

# Work Style Reforms

In order to achieve sustainable growth, we believe that meaningfulness of work strengthens organizational capabilities. We are therefore reforming work styles with the aim of creating a vibrant workplace where all employees can take full advantage of their abilities.

## Basic Approach

The Tokyu Fudosan Holdings Group believes that creating workplaces where each employee can work to the best of his or her abilities with enthusiasm and in good health is crucial for sustainable corporate development. To this end, the Group is proactively undertaking work style reforms with the five priority themes of diversity and inclusion, work-life balance, engagement, human resource development, and health management. Our aim is to create a group of companies that facilitates work and makes it meaningful.

### Management Structure

- Established the Sustainability Committee under the direct authority of the President and Representative Director to manage various work style reform programs on a Group-wide basis.
- Numerical targets are set and progress in achieving KPIs is monitored for key issues.
- Information relating to occupational health and safety is shared through the Group Labor Liaison Committee.
- Annual stress checks are conducted.
- Physical examinations are performed.

**Division with Authority and Responsibility**  
Group Human Resources Department

## Initiatives and Progress by Theme

### Diversity and Inclusion Initiatives

The ability of the Group as a whole to provide products and services that match customers' life stages through a wide array of businesses and diverse points of contact with customers is a strength of the Group. To accelerate the proposal of new home, work and play styles, we also recognize the importance of using the diversity of our human resources and its acceptance (inclusion) to enable each and every employee to work to the best of his or her abilities.

We established the Diversity Council in fiscal 2015 to promote information sharing and diversity across the Group. Regarding the active involvement of women, Tokyu Land Corporation, Tokyu Community Corporation, Tokyu Livable, Inc., Tokyu Hands Inc. and Tokyu Lease Corporation have set the shared goal for new graduate female hires of at least 30% of total new graduate hires, and we are working to achieve this and other KPIs. Furthermore, to promote the progress of female employees, including female managers, we monitor the progress at each Group company and are moving forward with the introduction of an interview system and a mentoring program for people who are taking childcare leave. As a result of these efforts, the Group has been selected as a constituent of the MSCI Japan Empowering Women Index. In addition, Tokyu Community Corporation and Tokyu Livable, Inc. received the highest of the three levels of *Eruboshi* certification, which is granted by the Minister of Health, Labour and Welfare to companies making excellent efforts to promote the active involvement of female employees based on the Act on the Promotion of Women's Participation and Advancement in the Workplace.

MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN)



Livable Kids Room in-company daycare center

In employing people with disabilities, we disclose employment rates from the viewpoint of compliance-based management and promotion of diversity, and use labor audits to check the progress of each operating company toward the statutory employment rate. In addition, for managers at Group companies we conduct training on employment of people with disabilities and are promoting working environments that enable their active participation.

### Value Creation and Work-Life Balance Initiatives

The Group's reason for existence is to propose new home and work styles. The ability of our employees to choose different work styles and achieve work-life balance supports our ability to create new value.

In order to make full use of each individual's ability to generate value, we need to establish working environments and systems that facilitate work and make it meaningful. Tokyu Land Corporation, Tokyu Community Corporation, Tokyu Livable, Inc. and Tokyu Housing Lease Corporation have introduced a telework system that uses IT to enable flexible work styles regardless of location or time. In fiscal 2017, these companies participated in a national campaign called Telework Day that was



Working Mothers information exchange meeting for employees taking childcare leave

promoted by organizations including the Ministry of Internal Affairs and Communications. Their employees worked at home, at shared satellite offices and elsewhere. Response was favorable, including comments such as "I lessened my fatigue by not having to ride a crowded train," and "I was able to focus on tasks that are often time-consuming, such as reading difficult materials." We are also promoting trial use of the satellite office "Business Airport" developed by Tokyu Land Corporation, and are accelerating teleworking.

Working hours are a related KPI. We monitor and confirm progress at each Group company with labor audits, and the information is shared with the Group Labor Liaison Committee. We also report on overtime to management and are implementing measures to reduce overtime, such as shutting down PCs.

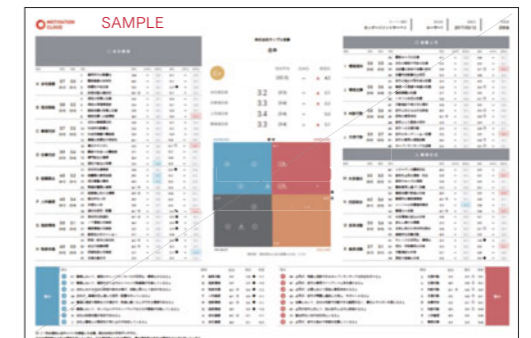
### Initiatives to Increase Employee Engagement

In order to increase our organization's ability to execute and make that ability a source of growth and a competitive advantage, it is important to create a highly productive organization in which all employees take full advantage of their respective strengths with shared purpose. The Group is focusing on improving employee engagement because without such efforts it cannot create such an organization.

Conventionally, it has been difficult to quantitatively measure organizational state and organizational activities. However, in February 2018, Tokyu Land Corporation introduced an employee survey (an engagement survey) as a first attempt. By visualizing the

state of employee engagement (degree of mutual understanding and mutual affinity between company and employee), we aim to continue the PDCA cycle for organizational improvement with the goal of creating an organization and workplaces that make employees feel the meaning of what they do. Based on the 900-employee survey, we are particularly focused on improving penetration of our corporate philosophy at workplaces. We plan to use workshops for the executive managers of all departments to create a narrative about Tokyu Land Corporation's reason for existence and its mission, and to implement measures to inculcate our corporate philosophy in frontline employees in each workplace.

