


A Commitment from Top Management



With our strengths of wide-ranging business development and long-term, continuous contact with customers, we propose lifestyles that are always a half-step ahead of the times. We are working to become a corporate group that continues to create value.

President and Representative Director
Tokyu Fudosan Holdings Corporation

Yuji Okuma



Entering the Second Half of the Medium and Long-Term Management Plan (Stage 2)

We have reached the halfway mark of Value Frontier 2020: Becoming a Corporate Group that Continues to Create Value, our seven-year medium and long-term management plan.

I would like to begin by reviewing the first half of the medium and long-term management plan (stage 1). In fiscal 2016, operating profit was ¥73.2 billion (¥61.4 billion in fiscal 2013) and the D/E ratio was 2.6 (2.7 in fiscal 2013), reaching the targets set in the 2014–2016 Medium-Term Management Plan. I am proud to note that in the past three years, we have achieved steady profit growth and reinforcement of financial foundations. In March 2016, we opened the Tokyu Plaza Ginza, a large-scale commercial facility that will serve as the Tokyu Group's eastern base in Ginza, Japan's preeminent commercial district. We will assimilate with local communities and practice urban development that is supported by communities, the strong points of the Group, and continue our efforts to integrate with the Ginza district to inject new energy into the area.

Fiscal 2017 marks the first year of the second half of the medium and long-term management plan (stage 2). When we formulated a new Medium-term management plan amidst major changes in our business environment, society, and the economic environment, we began by identifying long-term social issues that are important to the Group (materialities). We further identified the intensification of global inter-city competition, rising inbound demand, expansion of stock-related and senior-related markets, and other factors as environmental changes worthy of particular attention. It was with this awareness that we formulated the 2017–2020 Medium-Term Management Plan and set our targets for fiscal 2020: operating profit of ¥93.0 billion, net profit* of ¥42.0 billion, a D/E ratio of 2.3, and an EBITDA ratio of approximately 10. When the medium and long-term management plan was established in 2014, the operating profit target for fiscal 2020 was set at ¥100 billion. However, due to changes in the schedule of large projects and other factors, we determined that stable growth over a longer period would contribute to increasing our corporate value, and as such, we adjusted our trajectory. At the same time, we set a new target for net profit and will strive to respond to the expectations of shareholders even more than in the past by practicing management with an awareness of shareholder returns.

* With regard to this and subsequent references, net income has been reclassified as profit attributable to owners of parent as of fiscal 2015.



