

## ESG Management

## Work-Style Reform

The Tokyu Fudosan Holdings Group believes that the meaningfulness of work is important to continue build its human capital strength and to achieve sustainable growth. We are reforming work styles with the aim of creating a vibrant workplace where all employees can take full advantage of their abilities.

## Basic Approach

The 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 reform 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 that facilitates work and makes work meaningful.

## Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president and representative director. The committee conducts Group-wide management for various work-style reform programs.
- 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

KPI targets

See P.33

## Diversity and Inclusion

**Advancement of Female Employees** To encourage the advancement of female employees, including female managers, we monitor the progress of 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.

**Selection for Inclusion in Index** In recognition of our initiatives to promote the progress of female employees, we have been selected as a constituent of the MSCI Japan Empowering Women Index (WIN). This index has been adopted by the Government Pension Investment Fund (GPIF) as an index for its operation of ESG investments.

**Certification as an Excellent Company** TOKYU COMMUNITY CORP. and TOKYU LIVABLE, INC. received the highest of the three levels of Eruboshi certification, which is granted by the Minister of Health, Labor and Welfare (MHLW) based on the Act on the Promotion of Women's Participation and Advancement in the Workplace.

**Employment of People with Disabilities** We disclose employment rates of people with disabilities and check progress toward achievement of the statutory rate. At TOKYU LIVABLE, INC., people with mental and developmental disorders are engaged in work such as the production of gifts for customers, and our efforts to promote the creation of comfortable workplace environments where all employees can demonstrate abilities are leading to increased employment of people with disabilities.

**Employment of Elderly Persons** TOKYU COMMUNITY CORP. received the Minister prize in the MHLW's Contest for the Employment Development for Older Persons for Fiscal Year 2018 in recognition of its initiatives to promote the employment of older persons such as increasing the mandatory retirement age of engineers to 65 and raising the age limit for continuous employment after reemployment by job type.



Female employees' networking lunch meeting (TOKYU LAND CORPORATION)

MSCI MSCI Japan Empowering Women Index (WIN)



Eruboshi Accreditation (3rd rank)



Health and Productivity Enterprises (White 500)

## Work-Life Balance

**Flexible Work Styles** In 2019, TOKYU LIVABLE, INC. introduced the agent system for estate agents enabling them to be lifelong professionals as a new work style option after mandatory retirement.

**Telework** TOKYU COMMUNITY CORP. was selected as a Telework Pioneer 100 Company by the Ministry of Internal Affairs and Communications in recognition of its track record in utilizing a telework system that uses IT.

**Improvement of Business Efficiency** Tokyu Housing Lease Corporation introduced robotic process automation (RPA) to improve the efficiency of troublesome office work and plans to automate 150,000 hours of office work per year by the end of fiscal 2020.

## Health Management/Engagement

**Promotion of Health Management** Tokyu Fudosan Holdings Corporation, TOKYU LAND CORPORATION, TOKYU COMMUNITY CORP., Tokyu Housing Lease Corporation, TOKYU SPORTS OASIS Inc. and EWEL, Inc. were certified as Health and Productivity Management Organizations (White 500). Tokyu Fudosan Holdings Corporation, TOKYU LAND CORPORATION and TOKYU SPORTS OASIS Inc. were listed for the third successive year.

**Making Work Meaningful** TOKYU LIVABLE, INC. was selected by the Great Place to Work® Institute Japan as one of Japan's best workplaces in the Large Enterprise Division of the Best Workplaces ranking both in 2018 and 2019, in recognition of its efforts to create an organizational climate where employees are proud of their work and feel it is meaningful.

## ESG Management

## Social Needs

The Tokyu Fudosan Holdings Group sees the social issues that various stakeholders must resolve, such as neighborhood safety and security, as social needs. We are working to resolve these issues through our businesses and focusing on the development of a sustainable, enriched society.

## Basic Approach

The 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 increasingly diverse social issues and needs, including the pursuit of safety and security and regional revitalization, 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 and representative director.
- 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 are set in each business department and progress is monitored based on KPIs.

