

ANNUAL REPORT 2003

Year Ended March 31, 2003



TOKYU LAND CORPORATION

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BUSINESS REPORT

Years ended March 31, 2003

I . Outline of business

1. Five-Years Financial Highlights

(1) Summary of consolidated statements of operations

	Yen (millions)					U.S. dollars (thousands)
	1999	2000	2001	2002	2003	2003
Revenue from operations	¥ 525,852	¥ 484,861	¥ 488,872	¥ 494,453	¥ 508,625	\$ 4,238,542
Operating income before depreciation	29,024	32,607	38,220	38,316	43,595	363,292
Gross profit	89,482	84,531	94,184	97,426	103,984	866,533
<i>Gross margin rate</i>	17.0%	17.4%	19.3%	19.7%	20.4%	20.4%
Selling, general and administrating expenses	72,064	64,119	68,668	71,848	72,847	607,058
<i>Sales selling ratio</i>	13.7%	13.2%	14.0%	14.5%	14.3%	14.3%
Operating income	17,418	20,412	25,516	25,578	31,138	259,483
Other income	4,040	23,415	2,878	7,085	2,387	19,892
Other expenses	41,763	54,620	24,066	20,073	20,817	173,475
Income before income taxes and minority interests	(20,305)	(10,793)	4,328	12,590	12,708	105,900
Net income (loss)	¥ (22,587)	¥ (14,291)	¥ 2,884	¥ 7,242	¥ 5,145	\$ 42,875

(2) Summary of consolidated balance sheets

	Yen (millions)					U.S. dollars (thousands)
	1999	2000	2001	2002	2003	2003
Assets	¥ 947,501	¥ 872,458	¥ 890,835	¥ 875,909	¥ 894,508	\$ 7,454,233
Common stock	32,154	32,154	32,154	32,154	32,154	267,950
Shareholders' equity	49,324	36,982	58,377	63,389	69,905	582,542
<i>Shareholders' equity ratio</i>	5.2%	4.2%	6.6%	7.2%	7.8%	7.8%
Borrowings	579,716	539,001	504,716	472,760	461,110	3,842,583
EBITDA-multiple	20.5	16.5	13.3	12.5	10.6	10.6
ROA	1.9%	2.4%	2.9%	3.0%	3.6%	3.6%

(3) Others

	Yen (millions)					U.S. dollars (thousands)
	1999	2000	2001	2002	2003	2003
Capital expenditure	¥ 35,252	¥ 32,842	¥ 27,085	¥ 14,787	¥ 13,601	\$ 113,342
Payment for equity investment	—	1,136	5,832	11,626	25,993	216,608
Depreciation and amortisation	11,587	12,196	12,704	12,738	12,457	103,808

(4) Summary of cash flows

	Yen (millions)					U.S. dollars (thousands)
	1999	2000	2001	2002	2003	2003
CF from operating activities	¥ —	¥ 27,722	¥ 45,867	¥ 32,091	¥ 39,683	\$ 330,692
CF from investing activities	—	(4,196)	(21,671)	9,968	(25,689)	(214,075)
CF from financing	—	(51,314)	(34,854)	(37,121)	(14,225)	(118,542)
Cash and cash equivalents at the end of the year	¥ —	¥ 63,823	¥ 53,109	¥ 59,588	¥ 59,495	\$ 495,792

2. Business policy

Basic Policy

The corporate group is a general life industry aiming to create a beautiful living environment, together with the group's customers, taking a global view of people and living from a business approach based on 6 businesses under the Tokyu group's slogan of "Toward a Beautiful Age". As a member of the Tokyu Group of companies, the Company continues its endeavours to enhance the Tokyu trademark of "security and confidence", while at the same time under our management mantra of "speed" to enable the Company to greet the 21st Century and quickly respond to the powerfully changing times and "advancement" that constantly creates new products, the Company continues to make efforts to enhance the shareholder value. The Company's consolidated subsidiaries, Tokyu Community Co., Ltd. and Tokyu Livable, Inc. that strive for the realization of "work independently and in collaboration" based on the trust from the shareholders through the markets are making efforts for even greater management improvements and growth and are listed on the Tokyo Stock Exchange.

Basic Policies Regarding Distribution of Profits

It is the Company's policy to determine the dividend payments to shareholders based on a comprehensive review of the results of corporate performance during the fiscal year, the future management environment and the corporate business development plans and balancing these with the profit retention. The Company has had to forego dividend payments over 7 fiscal years due to the losses that were recorded as a result of disposing of assets acquired in the 1990's that were on the balance sheet at above market price, but with the losses taken in the previous year, the accumulated losses on a parent company basis have been cleared and the Company plans to reinstate an end of the year dividend of ¥2.5 per share.

Target Management Indices

The Company adopts EBITDA multiple, which represents a relationship between operating profits before depreciation and interest bearing debt to measure the financial health of the Company, and ROA as a measure of asset efficiency as the key management indices. The performance through FY 2002, as shown below, has shown improvements.

1) EBITDA Multiple: [Interest Bearing Debt/EBITDA (Operating Income before Depreciation)]

FY 2004 target: 10 times or less [FY 2000 – 13.3 times FY 2001 – 12.5 times FY 2002 – 10.6 times FY 2003 estimate – 10.8 times]

2) ROA [(Operating Income + Non-Operating Income)/Total Assets]

FY 2004 target: 4% or more [FY 2000 – 2.9% FY 2001 – 3.0% FY 2002 – 3.6% FY 2003 estimate – 3.4%]

The Medium to Long-range, Business Strategy and Challenges

Since the bursting of the real estate bubble, the Company has been endeavouring to dispose of over-valued assets acquired during the bubble period and rectify the situation. In fiscal 1999 revaluation of business properties was performed (on a parent company basis) as well as recognizing revaluation losses on the real estates held for sale. The Company continues to hold the securing and improvement of profitability appropriate to the asset levels as its management works hard to continue to strengthen the management structure and strive for stable growth as a consolidated corporate group.

In the Medium Term Plan formulated in fiscal 2000, enhancement of stability in the profit foundations through concentration into segments and geographic areas of strengths in the 6 business segments, comprised of real estate sales, retail sales, leasing of real estate, property management, resorts, and real estate agent and other were taken as the basic corporate measures. In the segment of leasing of real estate, while disposing of existing assets including small buildings, the Company is aggressively undertaking development of medium scale office buildings in the urban areas without expanding the corporate asset base by utilizing external funds via SPCs. This has produced favourable results and the Company plans to expand such efforts into the future.

From the standpoint of real estate investment market establishment, vitalization of real estate stock and measures for aging society, through the collaboration between existing management resources and external alliances, the Company is involved in the development of the new businesses listed below.

- 1) "Tokyu Real Estate Investment Management Inc." (Tokyu Land 40%, Tokyu Corp. 60%) Consulting of real estate investment; organization and operation of real estate investment trusts (plan to be listed on the Tokyo Stock Exchange in the first half of the current fiscal year)
- 2) "EWEL. inc." (Tokyu Land 65%, Toyotsu Syscom (owned wholly by Toyota Tsusho Corp.) 35%)
(Established in October 2000)
Contracting welfare programs from companies
- 3) "E-Life Design Co., Ltd." (Tokyu Land 51%, Mitsubishi Corp. 49%) (Established in March 2003)
Operation of senior housing and management and operation of care facilities along the Tokyu rail routes.

In addition insurance agency businesses has been absorbed into "Tokyu Insurance Consulting Co., Ltd." which has been established through joint investments by the 4 Tokyu Group companies (owned 40% by Tokyu Land, a company owned under the equity method" and East Communications (CATV Internet provider business in Asumigaoka in Chiba City established in June 2000) has been sold to the third parties (April 2003).

Basic Philosophy Regarding Corporate Governance and the Status of Implementation of its Measures

The Company is undertaking the following measures to enhance the efficiency of management and to build a healthy and transparent management system. The Company will initiate, beginning with the results of the first quarter of the current year, quarterly financial settlement and in combination with the acceleration of announcement of financial results will fulfil fully the responsibilities for disclosures to the shareholders and investors.

- Auditor System

The Company adopts the auditor system and currently there are 4 auditors (of which 3 are external auditors).

