

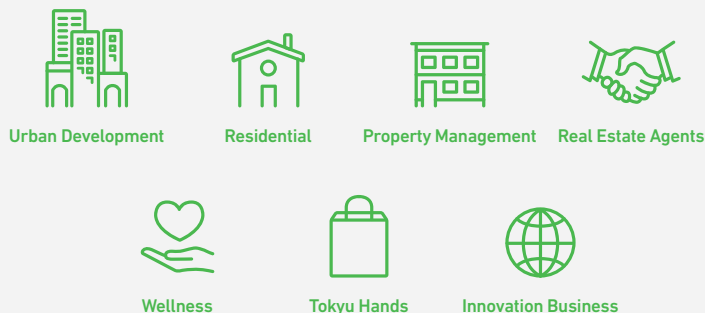
Section 2

Value Creation Strategy

SDGs that Tokyu Fudosan Holdings Corporation is Working on



7 Businesses for a Sustainable Society and Growth Based on SDGs

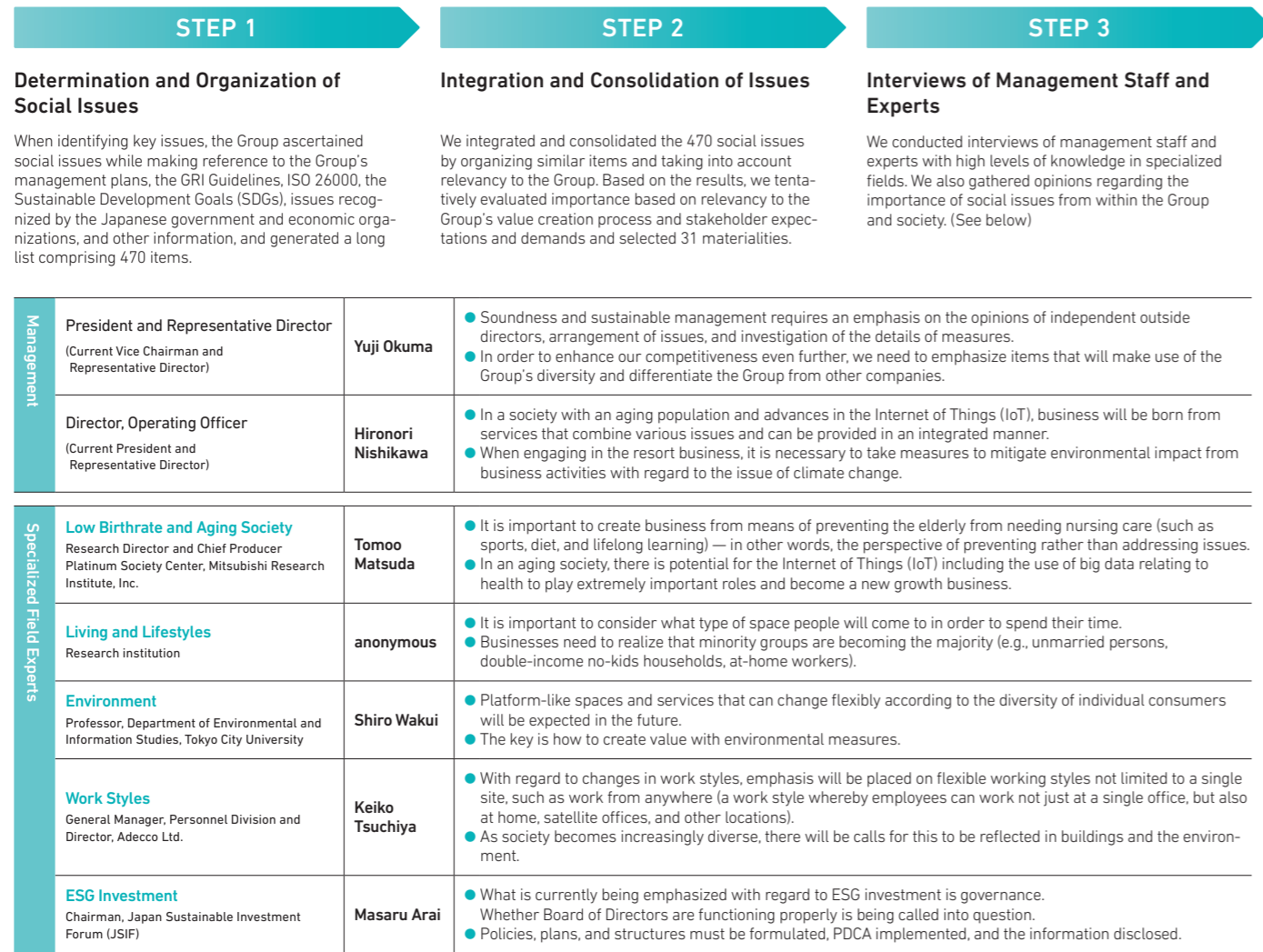


Value Creation Strategy

SDGs and Materialities

Since fiscal 2017, the Tokyu Fudosan Holdings Group has worked to achieve the goals of its 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

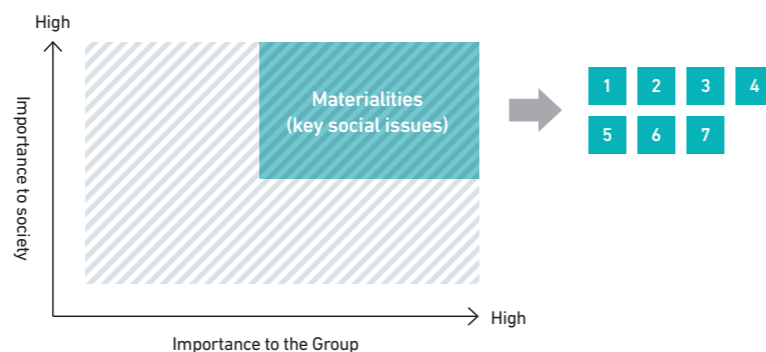


* Titles are as of June 2016 when the interviews were conducted.