Division with Authority and Responsibility

Each business department

KPI targets

See P.33

## Pursuit of Safety and Security

**Disaster Management** In 2018, TOKYU COMMUNITY CORP. added a disaster response support function to its Field's EYES large-scale repair construction management system. In the event of disaster, such as typhoon or heavy rain, this support function can be used to issue instructions from head office disaster management headquarters to those in charge of construction work and to centrally monitor the status of onsite construction work.

## Regional Revitalization

**Area Management** We leverage the knowhow we have built up in urban development that addresses social issues to promote area management. In our initiative for the Greater Shibuya Area and large-scale development projects such as the Takeshiba District Development Plan (tentative name) and the Ofuna Station north second district Urban District Redevelopment Project, we have helped to make regions more attractive by promoting wide-ranging activities mainly aimed at creating bustle in collaboration with local communities, local governments and other stakeholders.

**Creation of Bustle** Revamped as part of the Tokyu Plaza Ginza development, Sukiya Park was transformed into a place where people can relax in comfort, providing a bustling gateway to the Ginza District. Thanks to the cooperation of ISHIKATSU EXTERIOR INC. with the planting design, the park won the special prize in the 2018 Urban Public Space Design Competition.

## Creation of Society in Which Everyone Thrives

**Inclusive Office Building Design** Developed by TOKYU LAND CORPORATION as a base for Group companies, SHIBUYA SOLASTA has gender-neutral toilets and a multi-faith prayer room to cater for a diverse workforce. Both are situated on the top floor, which is a common use area, and can be accessed freely by our own employees and the employees of all other tenants.

**Response to Aging** As Japan becomes a super-aged society, condominium managers are required to communicate effectively with diverse tenants. TOKYU COMMUNITY CORP. is focusing on activities to train staff in providing support to dementia sufferers and is working to increase understanding of dementia by holding regular seminars for condominium managers.

**Support for International Student Exchange Activities** NATIONAL STUDENTS INFORMATION CENTER Group continuously supports the international exchange activities of students in Japan and Vietnam. The 12th Nasic Cup Nihongo Speech Contest held at Hanoi University in September 2018 had more than 100 entrants and, for the 16th Japan Vietnam Student Exchange Conference held in October, 30 Vietnamese students including the contest winners, were invited to Japan to foster exchange with Japanese students.

## Three Years after Kumamoto Earthquakes – Supporting Local Community on Road to Recovery

Aso Tokyu Golf Club was forced to close due to damage suffered in the April 2016 Kumamoto Earthquakes. We have supported the local community on its road to recovery, selling specialty products from Kumamoto Prefecture via the online shop and providing beekeepers with unused land free of charge to make honey. We kept up our reconstruction support activities even after Aso Tokyu Golf Club fully reopened in April 2019.



Golf course immediately after the earthquake



Local children helping to make honey

ESG Management

# Environment

The Tokyu Fudosan Holdings Group recognizes that environmental issues such as climate change are important issues that have a major impact on business continuity. Based on our Environmental Vision established in 1998, we are implementing ongoing initiatives to address environmental issues through our business activities.

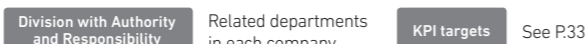
## Basic Approach

The 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 seeks to actively solve these issues in the development and operation of business sites and office buildings, commercial facilities, resort facilities and other properties. Believing that business which 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 and representative director. 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.



## 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

## Climate Change

**Support for TCFD Recommendations** In 2019, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we also participate in the TCFD Consortium which discusses related initiatives.

**Renewable Energy Business** TOKYU LAND CORPORATION conducts the renewable energy business under the brand name ReENE and contributes to the reduction of CO<sub>2</sub> emissions through solar power and wind power generation.

**Participation in RE100** In 2019, TOKYU LAND CORPORATION joined the global corporate leadership initiative RE100, with a commitment to source 100% renewable energy by 2050.

**Reduction of CO<sub>2</sub> Emissions** TOKYU LAND CORPORATION installed a liquified natural gas (LNG) satellite station and a gas cogeneration system that also serves as an emergency generator at the Hyatt Regency Seragaki Island Okinawa, a resort hotel opened in 2018, contributing to the reduction of CO<sub>2</sub> emissions and disaster management.

