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TOKYU FUDOSAN HOLDINGS GROUP

Recovery Support Project

Great East Japan Earthquake



For smiling faces all over Japan

Management Structure



To continue to be a corporate group trusted by society, the Tokyu Fudosan Holdings Group has been increasing the transparency and efficiency of Group management, while enhancing its corporate governance and compliance.

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Anti-Corruption

Policy

The Tokyu Fudosan Holdings Group recognizes that corruption and bribery are serious risks that could considerably damage the trust and credibility of a company. We are committed to maintaining sound relationships with stakeholders and will never engage in business entertainment or gift-giving that elicits suspicion or mistrust from society. Specifically, we will thoroughly implement the following.

- (1) We will never engage or be complicit in any and all forms of bribery, including money laundering, embezzlement, or obstruction of justice, etc.
- (2) In fully understanding laws and regulations about relationships with public offices and other similar persons in Japan or other countries, we will never engage in business entertainment or gift-giving that elicits suspicion or mistrust from society and we will never provide monetary or other benefits to gain illicit profits.
- (3) We will not provide or receive business entertainment or gifts from business partners or other parties that deviates from sound business practices or social norms.
- (4) We will not use our position or authority to demand personal benefits from our business partners or other parties.

In addition, a code of conduct is stipulated in the code of ethics for executive officers approved by the Board of Directors Meeting to counteract all corruption activities including bribery.

Tokyu Fudosan Holdings

Management Structure

Whistleblower System

The Group has established the Compliance Helpline, as an outlet for all employees to report any violation of laws, company rules, and the Code of Conduct directly to the General Manager of the Group General Administration Department or an outside lawyer. The Tokyu Fudosan Holdings Group Compliance Manual defines the Group's conduct based on five themes: 1) Compliance with Laws and Regulations and Fair Trading; 2) Ensuring Customer-oriented Awareness; 3) Suitable Execution of Duties; 4) Proper Management of Information; and 5) Ensuring Good Faith in Business Conduct. Particularly, number 5, which reads ensuring good faith in business conduct, further defines specific behavior guidelines, including 1) reasonable business entertaining and gift-giving, 2) prevention of corruption and bribery, 3) entertaining and gift-giving involving politicians and civil servants, and 4) code of behavior for deemed civil servants, in order to counteract all forms of corruption and not just bribery. More details about the Compliance Helpline can be found in the Tokyu Fudosan Holdings Group Compliance Manual.

Thorough dissemination of information to employees

The Tokyu Fudosan Holdings Group Compliance Manual defines the Group's code of conduct based on five themes: 1) Compliance with Laws and Regulations and Fair Trading; 2) Ensuring Customer-oriented Awareness; 3) Suitable Execution of Duties; 4) Proper Management of Information, and 5) Ensuring Good Faith in Business Conduct. More specifically, theme 5. Ensuring Good Faith in Business Conduct has further defined behavior guidelines, including 1) reasonable business entertaining and gift-giving, 2) prevention of corruption and bribery, 3) entertaining and gift-giving involving politicians and civil servants, 4) code of behavior for deemed civil servants, in order to counteract all forms of corruption and not just bribery. Employees can review this code of conduct on the Intranet at anytime.

Every year, e-learning on compliance is conducted targeting all employees. The learning program features questions related to laws and code of conduct, as well as refreshes employees' understanding of the Tokyu Fudosan Holdings Group Compliance Manual and Whistleblower System. Questions on elements of anti-corruption, including bribery, are posed to promote well-spread recognition and understanding, as well as to encourage active communication between all employees.

Tokyu Fudosan Holdings

Implementation of employee training

The Group conducts various compliance seminars targeting all employees on a regular basis. In May 2016, an outside lawyer was invited to give a lecture on Prevention of Accounting Fraud and Compliance. In this seminar, the lecturer also defined demands for personal interest using one's position, and receipt of entertainment and gifts.

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Risk Management

Policy

The Tokyu Fudosan Holdings Group has established the Basic Regulations on Risk Management as well as basic matters related to the development and operation of its risk management system.

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Management Structure

Risk Management System

Article 4 of the Basic Regulations on Risk Management stipulates that the chief officer for risk management is the President & Representative Director. Also, Tokyu Fudosan Holdings has adopted the Statutory Auditor System, under which each Audit & Supervisory Board Member attends Board of Directors' meetings and other important company meetings to receive reports on the business of the company from board members. Audit & Supervisory Board Members view settlement documents and conduct audits on the business execution of the company and its subsidiaries through reports from and interviews with the Accounting Auditor, Internal Audit Department and subsidiaries. Information is gathered pertinently based on field audits carried out primarily by the Full-time Statutory Auditors, which enables the formation of a fair audit opinion and effective oversight of the execution of board member duties as an independent body entrusted by shareholders utilizing the mobility and flexibility of the Statutory Auditor System.

