

TOKYU FUDOSAN HOLDINGS GROUP

May 16, 2017

Value Frontier 2020

To Become a Corporate Group that
Continues to Create Value

STAGE 2

Mid-Term Management Plan 2017-2020



The forecasts and other forward-looking statements in this report are based on currently available information and certain assumptions determined as rational. Consequently, the statements herein do not constitute assurances regarding actual results by the Company. Actual performance may significantly differ from these forecasts due to various factors in the future.

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[Mid-Term Management Plan 2017-2020]

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1-1. Positioning of the Medium-Term Management Plan for 2017 to 2020

The Medium-Term Management Plan for 2017 to 2020, which constitutes the second half of the Medium- and Long-Term Management Plan “Value Frontier 2020,” is intended to promote the activities for the establishment of a pillar for new future revenues and the generation of stable cash flows (CF).



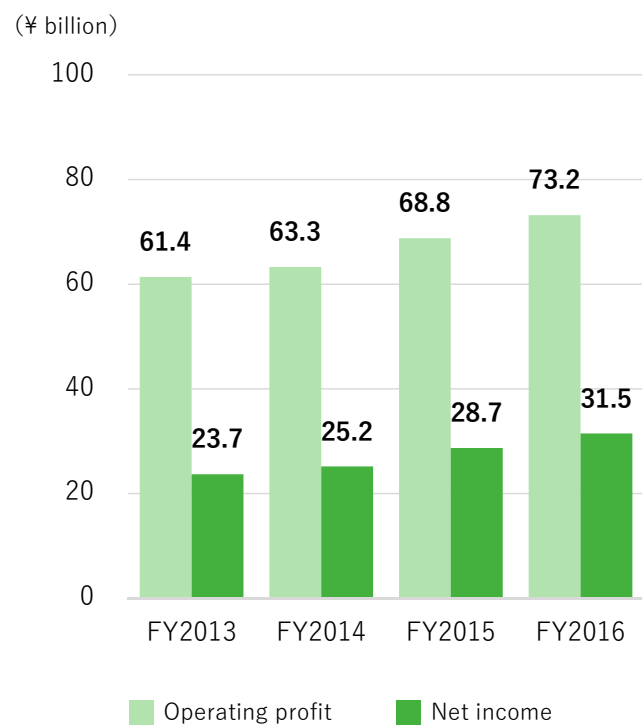
1-2. Review of the Medium-Term Management Plan for 2014 to 2016

Achieved the targets under the Medium-Term Management Plan with operating profit of 73.2 billion yen and a DER of 2.6 times for the fiscal year 2016.

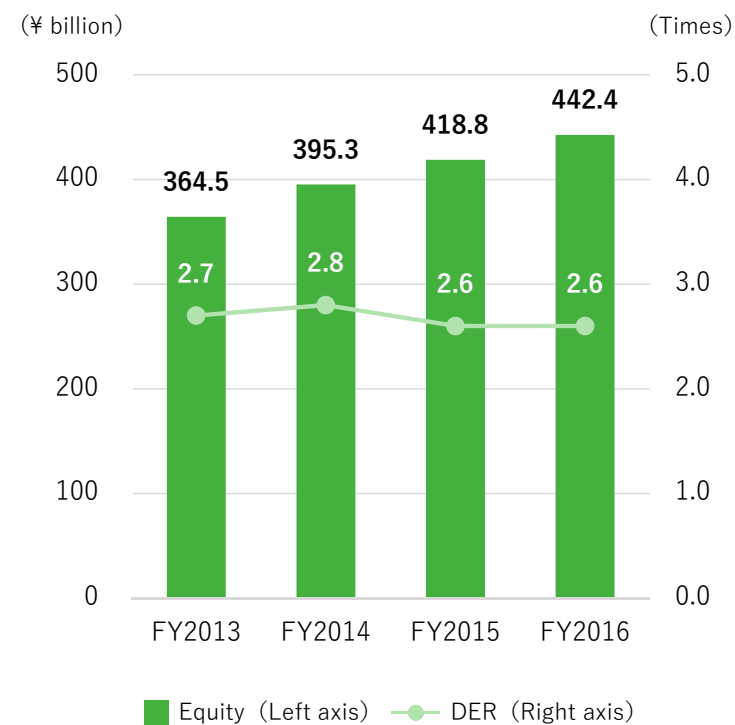
Realized steady profit growth and strengthened the financial position.

Operating profit • Net income*

* Profit attributable to owners of parent
(The same will apply in the following pages.)



Equity • DER



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[Mid-Term Management Plan 2017-2020]

2. Basic Policy and Growth Strategy



2-1. Recognition of Business Environment

In the formulation of the Medium-Term Management Plan, the following social issues that are important to the Group in the long term are identified.

To ensure sustainable value enhancement, we will work on these social issues through our business.

Materiality of Tokyu Fudosan Holdings (important social issues)

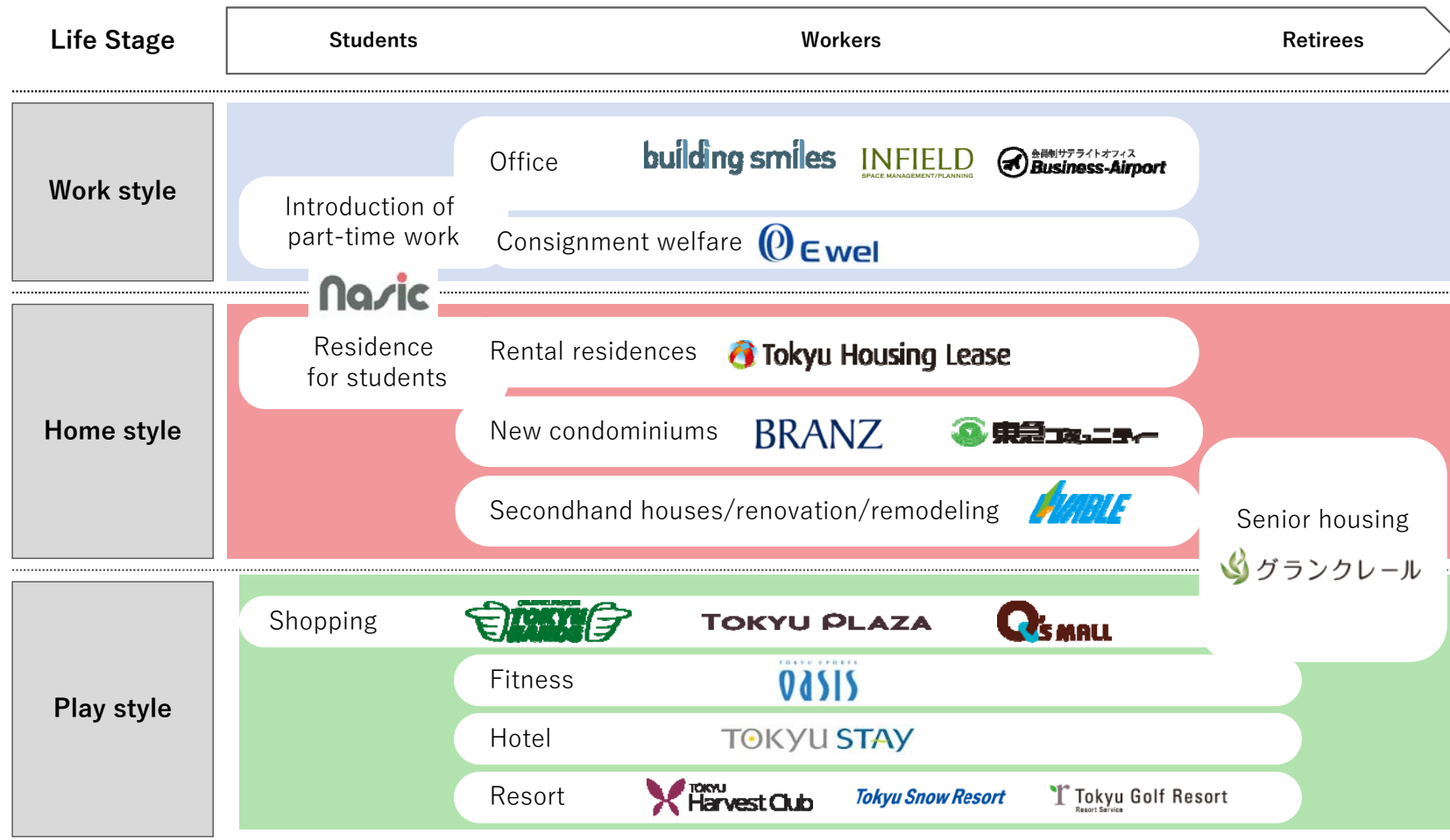
Economic/political/regulations changes	Opportunity: acquisition of new business opportunities Risk: risk of increase in interest rates in the long term
Diversification of life/globalization	Opportunity: diversification of demand/inbound demand/expansion of overseas business opportunities Risk: decrease in total domestic demand
Safety and security of local communities/cities	Opportunity: increase in good stocks Risk: problem of vacant houses/deterioration of existing stocks
Advancement of an aging society with a declining birthrate	Opportunity: increase in demand related to the elderly Risk: decrease in demand due to decrease in working-age population
IoT/innovation	Opportunity: business innovation Risk: fewer barriers to entry for existing businesses and delayed entry/tighter information security control
Stricter requirements from society	Opportunity: increase in non-financial value Risk: tightening of actions against various risks
Changes in the natural environment	Opportunity: Changes in the natural environment Risk: increased risk of climate change

Environmental change to be especially noticed

- **Global competition among cities/intensified competition among areas in Tokyo**
- **Record low cap rate**
- **Stable economic growth in the United States**
- **Increase in inbound demand**
- **Expansion of the market related to stocks**
- **Increase in demand related to senior**
- **Rapid technological innovation of AI/IoT, etc. (open innovation)**
- **Increase in awareness of ESG**