## Biodiversity Conservation

**Harmony with Nature** At Palau Pacific Resort, opened in 1984, we have always conducted business in line with a policy of balancing development with the need to protect the environment. We have upheld this original principal and, when developing a new area, which included independent bungalows, in 2019, we placed importance on harmony with nature in our operation and development activities, opting for a layout that preserved the existing trees as much as possible and adopting a landscape plan that was considerate of the ecosystem.

**Planting Greenery in Urban Areas** The Group is working to form ecological networks that take biodiversity into consideration by proactively adding greenery to the buildings we develop and operate. At Omohara Forest, the rooftop garden of Tokyu Plaza Omotesando Harajuku that features tall trees such as Japanese zelkova serrata and katsura, we promote activities to monitor changes in the ecosystem of the greenery such as conducting wildlife surveys in cooperation with environmental protection experts.



ESG Management

# Corporate Governance

The Tokyu Fudosan Holdings Group places the utmost emphasis on ensuring thorough risk management and strict compliance and are enhancing the transparency and accountability of our management. We are constantly endeavoring to strengthen corporate governance in a bid to ensure bold and timely decisions.

## Message from the Chairman of the Board of Directors

The Tokyu Fudosan Holdings Group's sustainability vision is to solve social issues through its business activities and to work with stakeholders to realize a sustainable society and growth, with the aim of becoming a corporate group that continues to create value. To realize this vision, I will work to strengthen governance aiming for more agile group management by ensuring active discussions at Board of Directors meetings as the chair of board meetings and ensuring management fairness and transparency.

Five years have passed since we transitioned to a holding company structure in 2013 and, during this time, the environment surrounding corporate management, has changed significantly and public pressure for good governance is mounting year by year, with developments such as the application of Japan's Corporate Governance Code.

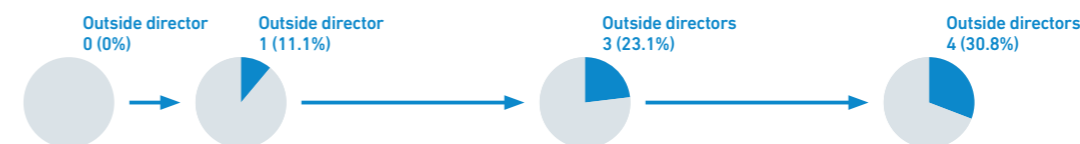
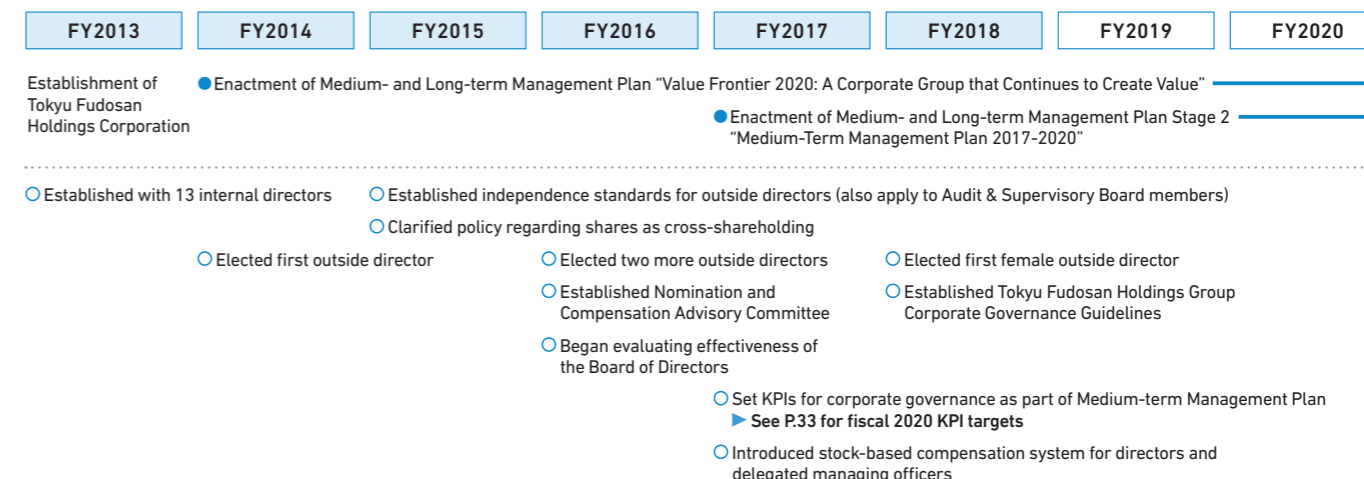
In anticipation of this trend, we established the Group Corporate Governance Guidelines in December 2018, and are pushing ahead with optimization of the governance system in view of social conditions and the global business environment. Regarding outside directors who give advice on growth strategies and enhancement of governance from an independent perspective, we elected our first female outside director in fiscal 2018. This gives us a total of four outside directors, who are highly diverse from the viewpoint of gender and international experience and who leverage their specialist knowledge and vast experience to actively make comments and raise questions at board meetings.