Meanwhile, Tokyu Livable, Inc. was ranked 24th in the Large Enterprise Division (more than 1,000 employees) in Best Workplaces 2018. It has set Company-wide goals and aims to be the real estate transaction industry's No. 1 company to work for through efforts to improve the measures formulated by each department to make work more meaningful, as well as to improve the personnel systems and policies that support them.



Engagement survey and PDCA cycle

### Specific Initiatives to Increase Employee Engagement

We have reformed our organizational culture and changed our targets to improve organizational capabilities and encourage employees to take on challenges. Going forward, it will be important to further increase employee engagement in order to create an organization that can flexibly address change and encourage employees to take on challenges more readily. To that end, it is indispensable for both a company and its employees to understand and trust each other, and to unite across departments.

The engagement survey conducted in fiscal 2017 enabled us to visualize our strengths and weaknesses, and deepened discussions with management concerning company ideals. Going forward, general managers who are key to companies and organizations will work on improving employee engagement by formulating and implementing action plans in their respective departments.



**Akiko Enokido**  
Executive Manager  
Human Resources Department  
Tokyu Land Corporation

### Human Resource Development Initiatives

In order to generate innovation that enables diverse lifestyle value creation, the Group actively promotes the development of each and every employee's capabilities.

For growth through open innovation, we are strengthening collaboration with innovative entrepreneurial startups in Japan and overseas and developing human resources capable of responding flexibly while incorporating different ideas.

In addition, we provide various training opportunities, including human resource development programs that enable employees to acquire skills directly applicable to business, as well as Group-wide new employee training and coaching to cultivate broad perspectives. We also have a wide range of programs such as selective level-based training and elective training so that employees can develop their careers and acquire comprehensive business skills. In addition, we energetically engage in personnel exchanges along with joint training to provide an understanding of personnel-related information, and to share that information across the Group as a whole.



Joint training for Group employees

### Health Management Initiatives

The mental and physical health and vitality of our employees are the foundation of sustainable growth for the Group, and extending healthy life expectancy meets the demands of society. Based on this mindset, the Tokyu Fudosan Holdings Group engages in "health management," which views employee health maintenance and promotion from a management perspective.

Since the physical and mental health of each employee is essential for creating a vital workplace, we have set KPI targets for the percentage of employees who undergo stress tests and percentage of employees who undergo physical examinations. With regard to these two parameters, we use shared Group infrastructure, monitor the progress of the examinations with labor audits, and share information at the Group Labor Liaison Committee. Tokyu Land Corporation and Tokyu Livable, Inc. make further use of stress test results by conducting organizational analysis and holding reporting meetings.

In addition, we hold a Group-wide long-distance running event to promote health. Tokyu Land Corporation has introduced Ewel, Inc.'s KENPOS health support program, which promotes daily health with a dedicated app. In recognition of these initiatives, eight Group companies were selected in 2018 as "White 500" companies for their outstanding health and productivity management by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



Group long-distance running event

## Social Needs

The Group sees the social issues that various stakeholders must resolve as social needs, such as neighborhood safety and security, lifestyle diversification, and the aging of society, and is working to resolve these issues through its businesses.

### Basic Approach

The Tokyu Fudosan Holdings Group believes that creating products and services that can resolve social issues and making them widely available will lead to the development of an enriched society and sustainable companies. We strive to understand social issues and needs and work in collaboration with all stakeholders toward the creation of a sustainable and prosperous society through our business activities.

#### Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president. The committee conducts Group-wide management and promotes individual projects to resolve social issues and create value through business in areas such as urban revitalization, reducing environmental impact, and creating barrier-free buildings.
- Targets for KPIs are set in related departments in each company and progress is monitored using a PDCA cycle.

#### Division with Responsibility and Authority

Related departments in each company

### Initiatives and Progress by Theme

#### Pursuit of Safety and Security

The Tokyu Fudosan Holdings Group creates important value by providing safety and security in homes, work and play.

In its redevelopment projects in the Shibuya Station area, the Group is actively involved in area management, including the reinforcement of urban disaster prevention functions. We are developing temporary lodging within our facilities for people who may have difficulty returning to their homes, as well as temporary living spaces and disaster stockpile warehouses. In these ways, we are working to maintain safe and secure neighborhoods even in the event of disasters.

To prepare for all eventualities, all facilities are being equipped with cogeneration systems and emergency generators as highly independent power supplies. The Group is also working to secure temporary lodging facilities in all new Tokyu Land Corporation large-scale office buildings and commercial facilities.

Furthermore, Tokyu Community Corporation has been recognized for its initiatives for business continuity in the event of a disaster. In 2018 it acquired the Certificate of Resilience from the Association for Resilience Japan as an organization that contributes to national resilience.

As a comprehensive real estate management company that manages condominium units, office buildings, commercial facilities and other properties, Tokyu Community Corporation considers business continuity in the event of a disaster to be an important issue. The company therefore implements various measures such as formulation of policies related to business continuity and stipulation of



management procedures during disasters in order to promptly respond and to restore condominiums and buildings, which are valuable customer assets. The entire Group will continue to enhance the provision of safe and secure services for customers.