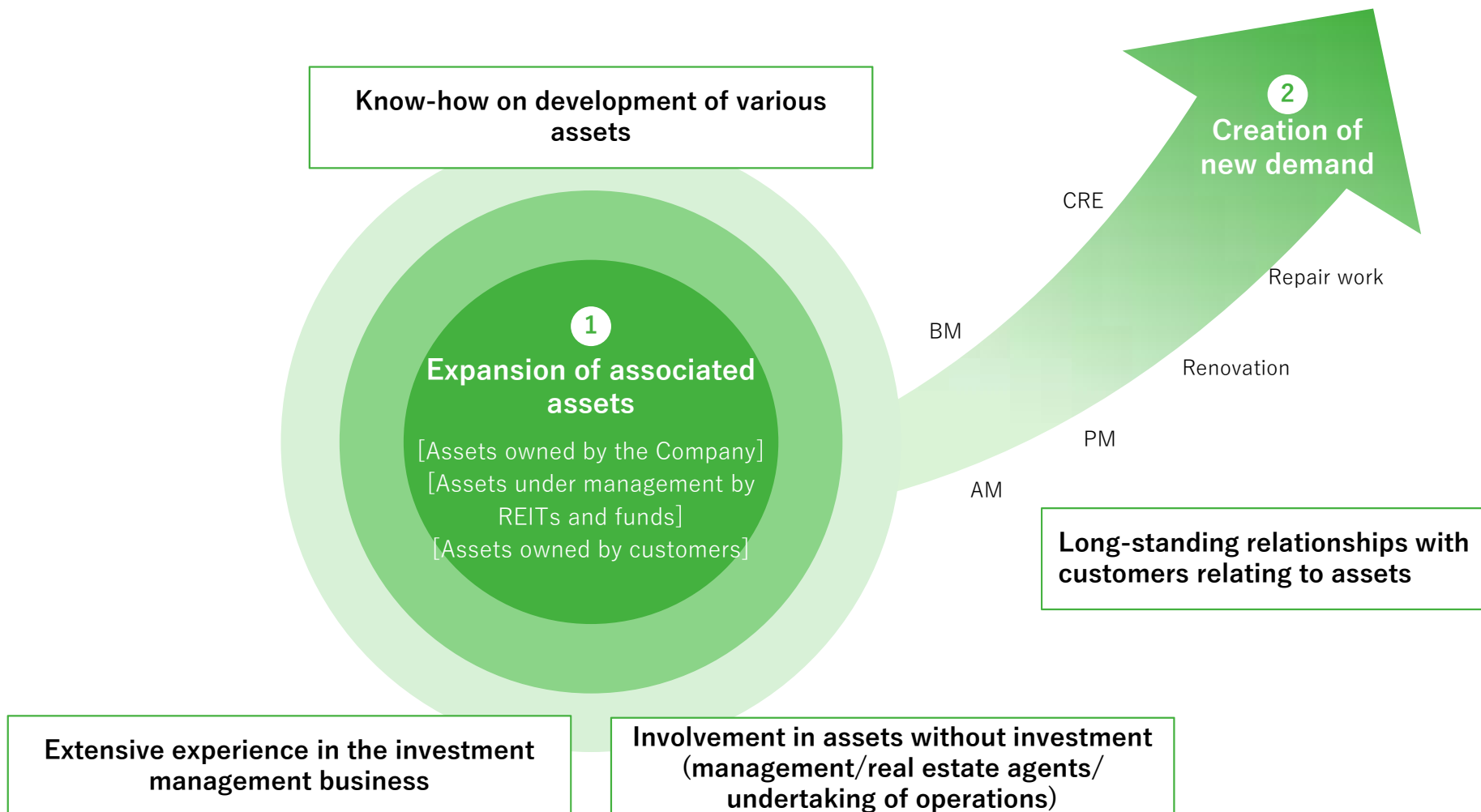
2-2. Strengths of the Group

Our strength is the ability to provide products and services suited to each life stage of customers through a wide variety of business and long-standing contacts with customers of the entire group.



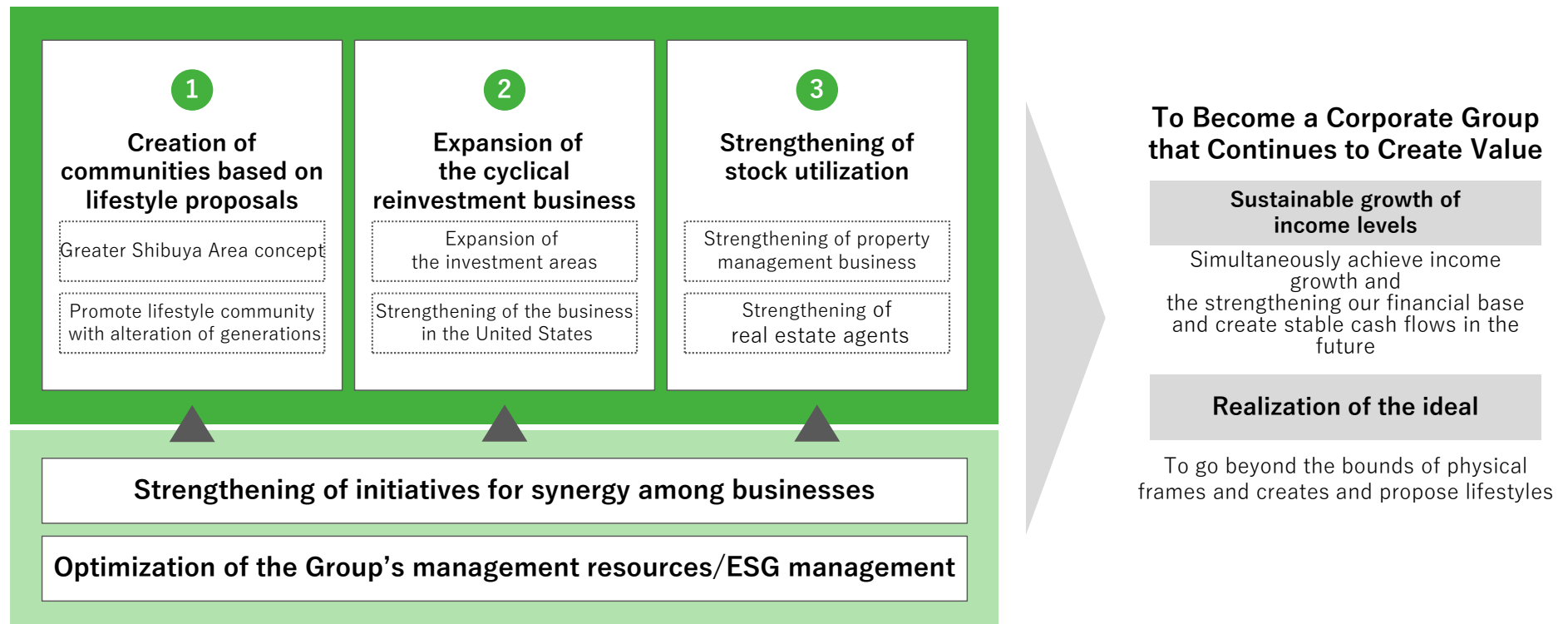
2-3. Two Basic Policies

To promote the “**expansion of associated assets**” by making the most of the Group’s strengths.
To grasp a wide variety of needs through long-standing relationships with customers relating to assets toward the “**creation of new demand**”.



2-4. Three Growth Strategies

Based on the three growth strategies making the best use of the Group's overall abilities, to continuously raise the profit level toward the realization of the ideals of the Group.

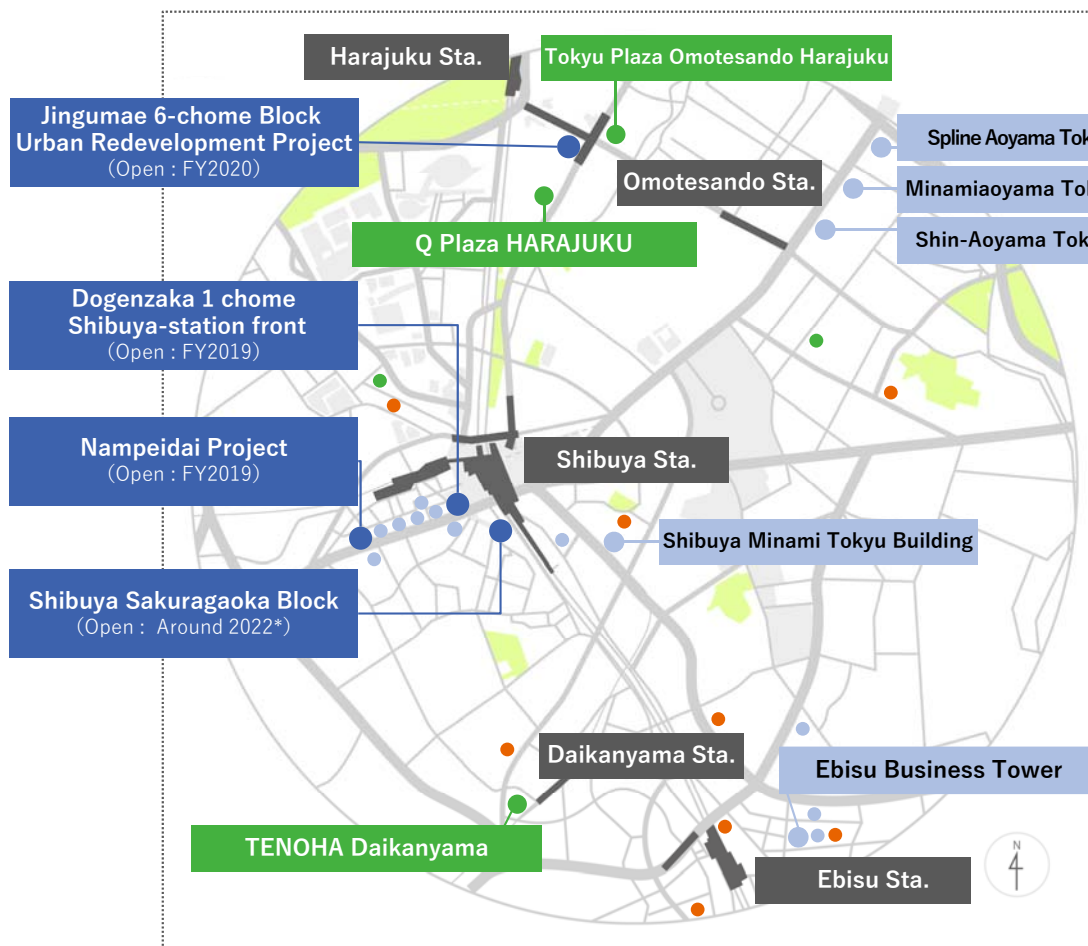


2-5. Growth Strategy(1) Creation of communities based on lifestyle proposals ~ Greater Shibuya Area Concept ~