Creating Value by Using the Group's Diversity and Uniqueness

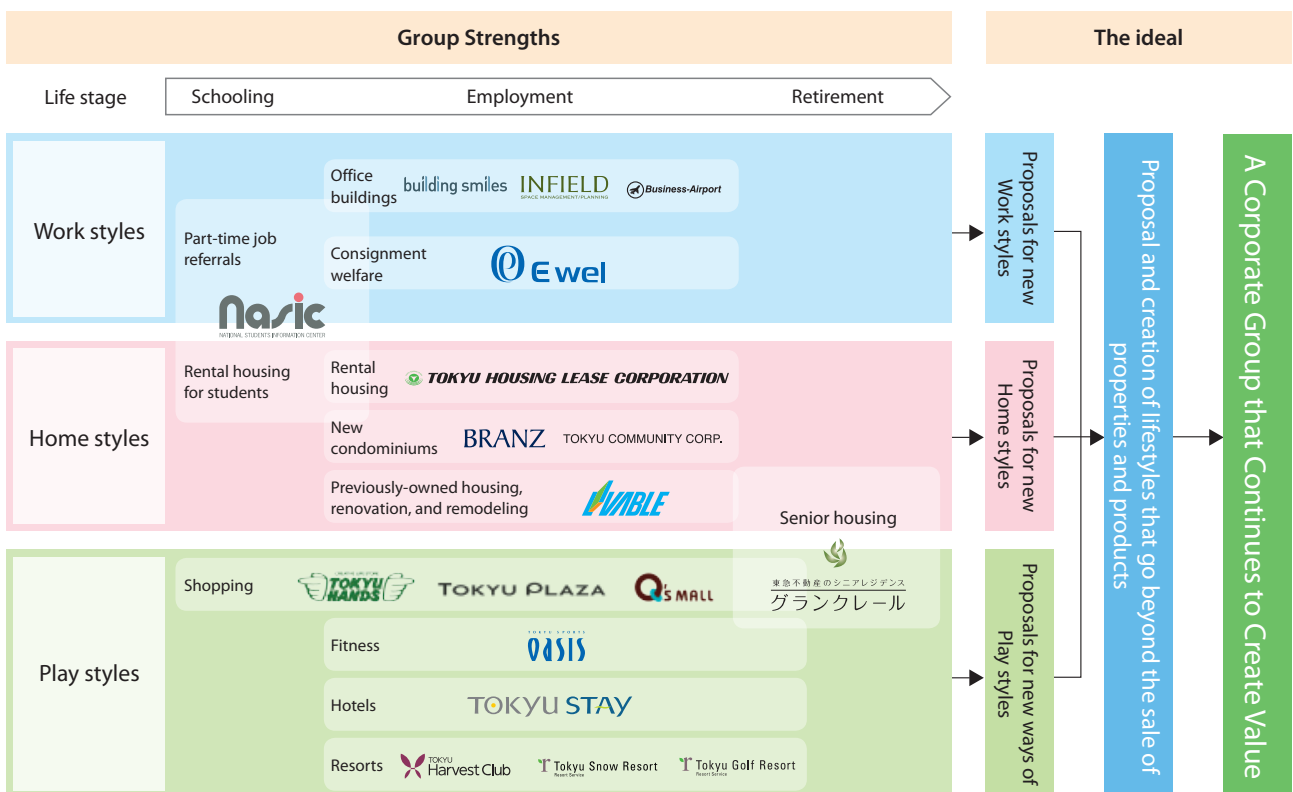
We engaged in repeated internal discussions when formulating the Medium-Term Management Plan regarding our image of the Group in the future and a concrete image of the Group's essential nature. We have set "becoming a corporate group that continues to create value" as the ideal that we will pursue for the group. It is the role of managers to draw an ideal image of such creation of value and put it into practice.

I believe that the ability of the Group as a whole to provide products and services tailored to customers' life stages by using wide-ranging business development and long-term, continuous contact with customers is a strength of the Group not found in other companies. By combining our highly varied products and services and providing value that integrates the physical and non-physical, proposal and creation of lifestyles that go beyond the sale of properties and products. This is the creation of value that manifests the essential nature of the Group through its diversity and uniqueness.

Condominiums, senior housing, and student residences will become starting points that propose new Home styles. Office buildings centered on leasing and property management will propose

new Work styles. Commercial facilities, resort facilities, hotels, and other assets where operating capabilities express true value will propose new Play styles. There is an abundance of opportunities for us to build long-term relationships with local communities and customers as we provide products and services for all lifestyle stages from attending school to employment and into retirement. We will work to make maximum use of those opportunities and solve social issues through our business activities including long-term and continuous urban development and responding to the shift to a stock-based society while sustainably increasing corporate value.

During the second half (stage 2) of the plan, we will continue to pursue the two fundamental policies of the Value Frontier 2020 plan—expansion of associated assets and creation of new demand— while looking ahead to the next stage starting in fiscal 2021 and taking measures to establish new profit foundations for the future and generate stable cash flows. In concrete terms, we will use the combined strength of the entire Group to present the creation of new value to society while carrying out our three growth strategies.



