

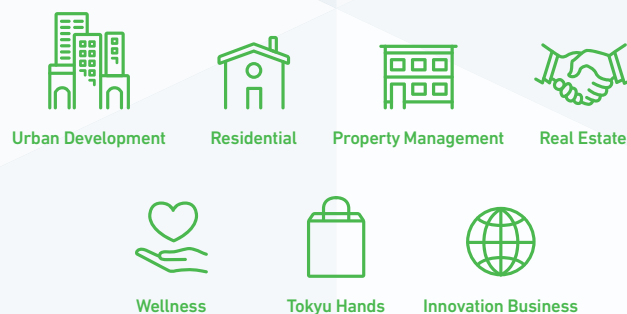
Section 2

Value Creation Strategy

SDGs that Tokyu Fudosan Holdings is Working on



7 Businesses for a Sustainable Society and Growth Based on SDGs

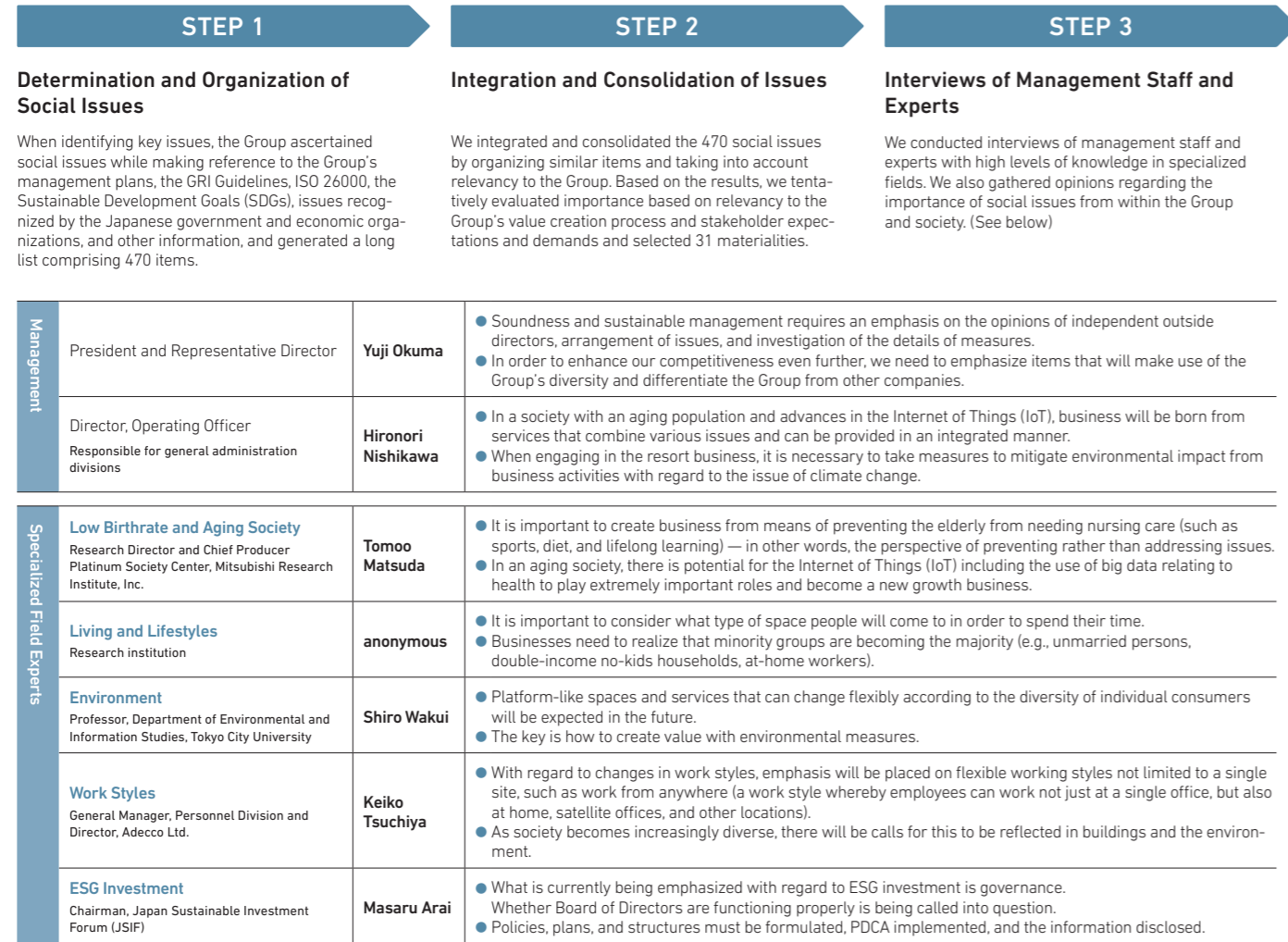


Value Creation Strategy

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.