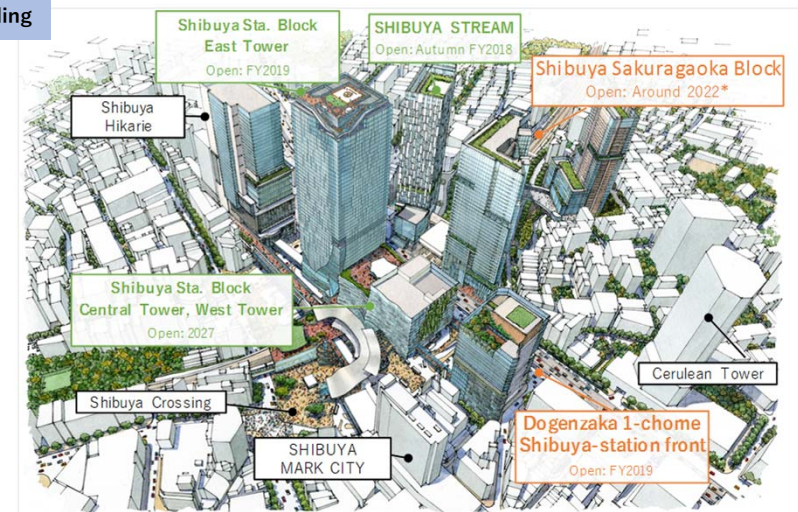


In the Greater Shibuya Area, where major properties of the Company are concentrated, to proceed with urban development featuring the uniqueness of the Group, from the development of individual projects to area management and administration and operation, and enhance the asset value of the associated assets.

Greater Shibuya Area Concept



To carry out development from “points” to a “surface” for creating a long-standing expansive city



- Redevelopment Project
 - Commercial facility
 - Office building
 - Assets owned by API
- API: Activia Properties Inc.

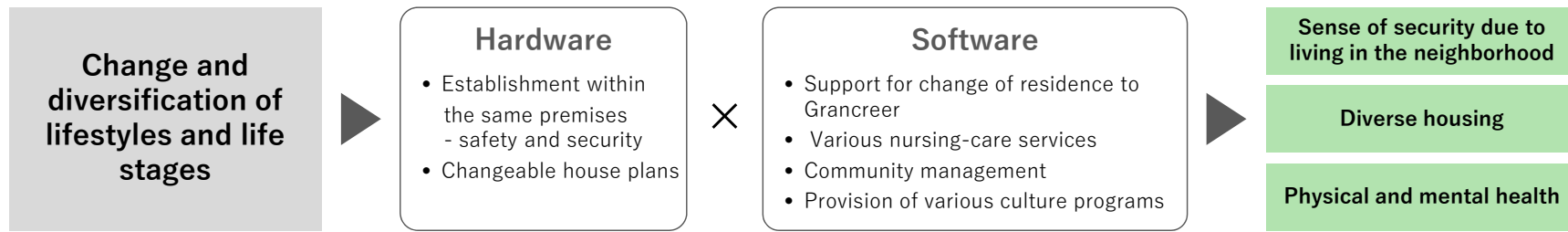
*The schedule for the Sakuragaoka Block Redevelopment Plan will be finalized upon the procedures to be taken for changing the business plan.

2-6. Growth Strategy(1) Creation of communities based on lifestyle proposals ~ Town Planning with Alteration of Generations ~



In addition to the construction of a large complex that combines condominiums with senior housing facilities together with community management, through the development of towns that foster ties with local communities, to meet the needs of society for various houses and healthy lives.

Town Planning with Alteration of Generations



Setagaya Nakamachi Project



Branz City completed in FY2016
 Grancreer to be opened in FY2017

Tookaichiba Project



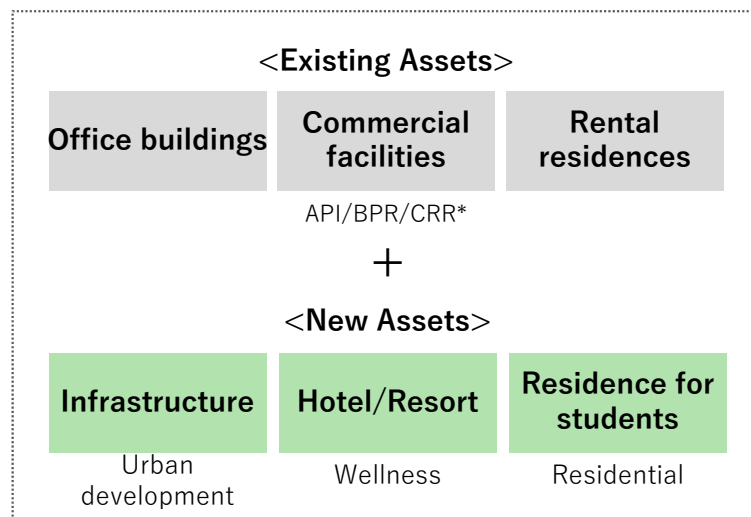
Scheduled to be completed in FY2019

2-7. Growth Strategy(2) Expansion of the cyclical reinvestment business ~ Value Up Cycle ~



To expand the area of the recycling reinvestment business (value up cycle) and thereby ensure the expansion of associated assets and an increase in profitability.

Expansion of Investment Area



* API: Activia Properties Inc. BPR: Broadia Private REIT, Inc.
CRR: Comforia Residential REIT, Inc.

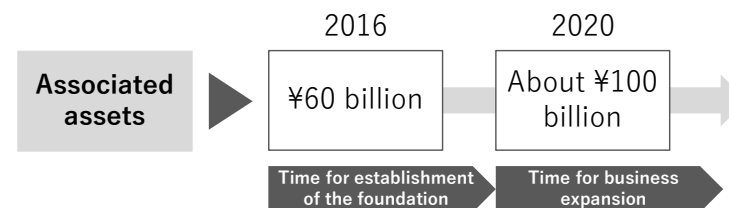
Expansion of AUM

(Total assets under management by REITs, etc. sponsored by Tokyu Land Corporation)



Strengthening of the business in the United States

In the United States, in the expectation that economic growth will continue, to expand the business by making the most of the presence at **425 Park Avenue** in New York.

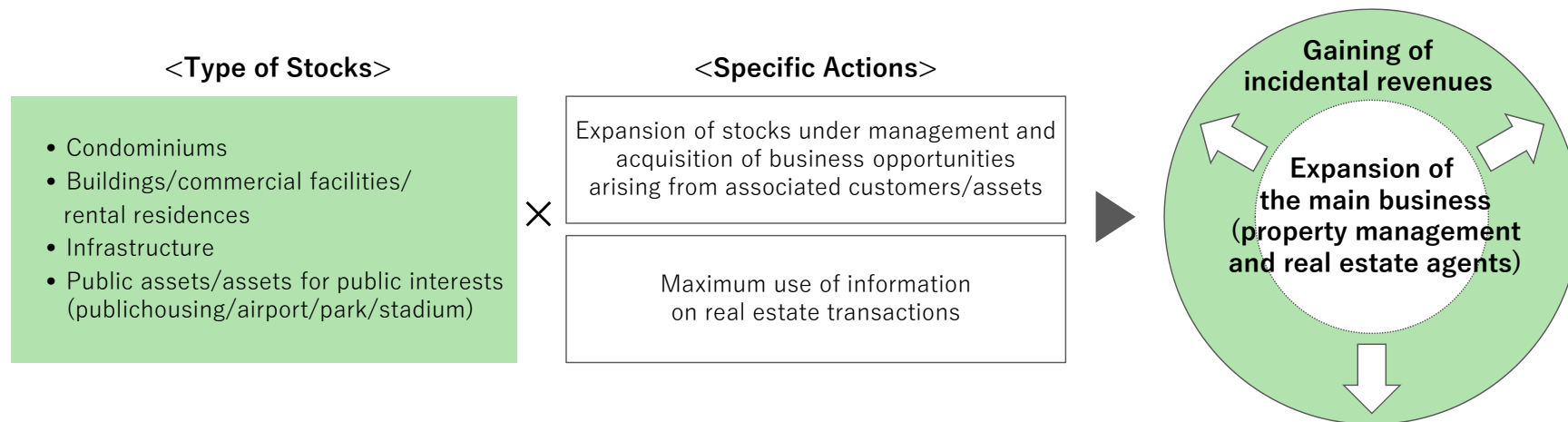


2-8. Growth Strategy(3) Strengthening of stock utilization

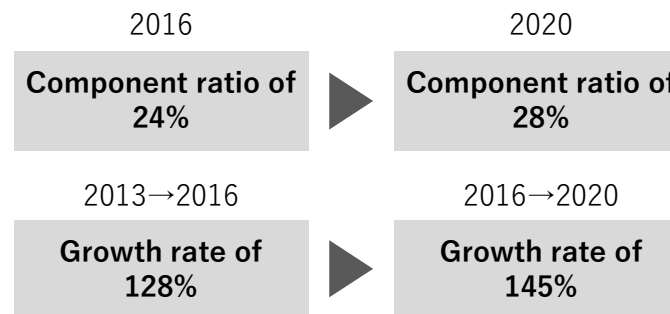


To grasp environmental change from the flow-type society to the stock-type society and seize as many business opportunities based on stocks as possible through customer contacts, thereby increasing the ratio of property management and real estate agents in the profit portfolio.