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 (Current: Sustainability 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 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		
	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								
	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)								
	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								
	4 Progression of a low birthrate and aging society	Opportunities	Increasing demand related to senior citizens			●			●		Promoting health and productivity management / Achieving the creation of a healthy society
		Risks	Falling demand in conjunction with the decline of the working age population								
	5 IoT & Innovation	Opportunities	Business innovation		●	●	●	●	●	●	Building a digital society
		Risks	Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control								
	6 Changes in the natural environment	Opportunities	Expansion of environmental markets		●				●		Preserving the natural environment / Reducing environmental burden
		Risks	Expansion of climate change risks								
	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 the Group in accordance with our two fundamental Group policies of expansion of associated assets and creation of new demand.



Three Growth Strategies

Urban Development that Proposes New Lifestyles	Expansion of the Scope of Cyclical Reinvestment Business	Reinforcing Stock Utilization
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.	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 grew to reach around ¥1.5 trillion in fiscal 2019.	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	Optimizing Group Management Assets and ESG Management
We will maximize use of the Group's business foundations (stock, customer information, and human capital), acquire derivative business opportunities, and create added value.	To achieve sustainable growth and increase corporate value over the long term, we are optimizing Group management assets and undertaking non-financial initiatives.

Business Portfolio

We have created a business portfolio to flexibly respond to social issues and changes in the business environment as the Group. We plan to investigate a business portfolio strategy, 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.



KPI Targets for FY2020

KPI		FY2019 Results	FY2020 Targets	Results
Financial	Operating profit	¥79.3 billion	¥95.0 billion	
	Net profit	¥38.6 billion	¥50.0 billion	
	Debt-Equity ratio	2.3 times	2.3 times or below	●
	EBITDA multiple	11.6 times	10 times level	
	EPS	¥53.70	¥69.53	
	ROE	6.7%	Over 8.0%	
Environment	CO ₂ emissions	36.2% reduction compared to FY2005	25% reduction compared to FY2005	●
	Water use	1.8% reduction compared to FY2005	25% reduction compared to FY2005	
	Waste emissions	31.1% reduction compared to FY2005	25% 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)	1,636ha	2,000ha	
Human Capital Strategy	Working hours (average overtime hours per month)	20.1 hours	(Internal target)	-
	Ratio of employees who undergo the stress check	92.4%	100%	
	Ratio of employees who undergo physical examinations	100%	100%	●
	Ratio of female hires	32.2%	At least 30%	●
	Ratio of female managers	8.1%	(Internal target)	-
	Ratio of disabled employees	2.27%	2.20%	●
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}	77%	80%	
Corporate Governance	Number of outside directors	4/13 (approx. 31%)	At least 1/3 (approx. 33%)	
	Board of Directors meeting attendance rate	99%	100%	
	Female directors	1	At least one	●
	Strict adherence to the Compliance Code of Conduct	99%	100%	
	Awareness of the Compliance Helpline Counter	88%	100%	

*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

Goals of Our Medium-Term Management Plan and the Impact of the COVID-19 Pandemic

Our Medium-Term Management Plan which began in fiscal 2017 was readjusted in May 2019, with financial targets for the final year (fiscal 2020) being revised upwards to account for performance exceeding initial expectations. Results progressed steadily, supported in part by the solid business environment, and we believed that would be able to sufficiently achieve all of our fiscal indicator targets. With the COVID-19 pandemic taking place from the fourth quarter of fiscal 2019, however, business conditions changed rapidly, especially with regard to BtoC business operations. We therefore expect not to achieve any of our financial target indicators for fiscal 2020.

Segment	Impact on business operations	Impact on business performance
Urban Development	Temporary closures of main commercial facilities and rental conference rooms	Decreases in percentage rent and reductions / exemptions of fixed rent, decrease in revenue from conference room rentals
Residential	Temporary closure of condominium galleries	Decrease in number of condominium units sold
Property Management	Shrinkage of new sales activities for construction business, suspension of some property management operations	Decrease in construction and property management revenues
Real Estate Agents	Shrinkage of operations at real estate agents	Decrease in real estate agent sales revenues
Wellness	Temporary closures of fitness clubs and hotels, shrinkage of operations due to shortening of business hours, etc.	Decrease in operating revenue
Tokyu Hands	Shrinkage of operations due temporary closures of stores and shortening of business hours, etc.	Decrease in sales
Innovation Business	Temporary closure of condominium galleries (Indonesia)	Decrease in number of condominium units sold (Indonesia)