- Introduction of Executive Officer System

A management organization restructuring has been brought into effect as of April 1 of last year and the "management decision making function and the supervisory function over the execution of the business" and "business execution function" all of which had been unified in the board of directors have been separated. As a result the board of directors retains the decision making and supervisory functions and the executive officers are responsible for the executive functions for the business.

- Enhancement of Risk Management by Compliance Management

In April of last year "the Audit Division" was newly formed (renamed to "Compliance Division" this April). The division has been conducting, in addition to the creation of the Compliance Manual, training programs for the staff regarding compliance and risk management, reviewing the various rules and regulations, and the strengthening of the risk management organization.

3. Operating Result and Financial Position

1. Current Operating Performance

In spite of increased profits in the leasing and retail sales of real estate segments that contributed to the substantial increases in operating income (22% increase) and ordinary income (38% increase) recording the highest ordinary income in the corporate history, the extraordinary losses incurred from the decrease in the value of bank stocks held by the Company totalling ¥6.6 billion resulted in a decline in the final net income results. In comparison with the estimates made at the announcement of the interim financial results, due to the reductions in the selling expenses with the favourable sales and the progress made in expense reductions, the operating income increased by ¥3.1 billion, however, due to extraordinary losses, the profit for the year declined by ¥0.9 billion.

(Unit: ¥ billion)

	Previous year	Current year	Comparison	Projection (Nov/2002)	Against projection
Sales	494.5	508.6	14.2	505.0	3.6
Operating income	25.6	31.1	5.6	28.0	3.1
Ordinary income	14.8	20.4	5.6	17.5	2.9
Net income	7.2	5.1	(2.1)	6.0	(0.9)
Interest bearing debt	472.8	461.1	(11.6)	465.0	(3.9)

2. Segment Performance

Sales (Unit ¥ billion)				Operating income (Unit ¥ billion)			
	Previous year	Current year	Comparison		Previous year	Current year	Comparison
Total	494.5	508.6	14.2	Total	25.6	31.1	5.6
Real Estate Sales	203.4	210.6	7.1	Real Estate Sales	5.6	8.2	2.6
Retail Sales	100.2	98.6	(1.5)	Retail Sales	3.2	3.0	(0.2)
Leasing of Real Estate	74.3	77.4	3.1	Leasing of Real Estate	14.2	18.1	3.9
Property Management	62.1	64.7	2.6	Property Management	2.5	2.6	0.1
Resorts	34.7	35.3	0.7	Resorts	0.8	0.5	(0.4)
Real Estate Agent and Other	36.2	37.8	1.6	Real Estate Agent and Other	3.0	2.6	(0.4)
Adjustment for Inter-Company Transactions	(16.4)	(15.8)	0.6	Adjustment for Inter-Company Transactions	(3.7)	(3.9)	(0.2)

The following sales figures by operating segments include sales from inter-company transactions.

(1) Real Estate Sales

- In the sale of condominiums, with a boost by the introduction of a new brand, “Qualia Series”, for the urban compact condominiums, the sales performed strongly in the Tokyo metropolitan area and in the Kansai region.

- The orders received for renovations and individually ordered housing increased in value but due to the reductions in orders during the previous year and decline in the rate of completion during the year, the revenues showed a decline.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	203.4	210.6	7.1
Operating income	5.6	8.2	2.6

Sales breakdown (Before adjustments in ¥billion)

(After conversion for equity holding)	Previous year	Current year	Comparison
Condominium	102.9	3,259 units 121.5	18.6
Detached housing	19.7	501 units 15.9	(3.8)
Country houses	6.6	94 units 2.3	(4.3)
Other sales	11.0	- 11.6	0.6
Contracted construction	67.3	- 61.7	(5.6)
Order housing	26.9	22.3	(4.6)
Renovations, etc.	40.4	39.4	(1.0)

No. of units supplied and sold (Parent company) (Units)

(Before conversion for equity holding)	New supply	Contracted units
Total	3,955	4,129
Condominiums	3,440	3,621
Detached housing	334	373
Country houses	181	135

Inventory of completed units (Parent company) (Units)

	End of March 2002	End of March 2003
Condominiums	118	125
Detached housing	135	81

(2) Retail Sales

- The last year was favorably impacted by hit products including health and fitness related products and recorded favorable results but during the current year there has been a falling trend in the latter half of the year and resulted in a 1.9% decline in revenues (existing outlets) and reduction in profits.
- As a development in small specialty retail, 3 retail outlets of “Natulabo” specializing in health products were opened in Shibuya, Kyoto and Sengawa.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	100.2	98.6	(1.5)
Operating income	3.2	3.0	(0.2)

Sales breakdown (Unit: ¥ billion)

(Current no. of outlets)	Previous year	Current year	Comparison
Tokyo metropolitan area (7)	68.8	68.0	(0.8)
Kansai region (3)	21.4	20.2	(1.2)
Local regions (2)	8.6	8.6	(0.1)
Small scale outlets (6)	1.1	1.6	0.5

(3) Leasing of Real Estate

- The market for office space continues its falling trend, but due to the favorable start to new buildings (7 building during the year and the full-year operation of buildings that opened in previous period) and the continued favorable performances of the existing buildings, the overall operations performed favorably and in addition, the operational costs have borne fruits of cost reduction efforts and resulted in increased profits of ¥3.9 billion.
- With the progress made on new developments utilizing SPC, the outstanding equity investments increased to ¥38.5 billion while at the same time the Company has sold 10 existing buildings.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	74.3	77.4	3.1
Operating income	14.2	18.1	3.9

Sales breakdown (Unit: ¥ billion)

	Previous year	Current year	Comparison
Owned	27.0	26.6	(0.4)
Leased	23.9	21.7	(2.2)
SPCs	1.4	4.4	3.1
Subsidiaries total	22.0	24.7	2.7

Outstanding investments in SPCs (Parent company)

End of March 2001	End of March 2002	End of March 2003	
7	15	26	(Case)
5.6	15.5	38.5	(¥ billion)

Office and commercial leasing floor space/ Vacancy rate

	End of March 2001	End of March 2002	End of March 2003
Leasing floor space (square meters)	610,770	678,524	695,299
Office/ Commercial	610,770	611,321	574,475
SPCs	-	67,203	120,823
Vacancy rate	1.8%	2.1%	3.6%

Major new opening and plans

	Use/Open		Floor space (thousand m ²)
Ichibancho	Office	Oct.2002	20
Meguro Tokyu	Office	Feb.2003	10
Kawadacho	Residential	Apr.2003	10
Minoo SC	Shopping center	Oct.2003	111
Ebisu 1-chome	Office	Dec.2003	28
Nihonbashi (Former Tokyu Department Store site)	Office	Mar.2004	(Equity portion) 20
Nihonbashi-Honcho	Office	Oct.2004	12
Ichigaya	Office	Nov.2004	14

(4) Property Management

In both areas of condominiums and office buildings the development of new contracts, including for existing buildings have been favorable and resulted in increased revenues and profits.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	62.1	64.7	2.6
Operating income	2.5	2.6	0.1

(Number of sites managed as of year end)

	End of Mar. 2001	End of Mar. 2002	End of Mar. 2003
Condominiums (Units)	241,984	260,757	278,593
Buildings (no. of contracts)	1,088	1,109	1,176

(5) Resorts

- In spite of the contributions made by the opening of 2 membership fitness club “Oasis” and the inauguration of the “Super Public Bath Zabun” and a full year operation of the “Harvest Club Kyu-Karuizawa”, due to the declining prices charged on usage of the golf and ski facilities and a reaction to the previous period’s extremely favorable sales of Harvest Club membership, there was an overall reduction in the income.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	34.7	35.3	0.7
Operating income	0.8	0.5	(0.4)

Sales breakdown

(Unit: ¥ billion)

(No. of current facilities)	Previous year	Current year	Comparison
Golf courses (13)	6.2	5.7	(0.6)
Harvest (18)	6.2	6.5	0.3
Oasis (21)	7.4	7.8	0.5
Ski (5)	4.4	4.3	(0.2)
Other	10.4	11.1	0.6

(Membership resort hotel)
(Membership fitness club)

(6) Real Estate Agent and Other Businesses

- Real estate sales agent business moved smoothly in the Tokyo metropolitan area but due to the transfer of insurance agency business to the Tokyu Insurance Consulting Co., Ltd., a company accounted for using the equity method of accounting, the segment showed a decline in income.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Sales	36.2	37.8	1.6
Operating income	3.0	2.6	(0.4)