Concepts Applied to the Three Growth Strategies

Urban Development That Proposes Lifestyles

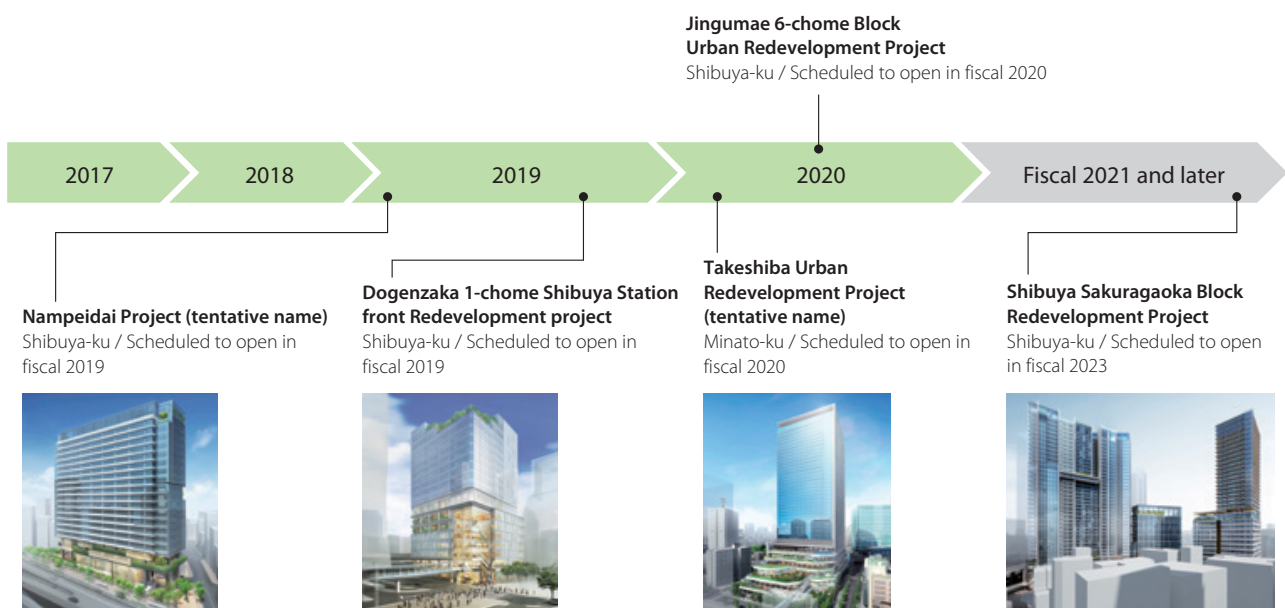
The first growth strategy is urban development that proposes lifestyles. As mentioned above, one way of creating value that is unique to the Group is proposing new styles of living, new styles of working, and new ways of spending time for all lifestyle stages while creating long-term relationships with local communities. We will use this strength to propose lifestyles that are always one half-step ahead of the times while engaging in unprecedented urban development.

One of the pillars of this strategy is the concept of the greater Shibuya area. Our home territory of Shibuya is a dynamic area that links several districts with unique characteristics including Aoyama, Omotesando, Harajuku, Ebisu, and Daikanyama. It offers diverse urban development functions including employment, residence, leisure, academia, relaxation, and creativity. We have designated the entire area around Shibuya Station as the greater Shibuya area and positioned it as a key base for the Group. Under the greater Shibuya area concept, we will propose urban development unique to the Group covering development of individual projects to area management and property management and operation in this area, which contains a high concentration of the Group's key properties.

In this way we will increase the value of associated assets. I believe that making the transition from sites to areas and undertaking long-term, continuous, and expansive urban development will require not just asset holdings, but also enhancement and differentiation in non-physical realms that make use of our knowledge of the particulars of those assets including property management and operation.

As a part of redevelopment of the Shibuya Station area, we are working to make Entertainment City Shibuya a reality as a member of the Tokyu Group. By doing this, we can further enhance the potential of Shibuya including the concentration of IT firms, abundance of residential properties, generation of commerce, culture, and trends, and ease of access.

The other pillar is urban development that promotes interaction among generations and lifestyle continuity from one generation to the next. Through the Setagaya Nakamachi Project, under which a new community will open in September 2017, the Tokaichiba Project, scheduled for completion in fiscal 2019, and other projects, the Group is developing complex condominium units and senior housing. These projects aim to present solutions for the issue of an aging population and childcare, which are important social issues in Japan.



We are responding to diverse residential styles and social needs for healthy living by conducting urban development that fosters links with local communities. This involves community management that supports the transition from condominiums to senior housing and establishing public community facilities and nursery schools. We hope to create urban lifestyles that promote interaction among generations and build communities where diverse life stories can grow.

