

Last Updated: July 10, 2017

Tokyu Fudosan Holdings Corporation

Yuji Okuma

President and Representative Director

Securities Code: 3289

<http://www.tokyu-fudosan-hd.co.jp/english/>

The corporate governance of Tokyu Fudosan Holdings Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views [updated]

Basic Views

Tokyu Fudosan Holdings Group (the “Group”) is a comprehensive lifestyle company which views people and lifestyles as a whole, and aims to create beautiful living environments together with our customers under the slogan of “Toward a Beautiful Age.” As a member of the Group, the Company is committed to enhancing the value of the Tokyu brand, which has come to be associated with “comfort and reliability.” It will continue to faithfully pursue a stable growth path and respond to the drastically changing operating environment. At the same time, the Company strives to improve corporate value by placing “challenge” as the key word for its management strategy—constantly taking on the challenges of new businesses and tackling new issues. As such, the Company sees improving management efficiency, as well as building a healthy and transparent management structure as important issues, and is putting its best efforts into the area of corporate governance.

Basic Policies

The Company will work to enhance its corporate governance in line with the following basic policies.

- (1) The Company will respect shareholders’ rights and secure effective equal treatment of shareholders.
- (2) The Company will strive to cooperate appropriately with its stakeholders.
- (3) The Company will disclose information proactively and fulfill its duty of accountability to its stakeholders.
- (4) The Company will ensure adequate performance by the Board of Directors of their management supervision function, and by the Audit & Supervisory Board Members and Audit & Supervisory Board of their management monitoring and supervision functions by clarifying the roles and responsibilities of each organizational body.
- (5) The Company will engage in constructive dialogue with shareholders in order to contribute to its sustainable growth and increase corporate value over the medium and long term.

[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code] [updated]

The Company complies with all the principles of Japan’s Corporate Governance Code.

[Disclosure Based on the Principles of the Japan's Corporate Governance Code] [updated]

[Principle 1.4 Policy for Cross-Shareholdings]

(1) Policy regarding shares as cross-shareholdings

The Company will hold cross shareholdings in cases where it judges that they will contribute to maintaining and increasing the Group's corporate value from a perspective of importance to the medium- and long-term business strategy and reinforcing stable relationships with business partners. When holding cross-shareholdings, since share price fluctuation risk can have a significant impact on the Company's financial situation, the Company will ensure the economic rationale, such as accurately identifying the risk and pursuing an appropriate return. Stocks that are deemed to have little meaning or effect will be sold as appropriate, giving due regard to share prices, market trends, and other information for consideration.

(2) Policy regarding exercise of voting rights

The Company will exercise its voting rights related to shares that it has decided to hold on all proposals for voting after examining the details of the proposals and judging whether the proposal will contribute to increasing the Group's shareholder value.

[Principle 1.7 Related Party Transactions]

All related party transactions are carried out after the required decision has been made through a process of deliberation from specialist perspectives such as finance, accounting, taxation, and law, following the Company's internal regulations in accordance with the scale and importance of the transaction. Transactions with a conflict of interest for Directors must be approved by the Board of Directors based on laws and regulations, and the Board of Directors Regulations (excluding, however, cases where the transaction is an ordinary transaction as a general consumer, such as purchasing goods in HANDS store operations, where the interests of the Company or the common interests of its shareholders are not harmed). When such a transaction has occurred, details are disclosed in the Annual Securities Report in accordance with laws and regulations.

[Principle 3.1 Full Disclosure]

(1) Management philosophy, management strategy, and management plan

The Group conducts business activities founded in the Group philosophy shared by all Tokyu Group companies. It has adopted the business philosophy of "identifying social challenges with the spirit of enterprise and meeting the challenges by implementing projects with ideals and ideas." The Group has worked to generate new value by adapting to changes in the environment with diversity as its advantage while maintaining its challenging DNA and consideration for customers. The entire Group remains committed to bringing about change with an unswerving conviction by daringly taking anticipatory action before change, and we will continue rising to face the changes of each era. Details can be found on the Company's website under the "Message from the President."

Message from the President: <http://www.tokyu-fudosan-hd.co.jp/english/about/greeting/>
Group Philosophy: <http://www.tokyu.co.jp/company/about/>

For details on Value Frontier 2020: To Become a Corporate Group that Continues to Create Value — Stage 2 "Medium-Term Management Plan for 2017 to 2020" disclosed in May 2017, please visit the following URL.

Medium-Term Management Plan:

<http://www.tokyu-fudosan-hd.co.jp/english/ir/mnngpolicy/plan/>

Also, the Company began issuing an Integrated Report in fiscal 2016.

(2) Basic views and policies on corporate governance

For information about the Group's basic views and policies on corporate governance, please refer to "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information, 1. Basic Views."