Seizure of Expanding Stocks



<Property Management/Real Estate Agents: Operating Profit>



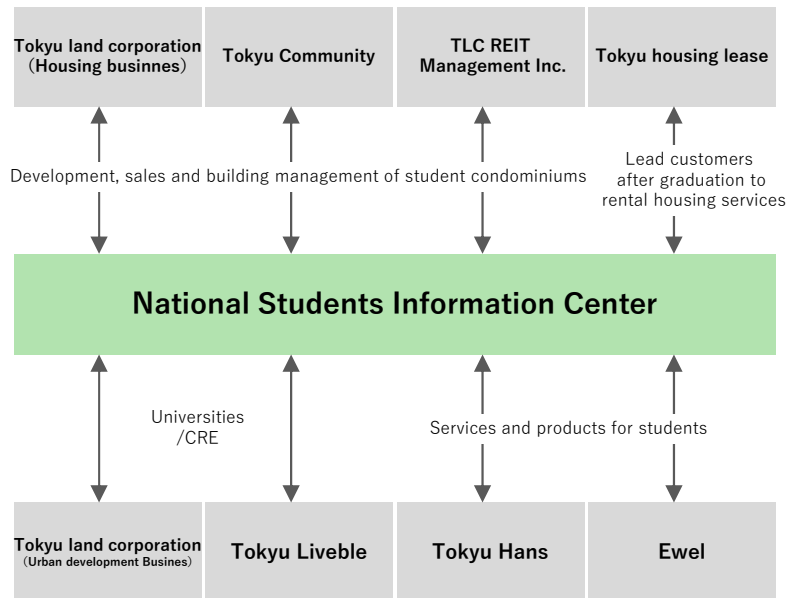
2-9. Enhancement of Initiatives for Synergies among Businesses



Make full use of the Group’s business base (stock, customer information and human resources) to acquire opportunities for derived businesses and create additional value.

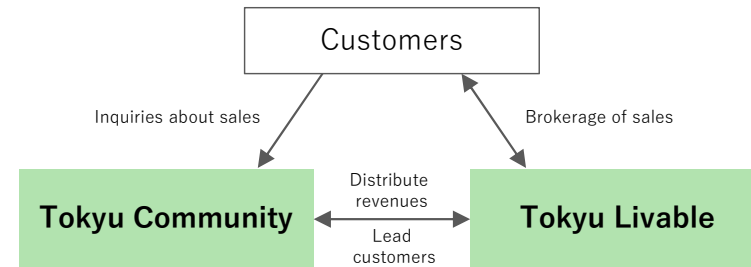
- Synergies of National Students Information Center -

Deepen the relationships with customers of National Students Information Center (tenants, universities and owners) to acquire a wide range of business opportunities



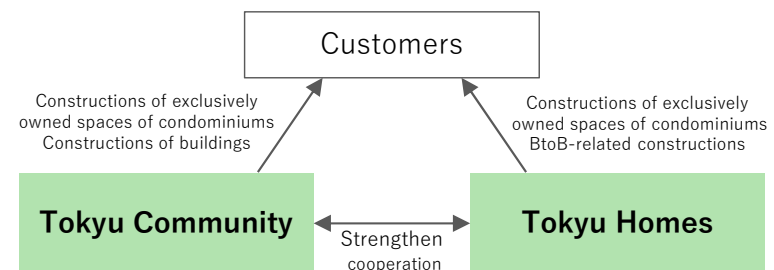
— Synergies: Property Management × Brokerage —

For business growth, expand the scope of customers to be led from the property management business to the real estate agents business



— Synergies: Property Management × Constructions —

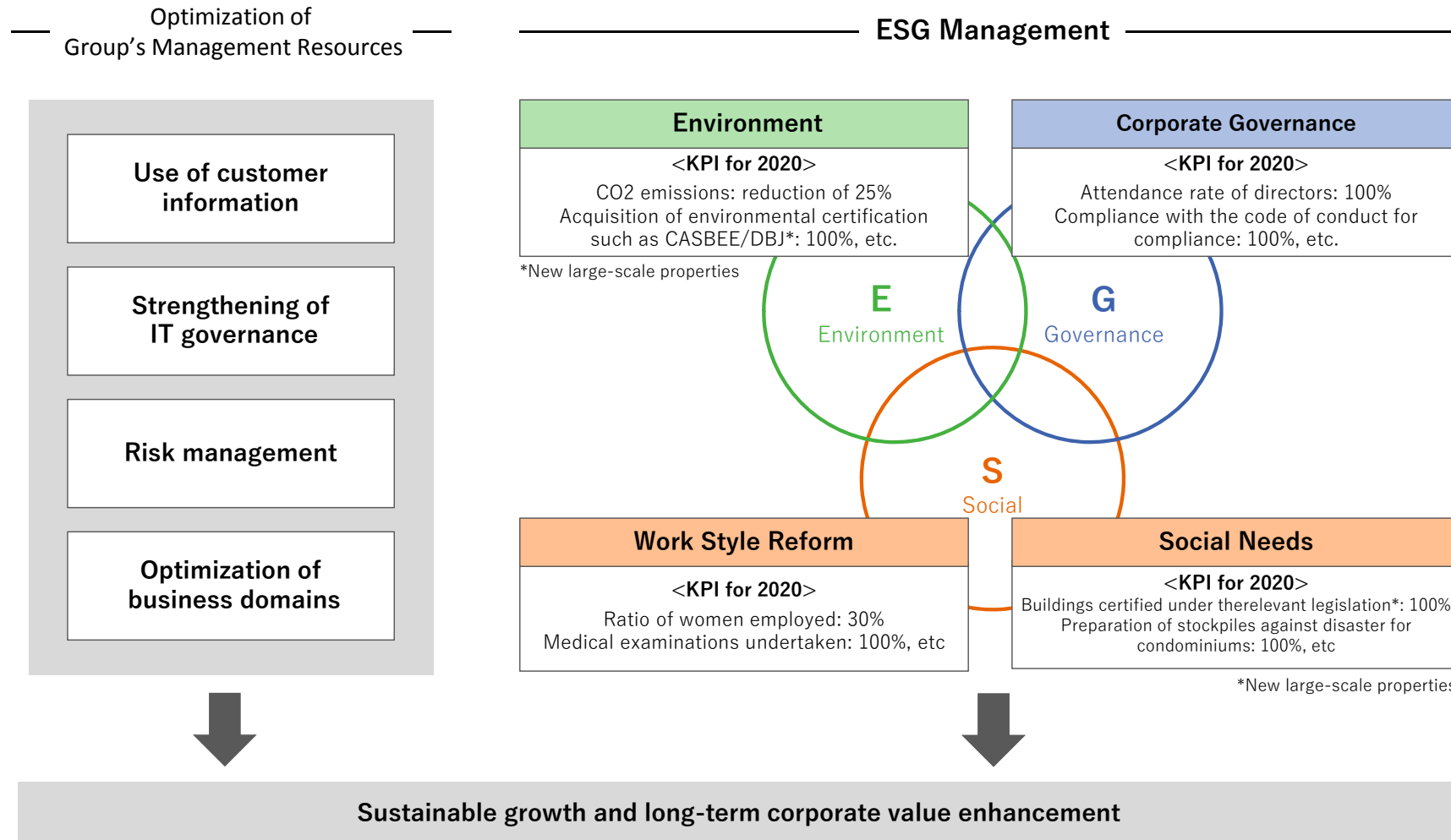
Strengthen renovation constructions and BtoB-related constructions



2-10. Optimization of Group's Management Resources/ESG Management



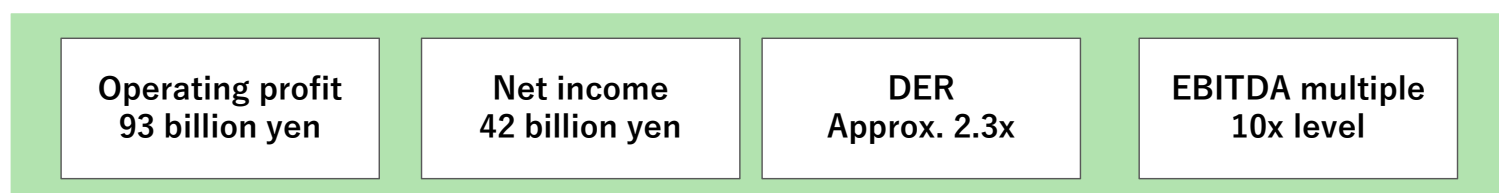
In order to realize sustainable growth and long-term corporate value enhancement, to promote the optimization of the Group's management resources and ESG management.