Expanding the Scope of the Cyclical Reinvestment Business

The second growth strategy is expanding the scope of the cyclical reinvestment business. The Group has long worked with listed and private REITs to promote the cyclical reinvestment business, which seeks to expand our rental business portfolio through the cycle of development, ownership and operation, sale, and reinvestment, and we are working to establish a continuous business cycle.

In the past, the reinvestment cycle business focused on office buildings, commercial facilities, and rental housing. Under this growth strategy, the scope will be expanded to include infrastructure, industry, hotels and resorts, and student residences in order to

reinforce earnings capacity while expanding associated assets. Through these efforts, we plan to increase the Group's assets under management (AUM) to ¥1.3 trillion by fiscal 2020 (compared to ¥0.8 trillion in fiscal 2016).

In addition, continued economic growth is expected in the United States, and we will use our presence at 425 Park Avenue, a large-scale multipurpose building under development in New York City's Manhattan borough, to establish business foundations at an early stage and actively expand business.

Reinforcing Use of Stock

The third growth strategy is reinforcing our use of stock. New demand in the Japanese market is declining as the population shrinks and the shift from a flow-based society to a stock-based society is accelerating.

We will take the expanding stock-based market as an opportunity to achieve dramatic growth in the Property Management business, which already boasts an industry-leading number of units under management, and in the Real Estate Agents business, which has a nationwide network of real estate sales agents. Both are stock-utilization businesses that symbolize the Group's expansion, and we are aware that they are real estate businesses that will be necessary in the coming era.

The Group is involved in a diverse range of real estate not limited to just condominiums, office buildings, commercial facilities, and rental housing, but also including public housing, airports, and other public facilities.

Going forward, we will expand our management stock even further, as well as actively acquiring business opportunities derived from portfolio assets and customers while maximizing use of real estate transaction information in the Real Estate Agents business. We plan to repeatedly undertake these types of initiatives and expand our stock utilization business.



Exhibiting Group Strengths in Wide-Ranging Business Domains

Four Core Business Segments

Next, I will explain our business strategies for each segment. The Group is building a portfolio comprising seven business segments that enables the entire group to respond flexibly to social issues and changes in the business environment. Of these seven segments, the Urban Development, Residential, Property Management, and Real Estate Agents businesses are positioned as core businesses and the pillars of the Group's profits.

In the Urban Development business, we are actively working to create urban and area value and expand the scope of the cyclical reinvestment business with the aim of establishing a solid and unique business at the core of the Group. For large-scale projects such as the Shibuya redevelopment, a project to which I have a strong personal attachment, and the Hamamatsucho and Takeshiba Projects, we will maximize the potential of each area and conduct appealing and energetic urban development that exceeds expectations.

In the Residential business, we are expanding the scale of business in city centers, redevelopment, and complex development with the aim of establishing a unique presence that can make use of the total capabilities of the Group.

In the property management business, we seek to become the leading comprehensive property management company and we are expanding associated assets even further, reinforcing collaboration among Group companies, and working to acquire business opportunities derived from the Real Estate Agents business and from stock such as the remodeling business.

In the Real Estate Agents business, which is the industry leader in terms of number of transactions and transaction value, we are utilizing wide-ranging business domains to find optimal solu-

tions tailored to each customer's needs with the aim of becoming a real estate information multi-value creator that can add many types of value.