(3) Policies and procedures in determining the remuneration of the senior management and Directors

Concerning the amount of remuneration for Directors and Audit & Supervisory Board Members, at the General Meeting of Shareholders it was decided that the annual total amount of remuneration for Directors shall not exceed ¥600 million, and the annual total amount of remuneration for Audit & Supervisory Board Members shall not exceed ¥120 million. Bonuses are also paid within these limits.

In the determination of officer remuneration, the Company aims for a system of remuneration that raises awareness of the contribution of improved medium- and long-term earnings performance to increasing corporate value. Specifically, the Company ensures a certain ratio for the portion of variable remuneration within total remuneration, and remuneration is decided based on the achievement level of key performance indicators (KPIs) in the Medium-Term Management Plan, contribution to achievement of the Plan, and other factors. The Company has also made clearer the link between Director remuneration and stock price, and has introduced a stock-based compensation system within a separate framework to have Directors share profits and risks from stock price fluctuations with shareholders.

Specific methods for determining remuneration are as follows. Within the limits for remuneration amounts approved by the General Meeting of Shareholders, remuneration for Directors is decided at a meeting of the Board of Directors that has been briefed on the results of deliberation by the Nomination and Remuneration Committee. Remuneration for Audit & Supervisory Board Members is decided on the basis of discussion among the Audit & Supervisory Board Members.

(4) Policies and procedures in the appointment of the senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

As candidates for Directors, the Board of Directors nominates personnel who have appropriate character and knowledge for a Director, as well as having no health issues that would impede them from executing their duties. The nominated candidates also have insight and judgment ability with a view to achieving the management indicators and other objectives in the medium- and long-term management plan.

Since fiscal 2016, the Company has had a Nomination and Remuneration Committee in place. Selection of senior management team members and nomination of candidates for Director are decided by meetings of the Board of Directors after consulting with the Nomination and Remuneration Committee.

As for candidates for Audit & Supervisory Board Members, the Audit & Supervisory Board receives proposals of personnel who have appropriate character for a Audit & Supervisory Board Member, as well as having no health issues that would impede them and the insight required for auditing duties, and after the proposal is consented by the Audit & Supervisory Board, the candidates are nominated by the Board of Directors.

(5) Explanations with respect to the individual appointments and nominations

For the reasons for the nomination of Directors and Audit & Supervisory Board Members, please refer to the “Notice of Convocation of the 4th Ordinary General Meeting of Shareholders.”

“Notice of Convocation of the 4th Ordinary General Meeting of Shareholders” [Japanese]:
http://www.tokyu-fudosan-hd.co.jp/ir/stockandbond/generalmeeting/pdf/H_amg2017_1.pdf

“Notice of Convocation of the 4th Ordinary General Meeting of Shareholders” [English]:
http://www.tokyu-fudosan-hd.co.jp/english/ir/stockandbond/generalmeeting/pdf/H_amg2017_1.pdf

[Supplementary Principle 4.1.1]

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, the Board of Directors conducts decision-making on important matters related to the Group’s management, such as the management policies, business plans, and large-scale investment plans.

Authority for execution of business and decisions on such execution for matters other than the important matters listed above is delegated to Group Executive Committee and other subordinate meeting bodies, and officers and so forth in charge of the business operations, while the Board of Directors monitors the status of performance of duties of the meeting bodies and officers and so forth.

[Principle 4.8 Effective Use of Independent Outside Directors]

For the Company's corporate governance, independent Outside Directors are to have rich experience in management and a high level of discernment and character and related matters, as well as understanding the Group's wide-ranging business domain and the value they create. They are to provide advice from a broad, high-level perspective, while appropriately supervising executives from a position that is independent from them. The Company recognizes this as an important duty.

To enable appropriate and flexible decision-making on business activities and 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 about 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 and enhancement of governance, and raise concern, from the perspectives of diverse stakeholders and society. There are three independent Outside Directors under the current system but the Company is considering securing a ratio higher than this in the future.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company deems Outside Directors to be independent when, in addition to meeting the independence standards for independent officers stipulated by the Tokyo Stock Exchange, none of the following have applied 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 remuneration of more than ¥10 million a year from the Company besides officer remuneration
- (6) A spouse or relative within two degrees of kinship of the Director, etc. of the Company or a consolidated subsidiary

[Supplementary Principle 4.11.1]

When deciding on candidates for Directors, the Company considers the balance of personnel able to exercise strengths in management in each of the fields within the Group's wide-ranging business domain in the general lifestyle industry and personnel suited for corporate management and so forth, and seeks to secure a balance and diversity of the overall knowledge, experience, and capabilities of the Board of Directors.

Considering the Group's wide-ranging business domains, the Company considers the current structure with the number of Directors at around 13 to be appropriate. However, there is a possibility that the structure may change, for example by increasing the number of independent Outside Directors in order to strengthen the governance structure going forward.

Since fiscal 2016, the Company has had a Nomination and Remuneration Committee in place. Selection of senior management team members and nomination of candidates for Director are decided by meetings of the Board of Directors after consulting with the Nomination and Remuneration Committee.