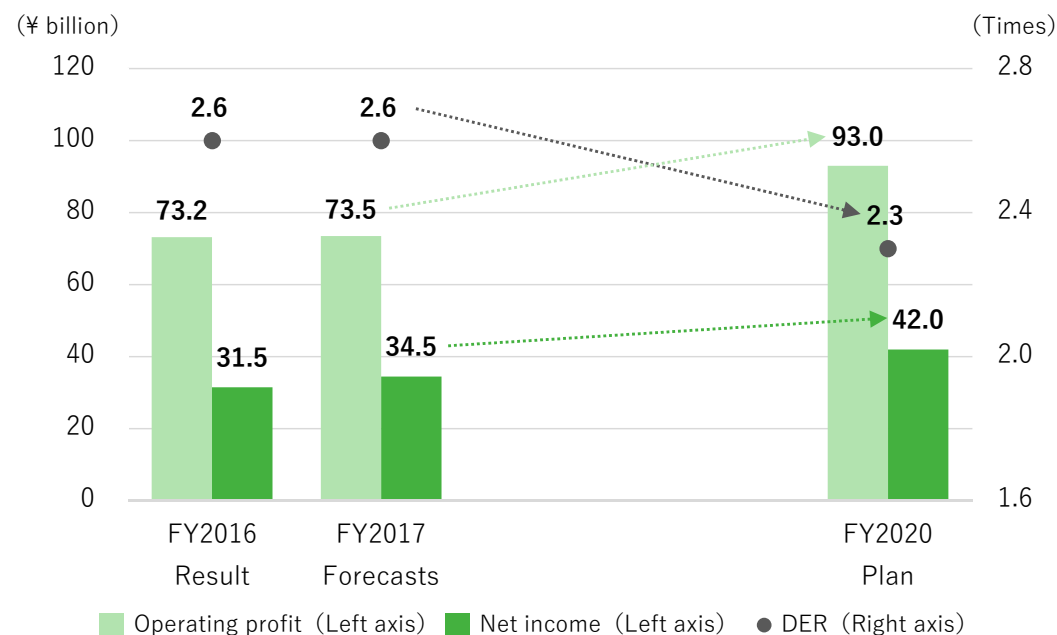
2-11. Target indicators

For increasing shareholder value and adding equity capital, to aim for stable profit growth and ensure the long-term continual improvement of financial soundness (DER) and the strengthening of the ability to generate cash flows.

〈Targets for FY2020〉



Operating profit · Net income · DER trends



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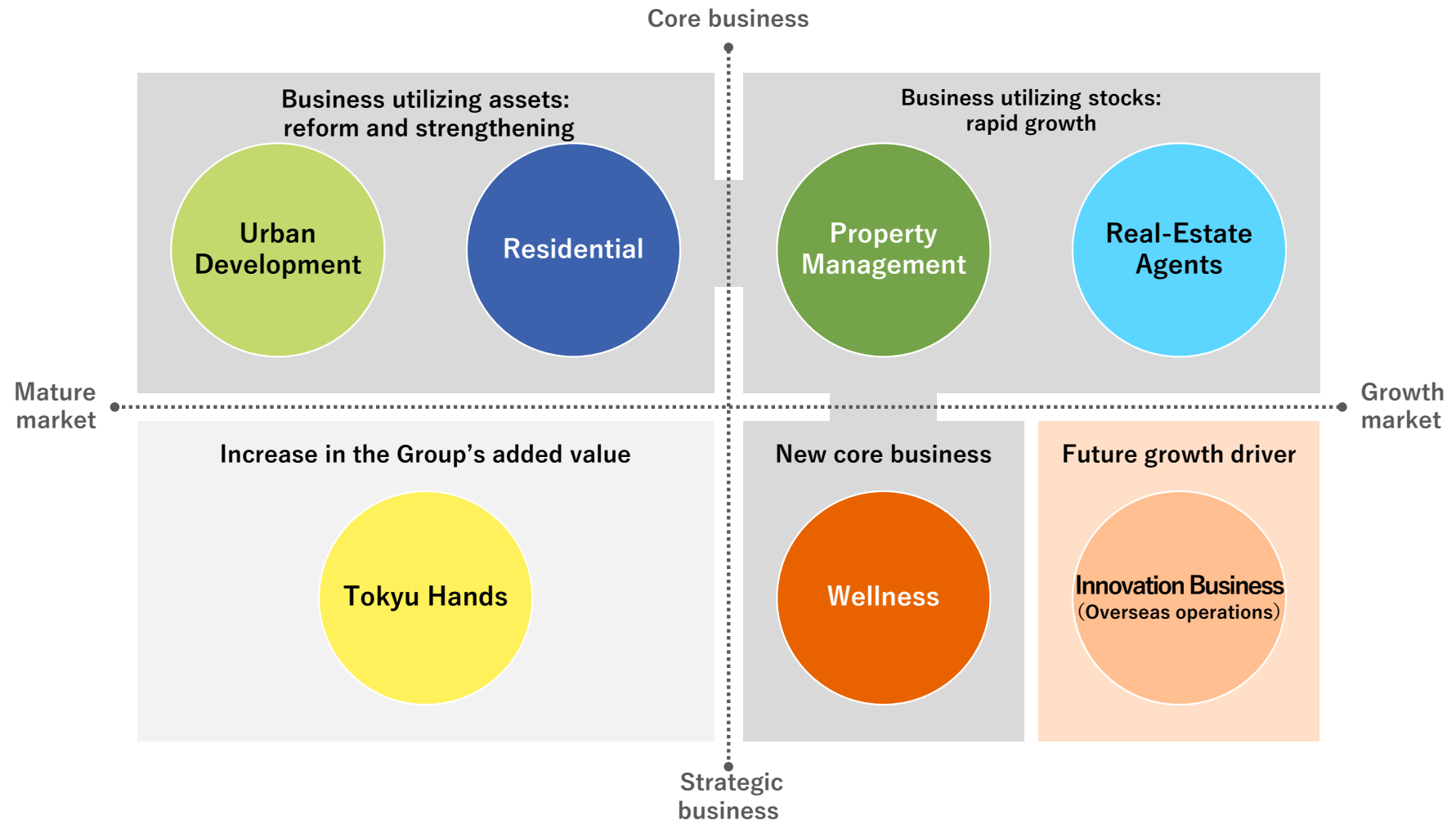
[Mid-Term Management Plan 2017-2020]

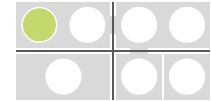
3. Business Strategy



3-1. Position of Business Segments

The business portfolio with which the Group can respond flexibly to social issues and changes in the business environment as a whole shall be composed of seven segments.





3-2. Urban Development①

**<Ideal Situation of Urban Development>
Strong urban development with uniqueness
at the core of the Group**

Business Environment

- Intensifying competition among areas
- Overheated investment environment
- Securitization of public assets/assets for public interests

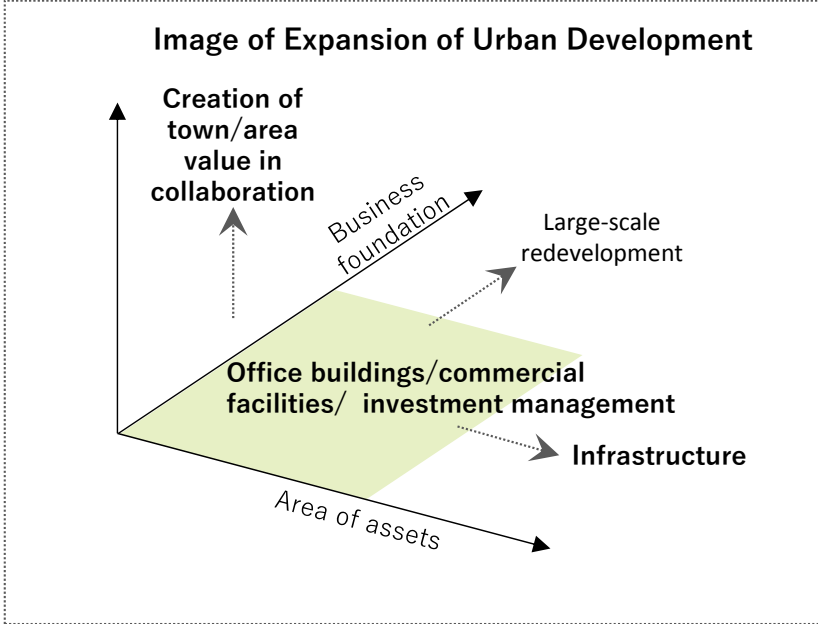
Management Resources

- Know-how on development/operation (redevelopment/office buildings/commercial facilities)
- Associated assets mainly in the Greater Shibuya Area
- Know-how on investment management (AM capability)

Business Strategy

**Creation of value of town/area in collaboration
(promotion of urban development of the Greater Shibuya Area and the Takeshiba District, among other areas)**

Expansion of the cyclical reinvestment business



Targets for FY2020

	2016	2020
Total floor area*	1,458 thousand square meters	1,640 thousand square meters
AUM**	¥0.8 trillion	¥1.3 trillion
No.of rental housing units under management***	124,000 units	150,000 units

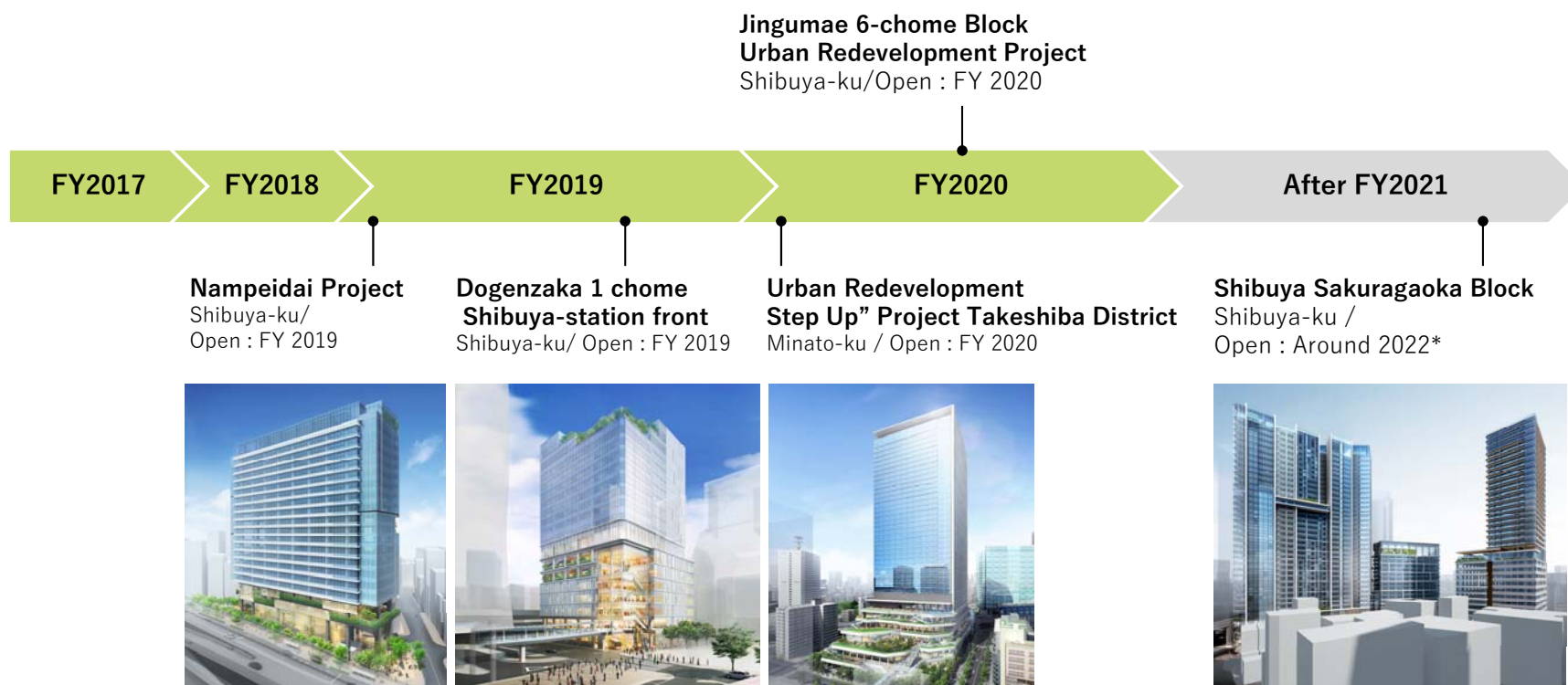
*Total floor area of office buildings and commercial facilities held by Tokyu Land Corporation and its consolidated SPCs
 **Total assets under management by REIT/private placement funds sponsored by Tokyu Land Corporation
 ***Total of rental housing units managed by Tokyu Housing Lease and National Students Information Center