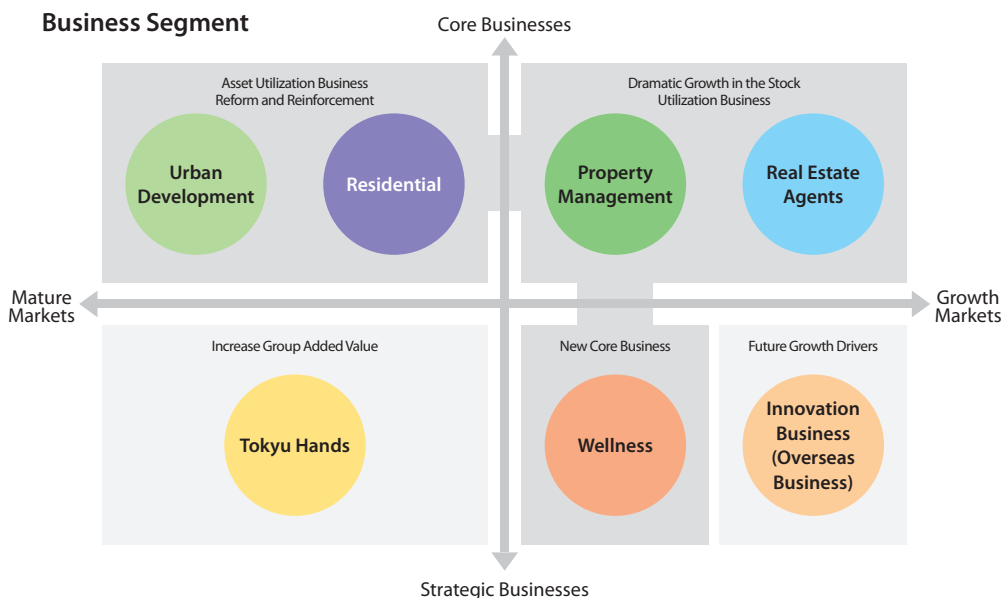
Wellness Business Seeks to Become Fifth Pillar

In the Wellness business, which provides enriching and fulfilling lives and experiences in the leisure, health, and senior fields, we are using development and management capabilities developed over many years as strengths to establish an industry-leading position in the area of wellness. The Group's Wellness business has a history of developing and operating various facilities and services that are ahead of their times and has become a unique and prominent presence in the real estate industry.

Under a favorable business environment supported by increasing inbound demand and a growing senior market, we will work to expand the scale of business while promoting cyclical reinvestment business in this field. We plan to establish the Wellness business as a fifth profit pillar (a new core business) for the Group by fiscal 2020.

The Tokyu Hands business, which enjoys overwhelming brand strength, is positioned as a business that contributes to increasing the Group's added value. We plan to strengthen the brand even further and transform profit structures with the aim of becoming the No. 1 lifestyle creation and proposal brand.

In the Innovation business, we will continue to reinforce overseas business with a focus on the United States and Indonesia so that the Group can exhibit its presence as a comprehensive developer. We believe that stable growth, particularly in the United States, will be an opportunity for substantial growth for the Group. Our policy is to reinforce this business from the perspective of asset allocation.



Strengthening Our Financial Base for Future Growth

Next, I will explain our financial strategy. First is our investment plan. Gross investment during the four years of the second half of the plan period (stage 2) will be ¥1.23 trillion.

In the Urban Development business, in addition to investment in existing major projects such as the Shibuya redevelopment, we expect to invest in new areas including office buildings, commercial facilities, infrastructure, and industry. These investments, along with investment in non-current assets and inventory assets, are expected to total ¥780 billion. In the Wellness business, which is expected to grow into a new core business, we plan to invest ¥135 billion in hotels, senior housing, and other areas. We also plan to invest in the residential business including condominiums and rental housing for investors as well as overseas business with a focus on the United States and Indonesia.

The gross investment amount will be ¥1.23 trillion, but returns are expected from the cyclical reinvestment business, so net investment

is expected to be approximately ¥370 billion. This is premised on the balance of interest-bearing debt at the end of fiscal 2020 standing at ¥1.26 trillion and a D/E ratio of approximately 2.3.

I am aware that reinforcing our financial base is a key management issue for achieving stable growth in the future and making timely and appropriate investments in a dynamic manner.

The D/E ratio, an indicator of financial health, improved to 2.6 in fiscal 2016 (from 2.7 in fiscal 2013) as a result of the addition of equity capital. We aim to further improve the ratio to approximately 2.3 in fiscal 2020 by increasing equity by means such as accumulating yearly profits.

At the same time, we are very much aware of the need to increase our capacity to generate cash flows in preparation for operation of large-scale projects in the future, and we have set a new EBITDA ratio target of approximately 10 for fiscal 2020.