[Supplementary Principle 4.11.2]

The notice of convocation of the Ordinary General Meeting of Shareholders for each year lists the status of any significant concurrent positions outside the Company of officers. The notices of convocation of the Ordinary General Meeting of Shareholders can be viewed on the Company's website.

Relevant information on meeting of shareholders: <http://www.tokyu-fudosan-hd.co.jp/english/ir/stockandbond/generalmeeting/index.html>

[Supplementary Principle 4-11-3]

For the evaluation of the effectiveness of the Board of Directors, appraisals and opinions regarding the effectiveness of individual Directors and Audit & Supervisory Board Members are reported and shared at meetings of the Board of Directors. It is considered that the Board of Directors of the Company fulfills its role appropriately overall, and has achieved an acceptable level of effectiveness. Regarding matters where changes are needed to further improve effectiveness, continuous verification of remedial progress is undertaken within the annual appraisal of effectiveness.

[Supplementary Principle 4.14.2]

To promote understanding of the roles and responsibilities required of the Directors and the Audit & Supervisory Board Members, the Company provides opportunities such as external training and seminars for corporate managers so they may acquire necessary knowledge on the Company's business, finances, organization, compliance, and other matters as well as necessary knowledge related to education that they should receive as Directors and Audit & Supervisory Board Members. Moreover, Outside officers are given clear explanations of the management strategy and business activities on assuming their positions in order to promote their understanding of the Group.

[Principle 5.1 Policy for Dialogue with Shareholders]

The Company proactively conducts IR activities to promote constructive dialogue with its shareholders. Please refer to the Company's IR Policy for details including its initiatives and policies.

IR policy: <http://www.tokyu-fudosan-hd.co.jp/english/ir/policy/>

For further reference, the Company's website also has information on the Group's disclosure items and so forth based on the respective principles of the Japan's Corporate Governance Code.

Corporate Governance Code: <http://www.tokyu-fudosan-hd.co.jp/about/governance/>

Corporate Governance Code (English): <http://www.tokyu-fudosan-hd.co.jp/english/about/governance/>

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
----------------------------	---------------------------

[Status of Major Shareholders] [updated]

Name	Number of Shares Owned (Shares)	Percentage (%)
Tokyu Corporation	96,879,190	15.12
The Master Trust Bank of Japan Ltd. (Trust Account)	33,301,300	5.20
Japan Trustee Services Bank Ltd. (Trust Account)	30,847,400	4.81
Sumitomo Mitsui Trust Bank, Limited	21,008,200	3.28
The Dai-ichi Life Insurance Company, Limited	14,918,577	2.33
Japan Trustee Services Bank Ltd. (Trust Account 9)	9,716,000	1.52
Japan Trustee Services Bank Ltd. (Trust Account 5)	8,769,600	1.37
CBHK S/A PBG CLIENTS SG	8,687,600	1.36
Nippon Life Insurance Company	8,107,746	1.27
Japan Trustee Services Bank Ltd. (Trust Account 4)	7,616,200	1.19

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

The Company has 32,066,159 shares of treasury stock, but it is excluded from the above major shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	First section of the Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Operating revenue (consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Special Circumstances Which May Have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members
-------------------	--

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairman (excluding the case where the person concurrently serves as President)
Number of Directors [updated]	13
Appointment of Outside Director	Appointed
Number of Outside Directors [updated]	3
Number of Independent Officers Designated from among Outside Directors [updated]	3

Outside Directors' Relationships with the Company (1) [updated]

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Koichi Iki	From another company											
Noboru Tsuda	From another company											
Takashi Enomoto	From another company											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. An executive of the Company or its subsidiaries

b. An executive or a non-executive Director of a parent company of the Company

c. An executive of a fellow subsidiary company of the Company

d. A party whose major business partner is the Company or an executive thereof

e. A major business partner of the Company or an executive thereof

f. A consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director

g. A major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. An executive of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)

i. An executive of a company, between which and the Company Outside officers are mutually appointed (the Director himself/herself only)

j. An executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' Relationships with the Company (2) [updated]