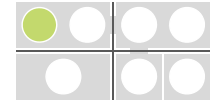
3-3. Urban Development②

Promotion of Existing Major Projects

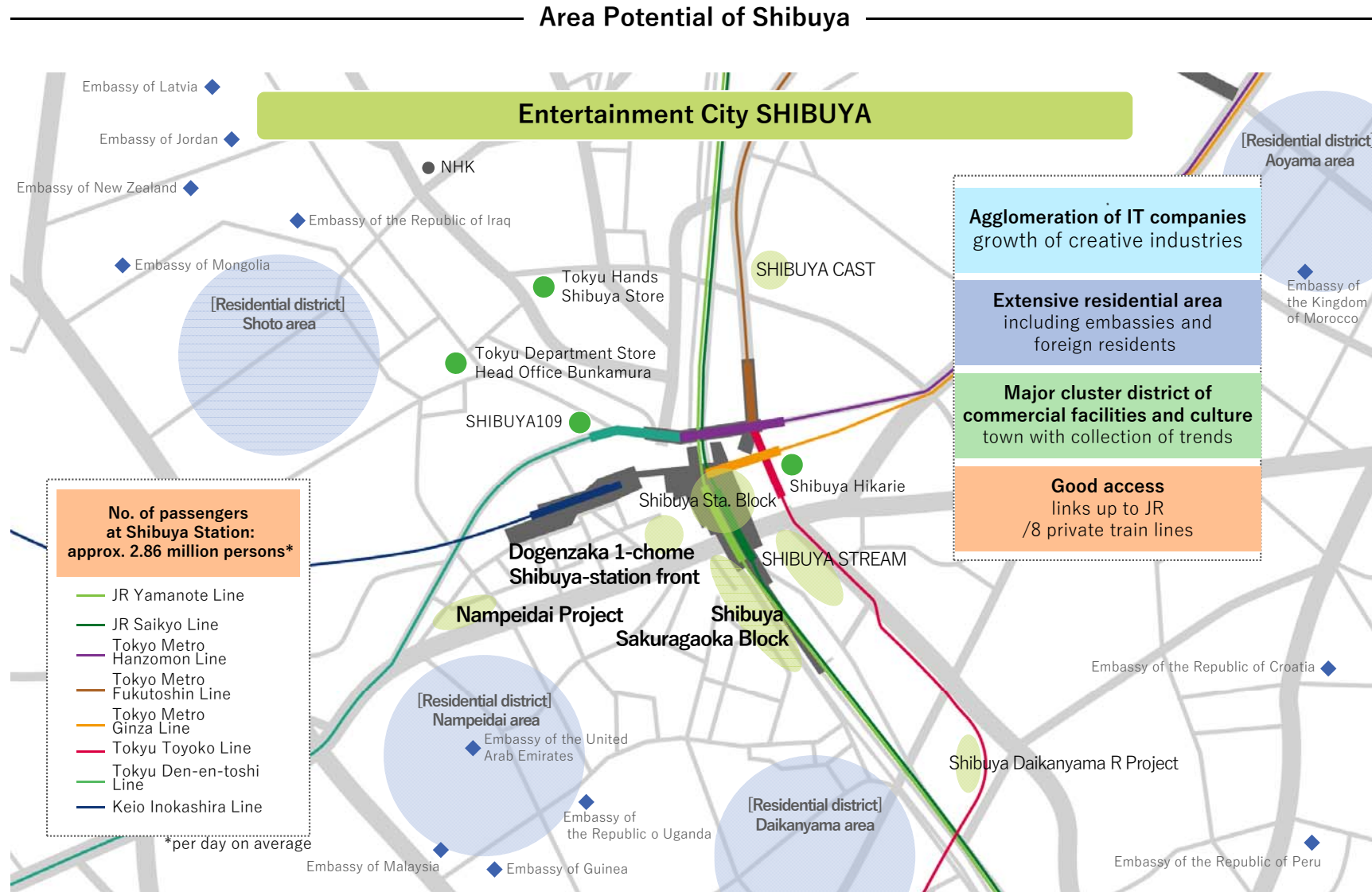
Through the promotion of the existing major projects in Urban Development, to contribute to the generation of stable cash flows .

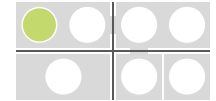


* To be finalized upon the procedures for the change of the business plan to be taken.



3-4. Urban Development③ Attractiveness of Shibuya(1)

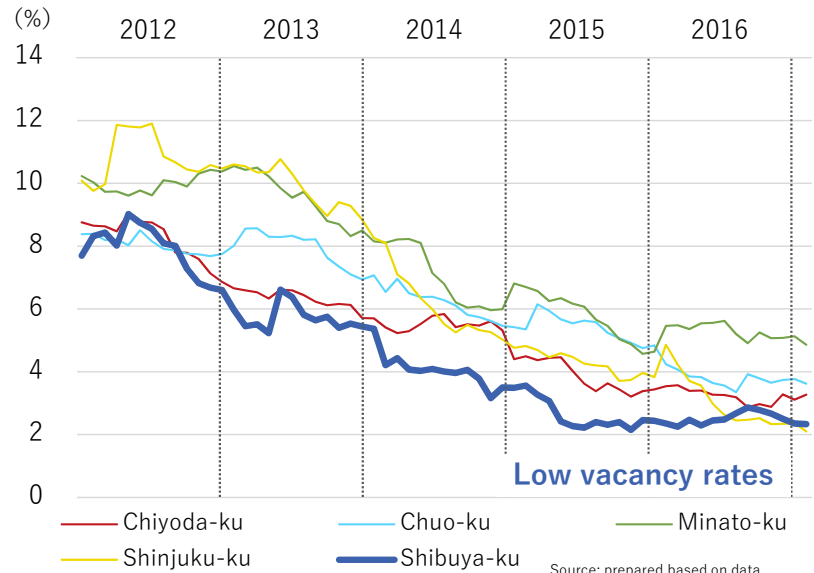




3-5. Urban Development③ Attractiveness of Shibuya(2)

Attractiveness as an office area

〈 The vacancy rates in Tokyo's five central Wards 〉



With the supply of large-scale high-quality offices, the long-standing problem of lack of floor space has been resolved.

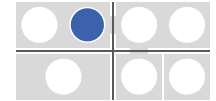
Offices to be newly supplied upon the development of the area around Shibuya Station*

**Total rentable office area
259,000 m²**

*Total of the three projects of Tokyu Land Corporation and SHIBUYA CAST, SHIBUYA STREAM and Shibuya Sta. Block

〈Map for agglomeration of IT companies〉





3-6. Residential

<Ideal Situation of Residential>
 Establishment of a unique presence in the field where the best use is made of the Group's overall abilities