Sales breakdown

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Real estate sales agent	20.6	22.1	1.5
Consignment sales	7.4	7.5	0.1
Insurance agency	1.2	0.2	(1.0)
Other	7.0	8.0	1.0

3. Financial Conditions

Consolidated	(Unit: ¥ billion)		
	Previous year	Current year	Comparison
Total assets	875.9	894.5	18.6
Total liabilities	799.9	808.6	8.6
Shareholder's equity	63.4	69.9	6.5
Equity ratio	7.2%	7.8%	0.6 pp
Interest bearing debt	472.8	461.1	(11.6)
EBITDA multiple	12.5 x	10.6 x	(1.9)
ROA	3.0%	3.6%	0.6 pp

Parent company	(Unit: ¥ billion)		
	Previous year	Current year	Comparison
Total assets	715.9	720.7	4.8
Total liabilities	639.1	639.9	0.8
Shareholder's equity	76.8	80.8	4.0
Equity ratio	10.7%	11.2%	0.5 pp
Interest bearing debt	402.5	391.0	(11.5)
EBITDA multiple	16.9 x	13.6 x	(3.3)
ROA	2.2%	3.0%	0.8 pp

EBITDA Multiple: Interest Bearing Debt/EBITDA (Operating Income before Depreciation)

ROA: (Operating Income + Non-Operating Income)/Total Assets

pp: percentage point

4. Cash Flow

Cash and cash equivalents (hereinafter referred collectively as "Cash") during the year decreased by ¥0.1 billion and stood at ¥59.5 billion as of the end of the year. The cash flows during the year were as follows.

(Cash Flow from Operations)

Cash flow from operations included net income for the year of ¥5.1 billion, depreciation expenses of ¥12.5 billion, increase in deposits received for special joint ventures of ¥11.8 billion and increase in purchase liabilities of ¥8.5 billion offset partly by increase in inventories of ¥12.0 billion but showed an overall increase of ¥39.7 billion.

(Cash Flow from Investment)

Included in cash flow from investments were revenues from disposition of fixed assets of ¥6.9 billion including disposition of operating buildings, but with acquisition of fixed assets totalling ¥13.6 billion and investment of ¥27.7 billion into SPCs, the net cash flow declined by ¥25.7 billion during the year.

(Cash Flow from Financing)

Cash flow from financing included raising of ¥130.6 billion yen in long term borrowings but this was offset by repayments including ¥110.4 billion in repayments of long term borrowings and showed an overall decline by ¥14.2 billion.

<Trend of indices>

	Period ending March 2001	Period ending March 2002	Period ending March 2003
Equity ratio	6.6%	7.2%	7.8%
Equity ratio on market value basis	7.0%	10.0%	6.2%
Debt repayment years	11.0 years	14.7 years	11.6 years
Interest coverage ratio	3.7 x	2.9 x	3.6 x

Equity Ratio: Equity/Total Assets

Equity Ratio on Market Value Basis: Market Valuation/Total Assets

Debt Repayment Years: Interest Bearing Debt/Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow/Interest Payments

Market Valuation: Monthly average stock price during the last month of the fiscal year X number of shares issued (after deducting treasury stock)

Operating Cash Flow: Cash Flow from Operations from the Consolidated Cash Flow Statement

Interest Payment: Interest Payment Amount from the Consolidated Cash Flow Statement

* All figures calculated based on the Consolidated Financial Statements

4. Purchase of Property and Equipment

The Corporate Group (Tokyu Land and its subsidiaries) consolidated financial statement for the current fiscal year shows total capital investments of ¥ 13,601 million; this includes investments made by our leasing of real estate business for the purpose of constructing and operating new buildings in addition to acquiring existing buildings.

The following table indicates the major Corporate Group's plans for new construction and demolition as of the end of the current fiscal year.

Project Name	Location	Business segment	Type of Bldg.	Planned Investment		Financing Method	Start & Estimated Completion Dates		Remarks
				Total (¥ million)	Amount Already Invested (¥ million)		Start	Completion	
Nihonbashi 1-Chome Project	Tokyo, Chuo Ward	Leasing of real estate	Asset for leasing	5,575	1,485	Self and third-party financing	July 2001	January 2004	
Ebisu 1-Chome Project	Tokyo, Shibuya Ward	Leasing or real estate	Asset for leasing	3,284	2,413	Self and third-party financing	November 2001	November 2003	

II. Outline of the Company

1. Major Business

(1) Real Estate Sales

Development and sales of condominiums and houses, contracted construction and renovations

(2) Retail Sales

Retail sales of materials and products for living and D-I-Y in Tokyu Hands Shops

(3) Leasing of Real Estate

Leasing of buildings to be used for offices, stores and shops, and hotels; and management of shopping centers

(4) Property Management

Facilities management for buildings, condominiums and apartments

(5) Resorts

Operation of leisure and sports facilities (golf courses, membership resort hotels, and urban-style sports clubs)

(6) Real Estate Agent and Other

Real estate agent, appraisal, etc

2. Distribution of Common Stock of the Company

(1) Total number of shares authorized to be issued by the Company:

1,000,000,000 shares

(2) Total number of shares issued:

457,256,304 shares

(3) Number of shareholders: (65,026)

(4) Principal shareholders:

Name of Shareholder	Investment by each principal shareholder in the Company		Investment by the Company in each principal shareholder	
	Number of shares held	Percent of total shares issued	Number of shares held	Percent of total shares issued
	(thousand shares)	(%)	(thousand shares)	(%)
Tokyu Corporation	76,867	16.8	638	0.1
Japan Trustee Services Bank Ltd. (The Chuo Mitsui Trust and Banking Company, Limited Retirement Benefit Trust Account)	22,508	4.9	-	-
The Dai-ichi Mutual Life Insurance Company	20,383	4.5	-	-
Nippon Life Insurance Company	19,829	4.3	-	-
Mitsubishi Trust and Banking Corporation	9,208	2.0	-	-
The Bank of Tokyo-Mitsubishi Ltd.	8,371	1.8	-	-
The Master Trust Bank of Japan Ltd. (Trust Account)	6,674	1.5	-	-

Note : The Company owns 4,890.4 shares (representing 0.1% of voting rights) of the Mitsubishi Tokyo Financial Group, which is the holding company for the Mitsubishi Trust and Banking Corp. and the Bank of Tokyo-Mitsubishi Ltd.

3. Employees

Segment of business	Number of employees	Number of temporary employees
Real Estate Sales	1,331	(16)
Retail Sales	3,371	(351)
Leasing of Real Estate	696	(9)
Property Management	5,135	(2,128)
Resorts	1,344	(1,385)
Real Estate Agent and Other	2,103	(90)
Whole Company (Common)	252	(4)
Total	14,232	(3,983)

Note : The number of temporary employees are the annual average number and are not included in the number of employees in the left hand column.

4. Information on Major Subsidiaries

Name	Paid-in capital	Percentage of shares owned by the Company	Principal business
	(million yen)	(%)	
Tokyu Community Co., Ltd.	1,653	* 49.86	Management of buildings and condominium apartments
Tokyu Livable, Inc.	1,396	* 54.30	Intermediary and sales agency for land and buildings
Tokyu Home Co., Ltd.	400	100.00	Housing construction
Tokyu Hands Inc.	400	75.00	Retail Sales of D-I-Y goods
Tokyu Amenix Corporation	100	100.00	Remodeling and rebuilding
Tokyu Loan & Guarantee Corporation	100	100.00	Guarantees for home loans and loan business
Ishikatsu Exterior, Inc	199	* 99.52	Design, execution, and management of landscape gardening and construction
Tokyu Resort Corporation	480	100.00	Sales, commission sales, and agent for villas
Tokyu Relocation Co., Ltd.	100	100.00	Real Estate management, leasing, sales and agency

Note:

1. Shares marked with * include indirect ownership, through the Company's subsidiaries.
2. Tokyu Community co., Ltd. and Tokyu Livable, Inc. are listed on the Tokyo Stock Exchange.