#### Contributions to Local Communities

The Group works to promote the sustainability of local communities, which it positions as an important issue for the sustainable development of companies. We conduct various initiatives with goals that include raising the value of areas and creating economic effects. We are also working to revitalize communities through our business in collaboration with stakeholders such as design companies, construction companies, and customers who use them.

At our four Q's Mall shopping centers in the Kansai area, we contribute to the community through activities to return card points to the local community. The Q's Mall Smile Project, initiated in 2013, is a system that allows customers to donate from 1 point (equivalent to ¥1), and in March 2018, we donated rucksack reflectors to new first grade students at local elementary schools.

In addition, the Midori wo Tsunagu Project, in which the Group and its customers work together to protect forests, has preserved about 1,300 hectares of forest land to date. Utilizing thinned timber and other materials produced in this process for businesses such as commercial facilities and housing adds a recycling loop to the relationship between our customers and the local community.

### Aiming to Realize a Society with Long and Healthy Lives

In 2004, the Group began promoting the senior housing business in order to meet needs for high-quality senior living as Japan becomes a super-aged society. Currently, we operate 16 facilities with 1,332 living units, providing nursing care services 24 hours a day, 365 days a year. In order to continue offering high-quality nursing care services, we aim to increase the ratio of staff with caregiver or other professional qualifications to 80% or more by 2020. In addition, we are introducing a training program developed in cooperation with Juntendo University to extend the length of healthy everyday life (healthy life expectancy). We will continue to work on health maintenance and long-term preventative care from the perspectives of both physical environments and services with the goal of realizing a society with long and healthy lives.



**Toshio Matsuda**  
Executive Manager  
Management Department,  
Management Division  
Tokyu E-Life Design Inc.

### Creating New Demand through Open Innovation

We have been holding venture pitch events since 2016 with the aim of bringing new value to society using open innovation to carry out co-creation. In 2017, we started Knowledge Next, an educational event on innovation. A total of about 500 Group employees have participated in this event, which has been held four times to date. High satisfaction among participants was reflected in comments such as, "I learned new ideas for innovating" and "It was energetic and very stimulating." The event has also created business synergy, as products and services of the entrepreneurial startups that make presentations are implemented at properties we develop. By evoking the "Challenging DNA" that gave birth to our business and cultivating an entrepreneurial spirit, we aim to be a corporate Group that continues to create value.



**Yuki Otsuka**  
Group Corporate  
Strategy Department,  
Corporate Strategy Group  
Tokyu Fudosan Holdings Corporation

# Environment

In order to realize a sustainable society and business operations, based on our Environmental Vision we have determined five environmental issues, including climate change and biodiversity conservation, as key themes, and are implementing ongoing initiatives to address them through our business activities.

## Basic Approach

The Tokyu Fudosan Holdings Group understands that five environmental issues – climate change, biodiversity conservation, pollution and resources, water use, and supply chains – can have a major impact on business activities. The Group takes active measures to address each of these environmental issues in the development and operation of business sites and office buildings, commercial facilities, resort facilities and other properties that it owns. We believe that a business that excels in environmental initiatives will enhance competitiveness and create new business opportunities. The Group cooperates with various stakeholders including design companies, construction companies, and customers to carry out ongoing measures.



### Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president. The committee conducts Group-wide management for each of the environmental issues.
- Targets are set for CO<sub>2</sub> emissions, waste generation, and water use, and progress of KPIs is monitored

### Division with Authority and Responsibility

Sustainability Promotion Group, Group Planning Policy Department  
Related departments in each company

### Environmental Vision (Basic Policy developed in 1998, revised in 2015)

- **Environmental Philosophy**  
We will create value to connect cities and nature, and people with the future
- **Environmental Policy**  
We will make efforts to harmonize the environment and the economy through business activities
- **Environmental Action**  
We will tackle five environmental issues from three viewpoints.

#### Three viewpoints

- Publicize a goal and implement action.
- Endeavor to implement progressive activities.
- Conduct community-based activities in collaboration with local people.

#### Five environmental issues

- Climate change
- Biodiversity conservation
- Pollution and resources
- Water use
- Supply chains

## Initiatives and Progress by Theme

### Initiatives to Reduce CO<sub>2</sub> Emissions

Recognizing that climate change is an important environmental issue that substantially affects its business activities, the Group is working to reduce the impact of those activities on climate change by promoting efficient use of energy at its own offices as well as at its office buildings, commercial facilities, resort facilities and other properties. At the Shin-Meguro Tokyu Building developed by Tokyu Land Corporation, BEMS monitors installed on each floor allow tenants to see the amount of energy used, and we have reduced the energy consumed by the entire building through natural ventilation equipment, automatic dimmers and other measures. We aim to achieve Group-wide reductions in CO<sub>2</sub> emissions per unit of

floor area of 25% by fiscal 2020 and 30% by fiscal 2030, compared with fiscal 2005. To help realize a low-carbon society, we are conducting initiatives in cooperation with a variety of stakeholders, including design companies, construction companies and the customers who use our properties.