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Koichi Iki	○	—	<p>The Company has appointed Mr. Iki as an Outside Director in the hope that he will utilize his extensive experience as an executive at The Dai-ichi Life Group and broad discernment for the management of the Company. No special interests exist between Mr. Iki and the Company.</p> <p>As an Outside Director, Mr. Iki plays a role in strengthening the function of supervising the Board of Directors, etc. from an objective standpoint, and it is not expected that any conflict of interest with general shareholders will arise in the future. Therefore, the Company designated Mr. Iki as an independent officer.</p>
Noboru Tsuda	○	—	<p>The Company has appointed Mr. Tsuda as an Outside Director in the hope that he will utilize his extensive business experience as a former Managing Officer at Mitsubishi Chemical Holdings Corporation and broad knowledge of holding company management for the management of the Company. No special interests exist between Mr. Tsuda and the Company.</p> <p>As an Outside Director, Mr. Tsuda plays a role in strengthening the function of supervising the Board of Directors, etc. from an objective standpoint, and it is not expected that any conflict of interest with general shareholders will arise in the future. Therefore, the Company designated Mr. Tsuda as an independent officer.</p>
Takashi Enomoto	○	—	<p>The Company has appointed Mr. Enomoto as an Outside Director in the hope that he will utilize his extensive business experience as a former Managing Officer at NTT DATA Corporation and broad knowledge of overseas business and IT utilization for the management of the Company.</p> <p>As an Outside Director, Mr. Enomoto plays a role in strengthening the function of supervising the Board of Directors, etc. from an objective standpoint, and it is not expected that any conflict of interest with general shareholders will arise in the future. Therefore, the Company designated Mr. Enomoto as an independent officer.</p>

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
--	-------------

Status of Establishment of Voluntary Committees, Composition of Members of the Committee and Attributes of the Chair of the Committee

	Voluntary Committee Equivalent to Nominating Committee	Voluntary Committee Equivalent to Remuneration Committee
Name of Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee
Total Committee Members (persons)	2	2
Full-time Committee Members (persons)	0	0
Inside Directors (persons)	1	1
Outside Directors (persons)	1	1
Outside Experts (persons)	0	0
Others (persons)	0	0
Committee Chair (Chairman)	Outside Director	Outside Director

Supplementary Explanation

—

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Division
--

Status of Cooperation between the Audit & Supervisory Board Members and the Accounting Auditor

The Company operates a collaborative system in which Audit & Supervisory Board Members receive reports regularly and whenever required from the Accounting Auditor (Ernst & Young ShinNihon LLC), and share opinions.

Status of Cooperation between the Audit & Supervisory Board Members and Internal Audit Division

The Audit & Supervisory Board Members maintain close links with the internal audit division, and receive regular reports from the internal audit division at Audit & Supervisory Board' meetings to conduct efficient audits.

The full-time Audit & Supervisory Board Members separately receive regular reports from the internal audit division, mainly individual business operation reports.

Status of Cooperation among the three pillars of audits

Through a mutually collaborative three-pillar internal control system (comprising Audit & Supervisory Board Members' audits, internal audits and financial audits), the Company promotes the establishment of internal controls essential for its sound management and continued development, as well as the evaluation and verification of the operation status and effectiveness thereof.

Moreover, to enhance the effectiveness of the three-pillar system, the Company will strive to strengthen close mutual links between these respective audits, including their audit plans, reports on audit results, and exchange of opinions.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Members' Relationships with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tomoyasu Asano	From another company													
Katsunori Takechi	From another company													

* Categories for "Relationship with the Company"

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. An executive of the Company or its subsidiaries

b. A non-executive Director or accounting advisor of the Company or its subsidiaries

c. An executive or a non-executive Director of a parent company of the Company

d. A Audit & Supervisory Board Member of a parent company of the Company

e. An executive of a fellow subsidiary company of the Company

f. A party whose major business partner is the Company or an executive thereof

g. A major business partner of the Company or an executive thereof

h. A consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Audit & Supervisory Board Member

i. A major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. An executive of a business partner of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)

k. An executive of a company, between which and the Company Outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. An executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)
--

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tomoyasu Asano	○	—	<p>The Company has appointed Mr. Asano as an Outside Audit & Supervisory Board Member in the hope that he will utilize his extensive experience as an executive at The Dai-ichi Life Group and broad discernment of corporate management for the surveillance system of the Company.</p> <p>As an Outside Audit & Supervisory Board Member, Mr. Asano plays a role in the function of monitoring the management, etc. from an objective standpoint, and it is not expected that any conflict of interest with general shareholders will arise in the future. Therefore, the Company has designated Mr. Asano as an independent officer.</p>
Katsunori Takechi		—	<p>The Company has appointed Mr. Takechi as an Outside Audit & Supervisory Board Member in the hope that he will utilize his specialized insight as an attorney at law and extensive experience regarding corporate legal affairs for the surveillance system of the Company. Additionally, there are no advisory agreements between Mr. Takechi and the Company.</p> <p>As an Outside Audit & Supervisory Board Member, Mr. Takechi plays a role in the function of monitoring the management, etc. from an objective standpoint, and it is not expected that any conflict of interest with general shareholders will arise in the future. Therefore, the Company has designated Mr. Takechi as an independent officer.</p>

[Independent Officer(s)]

Number of Independent Officers [updated]	5
--	---

Matters relating to Independent Officers
--

—

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Other
---	-------

Supplementary Explanation

We have introduced a stock-based compensation system for Directors (excluding Outside Directors) in order to raise awareness of the contribution of improved medium-term earnings performance to increasing corporate value through making clearer the link between Director remuneration, etc. and stock price and having Directors share profits and risks from stock price fluctuations with shareholders.