Moving forward, we will keep implementing measures to strengthen the Board of Directors' supervisory function and enhance our corporate value and will continue providing value to our stakeholders in order to achieve long-term sustainable growth.



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

## Progress in Strengthening Corporate Governance



## Corporate Governance

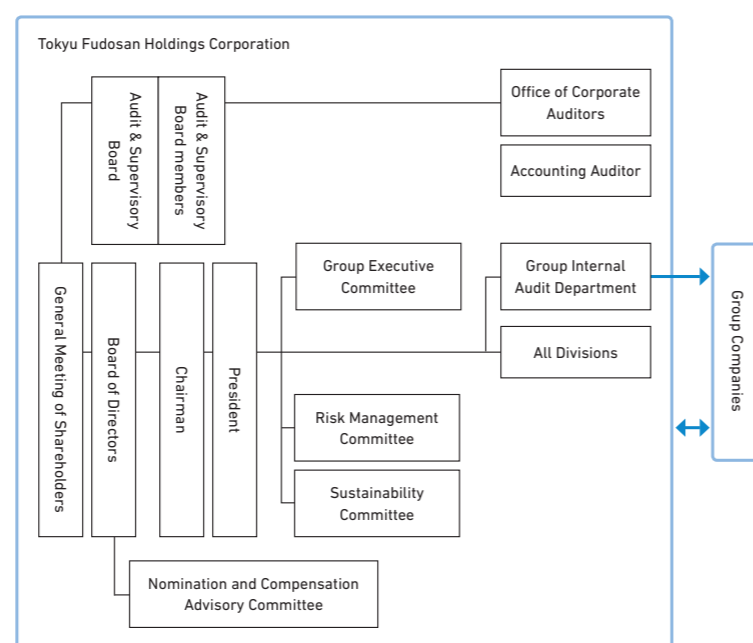
### Basic Approach

In order to fulfill its responsibility to its stakeholders surrounding Tokyu Fudosan Holdings Group, including shareholders, customers, business partners, local communities and employees, Tokyu Fudosan Holdings Corporation strives to ensure its sustainable growth and increase corporate value over the medium and long term by engaging in social issues through its business. To that end, the Company will work to ensure soundness and transparency of management and build a corporate governance system that contributes to expediting decision making.

### Corporate Governance Guidelines

In December 2018, we organized/systemed our governance initiatives into the Tokyu Fudosan Holdings Group Corporate Governance Guidelines, which we then approved and enacted as guidelines for our future initiatives and a basic policy that will facilitate constructive dialogue with shareholders and investors. At the same time, we also set out the Group's basic approach to corporate governance.

### Corporate Governance Structure



### Roles of Key Organizations

**Nomination and Compensation Advisory Committee** The Nomination and Compensation Advisory Committee, chaired by an independent outside director, was established as an advisory body to the Board of Directors to increase the objectivity and transparency of procedures for matters related to the election of directors and operating officers and matters relating to compensation. The Board of Directors consults the Nomination and Compensation Advisory Committee before passing resolutions on matters relating to the election of director candidates and the election of operating officers and matters relating to the compensation of directors.