### Biodiversity Initiatives

By proactively adding greenery to its condominiums, office buildings, commercial facilities and other buildings to link them to surrounding greenery, the Group is working to form ecological networks that take biodiversity into consideration. When developing large-scale properties with a substantial local impact, we conduct surveys of

surrounding ecosystems during planning. We preserve biodiversity in the area by planting greenery that considers the birds and insects that will inhabit it to form a network with neighboring flora. Kiriko Terrace on the roof of the commercial facility Tokyu Plaza Ginza features large-scale green walls with biodiversity in mind. At the office building Hibiya Parkfront, we have realized a comfortable office environment where people can work in close touch with nature, with a rooftop garden that creates an uninterrupted stretch of greenery that includes the Imperial Palace grounds and Hibiya Park.



Sky Garden, Hibiya Parkfront Kiriko Terrace on the rooftop of Tokyu Plaza Ginza

## DBJ Green Building Certification

Tokyu Land Corporation develops real estate with due consideration for the environment and society.

In recognition of our best-in-class initiatives, 20 properties we have developed have received DBJ Green Building Certification from the Development Bank of Japan.

### 5 stars (2 Properties)



**Takeshiba District Development Project (Tentative name)**  
Location: Minato-ku, Tokyo  
Completion: May 2020 (Planned) (Artist's rendering)



**Amagasaki Q's MALL**  
Location: Amagasaki-shi, Hyogo Prefecture  
Completion: October 2009

### 4 stars (8 Properties)



**Jimbocho North Tokyu Building**  
Location: Chiyoda-ku, Tokyo  
Completion: July 2019 (Planned) (Artist's rendering)



**Shin-Aoyama Tokyu Building**  
Location: Minato-ku, Tokyo  
Completion: January 2015



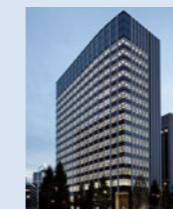
**Shin-Meguro Tokyu Building**  
Location: Shinagawa-ku, Tokyo  
Completion: December 2012



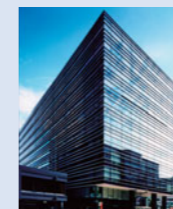
**Spline Aoyama Tokyu Building**  
Location: Minato-ku, Tokyo  
Completion: June 2012



**Tokyu Plaza Omotesando Harajuku**  
Location: Shibuya-ku, Tokyo  
Completion: April 2012



**Kasumigaseki Tokyu Building**  
Location: Chiyoda-ku, Tokyo  
Completion: November 2010



**Nihombashi Front**  
Location: Chuo-ku, Tokyo  
Completion: June 2008



**Nihombashi Maruzen Tokyu Building**  
Location: Chuo-ku, Tokyo  
Completion: November 2006

### 3 stars (10 Properties)



**Minamiyama Tokyu Building**  
Location: Minato-ku, Tokyo  
Completion: June 2008



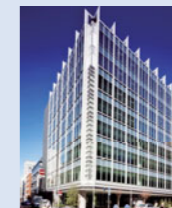
**Shimbashi Tokyu Building**  
Location: Minato-ku, Tokyo  
Completion: April 2008



**Uchisaiwaicho Tokyu Building**  
Location: Chiyoda-ku, Tokyo  
Completion: July 2006



**Shibuya Minami Tokyu Building**  
Location: Shibuya-ku, Tokyo  
Completion: January 2005



**Nihombashi Honcho Tokyu Building**  
Location: Chuo-ku, Tokyo  
Completion: October 2004



**Ichigaya Tokyu Building**  
Location: Chiyoda-ku, Tokyo  
Completion: October 2004



**Hamamatsucho Square**  
Location: Minato-ku, Tokyo  
Completion: September 2004



**Ebisu Business Tower**  
Location: Shibuya-ku, Tokyo  
Completion: November 2003



**Ebisu Prime Square Tower**  
Location: Shibuya-ku, Tokyo  
Completion: January 1997



**Tokyu Plaza Akasaka**  
Location: Chiyoda-ku, Tokyo  
Completion: September 1969

### Hibiya Parkfront: Designed to Fuse Work with Greenery

Hibiya Parkfront takes advantage of its prime location adjacent to Hibiya Park. Conceptualized as an office in a park, it features interior and exterior greenery intended to create indoor space with park-like comfort. Many Japanese companies are working on reforming work styles, so we hope to contribute as a developer by creating environments that facilitate the work of office workers. Therefore, we initiated the Green Work Style Project, aiming to relieve stress, improve productivity and revitalize communication using the power of plants to counter the various issues that arise from work. Drawing on extensive research, we effectively incorporate greenery and promote efforts to revitalize workplaces while considering the conservation of local ecosystems.



**Shiho Nakagami**

Senior Manager  
Office Building Development Department  
Urban Development Division  
Urban Business Unit  
Tokyu Land Corporation

# Corporate Governance

The Tokyu Fudosan Holdings Group places the utmost emphasis on ensuring thorough risk management and strict compliance. Not only does the Group strive earnestly to enhance the transparency and accountability of its management, but it also endeavors to strengthen corporate governance in a bid to ensure bold and timely decisions.

## Message from the Chairman of the Board of Directors

In response to changes in the external environment, we are taking initiatives to accelerate the responsiveness of management while ensuring fairness and transparency. These initiatives include improving the operation of Board of Directors meetings based on the results of evaluation of its effectiveness, and appointing independent outside directors with diverse experience and insight. We will continue to focus on enhancing our governance system and solving social issues in order to achieve long-term sustainable growth.