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation

—

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
--	--------------------------

Supplementary Explanation

In fiscal 2016, the total amount of remuneration, etc., paid to Directors was ¥233 million, of which a total of ¥25 million was paid in remuneration, etc., to Outside Directors.

Policy for Determining Remuneration Amounts and Calculation Methods	Established
---	-------------

Disclosure of Policy for Determining Remuneration Amounts and Calculation Methods

Amounts of remuneration paid to Directors and Audit & Supervisory Board Members are set within the annual limits of ¥600 million in total for Directors and ¥120 million for Audit & Supervisory Board Members, decided by resolution of the General Meeting of Shareholders. Bonuses are also paid within these limits.

In the determination of officer remuneration, the Company aims for a system of remuneration that raises awareness of the contribution of improved medium- and long-term earnings performance to increasing corporate value. Specifically, the Company ensures a certain ratio for the portion of variable remuneration within total remuneration, and remuneration is decided based on the achievement level of key performance indicators (KPIs) in the Medium-Term Management Plan, contribution to achievement of the Plan, and other factors. The Company has also made clearer the link between Director remuneration and stock price, and has introduced a stock-based compensation system within a separate framework to have Directors share profits and risks from stock price fluctuations with shareholders.

Specific methods for determining remuneration are as follows. Within the limits for remuneration amounts approved by the General Meeting of Shareholders, remuneration for Directors is decided at a meeting of the Board of Directors that has been briefed on the results of deliberation by the Nomination and Remuneration Committee. Remuneration for Audit & Supervisory Board Members is decided on the basis of discussion among the Audit & Supervisory Board Members.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

Outside officers are given clear explanations of management strategy and business activities upon assuming their positions in order to promote their understanding of the Group. Moreover, the Office of Corporate Auditors, which is an organization independent from the business executives, provides support to the Outside Audit & Supervisory Board Members to help them smoothly fulfill their auditing duties. And, in addition to

being given appropriate information from the Board of Directors Administrative Bureau (Group General Administration Department) and other departments, the Outside Directors are given information as the situation dictates.

2. Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [updated]

Current Corporate Governance System

The Company positions the Board of Directors as the second-highest management decision-making body after the General Meeting of Shareholders. The Board of Directors resolves the Company's management policies and important matters relating to the Group's business execution in compliance with the provisions of laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, and supervises the Directors' performance of duties. The Board of Directors is comprised of Directors and holds a regular Board of Directors' meeting once a month in principle, as well as holding extraordinary Board of Directors' meetings as needed.

The Audit & Supervisory Board audits the performance of duties of the Directors as an independent organization entrusted by the shareholders. The Audit & Supervisory Board is comprised of Audit & Supervisory Board Members and will determine audit policy pursuant to laws and regulations and the Articles of Incorporation, in accordance with the Audit & Supervisory Board Regulations, the Audit & Supervisory Board Member Audit Standard, and the Internal Control System Audit Execution Standard. It will also form an audit opinion based on the reports from each Audit & Supervisory Board Member. Two of the Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

The Company and the Group will seek to create the optimal corporate governance system for efficient, sound Group management aimed at realizing corporate value and Company profits, and, in turn, common interests of shareholders.

Process for Enhancing Business Execution and Supervisory Functions, etc.

(1) Establishment of the Group Executive Committee

The Group Executive Committee has been established as an organization to deliberate, discuss, and report on Group management policy, management strategy, and important plan proposals and execution proposals related to Group management, and to deliberate, discuss, and report on subsidiaries' important investment plan proposals, execution proposals, and business strategy proposals. The Group Executive Committee is composed of Chairman and Representative Director, President and Representative Director, the Directors, and below them, such as the Managing Officers, and meets once a month in principle.

(2) Appointment of Managing Officers

The Managing Officer System has been adopted to separate management and business execution functions, streamline management, and expedite decision making and so forth.

(3) Term of Office of Directors

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.

Strengthening the Function of Audit & Supervisory Board Members

The ratio of Outside Audit & Supervisory Board Members to the total number of Audit & Supervisory Board Members is one half. In addition to attending Board of Directors meetings, the Audit & Supervisory Board Members listen to the Directors, peruse documentation on important decisions, and investigate the status of assets, and so forth, in order to audit the Directors' performance of duties.

Moreover, to ensure that the Audit & Supervisory Board Members can perform their audit duties smoothly, the Office of Audit & Supervisory Board Members has been established independently from the Directors in order for designated employees to provide assistance to the Audit & Supervisory Board Members in performing their duties. Furthermore, as described above, the Audit & Supervisory Board Members maintain close contact with the internal audit division and the accounting auditor to ensure the effectiveness of their audits.

