraging various digital technologies to solve regional issues and enhance experience value for customers.



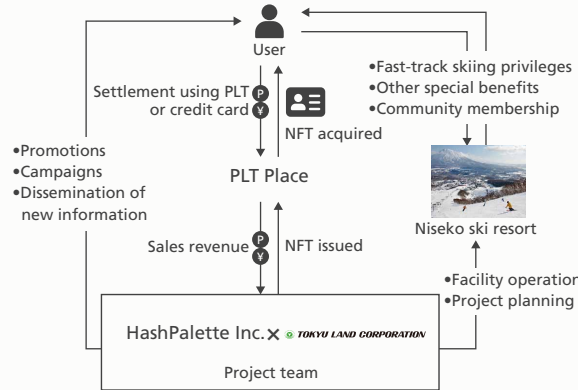
Using uniquely real-world experiences as a starting point for new value creation

Turning ski resort fast-track privileges into NFTs

At Niseko Tokyu Grand Hirafu, one of our ski resorts in Hokkaido, we are trialing the sale of fast-track privileges, which enable holders to be first on the powder snow in the morning, in an NFT*1 format. The scheme is cultivating new customers, generating PR effects, and creating connections with fans.



Project overview



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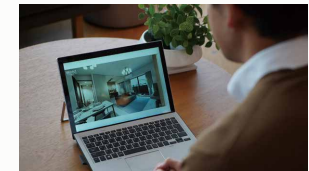
Our sale of NFTs is providing customers with new value through an experience that can only be gained at a certain time and place. Through this initiative, we have broadened the range of customers who use the resort, visualized our fanbase, and created a new source of revenue. Added advantages, such as compatibility with social media and access to a secondary market, also enhance the value of NFTs as products.

Creating impressive experiences by enhancing customer interactions using digital technology

Using digital twins in housing sales

We are using digital twins*3 to realize sophisticated recreations of properties on our websites. This enables users to view properties, such as houses, as if they are really there. In fiscal 2022, this technology was

incorporated into sales activities for BRANZ Mitaka, BRANZ Chiyoda-Fujimi, and BRANZ Jiyugaoka, and we plan to expand its usage to include other properties.



An interaction from the customer's perspective

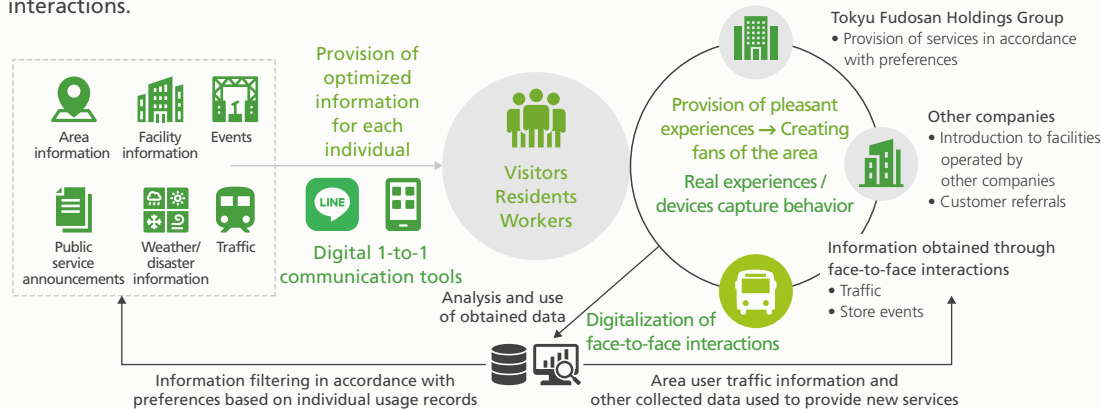
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This technology allows a wide range of simulations to be made in accordance with customer needs, enabling effective viewings while removing burdensome travel requirements. It also contributes to reducing the costs and environmental impact involved in operating show homes.

Using online connections to solve regional issues

Developing a digital area management tools service

We are using original NFC*2 tags in our regional area management activities to provide various digitalized services through face-to-face interactions.



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This enables events and other operations to be managed effectively while also obtaining information on the attributes and behavior of visitors. It also creates fans for the region by optimizing the provision of customized information to each visitor, creating lasting connections, and providing pleasant experiences.

Using AI to improve operational processes

Crack Scanner—An exterior wall crack detection tool

We have made the process of detecting cracks in exterior walls, which was previously a manual task, more efficient using AI-based image analysis. This technology has been patented as Crack Scanner.

Change in the detection method



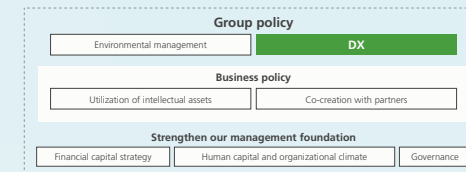
Manual measurements taken using a specialized ruler

Picture taken using a smart phone is then analyzed by AI

*1. Non-fungible token: A unique digital data asset that includes unforgeable certification of ownership and authenticity

*2. Near field communication: Wireless communication between two electronic devices over a short distance

*3. Digital twin: A virtual recreation of a real-world space that enables high-precision simulation



Creating “Bridge Persons” to Drive DX

The importance of DX talent

As the evolution of digital technology rapidly transforms both business and society, DX is gaining more and more attention in Japan. Within this environment, it is being said that a lot of Japanese companies are falling behind with their response.

According to the Ministry of Economy, Trade and Industry, one of the major reasons for this is a shortage of human resources who have the qualities and expertise needed to advance DX. In 2022, the Ministry formulated the Digital Skill Standards. Its intention is to show companies the role of human resources and the knowledge and skills they should acquire to advance DX inhouse, as well as to create practical learning opportunities for cultivating these personnel.

Developing DX talent within the Group

We have positioned “bridge persons,” who are employees with both an understanding of our existing businesses and knowledge of digital technology, as the key personnel for advancing DX within the Group. We are working to systematically develop these personnel by helping them learn the knowledge and skills they should have while also providing opportunities for gaining a variety of experiences. Also, as we engage in a broad and varied range of business areas, we are using development methods that take into account the characteristics of each business.

At Group companies that mainly engage in asset-utilizing businesses, we are holding workshops on envisioning what urban development will be like decades into the future, which includes using examples of advanced urban development from overseas and services developed from new concepts as references. We are exploring ways to develop

business in a way that avoids fixating too much on our current assets and uses digital technology to create added value.

On the other hand, at our Group companies that mainly engage in human capital-utilizing businesses, we are leveraging the Group’s distinctive characteristic of engaging in large numbers of customer interactions to create opportunities for employees to feel involved in customer-oriented business design. Also, as we anticipate that securing personnel will become increasingly difficult in the future, we are also implementing a program through which employees can learn skills for using AI to raise their productivity.

Other initiatives include an OJT program in which selected employees work with external instructors to explore projects that they could potentially advance within the Group, and seminars by specialists that provide broader learning through specific

examples of digital technology usage. In this way, we are enhancing efforts to both develop the bridge persons who will drive DX within the Group and to provide a foundation that supports their efforts with the aim of swiftly realizing advanced DX across the entire Group.

Going forward, we will continue to create new value by adapting to the evolution of digital technology and the changing needs of our customers through our DX talent.



A session of an intra-Group training program (course on data utilization)