## Section Z

# **Value Creation Strategy**

#### SDGs that Tokyu Fudosan Holdings Corporation is Working on



















#### 7 Businesses for a Sustainable Society and Growth Based on SDGs



**Urban Development** 



Residential





Property Management Real Estate Agents







**Innovation Business** 

#### 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**

#### 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 (Current Vice Chairman and Representative Director)	Yuji Okuma	<ul> <li>Soundness and sustainable management requires an emphasis on the opinions of independent outside directors, arrangement of issues, and investigation of the details of measures.</li> <li>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.</li> </ul>
nt	Director, Operating Officer (Current President and Representative Director)	Hironori Nishikawa	<ul> <li>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.</li> <li>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.</li> </ul>
Specialized	Low Birthrate and Aging Society Research Director and Chief Producer Platinum Society Center, Mitsubishi Research Institute, Inc.	Tomoo Matsuda	<ul> <li>It is important to create business from means of preventing the elderly from needing nursing care (such as sports, diet, and lifelong learning) — in other words, the perspective of preventing rather than addressing issues</li> <li>In an aging society, there is potential for the Internet of Things (IoT) including the use of big data relating to health to play extremely important roles and become a new growth business.</li> </ul>
Field Experts	Living and Lifestyles Research institution	anonymous	<ul> <li>It is important to consider what type of space people will come to in order to spend their time.</li> <li>Businesses need to realize that minority groups are becoming the majority (e.g., unmarried persons, double-income no-kids households, at-home workers).</li> </ul>
erts	Environment Professor, Department of Environmental and Information Studies, Tokyo City University	Shiro Wakui	<ul> <li>Platform-like spaces and services that can change flexibly according to the diversity of individual consumers will be expected in the future.</li> <li>The key is how to create value with environmental measures.</li> </ul>
	Work Styles General Manager, Personnel Division and Director, Adecco Ltd.	Keiko Tsuchiya	<ul> <li>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 als at home, satellite offices, and other locations).</li> <li>As society becomes increasingly diverse, there will be calls for this to be reflected in buildings and the environment.</li> </ul>
	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.

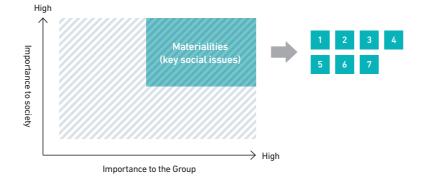
<sup>\*</sup> Titles are as of June 2016 when the interviews were conducted

#### STEP 4

#### Identification of Materialities

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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)

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 performs urban development, changes in infrastructure development and investor interests in	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.
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 performs urban development, changes in infrastructure development and investor interests in	2	Diversification and globalization of lifestyles	
population in Japan will have a major impact on business opportunities.  5 IoT & Innovation  As a company that performs urban development, changes in infrastructure development and investor interests in	3		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.
innovation and changes in business models.	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.
As a company that performs urban development, changes in infrastructure development and investor interests in	5	IoT & Innovation	
conjunction with intensifying climate change will have a major impact on business opportunities and continuity.	6	Changes in the natural environment	
7 More stringent social demands  Diverse demands from consumers, corporate governance, and various other factors will have a major impact on management systems.	7	More stringent social demands	

					Re	elate	d Se	gme	nts		
Our SDGs	Materialities		Major Opportunities and Risks	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Value Provided to Society
8 months and the control of the cont	1 Economic, political,	Opportunities	Capturing new business opportunities								Increasing the value of real estate /
îi .	and regulatory changes	Risks	Risk of long-term interest rate increases								Stable social infrastructure
5 man 10 man 10 man 15	2 Diversification and	Opportunities	Expanded inbound demand Expanded opportunities for overseas business						•		Improving quality of life /
♥ (+)	globalization of lifestyles  Risks  Decline in total domestic demand (diversification of demand)									Creating communities	
11 accessions: 17 managers and access	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 /
	in local communities and urban areas	Risks	Issue of vacant homes Deterioration of existing stock								Disaster-resistant city planning
3 (400 MEZZ) 4 (3 MEZZ) 4 (3 MEZZ) 5 (4 MEZZ	4 Progression of	Opportunities	Increasing demand related to senior citizens								Promoting health and productivity
<i>-</i> ₩ <b>*</b>	a low birthrate and aging society	Risks	Falling demand in conjunction with the decline of the working age population								management / Achieving the creation of a healthy society
Э менятичний менатичний менятичний менятичний менятичний менятичний менятичний менатичний менятичний менятичний менятичний менятичний менятичний менятичний менятичний менятичний менатичний менятичний менатичний менатичний менатичний менатичний менатичний менатичний менатичн	5	Opportunities	Business innovation								Dudda a at the control
	IoT & Innovation	Risks	Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control								Building a digital society
7 minutes 13 class 15 minutes 15	6 Changes in	Opportunities	Expansion of environmental markets								Preserving the natural environment /
	the natural environment	Risks	Expansion of climate change risks								Reducing environmental burden
12 HERMANIA 16 FINAL ACQUE NO TRANSPORT NO T	7	Opportunities	Increase in non-financial value		(G	roup	wide	issu	ıe/		Carializatus
<b>∞</b> ¥	More stringent social demands	Risks	Increasingly stringent responses to various types of risk	(Groupwide issue / Non-financial initiatives)			Social inclusion				

#### 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.

#### 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**

#### 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 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

to new asset types, including infrastructure and industry, hotels, and student residences, in and rental housing units, increasing our earning power through cyclical reinvestment. Our AUM grew to reach around ¥1.5 trillion in fiscal 2019.

#### Reinforcing Stock Utilization

We have expanded the scope of our investments 
Understanding the change from a flow-based 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 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.

Wellness

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#### 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 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**

	КРІ	FY2019 Results	FY2020 Targets	Results
	Operating profit	¥79.3 billion	¥95.0 billion	
	Net profit	¥38.6 billion	¥50.0 billion	
Financial	Debt-Equity ratio	2.3 times	2.3 times or below	•
rillaliciat	EBITDA multiple	11.6 times	10 times level	
	EPS	¥53.70	¥69.53	
	ROE	6.7%	Over 8.0%	
	CO <sub>2</sub> 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	•
Environment	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	
	Working hours (average overtime hours per month)	20.1hours	(Internal target)	-
	Ratio of employees who undergo the stress check	92.4%	100%	
Human Capital	Ratio of employees who undergo physical examinations	100%	100%	•
Strategy	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%	•
	Securing space for use during disasters*1	100%	100%	•
	Buildings certified under the Barrier Free Act*1	100%	100%	•
Social Needs	Condominiums with stockpiles of disaster relief goods*2	100%	100%	•
	Persons who have nursing care or other professional qualifications*3	77%	80%	
	Number of outside directors	4/13 (approx. 31%)	At least 1/3 (approx. 33%)	
	Board of Directors meeting attendance rate	99%	100%	
Corporate Governance	Female directors	1	At least one	•
	Strict adherence to the Compliance Code of Conduct	99%	100%	
	Awareness of the Compliance Helpline Counter	88%	100%	
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\*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 cond

#### 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)				