3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with Audit & Supervisory Board. As described above, the ratio of Outside Audit & Supervisory Board Members to the total number of Audit & Supervisory Board Members is one half. In addition to attending Board of Directors meetings, the Audit & Supervisory Board Members listen to the Directors, peruse documentation on important decisions, and investigate the status of assets, and so forth, in order to rigorously audit the Directors' and Managing Officers' performance of duties, as well as maintaining close contact with the internal audit division and the accounting auditor. In this way, the Audit & Supervisory Board Members will conduct proper audits.

Moreover, as the Company conducts diverse business activities covering a wide range of fields, it has appointed Outside Directors to enhance and strengthen its corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Allowing Electronic or Magnetic Exercise of Voting Rights	Implemented since the 1st Ordinary General Meeting of Shareholders (June 2014).
Participation in Electronic Voting Platform and Other Initiatives to Improve the Environment for Exercising Voting Rights by Institutional Investors	The Company participates in an electronic voting platform (Tokyo Stock Exchange platform).
Providing Convocation Notice (Summary) in English	Provided since the 1st Ordinary General Meeting of Shareholders (June 2014).

2. IR Activities [updated]

	Supplementary Explanations	Explanation by the Representative in Person
Regular Investor Briefings for Analysts and Institutional Investors	Held after the announcement of financial results for the full year and the half year.	Yes
Posting of IR Materials on Website	Financial summaries, reference material, timely disclosures, and investors briefing presentation materials are posted on the website, and explanations from the presentation are also posted along with the investors briefing presentation materials. (URL: http://www.tokyu-fudosan-hd.co.jp/english/ir/)	
Establishment of Department and/or Manager in Charge of IR	The Group Finance Department IR Office is in charge of IR activities.	

3. Measures to Ensure Due Respect for Stakeholders [updated]

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities, etc.	The Group has established the CSR Promotion Committee composed of officers in charge of CSR at each Group company. The Group also has the Compliance Council to ensure compliance-based management as well as the Environment/Social Contribution Council to foster environmental management and social contribution activities.
Formulation of Policies on Information Provision to Stakeholders	The Compliance Regulations stipulate that the Company must conduct fair, timely, and appropriate disclosure of information to all stakeholders and strive to enable them to obtain an accurate evaluation and understanding of the Company's management status and corporate activities.
Other	The Diversity Council was established under the CSR Promotion Committee. The Company is making an ongoing effort to promote diversity of human resources, including expanding the opportunities of participation offered to women and promotion of women.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and Progress of System Development [updated]

The 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, managements 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, as well as practicing 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 its internal control system development in accordance with the Audit Practice Standards for Internal Control Systems.

Status of Internal Control System

(1) Tokyu Fudosan Holdings Group Code of Conduct

The Group has established the Tokyu Fudosan Holdings Group Code of Conduct to promote observance of laws and regulations, and so forth, and appropriate corporate activities. The Group will require all officers and employees to understand the Code and act in accordance with it.

(2) System relating to Directors' performance of duties

To ensure their duties are performed appropriately, the Directors realize appropriate performance in line with the Duty Authority Regulations and the Decision Regulations, which clearly set out the authority and responsibilities of Directors with regard to the performance of duties in order to promote organized and efficient management, and conduct decision making on important matters through meeting bodies such as the Board of Directors and the Corporate Strategy Committee. Furthermore, the introduction of the Managing Officer System has clearly separated management decision-making and supervisory function from the business execution function, strengthening the function of the Directors and ensuring the efficiency of their duties.

(3) Compliance system

The Group establishes a compliance division and strives to raise awareness among all officers and employees and to ensure compliance-based management in line with the Tokyu Fudosan Holdings Group Code of Conduct.

Specifically, to practically implement the Tokyu Fudosan Holdings Group Code of Conduct, the Group formulated the Tokyu Fudosan Holdings Group Compliance Manual which provides detailed rules based on

the Compliance Regulations, provides guidance to all officers and employees, and conducts periodic compliance training and so forth to ensure thorough awareness of compliance. At the same time, the Group provides information internally on the establishment and revision of laws and regulations and develops various legal manuals and so forth to develop an environment for observing laws and regulations while performing duties. Furthermore, the Group has established a Compliance Helpline Counter (a whistleblowing system) to prevent and rectify the violation and so forth of laws and regulations. The Company has also established a helpline counter that connects to external attorneys at law (external whistleblowing system) in addition to the internal direct helpline counter. Under this external whistleblowing system, the content of the information reported to the external whistleblowing system is not only reported to the corresponding department inside the company, but also, to enable judgment independent from the management, it is also reported to the full-time Audit & Supervisory Board Members.

(4) Internal audit system

To ensure the independence and fairness of the internal audit division, the Internal Audit Department has been established. The Internal Audit Department conducts internal audits on the overall operations of the Company and its subsidiaries and so forth, reviewing and evaluating the administrative and operational management system and the status of business execution in terms of their legality and rationality from a fair and objective standpoint. In this way, the internal audit system promotes improvements in business operations.

