

# Materiality Identification Process

When it formulated the medium-term management plan, the Tokyu Fudosan Holdings Group identified key social issues that will be important to the Group over the long term, and then determined materialities based partly on the input of experts who are highly knowledgeable about the low birthrate and aging society, living and lifestyles, the environment, work styles and ESG investment. We strive to create solutions for social issues through our businesses in order to realize a sustainable society and enhance the Group's value.

## Identification Process

### Step 1 Determination and Organization of Social Issues

When identifying key issues, the Group ascertained social issues while making reference to the Group's management plans, the GRI Guidelines, ISO 26000, the Sustainable Development Goals, issues recognized by the Japanese government and economic organizations, and other information, and generated a long list comprising 470 items.

### Step 2 Integration and Consolidation of Issues

We integrated and consolidated the 470 social issues by organizing similar items and taking into account relevancy to the Group. Based on the results, we tentatively evaluated importance based on relevancy to the Group's value creation process and stakeholder expectations and demands and selected 31 materialities.

### Step 3 Interviews of Management Staff and Experts

We conducted interviews of management staff and experts with high levels of knowledge in specialized fields. We also gathered opinions regarding the importance of social issues from within the Group and society.

Management	Comment
President and Representative Director <b>Yuji Okuma</b>	<ul style="list-style-type: none"> <li>Sound and sustainable management requires an emphasis on the opinions of independent outside directors, arrangement of issues, and investigation of the details of measures.</li> <li>In order to enhance our competitiveness even further, we need to emphasize items that will make use of the Group's diversity and differentiate the Group from other companies.</li> </ul>
Director, Operating Officer <b>Hironori Nishikawa</b> Responsible for general administration divisions	<ul style="list-style-type: none"> <li>In a society with an aging population and advances in the Internet of things (IoT), business will be born from services that combine various issues and can be provided in an integrated manner.</li> <li>When engaging in the resort business, it is necessary to take measures to mitigate environmental impact from business activities with regard to the issue of climate change.</li> </ul>
Specialized Field Experts	Comment
<b>Low Birthrate and Aging Society</b> <b>Tomoo Matsuda</b> Research Director and Chief Producer Platinum Society Center, Mitsubishi Research Institute, Inc.	<ul style="list-style-type: none"> <li>It is important to create business from means of preventing the elderly from needing nursing care (such as sports, diet, and lifelong learning)—in other words, the perspective of preventing rather than addressing issues.</li> <li>In an aging society, there is potential for the Internet of things (IoT) including the use of big data relating to health to play extremely important roles and become a new growth business.</li> </ul>
<b>Living and Lifestyles</b> Research institution (anonymous)	<ul style="list-style-type: none"> <li>It is important to consider what type of space people will come to in order to spend their time.</li> <li>Businesses need to realize that minority groups are becoming the majority (e.g., unmarried persons, double-income no-kids households, at-home workers)</li> </ul>
<b>Environment</b> <b>Shiro Wakui</b> Professor, Department of Environmental and Information Studies, Tokyo City University	<ul style="list-style-type: none"> <li>Platform-like spaces and services that can change flexibly according to the diversity of individual consumers will be expected in the future.</li> <li>The key is how to create value with environmental measures.</li> </ul>
<b>Work Styles</b> <b>Keiko Tsuchiya</b> General Manager, Personnel Division and Director, Adecco Ltd.	<ul style="list-style-type: none"> <li>With regard to changes in work styles, emphasis will be placed on flexible working styles not limited to a single site, such as work from anywhere (a work style whereby employees can work not just at a single office, but also at home, satellite offices, and other locations).</li> <li>As society becomes increasingly diverse, there will be calls for this to be reflected in buildings and the environment.</li> </ul>
<b>ESG Investment</b> <b>Masaru Arai</b> Chairman, Japan Sustainable Investment Forum (JSIF)	<ul style="list-style-type: none"> <li>What is currently being emphasized with regard to ESG investment is governance. Whether boards of directors are functioning properly is being called into question.</li> <li>Policies, plans, and structures must be formulated, PDCA implemented, and the information disclosed.</li> </ul>

Note: Titles are as of June 2016 when the interviews were conducted.

### Step 4 Identification of Materialities

Based on the interview results, we verified the appropriateness of the importance of each issue that should be prioritized by the Group. The evaluation results were plotted and organized as a materiality map and categorized into seven groups. The materialities were reported to the Board of Directors by the CSR Promotion Committee and identification was finalized.



# Medium-Term Management Plan Based on Materialities

In fiscal 2017, the Tokyu Fudosan Holdings Group launched the 2017-2020 Medium-Term Management Plan as stage 2 of its Value Frontier 2020 medium- and long-term management plan. When formulating this plan, we developed strategies based on the materialities that were verified and identified as the issues on which the Group should place priority.