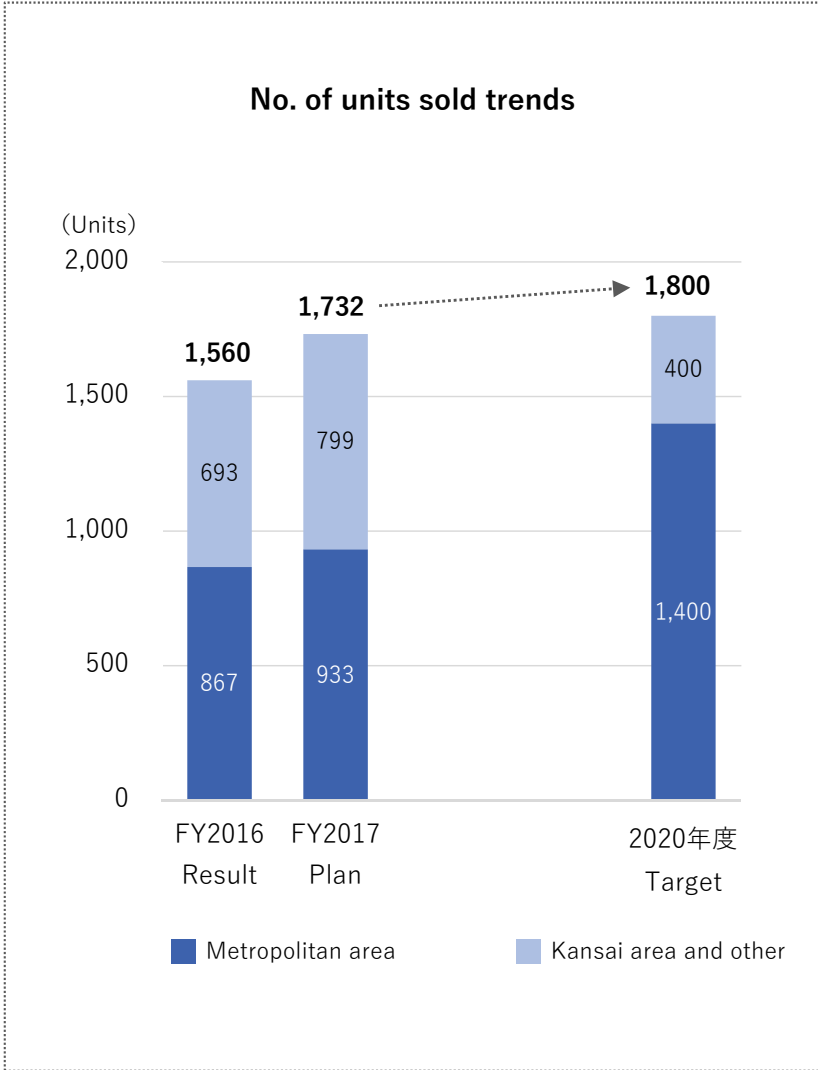
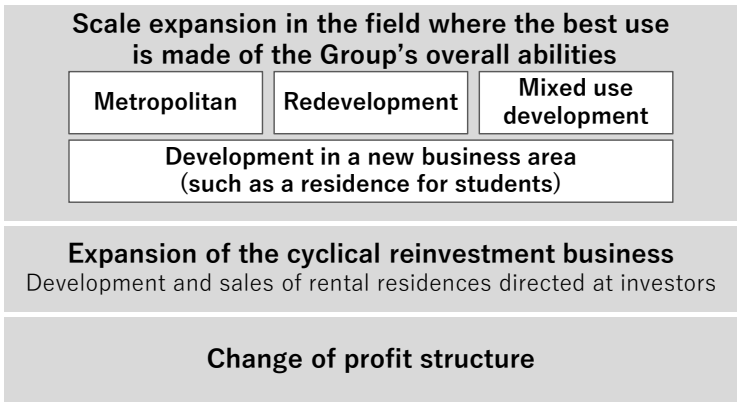
Business Environment

- Increase in dual-career family and single-person households
- Inclination to have the workplace near home and a preference for the city center and locations close to a station
- Smart houses

Management Resources

- Extensive information on land
- Know-how on development/planning/execution management
- Operations in cooperation among the Group companies

Business Strategy





3-7. Property Management

〈Ideal Situation of Property Management〉
 Overwhelming No. 1 in the comprehensive property management business

Business Environment

- Increase in senior citizens and single people, changes in houses
- Continued trend of “change from public sector to private sector”
- Increase in stocks under management against aging

Management Resources

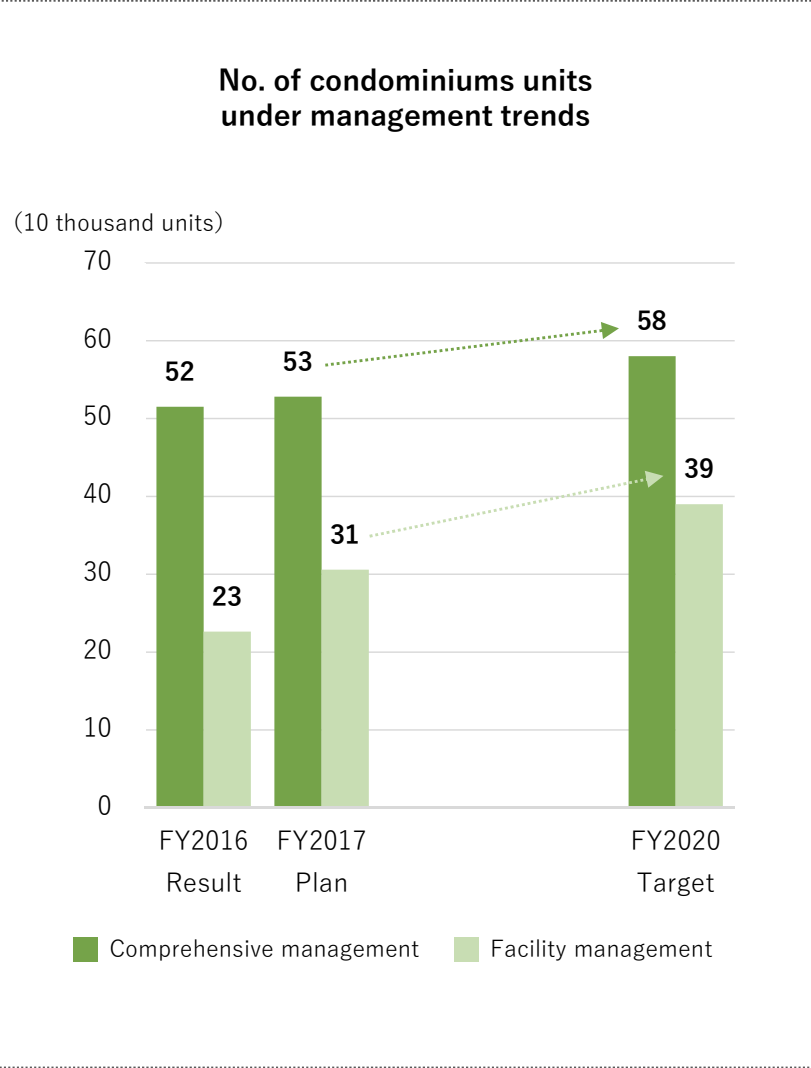
- Various assets under management
- Extensive management records
- Technical capabilities (quality/quantity)

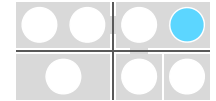
Business Strategy

Accumulation of various stocks

Construction of common areas	Renovation	Services for occupied areas
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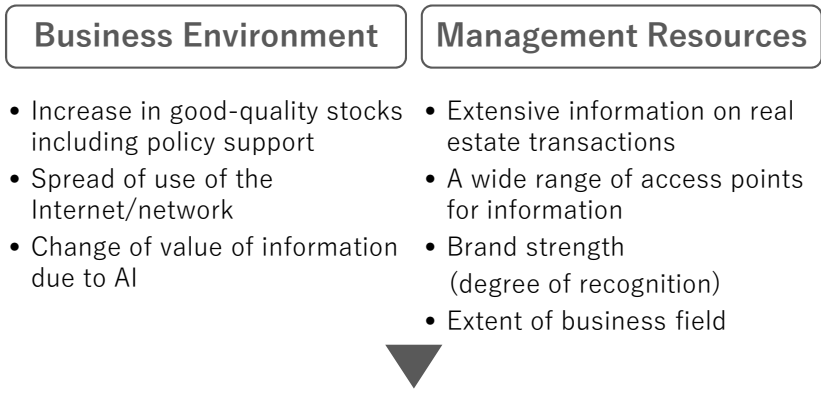
Acquisition of business opportunities based on stocks





3-8. Real-Estate Agents

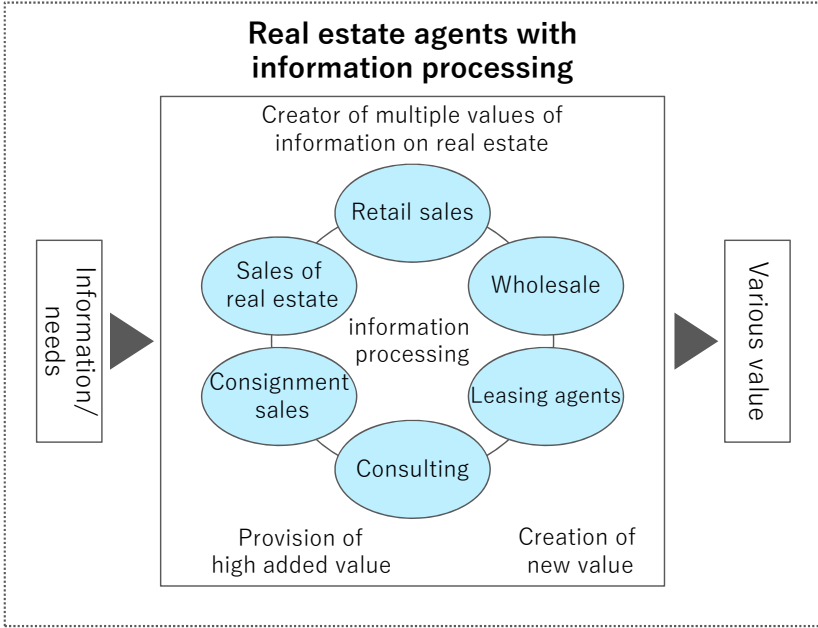
**<Ideal Situation of Real Estate Agents>
Creator of multiple value of information on real estate**



Business Strategy

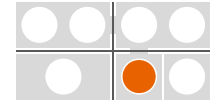
Evolution to real estate agents with information processing
Acquisition of business opportunities by maximum utilization of information on real estate transactions, expansion of business domain

Evolution of three No. 1 positions
[Customer recognition/business competitiveness/worthiness of working]



Targets for FY2020

	2016	2020
No. of retail transactions	23,278 cases	35,000 cases
Amount of wholesale transactions	¥278.9 billion	¥550.0 billion
No. of retail stores	166 stores	197 stores



3-9. Wellness

<Ideal Situation of Wellness>
 Establishment of the top position
 in the industry in the field of wellness

Business Environment

- Increase in inbound demand
- Advancement of aging society
- Increase in demand for leisure/health

