ANNUAL REPORT 2021

Year Ended March 31, 2021

TOKYU FUDOSAN HOLDINGS

CONTENTS

Message from the President

Anticipating changes in society and steadily moving forward with a long-term vision rooted in the joint creative efforts of the Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries ("the Group").

[Create value for the future]

We will address issues in society through our business activities and work with stakeholders to realize a sustainable society and growth.

We will realize a future where everyone can be themselves and shine vigorously through the creation of a variety of attractive lifestyles.

[Review of the 8th Fiscal Year]

In the real estate industry, although the office building market witnessed moves to consolidate and downsize offices reflecting the economic slowdown under the COVID-19 pandemic, demand for next-generation offices tailored to new needs such as the growing adoption of teleworking and advances in work-style reform remained generally stable. In the real estate investment market, the appetite of investors to acquire properties in the Japanese market was generally strong, and needs for properties offering excellent location and convenience were firm in the condominium market. As a result, transaction prices remained solid in both markets. Meanwhile, markets related to hotels and resorts and commercial facilities in the city center continued to face challenges due to the disappearance of inbound demand and the impact of people refraining from going out.

Taking seriously its role in infrastructure, the Tokyu Fudosan Holdings Group has been dedicated to the continuation of business activities while being committed to measures to protect its customers and employees from the novel coronavirus. However, the Wellness business and Tokyu Hands business, in particular, were affected by the COVID-19, and operating revenue came to 907,735 million yen (down 5.8% year on year). Operating profit was 56,517 million yen (down 28.7% year on year) and ordinary profit stood at 46,555 million yen (down 31.0% year on year). Profit attributable to owners of parent decreased to 21,668 million yen (down 43.9% year on year).

[Long-term vision "GROUP VISION 2030" and the outlook for the 9th fiscal year]

The Group formulated and published its long-term vision "GROUP VISION 2030," looking ahead to 2030, in May 2021. To promote the VISION, the Group has selected themes for its efforts to create value (materialities) and included the Group policy, business policy and key strategies based on the materialities into the long-term management policy.

In the 9th fiscal year, the first year of the long-term management policy, it is still difficult to estimate the impact of the COVID-19 pandemic, given the third declaration of a state of emergency, among other factors, but we have prepared our forecast for financial results, incorporating the impacts expected as of the time of writing. Results may fluctuate in the future, depending on when the COVID-19 is contained, but we will make every effort to achieve a V-shaped recovery to pre-COVID-19 performance and profits.

[To Our Shareholders]

Setting "Becoming a Corporate Group that Continues to Create Value" as our ideal vision, we will aim to realize a future where everyone can be themselves and shine vigorously through the creation of a variety of appealing lifestyles, impressive new experiences enabled by DX and contribution to a decarbonized society as a way to create value toward 2030. Duplicating this aspiration with the Group's corporate color green, we have put it into a message "WE ARE GREEN" and begun delivering it. Based on the GROUP VISION 2030 and the long-term management policy, the Group will work to increase the satisfaction level of stakeholders including business partners and the future society, with the aim of achieving sustainable growth over the long term.

With respect to shareholder returns, the Group has decided to maintain the year-end dividend of 8 yen per share for the 8th fiscal year, aiming to maintain stable dividends. In its dividend policy for the periods after the 9th fiscal year, the Group has set a near-term target for the dividend payout ratio of 30% or more, one step higher than before, and decided to continue working on the maintenance and continuation of stable dividends.

The situation is expected to remain uncertain for the time being, but we ask for the continued support and cooperation of our shareholders.