#### Composition of Nomination and Compensation Advisory Committee (as of June 26, 2019)

Koichi Iki (Independent Outside Director, Chair of Nomination and Compensation Advisory Committee)  
Makoto Kaiami (Independent Outside Director)  
Kiyoshi Kanazashi (Chairman & Representative Director)  
Yuji Okuma (President & Representative Director)

**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.

**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 operating officers from directors on down, the Group Executive Committee convenes, in principle, once a month.

### Strengthening the Functions of the Board of Directors

**Evaluating the Effectiveness** 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, revisions made in areas evaluated as inadequate, such as the method and timing of provision of information to directors and Audit & Supervisory Board members, led to improvement in the evaluation of initiatives for following year.

Lately, results show improvement in evaluation of the effectiveness of our Board of Directors. We will continue striving to improve effectiveness in the future.

**Diverse Composition** We believe that having a Board of Directors with a good balance of diverse knowledge, experience and abilities is key to increasing its effectiveness. One precondition for election as director is that candidates have the moral character and integrity required of a director and have no health issues and we also give consideration to the overall balance to ensure a sufficiently diverse board both in terms of gender and international mindedness.

**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. We currently have four independent outside directors who have vast experience of their own specialist areas, including management, legal affairs and accounting, etc. 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

### System of Remuneration for Officers

The system of remuneration for officers (excluding outside directors and non-executive directors) consists of fixed remuneration, performance-based remuneration and stock-based compensation. Fixed remuneration is a consideration for the day-to-day execution of internal operations, whereas performance-based remuneration takes into consideration the business results in a single fiscal year and the achievement level of management plans. Stock-based compensation is designed to have officers share the benefits and risks of stock price

fluctuations with shareholders and increase the contribution to the improvement of medium- and long-term earnings performance and corporate value. Also, for the levels of remuneration for officers (excluding outside directors and non-executive directors), first, the level of remuneration for the president and representative director is determined, and then, the levels of remuneration for other directors and Audit & Supervisory Board members are determined based on fixed differences in positions. The level of remuneration for the president and representative director (monetary compensation plus stock-based compensation) is set around 0.1% of the operating profit for the previous consolidated fiscal year, as consolidated operating profit is adopted as the target index under the Medium-Term Management Plan.

Target percentages for fixed remuneration and variable remuneration and the approach to determining the remuneration of each officer are as shown in the following table.

Item	Fixed Remuneration	Variable Remuneration	
	Monthly Remuneration	Bonus	Stock-based Compensation
Positioning	Basic remuneration	Short-term incentive	Medium-to-long-term incentive
Target percentage of total remuneration	60%	30%	10%
Group level: Approach to fluctuation		Linked to business results in a single fiscal year	Linked to stock price
Group level: Fluctuation from base amount		Determined with reference to employees' bonuses	Linked to stock price
Individual level: Approach to fluctuation		Linked to performance evaluation	-
Individual level: Fluctuation from base amount		60-140%	Linked to stock price

A remuneration proposal prepared by the president and representative director based on the above is referred to the Nomination & Compensation Advisory Committee and compensation is determined within the limits of the total compensation amount by a resolution of the Board of Directors. For stock-based compensation, a transfer restriction period of three years from the time of delivery of the stock is set. The compensation of Audit & Supervisory Board members is determined within the limits of the total amount of compensation through consultation among Audit & Supervisory Board members.

The following table contains the total amount of remuneration, etc. in fiscal 2018.

Category	Number of Persons	Total Amount of Remuneration (Millions of yen)
Directors*	17	248
(of which, independent outside directors)	6	40
Audit & Supervisory Board members	4	63
(of which, outside Audit & Supervisory Board members)	2	9
Total	21	312
(of which, outside officers)	8	49

\*Includes the four directors who retired at the close of the 5th Ordinary General Meeting of Shareholders held in June 2018.

### 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.

## Corporate Governance

### 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 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.

**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.

**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 (See Risk Management Structure on the previous page). 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 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 125 consultations and reports including consultations and questions on minor matters were received by the Company and Group companies in fiscal 2018.

### 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.