### Kiyoshi Kanazashi

Chairman and Representative Director,  
Chairman of the Board of Directors  
Tokyu Fudosan Holdings Corporation

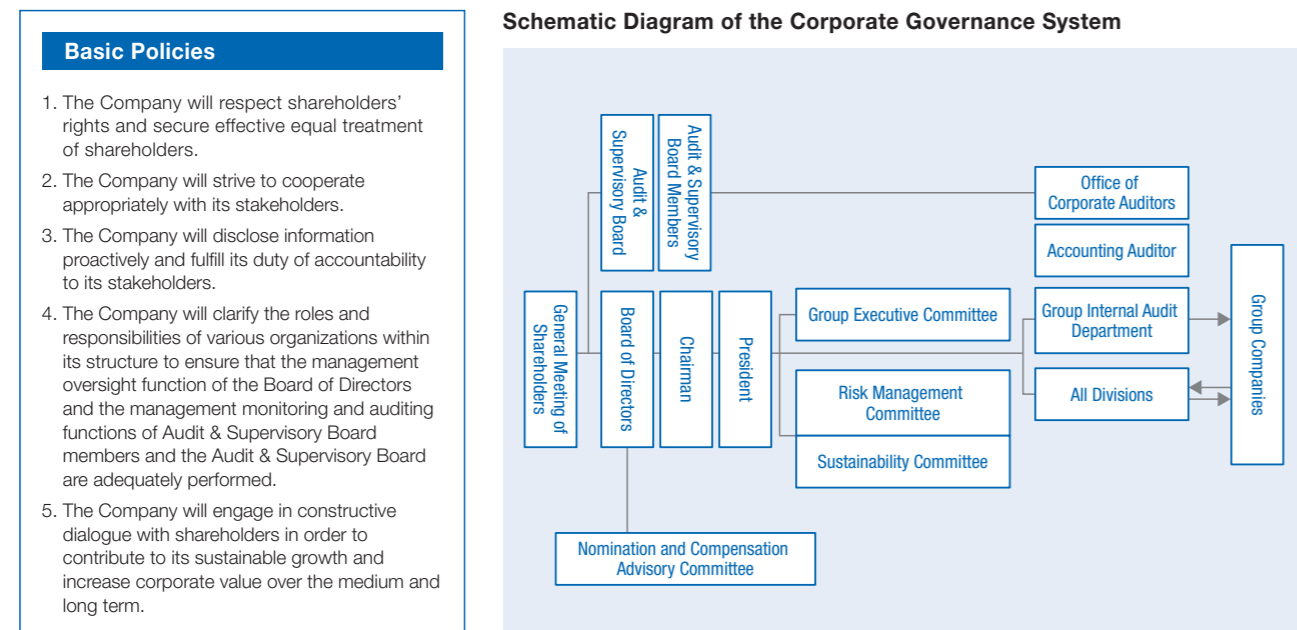


## Corporate Governance System

### Basic Stance on Corporate Governance

Taking into consideration people's needs and lifestyles, the Group is a comprehensive lifestyle company that creates beautiful living environments together with its customers under the slogan of "Toward a Beautiful Age." As a member of the Tokyu Group, the Tokyu Fudosan Holdings Group is committed to enhancing the value of the Tokyu brand, which has come to be associated with "comfort and reliability." It will continue to faithfully pursue a stable growth path

and respond to the drastically changing operating environment. At the same time, the Group strives to improve corporate value by making "Challenge" the key word in its management strategy, constantly taking on the challenges of new businesses and tackling new issues. As such, the Group sees improving management efficiency and building a healthy and transparent management structure as important issues, and is putting its best efforts into the area of corporate governance.



## The Tokyu Fudosan Holdings Group's Initiatives for Enhancement of Corporate Governance

### Nomination and Compensation Advisory Committee Established

The Nomination and Compensation Advisory Committee, chaired by an independent outside director, was established as an advisory body to the Board of Directors to enhance the objectivity and transparency of procedures for matters related to the nomination of candidates for director and for matters related to compensation.

### Evaluating the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is evaluated annually. Evaluations and opinions of its effectiveness according to each director and Audit & Supervisory Board member are reported to and shared with the Board of Directors, and issues for reassessment are identified to raise effectiveness even further. Going forward, these issues will be addressed and the status of improvements will be continuously verified through annual assessments.

As one example, changes were made to the method and timing for provision of information to directors and Audit & Supervisory Board members. In the evaluation the following year, the assessment of the Board of Directors had improved as a result. The Company will

continue to use this evaluation to improve the effectiveness of the Board of Directors.

### Introduction of Stock-Based Compensation

The Company seeks to create a compensation system that will raise awareness of contributing to corporate value by enhancing financial results over the medium to long term. A stock-based compensation program was introduced in fiscal 2017 in order to clarify the link between share prices and the compensation of directors and others and to create a common interest with shareholders regarding the gains and risks from fluctuations in share prices.

### Diversity of the Board of Directors

The Company believes that having a Board of Directors with a good balance of diverse knowledge, experience and abilities is key to increasing its effectiveness. The Company has appointed a total of four independent outside directors who have extensive knowledge in such diverse fields as corporate management, finance and accounting, law and government. One of the directors is a woman, and the Company will continue its efforts to secure the diversity of the Board of Directors.