Building Long-Term Ties and Mutual Trust with Shareholders and Investors

The Tokyu Fudosan Holdings Group will continue to actively foster long-term close-knit ties with its shareholders and investors.

As a part of efforts to provide returns to our shareholders, we will ensure the stable payment of cash dividends and have set a dividend payment ratio target of at least 25%.

In fiscal 2016, the annual dividend was ¥13 per share, and it was the fourth consecutive year in which the dividend was increased. In fiscal 2017, we plan to pay a dividend of ¥14.5 per share. We will seek to increase dividends through continuous growth in profits with an awareness of net profit, for which a new target was recently set.

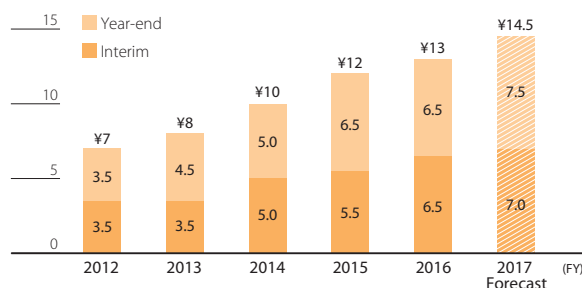
Tokyu Fudosan Holdings also places considerable emphasis on upgrading and expanding its shareholders' incentive programs. With the aim of attracting long-term investment, we provide a wide range of Tokyu Hands products as well as vouchers for many of the Group's facilities for the benefit of shareholders.

Six briefing sessions for individual investors were held in fiscal 2016. The briefings are intended to provide individual investors with a deeper understanding of the Group's management strategies and business activities.

We also introduced a new stock-based remuneration program for officers. The objective is to raise awareness regarding increasing

corporate value over the medium to long term by having officers share the benefits and risks of fluctuations in share prices with shareholders. We will meet shareholders' expectations by conducting management integrated with their interests.

Trends in Cash Dividends per Share



Data prior to the fiscal 2013 interim dividend reflects dividends paid by Tokyu Land Corporation.

ESG Management Leads to Sustainable Growth

In order to achieve sustainable growth and increase corporate value over the long term, we have positioned ESG (environment, society, governance) as a key management issue and practice ESG management in accordance with the Group CSR vision of raising the level of satisfaction among stakeholders by finding solutions to social issues through our business activities.

As discussed above, when we formulated our Medium-Term Management Plan, the Group worked with outside experts in various fields to identify the Group's key materialities (social issues). Based on the results, we established four themes—corporate governance, workstyle reforms, social needs, and the environment—from an ESG perspective and set key performance indicators (KPI) for fiscal 2020 for each theme. Going forward, we will conduct management using these KPI.

In the area of corporate governance, which enhances the fairness and transparency of management, starting in fiscal 2016, we adopted

a system of three independent outside directors, established a Nomination and Compensation Advisory Committee, introduced a stock-based remuneration program for officers, conducted evaluations of the effectiveness of the Board of Directors, and made other steady improvements.

Based on the belief that there is no organizational energy that can surpass meaningful work by each employee, we are undertaking workstyle reforms throughout the group from the perspectives of diversity, work-life balance, and healthy management.

In the future, I will continue to carry out ESG management as the Group's leader and strive to gain the confidence of all stakeholders including investors by externally disclosing fair and transparent information.

Leading Reforms by Using Our DNA as a Challenger

It is extremely difficult to accurately ascertain the business environment in 2020, when the Tokyo Olympic Games will be held, and later, but I believe that the Group's mission will not undergo significant changes.

As a corporate group that continues to create value, we will propose and create lifestyles that go beyond the sale of properties and products. We will propose new styles of living, new styles of working, and new ways of spending time and become a presence that is chosen in all lifestyle scenarios. This is the ideal that we are pursuing and is the significance of the Group's existence to society.

To remain needed by customers and society, establishing solid management foundations as well as the DNA of a challenger that flexibly and boldly responds to change will be essential. We will exhibit the challenger DNA that we have developed over many years and lead management reforms with an eye towards an uncertain future.

As we work towards achieving these goals, I request your continued support and understanding.



Yuji Okuma
President and Representative Director