5. Principal lenders

Lender	Amount of borrowing	Shares of the Company held by lender	
		Number of shares held by lender	Percentage of shares owned by lender
	(million yen)	(thousand shares)	(%)
The Chuo Mitsui Trust and Banking Company, Limited	65,342	60	0.0
Mizuho Corporate Bank Ltd.	51,826	6,494	1.4
The Sumitomo Trust and Banking Company, Limited	48,090	4,870	1.1
The Mitsubishi Trust and Banking Corporation	45,319	9,208	2.0
The Bank of Tokyo-Mitsubishi, Ltd.	43,611	8,371	1.8

6. Directors and Statutory Auditors

Name and Position

Chairman and Director

Tetsuro Aki

President and Director

Masatake Ueki*

Directors:

Takahiko Dobashi

Kiyoshi Kanazashi

Yoshiaki Maeda

Yoshihiro Nakajima

Motonobu Nakamura

Kiyofumi Kamijo

Kuniyoshi Ihara

Masatoshi Miura

Kouzou Kurokawa

Statutory Auditors:

Nobuo Kinya

Seimei Satoh

Koichi Iki

Isao Adachi

(as of June 26,2003)

Note:

1. Directors marked with * are Representative Directors.

(Auditors' Report)

TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of March 31, 2002 and 2003

<u>Assets</u>	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
Current assets:			
Cash and cash equivalents	¥ 59,588	¥ 59,495	\$ 495,792
Short-term investments (Note 4)	685	479	3,992
Trade receivables	16,983	15,248	127,067
Inventories (Notes 3 and 7)	184,726	195,561	1,629,675
Short-term loans	2,843	1,262	10,517
Deferred tax - current (Note 10)	8,959	8,689	72,408
Other current assets	10,393	12,105	100,874
Allowance for doubtful accounts	(545)	(589)	(4,908)
Total current assets	283,632	292,250	2,435,417
Investments and guarantee deposits:			
Investments in non-consolidated subsidiaries and affiliates	1,432	1,690	14,083
Investments in Special Purpose Companies	14,984	39,744	331,200
Investments in other securities (Notes 4 and 7)	20,275	15,640	130,333
Guarantee and lease deposits (Note 8)	63,347	63,260	527,167
Deferred tax - non-current (Note 10)	11,784	10,564	88,033
Other investments (Note 7)	28,459	25,260	210,500
Allowance for doubtful accounts	(15,801)	(14,779)	(123,158)
Total investments and guarantee deposits	124,480	141,379	1,178,158
Property and equipment (Note 7):			
Land	268,359	264,613	2,205,108
Buildings and structures	269,572	270,633	2,255,275
Machinery and equipment	34,401	34,085	284,042
Construction in progress	7,241	8,609	71,742
	579,573	577,940	4,816,167
Less accumulated depreciation	(134,504)	(140,107)	(1,167,559)
Net property and equipment	445,069	437,833	3,648,608
Other assets	22,728	23,046	192,050
	¥ 875,909	¥ 894,508	\$ 7,454,233

See accompanying Notes to the Consolidated Financial Statements.

	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
<u>Liabilities, Minority interest and Shareholders' Equity</u>			
Current liabilities:			
Short-term borrowings (Notes 5, 6 and 7)	¥ 137,336	¥ 105,407	\$ 878,392
Current portion of long-term debt (Note 5)	108,784	122,314	1,019,283
Trade payables	56,637	65,270	543,917
Other payables	20,918	17,031	141,925
Accrued expenses	9,730	8,890	74,083
Accrued income taxes (Note 10)	3,443	3,461	28,842
Advances and deposits	54,781	59,010	491,750
Deposit received for special joint ventures	14,446	24,522	204,350
Other current liabilities	1,795	3,663	30,525
Total current liabilities	<u>407,870</u>	<u>409,568</u>	<u>3,413,067</u>
Long-term debt (Notes 5 and 7)	226,640	233,389	1,944,908
Guarantee and lease deposits received (Notes 7 and 8)	133,410	131,266	1,093,883
Employees' retirement and severance benefits (Note 11)	10,029	11,216	93,467
Other liabilities	21,968	23,125	192,708
Total liabilities	<u>799,917</u>	<u>808,564</u>	<u>6,738,033</u>
Minority interests	12,603	16,039	133,658
Shareholders' equity (Note 9):			
Common stock-			
Authorized 1,000,000,000 shares			
Issued 457,231,470 shares in 2002 and 456,931,577 shares in 2003	32,154	32,154	267,950
Additional paid-in capital	54,618	13,600	113,333
Revaluation balance (Note 14)	33,216	33,631	280,258
Accumulated deficit	(53,484)	(7,560)	(63,000)
Unrealized loss on investment securities	(2,119)	(752)	(6,267)
Foreign currency translation adjustment	(983)	(1,069)	(8,907)
	<u>63,402</u>	<u>70,004</u>	<u>583,367</u>
Less treasury stock at cost, 73,324 shares in 2002, 689,386 shares in 2003	<u>(13)</u>	<u>(99)</u>	<u>(825)</u>
Net shareholders' equity	<u>63,389</u>	<u>69,905</u>	<u>582,542</u>
Contingent liabilities (Note 12)			
	<u>¥ 875,909</u>	<u>¥ 894,508</u>	<u>\$ 7,454,233</u>

See accompanying Notes to the Consolidated Financial Statements.

TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2002 and 2003

	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
Revenue from operations	¥ 494,453	¥ 508,625	\$ 4,238,542
Cost of revenue from operations	397,027	404,641	3,372,009
Gross profit	97,426	103,984	866,533
Selling, general and administrative expenses	71,848	72,846	607,050
Operating income	25,578	31,138	259,483
Other income:			
Interest	317	268	2,233
Dividends	442	412	3,433
Gains on sales of property and equipment	424	202	1,683
Gains on sales of marketable securities	4,215	811	6,758
Foreign exchange gain	142	36	300
Other	1,545	658	5,485
	<u>7,085</u>	<u>2,387</u>	<u>19,892</u>
Other expenses:			
Interest	11,202	10,817	90,142
Provision for bad debts	9	212	1,767
Revaluation losses of inventories	1,267	271	2,258
Revaluation losses of marketable securities	1,598	6,656	55,467
Loss on sales of property and equipment	4,370	1,496	12,467
Equity in loss of affiliates	557	-	-
Other	1,070	1,365	11,374
	<u>20,073</u>	<u>20,817</u>	<u>173,475</u>
Income before income taxes and minority interests	12,590	12,708	105,900
Income taxes (Note 10):			
Current	4,841	5,231	43,591
Deferred	(1,011)	572	4,767
Income before minority interests	8,760	6,905	57,542
Minority interests	(1,518)	(1,760)	(14,667)
Net income	<u>¥ 7,242</u>	<u>¥ 5,145</u>	<u>\$ 42,875</u>
			U.S. dollars (Note2)
Net income per share of common stock	<u>¥ 15.84</u>	<u>¥ 11.03</u>	<u>\$ 0.09</u>

See accompanying Notes to the Consolidated Financial Statements.

TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended March 31, 2002 and 2003

	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
Common stock (Note 9):			
Balance at beginning of year	¥ 32,154	¥ 32,154	\$ 267,950
Balance at end of year	¥ 32,154	¥ 32,154	\$ 267,950
Additional paid-in capital (Note 9):			
Balance at beginning of year	¥ 54,618	¥ 54,618	\$ 455,150
Transfer to accumulated deficit	-	(41,018)	(341,817)
Balance at end of year	¥ 54,618	¥ 13,600	\$ 113,333
Revaluation balance (Note 14):			
Balance at beginning of year	¥ 25,497	¥ 33,216	\$ 276,800
Reversal	7,719	415	3,458
Balance at end of year	¥ 33,216	¥ 33,631	\$ 280,258
Accumulated deficit (Note 9):			
Balance at beginning of year	¥ (52,731)	¥ (53,484)	\$ (445,700)
Transfer from additional paid-in capital	-	41,018	341,817
Net income	7,242	5,145	42,875
Decrease due to new consolidated subsidiaries	(209)	-	-
Reversal of revaluation balance	(7,719)	(111)	(925)
Decrease due to change of accounting period of consolidated subsidiaries	-	(60)	(500)
Bonuses to directors and statutory corporate auditors	(67)	(68)	(567)
Balance at end of year	¥ (53,484)	¥ (7,560)	\$ (63,000)
Unrealized loss on investment securities			
Balance at beginning of year	¥ -	¥ (2,119)	\$ (17,659)
Net change during year	(2,119)	1,367	11,392
Balance at end of year	¥ (2,119)	¥ (752)	\$ (6,267)
Foreign currency translation adjustment:			
Balance at beginning of year	¥ (1,161)	¥ (983)	\$ (8,192)
Net change during year	178	(86)	(716)
Balance at end of year	¥ (983)	¥ (1,069)	\$ (8,908)

See accompanying Notes to the Consolidated Financial Statements.