## Board of Directors

The Board of Directors functions as a supreme decision-making body second to the General Meeting of Shareholders, and makes decisions on important issues related to business operations. The Board of Directors develops internal rules such as the Board of Directors Regulations and the Duty Authority Regulations in addition to the matters stipulated in laws and regulations and the Articles of Incorporation. Based on these rules, the Board of Directors makes decisions on important matters related to the Group's management, such as management policies, business plans, and large-scale investment plans. Authority for the execution of business and decisions relating to the execution of duties for issues other than the

important matters listed above is delegated to the Group Executive Committee and other subordinate meeting bodies, officers and others in charge of business operations.

Meanwhile, the Board of Directors supervises the performance of duties by the meeting bodies as well as officers and others. In principle, the Board of Directors meets once a month. Extraordinary meetings are held as and when necessary. In order to clarify the management responsibility of directors and establish a system that is able to respond rapidly to changes in the management environment, the term of office of directors is set at one year.

## Audit & Supervisory Board

The Company has adopted a statutory auditor system. Under this system, Audit & Supervisory Board members attend important meetings including those of the Board of Directors to receive business reports from Directors and other officers. Audit & Supervisory Board members peruse documentation on important decisions and listen to reports as well as other presentations from the Internal Audit Department, subsidiaries, other parties, and the accounting auditor as a part of their audit of the status of business

execution at the Company, its subsidiaries, and related companies.

Audit & Supervisory Board members form fair audit opinions by accurately grasping information based on on-site visits and other activities, which are mainly conducted by full-time Audit & Supervisory Board members, and effectively audit directors in the performance of their duties as an independent body under the mandate of shareholders by utilizing the fast responsiveness and flexibility of the Audit & Supervisory system.

## Independent Outside Directors

For the Company's corporate governance, independent outside directors should have rich experience in management and a high level of discernment and character as well as other pertinent attributes together with an understanding of the Group's wide-ranging business fields and the value they create. They are to provide advice from a broad, high-level perspective, while appropriately supervising executives from an independent position. Tokyu Fudosan Holdings recognizes this as an important duty and has currently appointed four independent outside directors.

To enable appropriate and flexible decision-making on business activities and the supervision of execution, the Company considers it advantageous for the Board of Directors to be composed of directors from inside the Company who have specialist capabilities and insight into business fields, management plans, personnel, finance and accounting, and so forth, and independent outside directors who are able to proactively offer opinions on growth strategies as well as the enhancement of governance, and raise concerns, from the perspectives of diverse stakeholders and society.

**Criteria for Determining Independence**

The Company deems independent outside directors to be independent when, in addition to meeting the independence standards for independent officers stipulated by the Tokyo Stock Exchange, they have not been any of the following for any of the previous three fiscal years.

1. An executive of a business partner to which the Company's net sales account for 2% or more of the Company's consolidated net sales
2. An executive of a business partner whose net sales to the Company account for 2% or more of the business partner's net sales

3. An executive of a lender from which the Company borrows funds that account for 2% or more of the Company's consolidated total assets
4. An executive of a major shareholder or investor of the Company with an investment ratio of 10% or more
5. A consultant, accounting professional, or legal professional who receives compensation of more than ¥10 million a year from the Company besides officer compensation
6. A spouse or relative within two degrees of kinship of a director, etc. of the Company or a consolidated subsidiary

**Compensation Policy and Details**

With regard to the amounts of monetary compensation for directors and Audit and Supervisory Board members, the General Meeting of Shareholders adopted a resolution setting the amount of compensation for directors at no more than ¥600 million annually and that for Audit & Supervisory Board members at no more than ¥120 million annually. In addition, a stock-based compensation program was introduced in order to clarify the link between share prices and the compensation of directors and others and to create a common interest with shareholders regarding the gains and risks from fluctuations in share prices. A board benefit trust (BBT) has been set up for directors other than outside directors, and for managing officers with whom contracts have been concluded, with a maximum issuance of 170,000 shares per year.

When determining officer compensation, the Company seeks to create a compensation system that will raise awareness of contributing to corporate value by enhancing financial results over

the medium to long term. Specifically, a decision was made that variable compensation shall comprise a certain percentage of total compensation, and the amount is determined taking into consideration the degree of attainment of various management indicators (KPIs) specified in the medium-term management plan, the degree of contribution to achieving plans, and other factors.

Compensation is determined by decision of the Board of Directors within the limits set by the General Meeting of Shareholders, taking into consideration the results of consultations with the Nomination and Compensation Advisory Committee regarding director compensation. Compensation of Audit & Supervisory Board members is determined by discussion among Audit & Supervisory Board members. The Company plans to determine future compensation in consideration of the balance with levels of compensation paid at other companies in the same industry and that paid to employees so that it can recruit excellent human resources.

**Total Amount of Compensation Paid to Directors and Audit & Supervisory Board Members in Fiscal 2017**

Category	Number of Persons	Total Amount of Compensation (Millions of yen)
<b>Directors</b>	<b>13</b>	<b>256</b>
(of which, independent outside directors)	3	32
<b>Audit &amp; Supervisory Board members</b>	<b>6</b>	<b>65</b>
(of which, independent outside Audit & Supervisory Board members)	3	8
<b>Total</b>	<b>19</b>	<b>321</b>
(of which, outside officers)	6	41

**Group Executive Committee**

The Group Executive Committee was set up as an entity to deliberate, discuss and report on matters in two areas: important plans and proposals relating to Group management policy, management strategies and Group management; and important investment plans and proposals as well as business strategy

proposals for subsidiaries.

