

Our Sustainability Sustainable management

Message from the Sustainability Committee

As a comprehensive property consulting company that supports the enduring development of our clients' valuable assets and businesses, we are committed to realizing our management objective of "Contributing to the happiness of our clients through the succession, operation, and management of property" by providing environmentally friendly products and services to resolve property-related concerns, as well as our efforts to reduce environmental impact in response to climate change.

As an advocate of 100-year property consulting, AZN needs to build on the foundation of human resource development, the source of our consulting services, to ensure its own sustainable growth. Led by the Sustainability Committee, newly established in February 2022 to work in collaboration with the Board of Directors, we are committed to company-wide efforts to realize a more sustainable society. The Sustainability Committee manages and evaluates the progress of targets set by the

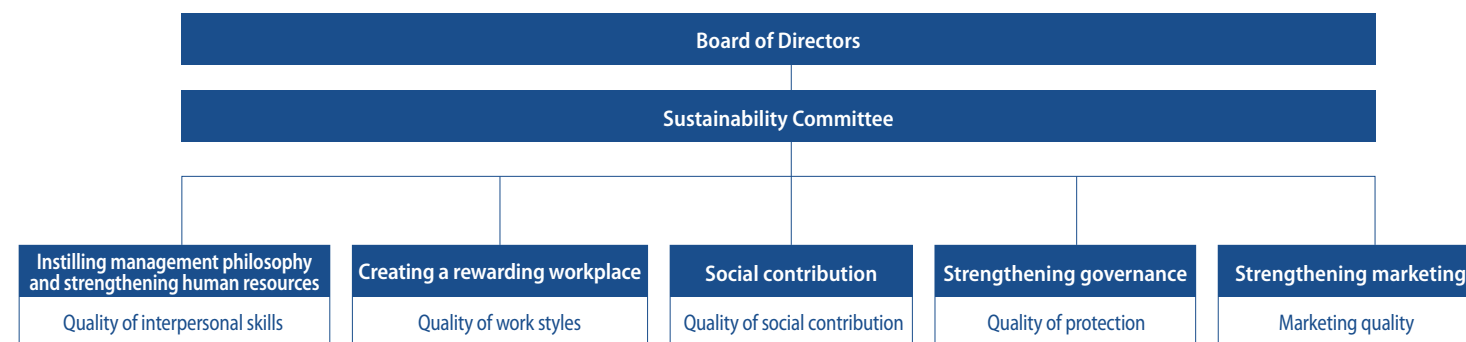
Board of Directors, while at the same time overseeing and monitoring sustainability policies, strategies, and actions. Its members are made up of the President and Managing Executive Officers of the Company.

The Sustainability Committee has established five segments including "Instilling Management Philosophy

and Strengthening Human Resources," "Creating A Rewarding Workplace," "Social Contribution," "Strengthening Governance," and "Strengthening Marketing," with multiple subcommittees established for each segment. Based on these themes, it recommends and promotes specific actions for improvement from

diverse perspectives. The members of each subcommittee are selected by the Executive Director from among personnel at related departments. Each subcommittee sets goals and plans for achieving these goals, and undertakes activities through a process of repeated discussion and verification.

● System for promoting sustainability







A process of identifying materiality

In 2020, the Group identified as high-priority issues both project-related materialities such as reducing the environmental impact of buildings, and business infrastructure-related materialities such as human resource development and corporate governance. In identifying materialities, we identify social issues likely to exert significant impact on our company and on society, based on the steps shown in the diagram at right.



