Section 2

Value Creation Strategy

SDGs that Tokyu Fudosan Holdings is Working on



















7 Businesses for a Sustainable Society and Growth Based on SDGs



Urhan Development



Residential



Property Management



Real Estate







Tokyu Hands



Innovation Business

Value Creation Strategy

SDGs and Materialities

In fiscal 2017, the Tokyu Fudosan Holdings Group launched Medium-Term Management Plan 2017-2020. When formulating this plan, we determined the SDGs we will focus on and identified seven materialities (key social issues) based partly on the input of experts. We remain committed to solving social issues through our business activities in order to realize sustainable society and growth.

Materiality 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 (SDGs), 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. (See below)

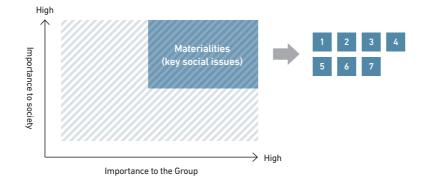
Management	President and Representative Director	Yuji Okuma	 Soundness and sustainable management requires an emphasis on the opinions of independent outside directors, arrangement of issues, and investigation of the details of measures. In order to enhance our competitiveness even further, we need to emphasize items that will make use of the Group's diversity and differentiate the Group from other companies.
nt	Director, Operating Officer Responsible for general administration divisions	Hironori Nishikawa	 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. 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.
Low Birthrate and Aging Society Research Director and Chief Producer Platinum Society Center, Mitsubishi Research Institute, Inc. Institute, Inc. Low Birthrate and Aging Society Research Director and Chief Producer Platinum Society Center, Mitsubishi Research Institute, Inc. It is important to create business from means of preventing the elderly from needing not sports, diet, and lifelong learning) — in other words, the perspective of preventing rather in a ging society, there is potential for the Internet of Things (IoT) including the use of health to play extremely important roles and become a new growth business.			
d Field Experts	Living and Lifestyles Research institution	It is important to consider what type of space people will come to in order to spend their time. Businesses need to realize that minority groups are becoming the majority (e.g., unmarried persons, double-income no-kids households, at-home workers).	
	Environment Professor, Department of Environmental and Information Studies, Tokyo City University	Shiro Wakui	Platform-like spaces and services that can change flexibly according to the diversity of individual consumers will be expected in the future. The key is how to create value with environmental measures.
	Work Styles General Manager, Personnel Division and Director, Adecco Ltd.	Keiko Tsuchiya	 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). As society becomes increasingly diverse, there will be calls for this to be reflected in buildings and the environment.
	ESG Investment Chairman, Japan Sustainable Investment Forum (JSIF)	Masaru Arai	What is currently being emphasized with regard to ESG investment is governance. Whether Board of Directors are functioning properly is being called into question. Policies, plans, and structures must be formulated, PDCA implemented, and the information disclosed.

^{*} 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.



Materialities of the Tokyu Fudosan Holdings Group (key social issues)

1	Economic, political, and regulatory changes	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.
2	Diversification and globalization of lifestyles	Factors such as the diversification of lifestyles and consumer needs and the revitalization of regional communities significantly affect our business opportunities as an urban development company.
3	Safety and security in local communities and urban areas	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.
4	Progression of a low birthrate and aging society	As a Group that develops business in residences and senior housing, the low birthrate, aging population, and declinin population in Japan will have a major impact on business opportunities.
5	IoT & Innovation	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.
6	Changes in the natural environment	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.
7	More stringent social demands	Diverse demands from consumers, corporate governance, and various other factors will have a major impact on management systems.

					Related Segments						
Our SDGs	Materialities	Major Opportunities and Risks		Residential Urban Development		Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Value Provided to Society
8 DESERVACIONES	Economic, political, and regulatory changes	Opportunities	Capturing new business opportunities		•				•	•	Increasing the value of real estate / Stable social infrastructure
îi e		Risks	Risk of long-term interest rate increases								
5 HAND 10 HINGS 10 HI	2 Diversification and	Opportunities	Expanded inbound demand Expanded opportunities for overseas business			•	•		•	•	Improving quality of life / Creating communities
	globalization of lifestyles	Risks	Decline in total domestic demand (diversification of demand)								
11 serimanicati 17 reductoris	3 Safety and security	Opportunities	Expansion of markets related to existing stock, and accelerated privatization of public asset processing and operation						•	•	Contributing to local economies /
A	in local communities and urban areas	Risks	Issue of vacant homes Deterioration of existing stock								Disaster-resistant city planning
3 mention 4 maps	4 Progression of	Opportunities	Increasing demand related to senior citizens					•			Increasing life
_W ◆	a low birthrate and aging society	Risks	Falling demand in conjunction with the decline of the working age population								expectancy
9 HOUSE MANUTA	5	Opportunities	Business innovation		•	•		•	•	•	Contributing to smart cities
	IoT & Innovation	Risks	Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control								
7 STREAM OF THE STREET OF THE	6 Changes in the natural environment	Opportunities	Expansion of environmental markets					•			Preserving the natural environment /
		Risks	Expansion of climate change risks								Reducing environmental burden
12 веромен 12 октяра жительства жительства	Action 1988		Increase in non-financial value		(Groupwide issue/			e/			
∞ ¥	More stringent social demands	Risks	Increasingly stringent responses to various types of risk			SG m					Social inclusion

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Value Creation Strategy

Medium-Term Management Plan Based on Materialities

In our Medium-Term Management Plan 2017-2020, we created strategies based on materiality, as it was investigated and determined to be an issue that we should prioritize and work on. In the Plan, we established our fiscal 2020 KPI goals, and our three growth strategies are progressing, making use of our overall ability as a Group in accordance with our two fundamental Group policies of expansion of associated assets and creation of new demand.