Management Resources

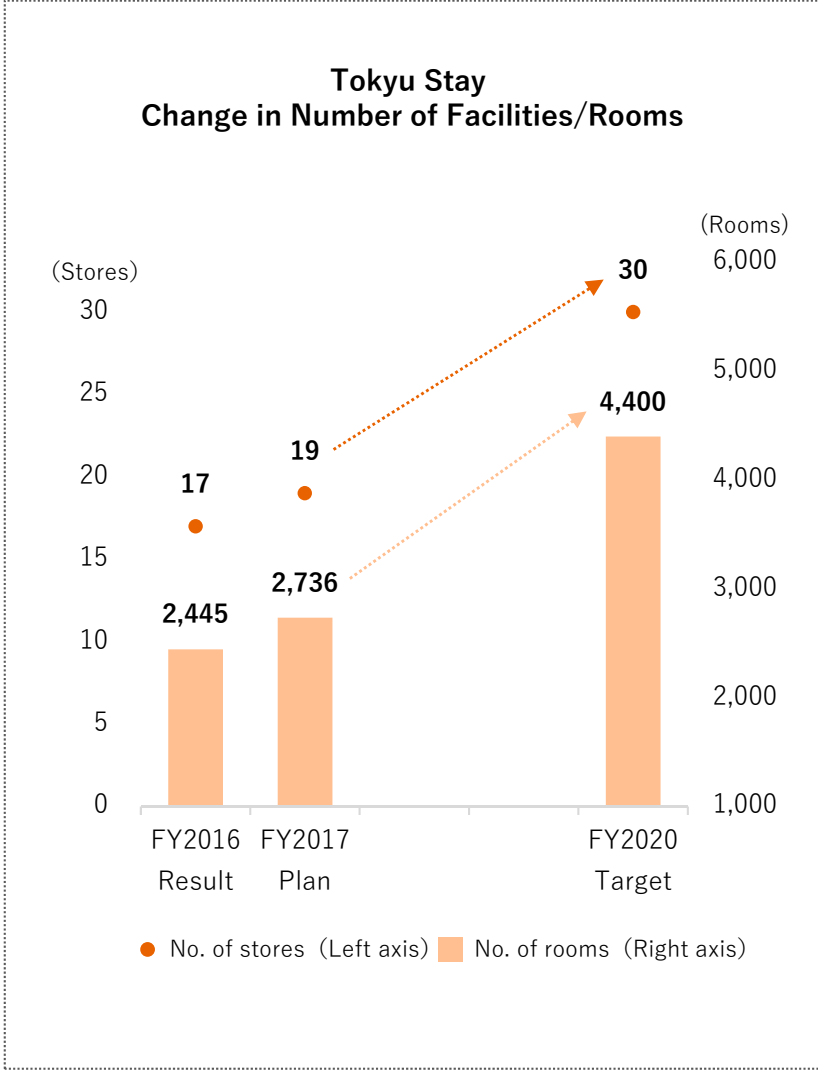
- A wide range of business operations (hotel/resort/seniors/fitness, etc.)
- Development/operation capabilities
- Abundant wealthy customers

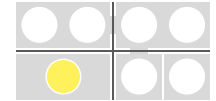


Business Strategy

Scale expansion in the field of wellness by making the most of development/operation capabilities
 (Tokyu Stay/hotels/senior housing)

Promotion of the cyclical reinvestment business in the field of wellness





3-10. Tokyu Hands

<Ideal Situation of Tokyu Hands>
No. 1 brand for creation and proposal of lifestyles

Business Environment

- Reduction of the store retail market (expansion of the EC market)
- Consumption of service

Management Resources

- High brand power (degree of recognition)
- Reliable assortment of products
- sales floor with ability to make proposals
- Dependable staff

Business Strategy

Change to a structure that can generate profits stably
Strengthening of the Tokyu Hands brand

- Review of strategy for store opening and new business
- Improvement/strengthening of MD (renewal of PB products)
- Promotion of an efficient operation system

Hands brand

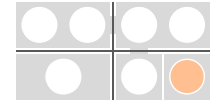


Overseas business



Tokyu Hans Suntec City store

Open: November 2016
The third store in Singapore



3-11. Innovation business (Overseas operations)

**<Ideal Situation of Overseas Business>
Manifestation of presence as a general developer
in Overseas Business**

Business Environment

- Growth of emerging countries in Asia
- Stable growth of the United States

Management Resources

- Know-how in real estate development
- Business records for over 40 years in Indonesia



Business Strategy

Strengthening of the business in the United States

Promotion of strengthening of the business foundation centered on the circular business and asset allocation from Japan

Strengthening of the business in Indonesia

Establishment of systems for development, supply and sales for stable sales of housing

Major Project



425 Park Avenue
United State
New York



BRANZ BSD
Indonesia
Bumi Serpong Damai



BRANZ Simatupang
Indonesia
Jakarta

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4. Financial Strategy



4-1. Investment strategy

Based on the assumption of interest-bearing debt of 1,260 billion yen and DER of 2.3 times at the end of the fiscal year 2020, the planned net investment amount is 370 billion yen.

Point of View under Investment Strategy

Cash Flows (¥ billion)	
C/F from operating activities (profit + depreciation/amortization)	280
C/ F from investing activities (including investment in intangible assets/inventories)	(370)
C/F from financing activities (increase in interest-bearing debt/dividends, etc.)	90

〈Assumptions for cash flows from financing activities〉

	2016	2020
Interest-bearing debt	1,137.8 Billion yen	1,260.0 Billion yen
DER	2.6 ×	Approx. 2.3x

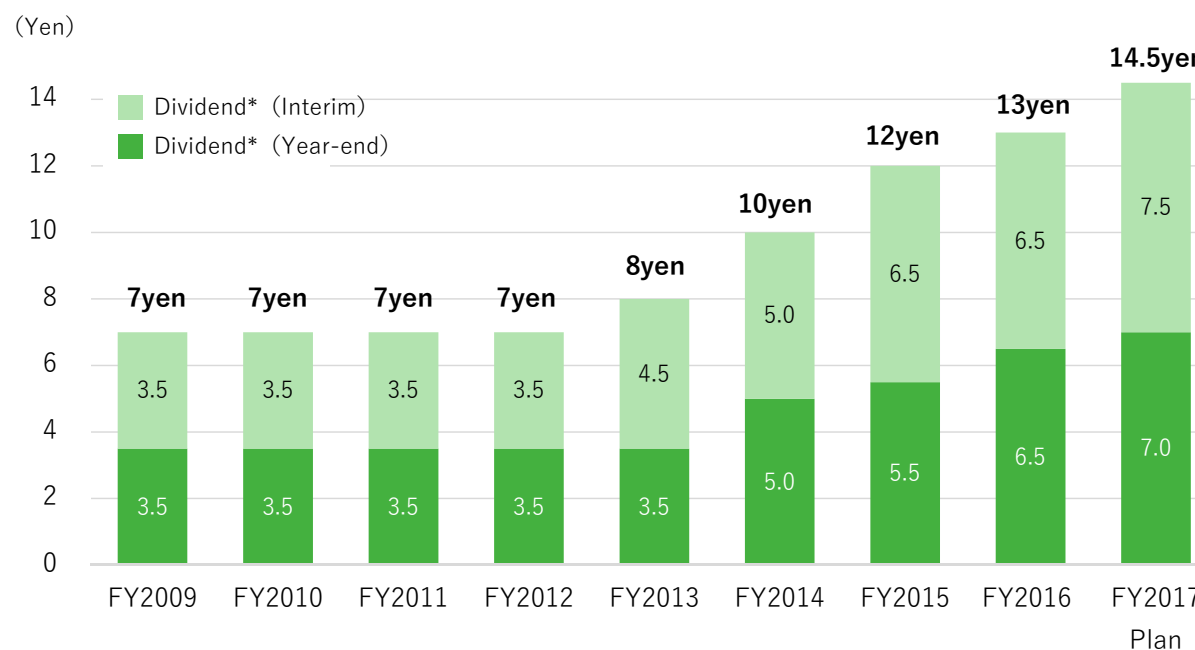
Investment plan for 2017-2020

Region/category		Investment amount	Main items	
Japan	Urban development	Non-current assets	Offices, Commercial facilities, Infrastructure	
		Inventories		
	Wellness		¥135 billion	Tokyu Stay, Hotels, Housing for seniors
	Residential		¥200 billion	Condominiums, Rental housing facilities for investors
Overseas	North America/Asia	¥85 billion	North America, Indonesia	
Strategic Investment (M&A investment and others)		¥30 billion	M&A	
Gross investment amount		¥1,230 billion		
Net investment amount		¥370 billion		

4-2. Return to Shareholders

With respect to shareholder return, stable dividends shall be maintained and the target dividend payout ratio shall be set at 25% or more. We will aim to increase dividends through profit growth.

Dividend per share



Net income ** (¥billion)	11.1	11.6	34.2	22.1	23.7	25.2	28.7	31.5	34.5
EPS (Yen)	20.82	21.84	64.4	41.71	41.61	41.45	47.18	51.77	56.67
Dividend payout ratio	33.6%	32.1%	10.9%	16.8%	19.2%	19.2%	25.4%	25.1%	25.6%

* Dividends before interim dividends for the fiscal year ended March 2014 are those paid by Tokyu Land Corporation.

** "Net income" was replaced with "profit attributable to owners of parent" in the fiscal year ended March 31, 2016.

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[Mid-Term Management Plan 2017-2020]

5. Reference material



5-1. Operating profit by segment

Operating profit by segment (¥ billion)	FY2016 Result	FY2017 Forecast	FY2020 Plan	Comparison with FY2016
Operating profit	73.2	73.5	93.0	19.8
Urban Development	44.9	47.3	50.0	5.1
Residential	9.7	7.8	8.5	(1.2)
Property Management	8.1	8.6	12.5	4.4
Real Estate Agents	11.3	11.8	15.5	4.2
Wellness	7.6	5.7	10.0	2.4
Tokyu Hands	0.3	0.1	1.5	1.2
Innovation business	(1.9)	(1.5)	2.0	3.9
Elimination	(6.6)	(6.3)	(7.0)	(0.4)