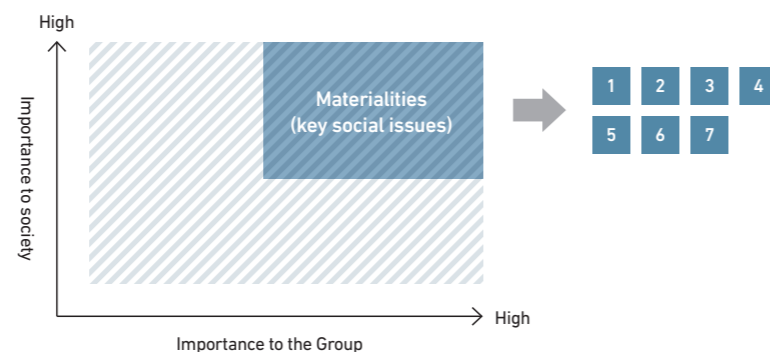
Materiality Identification Process



* 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)

Materiality	Description
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 declining 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.

Our SDGs	Materialities	Major Opportunities and Risks	Related Segments							Value Provided to Society
			Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	
8 ECONOMIC GROWTH	1 Economic, political, and regulatory changes	Opportunities	Capturing new business opportunities							Increasing the value of real estate / Stable social infrastructure
		Risks	Risk of long-term interest rate increases							
5 GENDER EQUALITY, 10 AFFORDABLE HOUSING	2 Diversification and globalization of lifestyles	Opportunities	Expanded inbound demand Expanded opportunities for overseas business							Improving quality of life / Creating communities
		Risks	Decline in total domestic demand (diversification of demand)							
11 SUSTAINABLE CITIES AND COMMUNITIES, 17 PARTNERSHIPS FOR THE GOALS	3 Safety and security in local communities and urban areas	Opportunities	Expansion of markets related to existing stock, and accelerated privatization of public asset processing and operation							Contributing to local economies / Disaster-resistant city planning
		Risks	Issue of vacant homes Deterioration of existing stock							
3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION	4 Progression of a low birthrate and aging society	Opportunities	Increasing demand related to senior citizens							Increasing life expectancy
		Risks	Falling demand in conjunction with the decline of the working age population							
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	5 IoT & Innovation	Opportunities	Business innovation							Contributing to smart cities
		Risks	Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control							
7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 15 LIFE ON LAND	6 Changes in the natural environment	Opportunities	Expansion of environmental markets							Preserving the natural environment / Reducing environmental burden
		Risks	Expansion of climate change risks							
12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	7 More stringent social demands	Opportunities	Increase in non-financial value							Social inclusion
		Risks	Increasingly stringent responses to various types of risk							

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-Term Management Plan 2017-2020

Three Growth Strategies

Urban Development that 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 Shibuya 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 to new asset types, including infrastructure and industry, hotels, and student residences, in addition to office buildings, commercial facilities, and rental housing units, increasing our earning power through cyclical reinvestment. Our AUM is anticipated to reach ¥1.3 trillion by fiscal 2020.

Reinforcing Stock Utilization

Understanding the change from a flow-based society to a stock-based society, we are strengthening our stock utilization-based business centered around management and real estate agents. We are utilizing real estate information from the increasing 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 management.

On Readjusting Our Medium-Term Management Plan

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

KPI		FY2020 Targets	FY2018 Results	Results
Financial	Operating profit	¥95.0 billion	¥80.2 billion	
	Net profit	¥50.0 billion	¥37.5 billion	
	Debt-Equity ratio	2.3 times or below	2.3 times	●
	EBITDA multiple	10 times level	11.7 times	
	EPS	¥69.53	¥56.84	
	ROE	Over 8.0%	7.3%	
Environment	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	
	Waste emissions	25% reduction compared to FY2005	23.6% reduction compared to FY2005	
	Acquisition of environmental certifications 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	
Work-style reform	Working hours (average overtime hours per month)	(Internal target)	14.4hours	-
	Ratio of employees who undergo the stress check	100%	91.9%	
	Ratio of employees who undergo physical examinations	100%	99.0%	
	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%	●
Social needs	Securing space for use during disasters*1	100%	100%	●
	Buildings certified under the Barrier Free Act*1	100%	100%	●
	Condominiums with stockpiles of disaster relief goods*2	100%	100%	●
	Persons who have nursing care or other professional qualifications*3	80%	72%	
Corporate governance	Number of outside directors	At least 1/3 (approx. 33%)	4/13 (approx. 31%)	
	Board of Directors meeting attendance rate	100%	99%	
	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.