Comprising the chairman and representative director, president and managing officers from directors on down, the Group Executive Committee convenes, in principle, once a month.

**Internal Control**

The Tokyu Fudosan Holdings Group has taken active steps to put in place and implement internal control systems for all members of the Group, including the Board of Directors and other organizations, management and employees, with the aims of thoroughly implementing compliance-based management, ensuring proper business operations, achieving management priorities such as earnings targets by raising the levels of efficiency and effectiveness, and undertaking the

appropriate disclosure of information; all of which will contribute to the sustainable development of the Group and the consistent improvement of its corporate value. In addition, Audit & Supervisory Board members are monitoring and validating the progress of developments in its internal control system in accordance with the Audit Practice Standards for Internal Control Systems.

**Risk Management**

**Basic Stance on Risk Management**

Guided by its Basic Risk Management Policy, the Company has put in place and maintains a risk management structure and systems. The Company recognizes as potential risks all internal and external factors that negatively impact the Group's business operations resulting in financial loss, damage to its brand or reputation, or interruption and suspension of activities as a

**Basic Risk Management Policy**

The Company makes every effort to clearly identify all major risks as they apply to the Group as a whole and takes systematic and continuous steps to implement all necessary measures on a priority basis in order to comprehensively manage all risks that have the potential to hinder the Group from achieving its objectives or to create a loss.

going concern. The Company evaluates, analyzes, and manages all relevant risks in each Group company.

The Company has classified the aforementioned risks into three broad categories: operating and management risks; business process risks, and; other major risks including crisis management. The Company manages each risk on an individual basis as follows.

**Individual Risks**

- |                                |   |
|--------------------------------|---|
| 1. Investment risks            | 5. IT strategy risks                        |
| 2. Financial and capital risks | 6. Information management and leakage risks |
| 3. Personnel and labor risks   | 7. Crisis management risks                  |
| 4. Legal and compliance risks  |   |

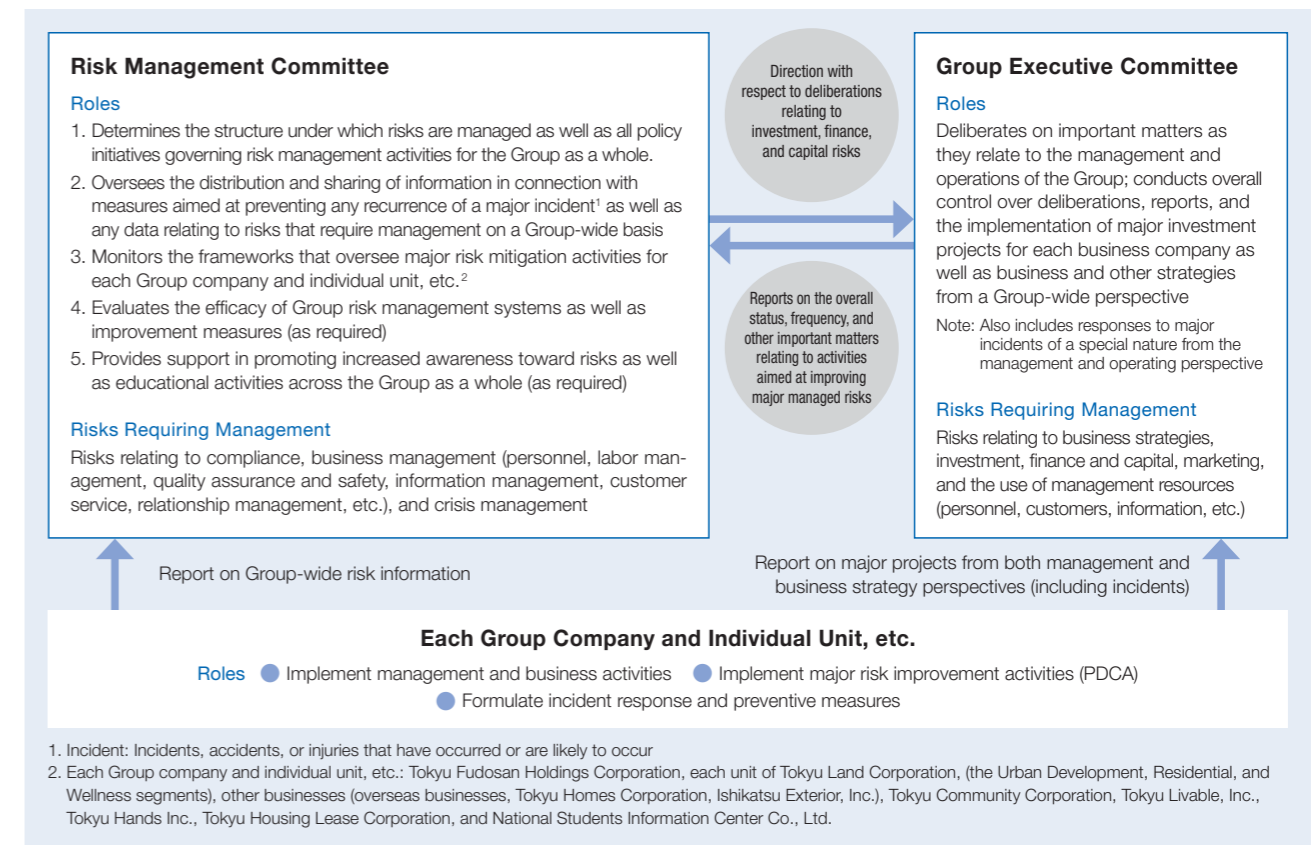
**Risk Management System**

In addition to the Group Executive Committee and Board of Directors, the Company has established the Risk Management Committee to ensure the proper management of risks on a comprehensive Group-wide basis. A department has also been formed to oversee individual risks within the Company. This department is responsible for ascertaining, evaluating, and analyzing the Group's risk management structure and systems as well as the status of operations.