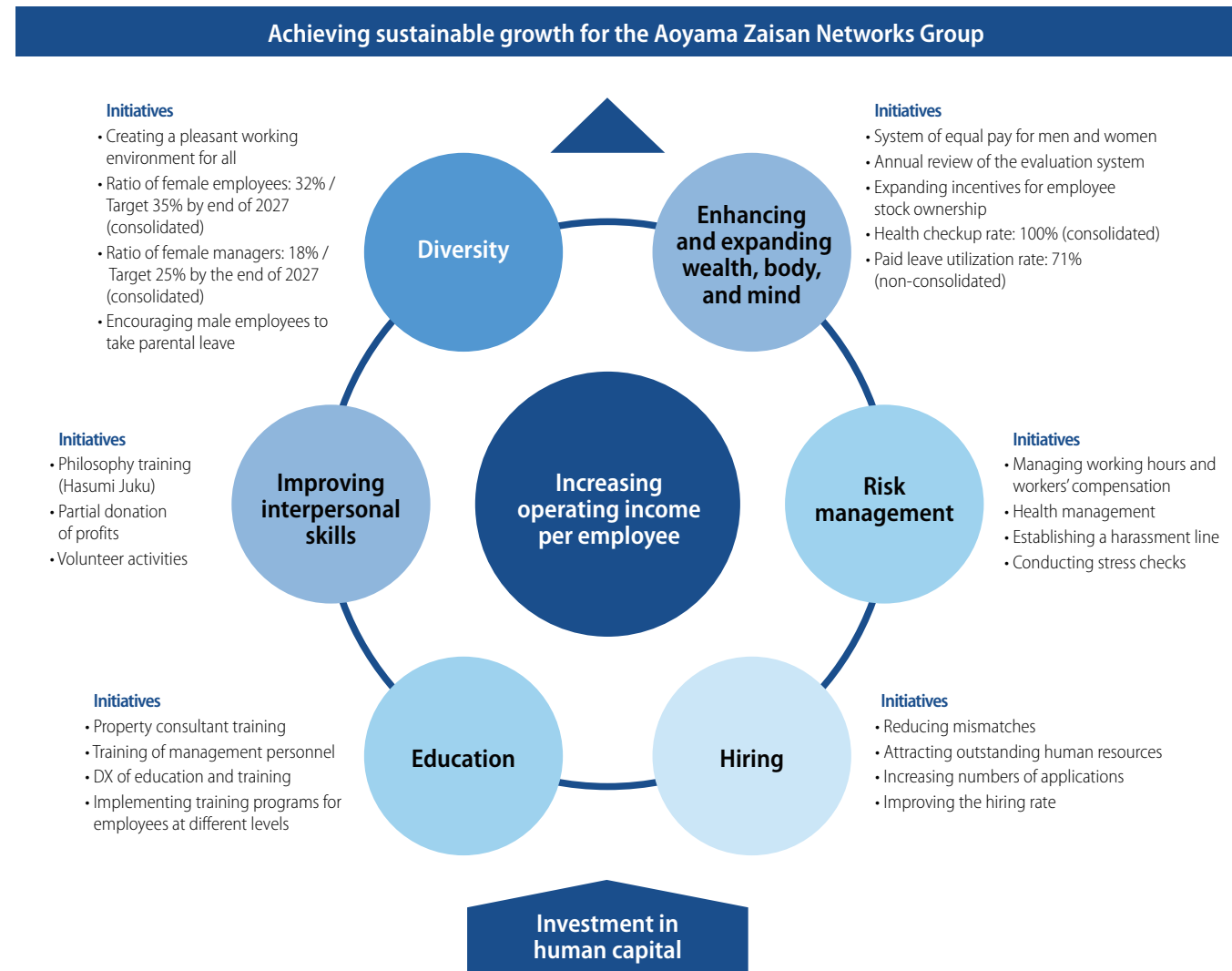
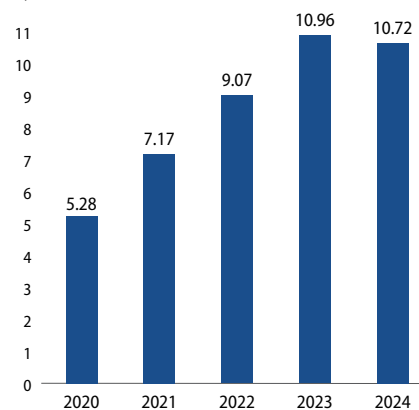
Three areas of materiality and initiatives of the Group