TOKYU LAND CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31 , 2002 and 2003

	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
Cash flows from operating activities:			
Net income	¥ 7,242	¥ 5,145	\$ 42,875
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,738	12,457	103,808
Provision for bad debts	(165)	(979)	(8,158)
Equity in loss (income) of affiliates	557	(65)	(542)
Minority interests	1,518	1,760	14,667
Loss on sales of property and equipment	4,326	1,937	16,142
Gain on transfer of business	(540)	-	-
Revaluation losses of marketable securities	1,598	6,656	55,467
Revaluation losses on inventories	1,267	271	2,258
Decrease (increase) in assets:			
Trade receivables	1,753	1,711	14,258
Inventories	(4,987)	(11,982)	(99,850)
Other current assets	1,874	(1,772)	(14,767)
Other assets	200	2,945	24,542
Increase (decrease) in liabilities:			
Trade payables	(5,108)	8,515	70,958
Other payables	1,431	(3,887)	(32,392)
Accrued expenses	1,146	(825)	(6,875)
Accrued income taxes	29	18	150
Advances and deposits	(2,760)	(3,370)	(28,083)
Deposits received for special joint ventures	12,684	11,827	98,558
Other current liabilities	(1,595)	1,870	15,583
Other liabilities	1,928	856	7,133
Bonuses to directors and statutory corporate auditors	(104)	(107)	(892)
Increase in employees' retirement and severance benefits	1,159	1,206	10,050
Proceeds from transfer of business	900	-	-
Other, net	(5,000)	5,496	45,802
Net cash provided by operating activities	<u>32,091</u>	<u>39,683</u>	<u>330,692</u>
Cash flows from investing activities:			
Increase in short-term investments	22,761	4,259	35,492
Decrease in short-term loans receivable	1,397	1,598	13,317
Increase in investments and guarantee deposits	3,112	495	4,125
Proceeds from sales of property and equipment	7,106	6,939	57,825
Purchase of property and equipment	(14,787)	(13,601)	(113,342)
Investments in Special Purpose Companies	(11,626)	(27,748)	(231,233)
Decrease in investment			
in non-consolidated subsidiaries and affiliates	766	2,531	21,092
Other, net	1,239	(162)	(1,351)
Net cash provided by (used in) operating activities	<u>¥ 9,968</u>	<u>¥ (25,689)</u>	<u>\$ (214,075)</u>

	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2002	2003	2003
Cash flows from financing activities :			
Decrease in short-term borrowings	¥ (11,110)	¥ (31,365)	\$ (261,375)
Proceeds from long-term debt	77,004	130,622	1,088,516
Repayment of long-term debt	(98,385)	(110,568)	(921,400)
Decrease in guarantee and lease deposits received	(4,510)	(2,602)	(21,683)
Cash dividend paid to minority interests	(120)	(226)	(1,883)
Purchase of treasury stock	-	(86)	(717)
Net cash used in financing activities	(37,121)	(14,225)	(118,542)
Translation difference in cash and cash equivalents	53	37	308
Net increase (decrease) in cash and cash equivalents	4,991	(194)	(1,617)
Cash and cash equivalents at the beginning of year	53,109	59,588	496,567
Increase in cash and cash equivalents due to changes in consolidated subsidiaries	1,488	-	-
Increase in cash and cash equivalents due to change of accounting period of consolidated subsidiaries	-	101	842
Cash and cash equivalents at the end of year	¥ 59,588	¥ 59,495	\$ 495,792

Supplementary Cash flow Information

	Yen(millions)		U.S. dollars (thousands)
	2002	2003	2003
Cash paid during the year for:			
Interest	¥ 10,984	¥ 10,882	\$ 90,683
Income taxes	4,812	5,212	43,433

See accompanying Notes to the Consolidated Financial Statements.

TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Tokyu Land Corporation (“the Company”) and its subsidiaries in accordance with the provisions set forth in the Securities and Exchange Law of JapanJapanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are defined as low-risk, highly liquid, short-term investments (maturing within three months from the acquisition date) which are readily convertible to cash.

(c) Consolidation Policy

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant inter-company accounts, inter-company transactions and unrealized profits have been eliminated in consolidation.

The accompanying consolidated financial statements for the years ended March 31, 2002 and 2003 include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

Investments in significant affiliates are stated at the Company’s equity in their underlying net assets.

Investments in non-consolidated subsidiaries are stated at cost, as equity in income of non-consolidated subsidiaries would have been no material effect on the accompanying consolidated financial statements if an equity method had been applied to the investments in these companies.

(d) Investments in Special Purpose Companies

The Company has prompted the development plan of real estates utilizing securitization strategies with Special Purpose Companies in order to introduce the external fund. SPCs included in Investments in SPC are not consolidated because SPC is not subject to subsidiaries under the accounting principles and practices generally accepted in Japan.

(e) Recognition of Revenue

Revenue from the sale of land and residential housing is recognized when units are delivered and accepted by the customers.

(f) Short-term Investments and Investments in Other Securities

The Company has adopted “Accounting Standards for Financial Instruments” issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into three categories and accounted for as follows:

- Securities that are generally used with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value. The Company does not have this kind of securities.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity are classified as held-to- maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of shareholders’ equity until realized or unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as a net amount in a separate component of shareholders’ equity until realized.

Held-to-maturity securities are amortized or accumulated to face value. Available-for-sale securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of shareholders’ equity until realized. Available-for-sale securities without a fair value are carried at cost. In computing realized gain and loss, cost of available-for-sale securities is determined by the moving-average cost method.

(g) Inventories

Inventories are stated at cost. The cost of land and residential housings is determined by the identified cost method and the cost of materials and supplies by the average cost method.

The cost does not include interest expense incurred in connection with the development of real estate.

(h) Property and Equipment

Property and equipment are stated at cost except for the land revalued pursuant to the Law Concerning Land Revaluation. Depreciation of property and equipment is principally computed by the declining-balance method based on their estimated useful life.

In accordance with amendment of Japanese tax law Corporation Tax Law in Japan, depreciation for buildings acquired after April 1, 1998 is computed by the straight-line method.

Estimated useful lives are as follows:

Buildings and structures	3 to 65 years
Machinery and equipment	5 to 17 years
Vehicles	2 to 7 years
Tools, furniture and fixtures	2 to 15 years

Repairs and maintenance that do not improve or extend the life of the respective assets are charged to expense as incurred.

(i) Leases

Where financing leases do not transfer ownership of the leased property to the lessee, the leased property is not capitalised and the related rental and lease expenses are charged to income as incurred.

(j) Income Taxes

The Company records income taxes currently payable based upon the determination of taxable income and recognize deferred income taxes based on an asset and liability-based approach.

Effective the current consolidated fiscal year, the Company has adopted the Consolidated Taxation System.

(k) Employees' Retirement and Severance Benefits

The Company has adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council. Under this standard, allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the fair value of the pension assets as of the balance sheet date, as adjusted for unrecognized actual gain or loss.

The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the employees. The net retirement benefit obligation at transition is being amortized over the period of principally 15 years.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the period of principally 10 years which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over the period of principally 10 years which are shorter than the average remaining years of service of the employees.

(l) Foreign Currency Translation

The Company has adopted "Accounting standard for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen on the basis of rates in effect at the transaction date. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Gains and losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expense are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and shareholders' equity is included in minority interests and as "Foreign currency translation adjustments", a separate component of shareholders' equity.

(m) Net Income Per Share

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, net income per share for the year ended March 31, 2003 is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Net income per share for the year ended March 31, 2002 was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during the year.

(n) Reclassification

Certain reclassifications have been made to the previous year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2003.

2. Basis of Translating Financial Statements

The consolidated financial statements presented herein are expressed in Japanese yen and solely for the convenience of readers, have been translated into United States dollars at the rate of ¥120=U.S. \$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2003. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that or any other rate.