(5) Risk management system

To ensure integrated management for risks of loss that would impede the achievement of the management's objectives, the Company maintains a grasp of companywide serious risks and implements, in a planned and continuous fashion, risk countermeasures commensurate with the level of priority. In accordance with its Basic Regulations on Risk Management, the Company stipulates the department in charge of managing each individual risk for its main risks, and carries out comprehensive and integrated risk management for the overall Group in the Risk Management Committee.

Furthermore, in addition to ensuring the appropriateness of the risk management system and the tasks carried out for risk management through internal audits, the Company also carries out audits relating to serious risks in a planned fashion commensurate to the level of priority. In the event that an urgent and serious risk of loss arises or is discovered, the Company carries out appropriate information distribution and decision-making in accordance with its Emergency Response Provisions, and responds accurately to minimize damages and so forth.

(6) Information management system

The Company has formulated the "Basic Policy on Information Management" and related provisions to ensure that its officers and employees recognize the importance of managing the information that they handle in business operations and manage it appropriately. Based on the policy, the Company is fostering information sharing to increase business efficiency, preventing the leakage of secrets, and disclosing information in an appropriate manner.

Minutes of Board of Directors meetings, documentation on managerial decisions, and other information relating to the Directors' performance of duties are also kept and managed appropriately, and these archives are made available for the Directors and Audit & Supervisory Board Members to view at any time as needed.

As for electronic information, the Company has set the Information Security Detailed Rules, which include all matters to be observed by officers and employees, such as the rules on the monitoring of employees' access to information by information managers and on the use of computer terminals.

Moreover, the Company has established the Provision of Insider Trading Prohibition to prevent insider tradings infringing on the Financial Instruments and Exchange Act.

(7) Internal Control Systems within the Group

The Company has formulated the Tokyu Fudosan Holdings Group Code of Conduct to ensure proper business operations of the Group as a consolidated corporate group and to ensure management based on compliance and so forth, as well as striving to promote compliance-based management throughout the entire Group.

Business management of the Group includes discussion and coordination of targets, policies, and business plans as a consolidated corporate group, and sharing of these with all Group companies.

In business management, the Company receives reports and consultations regarding the progress and important matters in administrative and operational management of each Group company through meeting bodies and individual discussions and contact points in accordance with the Group management consignment agreements concluded with subsidiaries. The Company provides advice, guidance, and approval as necessary. Moreover, the Company also conducts appropriate internal audits.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts [updated]

Initiatives to Eliminate Anti-Social Forces

(1) Basic views

From a perspective of ensuring compliance-based management and corporate defense, the Company has no involvement with anti-social forces and takes a resolute stand against unjust demands.

(2) Status of preparation for eliminating anti-social forces

The Group rejects relationships with anti-social forces, and if an individual employee is confronted with illegal or unjust behavior or demands, they do not respond individually, but rather make contact with the Group General Administration Department responsible and consult with them, then respond as an organization. Specifically, based on a code of conduct regarding anti-social forces set out in the Company's internal control system based on the Companies Act, the System for Ensuring Appropriate Business Operations and the Tokyu Fudosan Holdings Group Compliance Manual, measures and other practical procedures in the Guidelines for Anti-social Forces and the Anti-social Forces Policy Manual have been established to prevent incidents from occurring. Furthermore, as part of their compliance training, the Company conducts education and awareness-raising for all employees. It has also built close relationships with external organizations such as the police and attorneys at law.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
Supplementary Explanation	

—

2. Other Matters Concerning Corporate Governance System [updated]

Overview of Timely Disclosure System

(1) Internal system relating to timely disclosure of company information

The Tokyu Fudosan Holdings Group Code of Conduct has been formulated to realize the Company's basic philosophy and conduct guidelines. The Code stipulates that the Company must provide fair, timely, appropriate disclosure of information to all stakeholders, and that it must strive to conduct appropriate public relations activities as a corporation and strive to enable them to obtain an accurate evaluation and understanding of the Company's management status and corporate activities.

The Company's internal system includes the Group Finance Department, the Group General Administration Department, and the Group Planning Policy Department which manage the timely disclosure of company information based on the Division of Duties, the Duty Authority Regulations, and the Tokyu Fudosan Holdings Group Code of Conduct.

The Company has also formulated the "Basic Principles on Information Management" and related provisions, which regulate the timely and appropriate response to external requests for disclosure. Meanwhile, the responsible Managing Officer has overall responsibility for control of information

management and strives to propose systems for information management in general, direct and manage their implementation, and conduct periodic inspections and periodic training activities for employees.