June 2021

Hironori Nishikawa,
President & CEO

BUSINESS REPORT
Years ended March 31, 2021

I. Outline of business

1. Financial Highlights

(1) Summary of consolidated statements of income

	Yen (millions) 2020	Yen (millions) 2021	U.S. dollars (thousands) 2021
Operating revenue	¥ 963,198	¥ 907,735	$ 8,252,136
Operating profit	79,312	56,517	513,791
Ordinary profit	67,499	46,555	423,227
Profit attributable to owners of parent	38,611	21,668	196,982
Comprehensive income	33,265	24,721	224,736
Net assets	594,246	608,723	5,533,845
Total Assets	¥ 2,487,369	¥ 2,652,296	$ 24,111,782

(2) Trend of indices

	2020	2021
Equity ratio	23.5%	22.5%
ROE*1	6.7%	3.7%
PER*2	9.6	21.7

*1 Net income/shareholder's equity *2 Price earnings ratio (times)

(3) Others

	Yen 2020	Yen 2021	U.S. dollars 2021
Net income per share	¥ 53.70	¥ 30.13	$ 0.27
Net assets per share	¥ 811.04	¥ 829.50	$ 7.54
Employees	22,953	23,411	-
Temporary employees*	12,214	11,461	-

* The number of temporary employees is the annual average number.

(4) Summary of cash flows

	Yen (millions) 2020	Yen (millions) 2021	U.S. dollars (thousands) 2021
CF from operating activities	¥ (6,660)	¥ 100,411	$ 912,827
CF from investing activities	(147,223)	(116,031)	(1,054,827)
CF from financing activities	65,077	108,344	984,945
Cash and cash equivalents at the end of the year	¥ 97,037	¥ 189,509	$ 1,722,809

2. Major Business

(1) Urban Development

Development, ownership, and sales of office buildings, commercial facilities, renewable energy power facilities, logistics facilities and other properties

(2) Residential

Development and sales of residential homes

(3) Property Management

Property management of condominiums, buildings and other properties

Construction of common areas of condominiums, buildings and other properties

(4) Real-Estate Agents

Real estate brokerage and property sales

(5) Wellness

Ownership and management of resort facilities, urban style hotels, senior housing and membership sports clubs

Development and sales of membership resort hotels and country houses

(6) Tokyu Hands

Retail sales of materials and products for living and D-I-Y

(7) Innovation Business

Construction of landscape gardening

Overseas operations

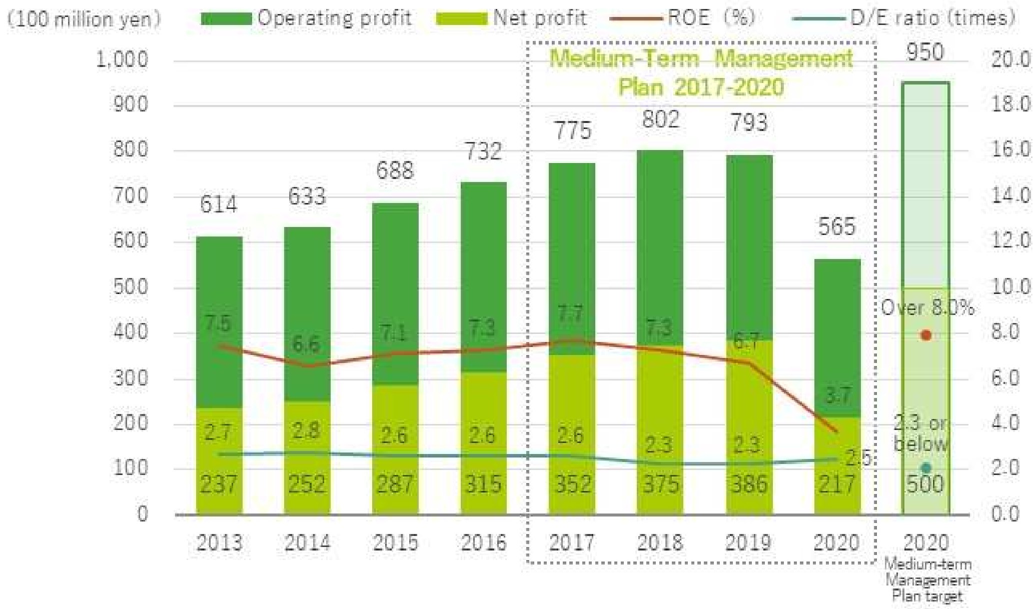
3. Business policy

(1) Management policy, business environment and issues to be addressed, etc.