	2024–25 initiatives	Current initiatives	Future initiatives	Relevance to the SDGs
E Environmental Realizing a decarbonized, recycling-based society	<p>We recognize that addressing climate change is an important management issue that affects business continuity. In particular, we view CO₂ emissions from real estate-related business activities as a major risk impacting climate change. To this end, we prioritize environmentally friendly initiatives for their ability to contribute to enhancing asset value and resolving social issues.</p>	<ul style="list-style-type: none"> Promote use of 100% renewable energy at ADVANTAGE CLUB properties Endorsement and disclosure of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> Promoting water conservation and waste reduction in conjunction with Advantage Club tenants Promoting the use of environmentally friendly materials, paints, equipment, etc. by incorporating ESG perspectives into our analysis of current situations and recommendations for land use and construction support Promoting buildings and urban development that are considerate of water environment conservation Reducing waste and greenhouse gas emissions 	
S Social Realizing a society that supports (the success of) diverse talents	<p>In addition to reinforcing employees' own efforts to improve their interpersonal skills through social contribution, the Group is committed to promoting diversity and establishing a pleasant work environment for women and other diverse human resources, which is crucial to accepting the diverse values of customers and resolving property issues.</p>	<ul style="list-style-type: none"> Instilling our management philosophy through morning meetings and corporate philosophy training conducted by President Hasumi himself Promoting the use of parental leave Expanding the contract employee system (eliminating restrictions) to allow employees to continue working after the mandatory retirement age of 65 In addition to organizations that aim to eliminate pet euthanasia and support children's cafeterias, a portion of profits are donated as material support to organizations that support children from poorer households, including single-parent families. Support is also conducted by employees themselves through volunteer activities. Strengthening management training through the use of external educational institutions Implementing a health management declaration and 100% health checkup rate Implementing volunteer activities for clean-ups in the Minato City area Cultivating managerial personnel Sharing examples of employees adopting diverse work styles (promoting understanding) Setting up holiday pay in hourly units 	<ul style="list-style-type: none"> We continue to donate and provide supplies to organizations that aim to eliminate pet euthanasia, support children's cafeterias, and organizations that support children from poorer families, including single-parent households. We are also expanding our volunteer activities. Promoting advancement of women (increasing the percentage of female employees from approximately 30% to 35%, and the percentage of female managers from approximately 19% to 25%) Workplace culture reform focusing on employees' opinions through workplace surveys, etc. Further strengthening and promoting consultant training through collaboration with external educational institutions, DX, and CEC (Consulting Education Center) Further health management, including promoting opportunities to exercise and offering dietary guidance Ongoing career development support training (focused on women and younger employees) Establishment of benefits to support the workplace during leaves of absence and returns to work Further strengthening and promotion of anti-harassment measures Promoting employment of persons with disabilities 	
S Social Business activities with emphasis on partnerships	<p>We regard local communities as a foundation for the life of all people including our clients, their families, and the companies and employees they value, as well as a foundation for social and economic activities and for leading happy lives. To ensure that our customers can live happily and that the value of their assets in local communities continues to increase, we are committed to engaging with local communities.</p>	<ul style="list-style-type: none"> Contributing to social welfare through use of real estate for nursing care facilities such as hospices and group homes, facilities for the disabled, clinics, and other facilities of high public interest, as well as helping revitalize local communities through use of real estate by attracting commercial facilities, etc. Creating mechanisms to give back to society by supporting the establishment of foundations Contributing to urban development and regional job creation by collaborating with partners such as public organizations, financial institutions, and companies on regional development projects 		
G Governance Continuing improvement in governance	<p>The Group recognizes corporate governance as an important management mechanism to make transparent, fair, rapid, and decisive decisions. Director candidates are determined by the Nominating Committee, executive compensation is deliberated upon by the Compensation Council, and the effectiveness of the Board of Directors is evaluated. We have also established the Compliance Committee consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and external legal counsels (attorneys) as a structure to further compliance with laws and corporate ethics.</p>	<ul style="list-style-type: none"> Establishment of appropriate managerial structures for the Group by instituting a Nominating Committee to deliberate on director candidates, as well as succession planning, etc. Establishment of Compliance Committee to practice fair and honest management The Compensation Council operates to discuss matters related to the Company's basic policy on compensation, etc., received by the Company's directors. 		