3. Inventories

Inventories at March 31, 2002 and 2003 are summarized as follows:

	Yen (millions)		U.S. dollars
	2002	2003	(thousands)
Land	¥ 144,820	¥ 157,901	\$ 1,315,842
Residential housing	31,264	29,220	243,500
	176,084	187,121	1,559,342
Merchandise	7,579	7,457	62,142
Materials and supplies	1,061	980	8,167
	¥ 184,726	¥ 195,561	\$ 1,629,675

4. Short-term Investments and Investments in Securities

At March 31, 2002 and 2003, marketable securities included in short-term investments and investments in other securities are as follows:

(1) Bonds held to maturity

	Yen (millions)						U.S. dollars		
	2002			2003			2003		
	Carrying value	Market value	Differ-ence	Carrying value	Market value	Differ-ence	Carrying value	Market value	Differ-ence
Securities with unrealized gain									
Governmental bond	¥ 625	629	3	¥ 767	769	2	\$ 6,392	6,408	17
Securities with unrealized loss									
Governmental bond	401	399	(1)	224	224	(0)	1,867	1,867	(0)
Total	¥ 1,026	1,028	2	¥ 992	994	1	\$ 8,267	8,283	8

(2) Available-for-sale securities

	Yen (millions)						U.S. dollars (thousands)		
	2002			2003			2003		
	Acquisi- tion cost	Carrying value	Differ- ence	Acquisi- tion cost	Carrying value	Differ- ence	Acquisi- tion cost	Carrying value	Differ- ence
Securities with unrealized gain									
StocksEquity securities	¥ 3,516	4,026	510	¥ 346	469	123	\$ 2,883	3,908	1,025
Bonds	161	164	2	163	164	1	1,358	1,367	8
Governmental bond	161	164	2	163	164	1	1,358	1,367	8
Subtotals	3,678	4,191	512	509	634	124	4,242	5,283	1,033
Securities with unrealized loss									
StocksEquity securities	14,012	9,665	(4,347)	9,918	8,448	(1,470)	82,650	70,400	(12,250)
Total	¥ 17,691	13,856	(3,834)	¥ 10,428	9,083	(1,345)	\$ 86,900	75,692	(11,208)

5. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2002 and 2003 consist of loans principally from banks with weighted average interest rates of 1.56% and 1.52% in 2002 and 2003, respectively.

Short-term bank loans represent notes maturing within one year. As is customary in Japan, these notes are renewed at maturity without difficulty and the Company's management anticipates that this financing method will be continued.

Long-term debt at March 31, 2002 and 2003 is summarised as follows:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
2.65% unsecured bonds due 2003	¥ 13,300	¥ 13,100	\$ 109,167
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2002 to 2030, weighted average 2.25% in 2002, 2.03% in 2003.			
Secured	39,955	42,713	355,942
Unsecured	282,169	299,890	2,499,083
	335,424	355,703	2,964,192
Less current portion	(108,784)	(122,314)	(1,019,283)
	¥ 226,640	¥ 233,389	\$ 1,944,908

The aggregate annual maturates of long-term debt after March 31, 2004 are as follows:

<u>Year ending March 31,</u>	<u>Yen (millions)</u>	<u>U.S. dollars (thousands)</u>
2005	¥ 87,761	\$ 731,342
2006	64,690	539,083
2007	45,605	380,042
2008	29,546	246,217
2009 and thereafter	5,786	48,217
	<u>¥ 233,389</u>	<u>\$ 1,944,908</u>

6. Commitment Line

The Company and its consolidated subsidiaries entered into contracts for overdraft with 25 banks and commitment line with 5 banks. These contracts at March 31, 2002 and 2003 are summarized as follows:

	<u>Yen (millions)</u>		<u>U.S. dollars (thousands)</u>
	<u>2002</u>	<u>2003</u>	<u>2003</u>
Limit of overdraft	¥ 136,578	¥ 123,406	\$ 1,028,383
Loan ceiling amount for commitment line	20,000	20,000	166,667
Borrowing	(67,922)	(49,512)	(412,600)
Balance	<u>¥ 88,655</u>	<u>¥ 93,893</u>	<u>\$ 782,442</u>

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2002 and 2003 are summarized as follows:

(1) Pledged assets

	<u>Yen (millions)</u>		<u>U.S. dollars (thousands)</u>
	<u>2002</u>	<u>2003</u>	<u>2003</u>
Land for sale	¥ 3,180	¥ 7,687	\$ 64,058
Land	65,990	70,595	588,292
Buildings	39,430	39,330	327,750
Land lease rights	708	708	5,900
Investment securities	2,549	1,563	13,025
Guarantee money deposited	543	465	3,875
Membership deposits	13	-	-
	<u>¥ 112,415</u>	<u>¥ 120,351</u>	<u>\$ 1,002,925</u>

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Long-term debt	¥ 35,528	¥ 37,263	\$ 310,525
Current portion of long-term debt	4,427	5,449	45,408
Short-term borrowings	798	784	6,533
Guarantee and lease deposits received	5,316	4,200	35,000
Affiliated company's borrowings	1,803	1,684	14,033
	<u>¥ 47,874</u>	<u>¥ 49,382</u>	<u>\$ 411,517</u>

8. Guarantee and Lease Deposits Received

Guarantee and lease deposits received at March 31, 2002 and 2003 are summarised as follows:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Guarantee deposits from tenants, non-interest-bearing	¥ 55,902	¥ 58,455	\$ 487,125
Guarantee deposits primarily from members of golf clubs and leisure facilities, non-interest-bearing	73,693	68,768	573,067
Guarantee deposits from others, principally non-interest-bearing	3,815	4,043	33,692
	<u>¥ 133,410</u>	<u>¥ 131,266</u>	<u>\$ 1,093,883</u>

The Company and its consolidated subsidiaries have received guarantee and lease deposits from tenants of leased property according to the relevant lease agreements. These guarantee deposits are refundable to the tenants when the contracts are terminated.

Guarantee deposits received other than from tenants are refundable at the dates of termination of the relevant contract or retirement from the golf clubs and leisure facilities.

9. Shareholders' Equity

The Japanese Commercial Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of cash dividends and of certain other items be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock. The portion of such aggregated amount in excess of 25% of common stock may become available for dividends subsequent to release to retained earnings.

10. Income Taxes

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2002 and 2003 are as follows:

	Yen(millions)		U.S. dollars
	2002	2003	(thousands) 2003
Deferred tax assets:			
Write-off of inventories	¥ 10,193	¥ 8,686	\$ 72,383
Additional severance payable to early-retired employees	318	252	2,100
Valuation loss on securities	3,985	3,552	29,600
Amortization of intangible assets	449	532	4,433
Interest expense for land purchased	3	1,519	12,658
Accrued expenses	498	53	442
Accrued bonuses to employees	2,036	2,388	19,900
Retirement and severance benefits	2,967	3,701	30,842
Net operating loss carryforwards	10,751	7,201	60,008
Unrealized inter-company profits	635	569	4,742
Other	2,088	1,887	15,725
Gross deferred tax assets	33,928	30,346	252,883
Less: valuation allowance	(13,185)	(11,093)	(92,441)
Total deferred tax assets	¥ 20,743	¥ 19,253	\$ 160,441
Deferred tax liabilities:			
Unrealized gain on land revaluation	¥ 116	¥ 116	\$ 967
Other	7	4	33
Total deferred tax liabilities	¥ 124	¥ 121	\$ 1,008

The effective tax rate for the year ended March 31, 2002 and 2003 differed from the normal tax rate for the following reasons:

	2002	2003
Computed normal tax rate	41.8%	41.8%
Change in valuation allowance allocated to income tax expenses	32.5	(1.9)
Entertainment expenses not deductible for tax purposes	2.5	2.3
Non-taxable dividends income	(0.6)	(0.5)
Equity in (loss) income of non-consolidated subsidiaries and affiliates	(1.9)	0.2
Prior year's income tax expenses	0.8	(0.2)
Inhabitant tax per capita	1.1	1.1
Tax-deductible loss on sale of land not charged to income for financial statement purposes	(44.0)	-
Decrease of deferred assets at year-end due to tax rate change	-	2.9
Other	(1.8)	0.0
Effective tax rate	30.4%	45.7%