Forward-looking statements in the text are the Group's judgments as of the end of the fiscal year under review, and actual results, etc. may differ from these forecasts.

① **Review of the "Value Frontier 2020 Stage 2 Medium-Term Management Plan 2017-2020”**

In the "Value Frontier 2020 Stage 2 Medium-Term Management Plan 2017-2020" in which the fiscal year under review is the final year, we did not achieve the financial targets for the final year due to the impact of the COVID-19 pandemic, but succeeded in achieving certain results, including the enhancement of the foundations for the leasing business due to the operation of large projects such as the redevelopment of Shibuya and TOKYO PORTCITY TAKESHIBA, the growth of the renewable energy business and other infrastructure businesses and the growth of non-asset type businesses such as the real estate agents and property management businesses.



② **Notice Regarding Formulation of Long-Term Vision "GROUP VISION 2030"**

With respect to the long-term business environment in the future, the Group expects that the uncertain and unpredictable era called VUCA* will continue, given the COVID-19 pandemic, the rapid acceleration of digitalization, the advancement of a decarbonized society and the diversification of lifestyles. To realize a sustainable society under such an environmental recognition, the Group has formulated its long-term vision "GROUP VISION 2030" and reorganized its group philosophy by ascertaining its ideal vision a decade later based on a back casting approach, rather than the conventional building-up type plan.

* VUCA stands for volatility, uncertainty, complexity and ambiguity and refers to an unpredictable socioeconomic environment.

(i) Slogan of the long-term vision "WE ARE GREEN"

It expresses our commitment to realizing our ideal vision in 2030 with diverse green power by expressing the diversity of the businesses and human capital of the Group in gradations with green, our corporate color, as the basic tone. Green symbolizes our environmental efforts and sustainability, as well as the Group's goal of creating a future where everyone can be themselves and shine vigorously. Under the banner "WE ARE GREEN," we will create a variety of appealing lifestyles by combining diverse green power.

The spread of the new normal and the diversity of work styles. The rise of the social and ecologically minded future generation. What do we want to be in an uncertain and unpredictable world where values are changing, which is being called the era of VUCA? Where are we headed? We will create new lifestyles that combine home, work and play styles, along with impressive new experiences enabled by DX, while contributing to a decarbonized society with the diverse green power we possess. To create a future where everyone can be themselves and shine brightly. We will aim to become a corporate group that creates value for the future.

WE ARE GREEN

(ii) The Group philosophy

We have reorganized our group philosophy in light of the origin and history of the Group and stipulated our ideal vision, pledge to society and founding spirit.

As our ideal vision, we continue to set "Create value for the future." Our social mission is to realize a future where everyone can be themselves and shine vigorously through the creation of a variety of appealing lifestyles.

In our pledge to society, we have defined our pledge to six stakeholders. We believe that corporate value is the sum total of the levels of satisfaction of all of our stakeholders.

Our ideal vision

Create value for the future

We resolve social issues through our business activities and aim for sustainable society and growth together with our stakeholders.

We realize a future where everyone can be themselves and shine vigorously through the creation of a variety of appealing lifestyles.

Our pledge to society

We believe that corporate value is the sum total of the levels of satisfaction of all of our stakeholders.

Customers	▶ Always coming face-to-face with customers, we will provide value that will ensure that we continue to be chosen by them.
Group employees	▶ We develop human capital who can tackle challenges and create workstyle environments where Group employees can work actively.
Business partners	▶ We will create value in partnerships and aim to achieve growth together with our partners.
Local communities	▶ We will contribute to a sustainable society by initiatives to coexist with communities and revitalize them.
Shareholders and investors	▶ We will maximize shareholder value through sustainable growth.
Future society	▶ We aspire to pass on to future generations a world full of hope with a rich environment.