Tokyu Fudosan Holdings comprehensively oversees the risk management practices of each operating company of the Tokyu Fudosan Group. Toward this end, we established the Risk Management Committee, which is chaired by the President & Representative Director of Tokyu Fudosan Holdings and co-chaired by the director responsible with Tokyu Fudosan Holdings, and whose members include Managing Officers of Tokyu Fudosan Holdings as well as the General Manager of the Group Internal Audit Department and the General Manager of the Group General Administration Department. The Risk Management Committee fulfills the following roles and reports to the Board of Directors. Moreover, a management system (PCDA cycle) has been put in place at Group companies to understand, evaluate and analyze risk related to business operations as well as draft, implement, inspect and improve the improvement plan.

- (1) Determines the Group's risk management system and the Group's risk management action plan
- (2) Implements preventive measures against important incidents*¹ and shares information concerning risks that should be managed across the entire Group
- (3) Performs monitoring on material risks and the system for making improvements of each company/each unit*²
- (4) Carries out effective evaluations and improvements (as needed) pertaining to the Group's risk management system
- (5) Fosters risk awareness across the entire Group and provides support to activities that raise this awareness (as needed)

*1 Incident: An incident, accident or disaster that has happened or could happen

*2 Each company/each unit: Tokyu Fudosan Holdings Corporation, each unit of Tokyu Land Corporation (urban development, residential, wellness), plus other businesses (overseas business, Tokyu Homes Corporation, Ishikatsu Exterior Inc.), Tokyu Community Corporation, Tokyu Livable Inc., Tokyu Hands Inc., and Tokyu Housing Lease Corporation.

Risk Management by Means of Compliance-oriented Management

The Tokyu Fudosan Holdings Group has set the establishment of a risk management system by means of compliance-oriented management as one of the management's primary responsibilities. The Tokyu Fudosan Holdings Group strongly recognizes that fulfilling this responsibility forms the base of the Group's management and cultivates its officers and employees, not only to comply with the laws and regulations required for our group in its corporate activities, but also to make decisions and actions in accordance with the Code of Conduct.

Tokyu Fudosan Holdings has established the Tokyu Fudosan Holdings Group Code of Conduct to serve as a standard of conduct. It comprises the Code of Conduct, Supplementary Commentary and Specific Standards of Behavior, which are revised as needed. We hold compliance training sessions and seminars on a regular basis for all officers and employees to educate them regarding the Code of Conduct, related laws and regulations, and company regulations.

Tokyu Fudosan Holdings

Reserve Fund for Legal Violations and Litigation

At the end of every fiscal year, Tokyu Fudosan Holdings estimates the amounts of penalties or legal settlements that are likely to occur in the future due to events from the current and previous fiscal years (if the loss of a court case is expected) and sets aside a reserve fund. We determine whether to disclose this amount or not (including in notes to financial statements) on a case by case basis in light of the materiality of the amount on the consolidated balance sheet. Over the previous three years, there have been no disclosures with regards to legal settlements or other matters. Future plans for disclosure are as follows.

- Disclosures as of December 31, 2016: None
- Disclosures until December 31, 2020: None planned

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Information Security

Policy

The Tokyu Fudosan Holdings Group formulated the “Information Management Provisions” to ensure the appropriate treatment of information in its business operations. Based on the provisions, the company is fostering information sharing to increase business efficiency, preventing the leakage of secrets, and disclosing information in an appropriate manner. As for electronic information, the company has set the rules to be obeyed by directors and employees based on the “basic policy on information security”, including the rules on the monitoring of employees’ access to information by information managers and on the use of computer terminals.

Tokyu Fudosan Holdings

Management Structure, Practice and Implementation

Protection of personal information

Each Group company develops policies, regulations, and manuals concerning the protection of personal information to ensure compliance with the related laws and regulations. Training is also conducted with employees to increase their awareness of handling personal information. Moreover, when outsourcing the handling of personal information, outsourcing partners are selected with due care and their treatment of information is monitored appropriately to ensure information security.

Tokyu Community Corporation, and Tokyu Livable, Inc., have obtained approval to use the Privacy Mark, which provides a proof that these companies are safely managing and appropriately protecting personal information.

Tokyu Fudosan Holdings, TOKYU COMMUNITY CORP., TOKYU LIVABLE, INC.