## Materialities of the Tokyu Fudosan Holdings Group

Materialities	Opportunities	Risks	Related SDGs
<b>Economic, political, and regulatory changes</b> Issues of social security by the Japanese government, privatization, uncertainty in the global economy, and other factors will have major impacts on business opportunities and capital procurement.	<ul style="list-style-type: none"> <li>Capturing new business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Risk of long-term interest rate increases</li> </ul>	
<b>Diversification and globalization of lifestyles</b> As an urban development enterprise, diversification in life and work styles, increasing importance of multifaceted responses to consumer needs, invigoration of local communities, and other changes will have major impacts on business opportunities.	<ul style="list-style-type: none"> <li>Inbound demand</li> <li>Expanded opportunities for overseas business</li> </ul>	<ul style="list-style-type: none"> <li>Decline in total domestic demand (diversification of demand)</li> </ul>	
<b>Safety and security in local communities and urban areas</b> As a real estate developer, the increase and aging of existing stock and rising need to respond to disasters will have a major impact on business opportunities.	<ul style="list-style-type: none"> <li>Expansion of markets related to existing stock</li> <li>Accelerated privatization of public asset processing and operation</li> </ul>	<ul style="list-style-type: none"> <li>Issue of vacant homes</li> <li>Deterioration of existing stock</li> </ul>	
<b>Progression of a low birthrate and aging society</b> As a Group that develops business in residences and senior housing, the low birth rate, aging population, and declining population in Japan will have a major impact on business opportunities.	<ul style="list-style-type: none"> <li>Increasing demand related to senior citizens</li> </ul>	<ul style="list-style-type: none"> <li>Falling demand in conjunction with the decline of the working age population</li> </ul>	
<b>IoT &amp; Innovation</b> As a company that provides both products and services, advances in IoT technology will have a major impact on innovation and changes in business models.	<ul style="list-style-type: none"> <li>Business innovation</li> </ul>	<ul style="list-style-type: none"> <li>Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control</li> </ul>	
<b>More stringent social demands</b> Diverse demands from consumers, corporate governance, and various other factors will have a major impact on management systems.	<ul style="list-style-type: none"> <li>Increase in non-financial value</li> </ul>	<ul style="list-style-type: none"> <li>Increasingly stringent responses to various types of risk</li> </ul>	
<b>Changes in the natural environment</b> As a company that performs urban development, changes in infrastructure development and investor interests in conjunction with intensifying climate change will have a major impact on business opportunities and continuity.	<ul style="list-style-type: none"> <li>Expansion of environmental markets</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of climate change risks</li> </ul>	



### STAGE 2: 2017–2020 Medium-Term Management Plan

Three Growth Strategies

Urban development that proposes new lifestyles

Under the Greater Shibuya Area Concept, the Group is making use of local characteristics that integrate numerous functions relating to work, residences, and spending time and the strengths resulting from concentration on major projects to undertake development and participation ranging from individual sites to entire communities. We are also conducting urban development that promotes interaction among generations. Through collaboration within the Group, we provide services that integrate tangible and intangible elements and are directly operated by the Group to respond to diverse customer needs in a super-aged society.

Expansion of the scope of cyclical reinvestment business

We are expanding cyclical reinvestment targets from office buildings, commercial facilities, and rental housing to new types of assets including infrastructure, hotels, and student residences, reinforcing earnings capacity. We will increase assets under management (AUM) as associated assets in the Group's asset investment business from ¥0.8 trillion in fiscal 2016 to ¥1.3 trillion in fiscal 2020.

Reinforcing stock utilization

In response to the environmental shift from a flow-based society to a stock-based society, we are reinforcing stock utilization business with a focus on the Property Management business and the Real Estate Agents business, based on customer contact points. We will raise profits by maximizing utilization of management stock, real estate information in the Real Estate Agents business, and other assets, taking advantage of business opportunities, and conducting business that does not involve investment.

Reinforcing the Management Foundations That Support the Growth Strategies

- Strengthening measures to generate synergy effects among businesses
- Optimizing Group management assets and ESG management

We will maximize use of the Group's business foundations (stock, customer information, and human resources), acquire derivative business opportunities, and create added value.

In addition, to achieve sustainable growth and increase corporate value over the long term, we are optimizing Group management assets and undertaking ESG management.

Targets (Fiscal 2020)

Operating profit	¥93 billion	CO <sub>2</sub> emissions	25% reduction compared to fiscal 2005
Profit attributable to owners of parent	¥42 billion	Percentage of female hires	At least 30%
Debt/Equity ratio (times)	Approximately 2.3	Buildings* certified under the Barrier Free Act	100%
Debt/EBITDA ratio (times)	Approximately 10	Number of outside directors	At least 1/3 (approximately 33%)

\*Tokyu Land Corporation new large office buildings and commercial facilities