Medium- and Long-term Management Plan Value Frontier 2020

To Become a Corporate Group that Continues to Create Value

Group Basic Policy

Expansion of Associated Assets

Creation of New Demand

To a New Stage From 2021 Onward

STAGE 1 Medium-Term Management Plan 2014-2016

STAGE 2 Medium-Term Management Plan 2017-2020



Three Growth Strategies

Proposes New Lifestyles

Making use of the regional characteristics fused with many living, working, and spending time functions and our strengths gathered by our Group's major projects, development and participation are progressing on the surface in the Greater Shibuva Area. Our initiative of promoting lifestyle communities with alteration of generations is also progressing, responding to the diverse residential needs in our super-aging society.

Expansion of the Scope of Cyclical Reinvestment Business

We have expanded the scope of our investments
Understanding the change from a flow-based to new asset types, including infrastructure and industry, hotels, and student residences, in anticipated to reach ¥1.3 trillion by fiscal 2020.

Reinforcing Stock Utilization

society to a stock-based society, we are strengthening our stock utilization-based business centered addition to office buildings, commercial facilities, around management and real estate agents. We and rental housing units, increasing our earning are utilizing real estate information from the inpower through cyclical reinvestment. Our AUM is creasing management stock and real estate agents as much as possible, based on the rich connection points we have with our customers, increasing our profits through businesses without investments.

Reinforcing the Management Foundations that Support the Growth Strategies

Strengthening Measures to Generate Synergy Effects Among Businesses

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

Optimizing Group Management Assets and **ESG Management**

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

On Readjusting Our Medium-Term Management Plan

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We readjusting our Medium-Term Management Plan in May 2019, taking into account the shift in achievements that exceeded our expectations and the holding of a public stock offering. In addition to increasing the financial goal value for fiscal 2020, the final year of the Plan, we also added earnings per share (EPS) and return on equity (ROE) as goals to improve shareholder value from the perspective of capitalization strategy.

Targets	FY2020 target (before readjustment)	FY2020 target (after readjustment)	FY2018 (actual)
Operating profit	¥93.0 billion	¥95.0 billion	¥80.2 billion
Profit attributable to owners of parent	¥42.0 billion	¥50.0 billion	¥37.5 billion
Debt-Equity ratio	About 2.3 times	2.3 times or below	2.3 times
EBITDA multiple	10 times level	10 times level	11.7 times
EPS	-	¥69.53	¥56.84
ROE	-	Over 8.0%	7.3%

KPI Targets for FY2020

	КРІ	FY2020 Targets	FY2018 Results	Results
	Operating profit	¥95.0 billion	¥80.2 billion	
	Net profit	¥50.0 billion	¥37.5 billion	
Financial	Debt-Equity ratio	2.3 times or below	2.3 times	•
i manciat	EBITDA multiple	10 times level	11.7 times	
	EPS	¥69.53	¥56.84	
	ROE	Over 8.0%	7.3%	
	CO ₂ emissions	25% reduction compared to FY2005	27.9% reduction compared to FY2005	•
	Water use	25% reduction compared to FY2005	0.9% reduction compared to FY2005	
Environment	Waste emissions	25% reduction compared to FY2005	23.6% reduction compared to FY2005	
	Acquisition of environmental certifi cations such as CASBEE and DBJ*1	100%	100%	
	Green buildings (roofs, walls, etc.) *1	100%	100%	•
	Midori wo Tsunagu Project (Area of Forest Protected)	2,000ha	1,423ha	
	Working hours (average overtime hours per month)	(Internal target)	14.4hours	-
	Ratio of employees who undergo the stress check	100%	91.9%	
Work-style reform	Ratio of employees who undergo physical examinations	100%	99.0%	
Work Style reform	Ratio of female hires	At least 30%	39.5%	•
	Ratio of female managers	(Internal target)	8.3%	-
	Ratio of disabled employees	2.20%	2.23%	•
	Securing space for use during disasters*1	100%	100%	
Social needs	Buildings certified under the Barrier Free Act*1	100%	100%	•
Social fields	Condominiums with stockpiles of disaster relief goods*2	100%	100%	•
	Persons who have nursing care or other professional qualifications*3	80%	72%	
	Number of outside directors	At least 1/3 (approx. 33%)	4/13 (approx. 31%)	
	Board of Directors meeting attendance rate	100%	99%	
Corporate governance	Female directors	At least one	1	•
	Strict adherence to the Compliance Code of Conduct	100%	99%	
	Awareness of the Compliance Helpline Counter	100%	80%	

*1. For TOKYU LAND CORPORATION's newly constructed, large-scale properties, including office buildings and commercial facilities
*2. For TOKYU LAND CORPORATION's newly constructed condominiums

*3. For caregiving employees

Business Portfolio

We have created a business portfolio to flexibly respond to social issues and changes in the business environment as a Group. We plan to investigate a business portfolio strategy in the future, categorizing our seven business into three categories: Asset Utilization Businesses, including the Urban Development, Residential, and Wellness businesses; Stock Utilization Businesses, including the Property Management and Real-Estate Agents businesses; and Strategic Businesses, including the Innovation and Tokyu Hands businesses.

Asset Utilization Businesses	•	Urban Development P.34	Residential P.36	Wellness P.39
Stock Utilization Businesses	•	Property Management P.37	Real Estate Agents P.38	
Strategic Businesses	•	Tokyu Hands P.40	Innovation Business (Overseas Businesses) P.41	

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