With regard to matters decided and events and facts at the Company and its subsidiaries and so forth, the Company has a system for communicating such requests to the Group Corporate Strategy Department, Group Corporate Planning Department, Group Finance Department, and Group General Administration Department, and centralizing the response to them there. Based on the timely disclosure guidelines set forth by the Tokyo Stock Exchange, a general discussion and examination is conducted within the Group Finance Department, Group General Administration Department, and Group Planning Policy Department, and with the approval of the President and Representative Director, or if necessary, through an internal decision-making process, the information is promptly disclosed.

With regard to the procedures for disclosing information, in principle the Company discloses information through the Timely Disclosure network (TDnet) operated by the Tokyo Stock Exchange, and then without delay makes announcements to media institutions and undertakes other disclosure procedures as provided for by laws and regulations, and other rules. Furthermore, the information will also be posted on the Company's website promptly after disclosure.

Moreover, items for statutory disclosure pursuant to the Financial Instruments and Exchange Act, such as financial results and other financial information, are drafted by the Group Finance Department and Group General Administration Department and submitted via an internal decision-making process to the Kanto Local Finance Bureau and provided for public inspection.

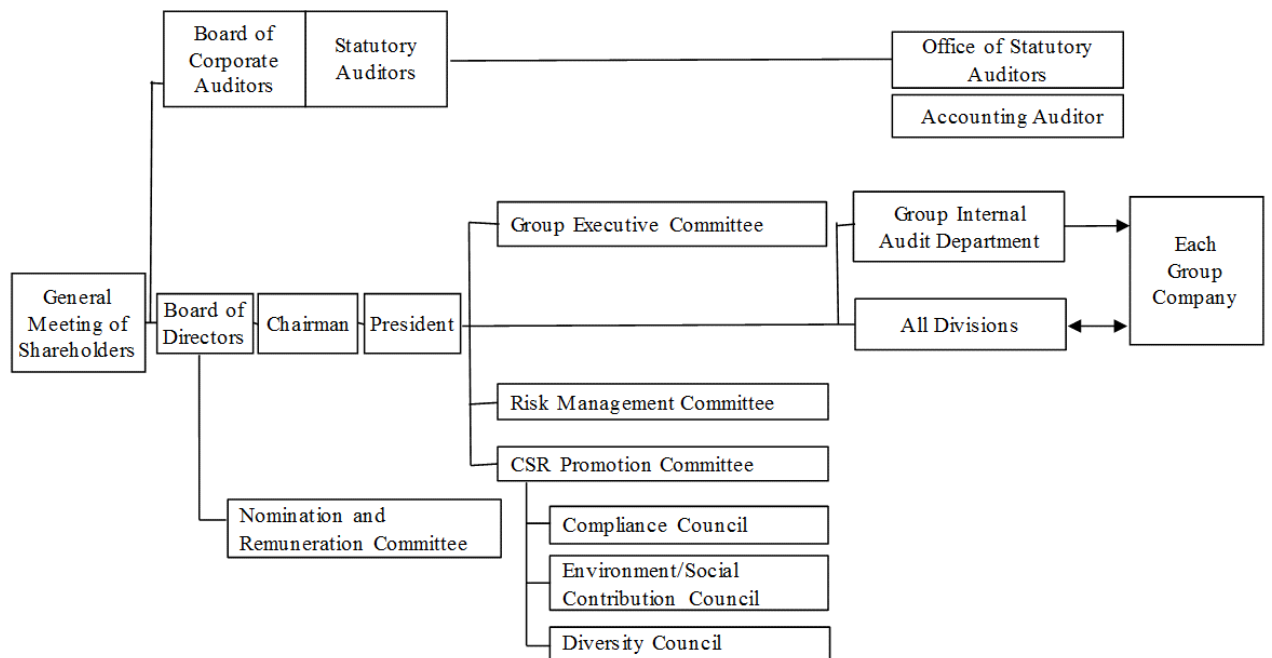
(2) Internal system relating to timely disclosure of company information

The Group Internal Audit Department is established as an independent organization from other departments to assist in effectively achieving the Company's management targets. To this end, it reviews and evaluates administrative and operational management systems and the status of business execution for management activities in general in terms of their legality and rationality from a fair and objective standpoint, and makes accurate reports to the President and Representative Director and on the status of management. Furthermore, based on these results, the Department also provides information as well as advice and proposals for improving and streamlining business operations. The Group Internal Audit Department conducts internal audits of all internal business operations and the business operations of associates within the scope permitted by laws and regulations and so forth, in accordance with an annual audit plan and other guidelines.

Moreover, the Group General Administration Department and Group Legal Affairs Department will prepare manuals and widely promote observance of the norms by implementing risk management training and other measures. In this way, the Company will promote proper business operations to help ensure timely and appropriate information disclosure.

Based on the auditing standards applicable to Audit & Supervisory Board Members, the Audit & Supervisory Board Members monitor and verify the status of creation and operation of systems of information preparation and disclosure for the purposes of statutory disclosure, etc.

[Schematic Diagram of Corporate Governance System]



[Overview of Timely Disclosure System (Schematic Diagram)]