11. Employees' Retirement and Severance Benefits

The Company and its domestic subsidiaries have pension plans covering substantially all of employees. Benefits under the plans are primarily based on the combination of years of service and compensation. The funding policy is to make periodic contributions as required by applicable regulations. The plan's funded status and amount recognized in the accompanying consolidated balance sheets at March 31, 2002 and 2003 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Projected benefit obligation	¥ (35,308)	¥ (37,656)	¥ (313,800)
Plan assets	15,055	13,811	115,092
Unfunded retirement pension liability	(20,252)	(23,844)	(198,700)
Unrecognized transition cost resulting from changes in accounting standards	7,849	7,239	60,325
Unrecognized plan assets	(193)	-	-
Unrecognized actuarial loss	2,661	6,228	51,900
Unrecognized prior service cost	(95)	(839)	(6,992)
Net retirement benefit recognized on consolidated balance sheets	(10,029)	(11,216)	(93,467)
Prepaid pension cost	-	-	-
Employees' retirement and severance benefits	¥ (10,029)	¥ (11,216)	\$ (93,467)
Service cost	¥ 2,218	¥ 2,214	\$ 18,450
Interest cost	949	964	8,033
Expected return on plan assets	(424)	(423)	(3,525)
Amortization of unrecognized prior service cost	(22)	(126)	(1,050)
Amortization of actuarial loss	366	642	5,350
Amortization of transition cost resulting from changes in accounting standards	591	598	4,983
Total pension costs	¥ 3,679	¥ 3,869	\$ 32,242

Actuarial assumptions used in accounting for the above plans are summarized as follows:

	2002	2003
Discount rate	2.5%–3.0%	2.0%–3.0%
Estimated rate of return on plan assets	2.5%–3.0%	2.5%–3.0%

12. Contingent Liabilities

At March 31, 2002 and 2003 the Company and its consolidated subsidiaries had the following contingent liabilities:

	Yen (millions)		U.S. dollars
	2002	2003	(thousands) 2003
Guarantee of loans on behalf of:			
Individual customers for housing loans	¥ 90,580	¥ 79,809	\$ 665,075
Landowner's union for development cost of land	2,624	2,578	21,483
Employees for their purchase of residential houses	1,430	1,155	9,625
Non-consolidated subsidiaries and affiliates	73	-	-
Other	120	-	-
Endorsed notes	102	82	683
	<u>¥ 94,929</u>	<u>¥ 83,625</u>	<u>\$ 696,875</u>

13. Information Regarding Certain Leases

(Items Pertaining to Finance Lease Transactions as lessee)

Finance Leases other than those which are deemed to transfer ownership to lessees are accounted for in the same manner as operating leases.

(1) Acquisition cost equivalents, accumulated depreciation equivalents and book value equivalents of leased properties at March 31, 2002 and 2003 if they were capitalized are as follows:

	Yen (millions)		U.S. dollars
	2002	2003	(thousands) 2003
Acquisition cost equivalents:			
Tools, furniture and fixtures	¥ 4,067	¥ 4,997	\$ 41,642
Others	838	1,344	11,200
Total	<u>¥ 4,906</u>	<u>¥ 6,342</u>	<u>\$ 52,850</u>
Accumulated depreciation equivalents:			
Tools, furniture and fixtures	¥ 2,721	¥ 2,424	\$ 20,200
Others	384	618	5,150
Total	<u>¥ 3,106</u>	<u>¥ 3,042</u>	<u>\$ 25,350</u>
Book value equivalents:			
Tools, furniture and fixtures	¥ 1,346	¥ 2,572	\$ 21,433
Others	453	726	6,050
Total	<u>¥ 1,800</u>	<u>¥ 3,299</u>	<u>\$ 27,492</u>

(2) Future lease payments at March 31, 2002 and 2003 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Due within one year	¥ 730	¥ 1,109	\$ 9,242
Due after one year	818	2,237	18,642
Total	¥ 1,548	¥ 3,347	\$ 27,892

(3) The equivalent amount of lease payments and depreciation expense and interest expenses there of at March 31, 2002 and 2003 are as follows:

	Yen(millions)		U.S. dollars (thousands)
	2002	2003	2003
Lease payments	¥ 1,045	¥ 1,339	\$ 11,158
Depreciation expense	993	1,286	10,717
Interest expenses	36	47	392

(Items Pertaining to Operating Lease Transactions as lessee)

Lessee side

Future lease payments:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Due within one year	¥ 3,389	¥ 3,454	\$ 28,783
Due after one year	30,456	26,848	223,733
Total	¥ 33,845	¥ 30,303	\$ 252,525

Lessor side

Future lease payments:

	Yen (millions)		U.S. dollars (thousands)
	2002	2003	2003
Due within one year	¥ 1,254	¥ 1,647	\$ 13,725
Due after one year	8,206	18,357	152,975
Total	¥ 9,461	¥ 20,004	\$ 166,700

14. Revaluation of Land

The land for business owned by the Company and by its certain consolidated subsidiary was revalued pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998) and the revised Law Concerning Land Revaluation (Revised Law No. 19, promulgated March 31, 2001).

Method of revaluation

Value of land is determined based on the price which is described in Article 2, Item 5 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31,

1998). Value of certain sections of the land is determined based on Articles 2, 3, and 4 of the government ordinance.

Date of revaluation

The Company	March 31, 2000
(Revaluation on merger of subsidiaries)	March 31, 2001
Consolidated subsidiary	January 31, 2001

Book value after revaluation exceeded the market value by 7,835 million yen at March 31, 2003.

15. Related Party Transactions

Tokyu Corporation holds 16.8 percent of the Company's issued shares and some board members are concurrently working for both companies. As a result, the Company is deemed as affiliate company of Tokyu Corporation.

Tokyu Construction, which is a consolidated subsidiary of Tokyu Corporation, constructs some real estate for sale or lease of the Company in the amount of ¥12,056 million and ¥6,959 million (US\$57,992 thousand) in the year ended March 31, 2002 and 2003, respectively and the amount payable to Tokyu Construction at the fiscal year-ends were ¥4,905 million and ¥4,426 million (US\$36,883 thousands) at March 31, 2002 and 2003, respectively.

The Company considers that these transactions are made on an arms-length basis.

16. Segment Information

The Company's business is composed primarily of six segments: (1) Real Estate Sales, including the development and sales of condominiums and houses, construction of custom-built houses, and house improvement of custom-built houses and condominiums; (2) Leasing of Real Estate, including leasing of buildings to be used for offices, stores and shops, and hotels, and management of shopping centers; (3) Retail Sales, retail sales of materials and products for living and D-I-Y; (4) Property Management, principally including facilities management for buildings, condominiums and apartments; (5) Resorts, principally including operations of leisure and sports facilities (golf courses, membership resort hotels, and urban-style sports clubs); and (6) Real Estate Agent and Other, principally including real estate agency, and insurance agency, etc.

Information by geographic areas is omitted as overseas sales of the Company for the years ended March 31, 2002 and 2003 accounted for less than 10 percent of consolidated revenue under generally accepted accounting principles in Japan.

Summarized information by business segment for the years ended March 31, 2002 and 2003 is as follows:

Yen (millions)									
Year ended March 31, 2002	Real Estate Sales	Retail sales	Leasing of Real Estate	Property Management	Resorts	Real Estate Agent and Other	Total	Elimination / Headquarters	Consolidated
Revenues:									
Outside customers	¥ 202,622	¥ 99,947	¥ 71,549	¥ 54,221	¥ 34,676	¥ 31,435	¥ 494,453	¥ -	¥ 494,453
Inter-segment	814	217	2,739	7,917	0	4,730	16,418	(16,418)	-
Total	203,436	100,164	74,289	62,139	34,676	36,165	510,872	(16,418)	494,453
Costs and expenses	197,882	96,980	60,131	59,602	33,862	33,118	481,577	(12,702)	468,875
Operating income	¥ 5,553	¥ 3,184	¥ 14,158	¥ 2,536	¥ 814	¥ 3,046	¥ 29,294	¥ (3,716)	¥ 25,578
Total assets	¥ 205,380	¥ 46,564	¥ 358,121	¥ 10,605	¥ 159,868	¥ 36,701	¥ 817,242	¥ 58,666	¥ 875,909
Depreciation expenses	376	597	5,846	286	4,528	517	12,152	585	12,738
Capital expenditures	¥ 793	¥ 591	¥ 7,438	¥ 374	¥ 3,627	¥ 571	¥ 13,395	¥ 1,391	¥ 14,787