Approach to human resources strategy and investment in human capital

In our Group, human assets, from which our consulting services stem, are an extremely important form of management capital. By improving the interpersonal skills of our employees and their capabilities to provide high-quality services, as well as increasing the diversity of our employees, we can respond to the diverse values and requests of our clients and offer further value-added property consulting services. Investing in human capital means investing in our business base and its foundation of sustainable management, which is essential for the Group's ongoing sustainable growth. We monitor operating profit per employee as an overall measure of return on investment in human capital. We seek to improve operating profit per employee by making progress in various measures related to human capital.

● Operating income (consolidated) per employee
(million yen)



Endorsement of TCFD

The Group has declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Group is engaged in business activities utilizing energies from land and other natural resources, and we recognize that addressing climate change is an important management challenge with a considerable impact on our business continuity. We prioritize environmentally friendly initiatives for their ability to contribute to enhancing asset value and resolving social issues, and we aim to meet the needs of both clients and tenants.



Governance

The Group's Board of Directors deliberates and decides on policies and important issues related to the overall issue of addressing climate change.

Strategy

We conduct analysis of risks and opportunities in the value chain in the real estate industry (small-lot real estate products), taking into account business characteristics and the surrounding environment, including political, economic, and social conditions, and we conduct scenario analysis of the impact of each risk on business.

Risk management

The Sustainability Committee oversees climate change risks and opportunities from a medium- to long-term perspective for the entire Group, and performs supervision and monitoring in cooperation with the Board of Directors, with the results reflected in management strategy.

Additionally, for high-priced real estate in urban areas handled through our real estate solutions services, we have established a Real Estate Project Advisory Council and a Compliance Committee to individually manage risks, including climate change risks and opportunities, for projects that meet certain conditions.

● Risk management system for TCFD

Risk management system	Targeted climate change risks	Summary
Sustainability Committee	Physical risks Transition risks	As well as aiming to build a foundation for sustainable growth, the Sustainability Committee performs oversight and monitoring functions for our sustainability policies, strategies, and measures, with the purpose of managing and evaluating the progress of goals resolved by the Board of Directors.
Real Estate Project Advisory Council	Physical risks Transition risks	Deliberates on the selection of properties eligible for purchase and the method and terms of sale of real estate for sale held by AZN or real estate investment funds formed by AZN. In this context, it also discusses climate change risks related to the asset quality of real estate (yield, management, exit strategies, etc.).
Compliance Committee	Transition risks (regulatory)	Consists of the President, Managing Director, the General Manager of each executive officer's business division, and an attorney who serves as an external legal expert. With the aim of practicing fair and honest management that is compliant with the law, this entity recognizes management risks, prepares draft countermeasures, and deliberates and reports on measures to prevent recurrence of such risks.

Indicators and targets

The total CO₂ emissions of our Group have been increasing due to the expansion of our business and increases in the number of employees. However, by introducing energy-saving equipment and changing power contracts to a carbon-free plan, we have been reducing CO₂ emissions per square meter (CO₂ emission intensity).

Our CO₂ emission reduction targets for 2030 and 2050 are currently under consideration. We will continue to address climate change risks by extending and expanding measures to curb emissions through ongoing TCFD disclosures.