Complementing these initiatives, the Company takes steps to confirm the efficacy of its risk management structure and systems as well as its risk management operations through internal audits. Audits of major risks are systematically undertaken in accordance with their priority.

In the event of a major loss or emergency that could cause serious damage to the Group, the Company takes appropriate steps in line with its Emergency Response Provisions. These include the distribution of information and decisive action as necessary to minimize damage.

**Risk Management Structure**



1. Incident: Incidents, accidents, or injuries that have occurred or are likely to occur  
 2. Each Group company and individual unit, etc.: Tokyu Fudosan Holdings Corporation, each unit of Tokyu Land Corporation, (the Urban Development, Residential, and Wellness segments), other businesses (overseas businesses, Tokyu Homes Corporation, Ishikatsu Exterior, Inc.), Tokyu Community Corporation, Tokyu Livable, Inc., Tokyu Hands Inc., Tokyu Housing Lease Corporation, and National Students Information Center Co., Ltd.

## Risk Management Process

The Company takes steps to identify the wide variety of risks to which the Group is susceptible. At the same time, the Company undertakes an evaluation and analysis of risks in line with the

degree of impact and likelihood of occurrence. Based on the results of evaluations and analyses, the Risk Management Committee has identified the following parameters with respect to the continuous management of major risks.

### ● Major Risks

- Occurrence of an accident that negatively impacts the safety of customers, business partners, and/or employees
- Leakage or loss of confidential or personal information
- Prolonged working hours and unpaid overtime
- Inadequate customer service and product quality
- Breach of statutory or regulatory requirement (industrial, financial, commercial, and other legislation) or compliance
- Inadequate crisis management systems
- Improper or inappropriate work-related conduct by officers and employees
- Inadequate internal control system development and operation

### ● Major Risks Relating to Investment and Financing Capital

- Deviations from or delays in new investment strategies
- Inappropriate decision-making with respect to changes in the external environment
- Changes in economic and business conditions
- Delays in the application of Group management resources (personnel, customers, information, etc.); errors in the use, education, or training of human resources
- Sharp rise in personnel and raw material prices including the prices of lumber; changes in construction costs
- Inadequate medium- and long-term IT strategies; errors in systems investment
- Slump in overseas business development
- Drop in the values of assets held (drop in operating rents)
- Errors in identifying customers' needs

## Compliance

The Company has positioned the establishment of risk management through compliance-based management as a priority management issue. We are keenly aware that the practice of such risk management is the foundation of our operations, and we undertake educational measures so that all officers and employees not only comply with laws and regulations applicable to our corporate activities, but also make decisions and act in accordance with the Tokyu Fudosan Holdings Group Code of Conduct.

The Company also created the Tokyu Fudosan Holdings Group Compliance Manual as a concrete manual for understanding the Tokyu Fudosan Holdings Group Code of Conduct and putting it into practice. All officers and employees are thoroughly informed about compliance through periodic training.

Compliance helplines were established at the Company and individual Group companies for consultations and reporting relating to violations of laws and regulations, internal rules, and the Tokyu Fudosan Holdings Group Code of Conduct.

The Company's helpline can be used by all Group employees (including contract employees, temporary employees, and part-time workers). There is an internal reporting desk that allows anonymous reports to be made and an external reporting desk handled by an outside advising attorney. The aim of these desks is to discover and rectify violations at the earliest possible time. A total of 114 consultations and reports including consultations and questions on minor matters were received by the Company and Group companies in fiscal 2017.

## Reinforcing Information Security

The Company has established rules on proper information retention and management, and as a part of its efforts to raise information security levels even further and reinforce development of the internal control environment, we adopted a fundamental policy on information management, reorganized the Fundamental Rules on Information Management, and put them into practice on April 1, 2017.

The Fundamental Rules on Information Management clarify responsibility for information management and specify basic requirements and principles of information management pursuant to

the fundamental policy on information management.

In addition, a Group Information Security Committee was established.

The committee is establishing PDCA cycles including receipt of reports on annual activities from each Group company.

Similar rules have been established by each company of the Tokyu Fudosan Holdings Group, and measures are being taken throughout the Group.

## Dialogue with Shareholders and Investors

The Company engages in constructive dialogue with shareholders and other investors to contribute to sustainable growth and the improvement of corporate value over the medium to long term. In addition to individual meetings with shareholders and investors, the Company regularly holds results briefings for institutional investors

and analysts, and for individual investors. Through these and other events, the president and the relevant directors and departments actively engage in dialogue. The views aired by shareholders and investors during these events are regularly reported to the Board of Directors and used in improving the Company's management.