Yen (millions)									
Year ended March 31, 2003	Real Estate Sales	Retail sales	Leasing of Real Estate	Property Management	Resorts	Real Estate Agent and Other	Total	Elimination / Headquarters	Consolidated
Revenues:									
Outside customers	¥ 209,577	¥ 98,493	¥ 74,695	¥ 57,460	¥ 35,335	¥ 33,065	¥ 508,625	¥ -	¥ 508,625
Inter-segment	987	138	2,695	7,278	3	4,730	15,831	(15,831)	-
Total	210,563	98,631	77,390	64,738	35,338	37,795	524,456	(15,831)	508,625
Costs and expenses	202,367	95,614	59,285	62,129	34,878	35,157	489,430	(11,942)	477,488
Operating income	¥ 8,196	¥ 3,016	¥ 18,105	¥ 2,609	¥ 460	¥ 2,639	¥ 35,026	¥ (3,889)	¥ 31,138
Total assets	¥ 213,285	¥ 44,532	¥ 377,908	¥ 11,333	¥ 158,992	¥ 42,355	¥ 848,404	¥ 46,104	¥ 894,508
Depreciation expenses	381	691	5,229	304	4,455	581	11,640	818	12,457
Capital expenditures	¥ 532	¥ 791	¥ 8,992	¥ 561	¥ 1,705	¥ 538	¥ 13,118	¥ 483	¥ 13,601

U.S. dollars (thousands)									
Year ended March 31, 2003	Real Estate Sales	Retail sales	Leasing of Real Estate	Property Management	Resorts	Real Estate Agent and Other	Total	Elimination / Headquarters	Consolidated
Revenues:									
Outside customers	\$ 1,746,475	\$ 820,775	\$ 622,458	\$ 478,833	\$ 294,458	\$ 275,542	\$ 4,238,542	\$ -	\$ 4,238,542
Inter-segment	8,225	1,150	22,458	60,650	25	39,417	131,925	(131,925)	-
Total	1,754,692	821,925	644,917	539,483	294,483	314,958	4,370,467	(131,925)	4,238,542
Costs and expenses	1,686,392	796,783	494,042	517,742	290,650	292,975	4,078,583	(99,517)	3,979,067
Operating income	\$ 68,300	\$ 25,133	\$ 150,875	\$ 21,742	\$ 3,833	\$ 21,992	\$ 291,883	\$ (32,408)	\$ 259,483
Total assets	\$ 1,777,375	\$ 371,100	\$ 3,149,233	\$ 94,442	\$ 1,324,933	\$ 352,958	\$ 7,070,033	\$ 384,200	\$ 7,454,233
Depreciation expenses	3,175	5,758	43,575	2,533	37,125	4,842	97,000	6,817	103,808
Capital expenditures	\$ 4,433	\$ 6,592	\$ 74,933	\$ 4,675	\$ 14,208	\$ 4,483	\$ 109,317	\$ 4,025	\$ 113,342

TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

Segment Information (Unaudited)

	Yen (millions)					U.S.dollars (thousands)
	1999	2000	2001	2002	2003	2003
Revenue from operations						
Real Estate Sales	¥ 258,036	¥ 211,750	¥ 207,489	¥ 200,458	¥ 210,563	\$ 1,754,692
Tokyu Land Corporation	207,130	154,511	143,758	137,162	144,239	1,201,992
Tokyu Home Corporation	29,361	27,434	33,063	30,241	26,115	217,625
Tokyu Amenix Corporation	16,849	17,258	18,323	18,838	17,709	147,575
Tokyu Community Corporation	—	11,706	12,708	12,782	12,475	103,958
Ishikatsu Exterior, Inc.	8,039	7,186	6,302	5,450	5,420	45,167
Eliminations	(6,954)	(6,459)	(6,687)	(4,026)	(2,524)	(21,033)
Retail Sales	¥ 89,790	¥ 96,984	¥ 96,763	¥ 100,164	¥ 98,631	\$ 821,925
Tokyu Hands, Inc.	89,790	96,984	96,763	100,164	98,631	821,925
Leasing of Real Estate	¥ 118,229	¥ 65,558	¥ 70,713	¥ 74,290	¥ 77,390	\$ 644,917
Tokyu Land Corporation	45,995	46,895	49,748	52,241	52,695	439,125
Tokyu Community Corporation	75,513	10,742	11,632	12,224	12,778	106,483
Tokyu Relocation Corporation (consolidated)	—	5,494	6,271	7,143	8,832	73,600
Tokyu Livable, Inc.	1,787	2,168	2,532	2,843	3,387	28,225
Eliminations	(6,394)	(2,548)	(2,481)	(516)	(450)	(3,750)
Property Management	¥ —	¥ 56,599	¥ 59,136	¥ 62,139	¥ 64,738	\$ 539,483
Tokyu Community Corporation Subsidiaries of Tokyu Community Corporation	—	53,698	55,791	58,465	61,070	508,917
Eliminations	—	(6,677)	(7,315)	(8,060)	(9,297)	(77,475)
Resorts	¥ 36,541	¥ 36,046	¥ 35,188	¥ 34,677	¥ 35,338	\$ 294,483
Tokyu Land Corporation	27,583	28,485	28,055	28,388	28,577	238,142
Tokyu Resort Service Corporation	—	—	—	7,457	14,566	121,383
Tokyu Sports oasis Inc.	—	—	—	5,489	5,838	48,650
Izu Kankoukaihatsu Co., Ltd.	2,083	2,068	1,843	1,592	1,532	12,767
Tanbara Tokyu Resort Co., Ltd.	1,793	1,801	1,707	1,531	1,543	12,858
Pacific Islands Development Corp.	1,170	950	1,135	1,222	1,177	9,808
Niseko kougen kankou Co., Ltd.	1,889	1,779	1,536	1,387	1,385	11,542
Eliminations	(131)	(734)	(916)	(14,352)	(21,210)	(176,750)
Real Estate Agent and Other	¥ 44,124	¥ 34,458	¥ 36,181	¥ 39,144	¥ 37,795	\$ 314,958
Tokyu Livable, Inc.	25,073	27,929	28,788	30,195	29,152	242,933
Tokyu Resort Corporation	2,154	2,292	2,567	2,768	2,857	23,808
Tokyu Land Corporation	1,775	1,547	1,826	2,219	951	7,925
Eliminations	(1,511)	(12)	(28)	(401)	(582)	(4,850)
Total	546,720	501,395	505,470	510,872	524,456	4,370,467
Eliminations	(20,868)	(16,534)	(16,598)	(16,419)	(15,831)	(131,925)
Revenue from operations (Consolidated)	¥ 525,852	¥ 484,861	¥ 488,872	¥ 494,453	¥ 508,625	\$ 4,238,542
Operating income	¥ 17,418	¥ 20,412	¥ 25,516	¥ 25,578	¥ 31,138	\$ 259,483
Real Estate Sales	9,473	7,872	8,928	5,262	8,196	68,300
Retail Sales	(223)	2,322	2,343	3,184	3,016	25,133
Leasing of Real Estate	11,898	8,864	11,505	14,158	18,105	150,875
Property Management	—	2,150	2,269	2,537	2,609	21,742
Resorts	334	776	661	815	460	3,833
Real Estate Agent and Other	2,195	1,827	3,372	3,338	2,639	21,992
Elimination/ Headquarters	(6,259)	(3,399)	(3,562)	(3,716)	(3,889)	(32,408)
Operating income on Sales	3.3%	4.2%	5.2%	5.2%	6.1%	
Real Estate Sales	3.7%	3.7%	4.3%	2.6%	3.9%	
Retail Sales	(0.2%)	2.4%	2.4%	3.2%	3.1%	
Leasing of Real Estate	10.1%	13.5%	16.3%	19.1%	23.4%	
Property Management	—	3.8%	3.8%	4.1%	4.0%	
Resorts	0.9%	2.2%	1.9%	2.4%	1.3%	
Real Estate Agent and Other	5.0%	5.3%	9.3%	8.5%	7.0%	

* From the year ended March 31, 2000, Property Management segment is separated from Leasing of Real Estate segment.