Our founding spirit

"Challenge-oriented DNA"

A progressive spirit inherited since the development of Den-en Chofu, a pioneering effort to create the ideal town

(iii) Materialities

To realize a future where everyone can be themselves and shine vigorously, which we have defined in our ideal vision, we have drawn up an ideal image of the future for individuals, society and the environment and set the following four themes to work on to realize this as materialities: "Create a variety of lifestyles," "Create well-being communities and lifestyles," "Create a sustainable environment" and "Create value in the digital era."

In addition to the four materialities related to business foundations above, we have set the following two materialities related to our management base: "Create an organizational climate under which diverse human capital is enlivened" and "Create governance to accelerate growth." We will work on these six materialities to realize the future to which the Group aspires.

(iv) Positioning of "GROUP VISION 2030"

While we have achieved certain results in the "Value Frontier 2020 Stage 2 Medium-Term Management Plan 2017-2020," we have recognized four points as existing issues. Despite improvements to our balance sheet due to steady investments, revenue levels are declining with the impact of the COVID-19 pandemic, and an increase in efficiency through balance sheet management and the building of a solid business portfolio are issues. To move towards a more robust organization that is less susceptible to labor shortages in the human-intensive Property Management & Operation business, it is also an important issue to shift away from labor intensive operations. In addition, given the urgent need to respond to the sophistication and complexity of business resulting from digitalization, etc., we need to strive to break away from a self-supporting approach and develop human capital.

Based on a recognition of the four issues, we have defined the first half of the 10 years until 2030 as a restructuring phase when we will work to improve our earnings strength and efficiency in order to achieve renewed growth after COVID-19. In the second half of the 10 years, which we have defined as the resilience phase, we will seek to establish a solid business foundation, including the expansion of business operations in new domains, and translate that into subsequent sustainable growth.

③ **Long-term management policy**

In the GROUP VISION 2030, we will review all businesses from a long-term perspective based on our recognition of existing issues and achieve sustainable growth by clarifying our approach as a management compass.

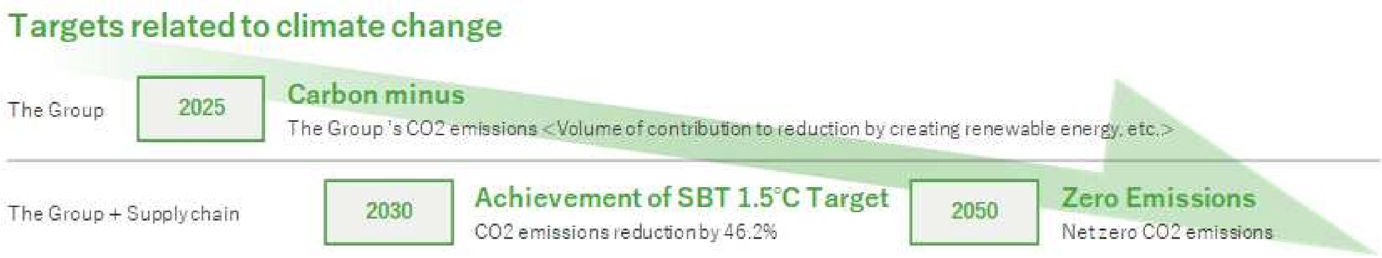
To transform the Group's characteristics into its strengths, we will work on environmental management and digital transformation as a Group policy. In addition, to evolve the associated assets expansion model, we will build a solid and distinctive business portfolio by promoting the utilization of intellectual assets and co-creation with partners. We will realize improvements in ROE and EPS growth, and ultimately the enhancement of shareholder and corporate value.

(i) Group policy

a. Environmental management

Based on our environmental vision, we will strive to reduce our environmental impact through all our businesses, including the use of clean energy, and the "Creation of comfortable communities and lifestyles that contribute to the environment," aiming to create a decarbonized, recycling-oriented society.

With respect to targets related to climate change, we will achieve a contribution to carbon minus by 2025 in the Group 's CO_2 emissions. "Carbon minus" is our own target that we aim to achieve by fiscal 2025 as a Group-wide initiative, based on an assumption that reductions in CO_2 emissions through the renewable energy business, which is a strength of the Group, will exceed the Group's CO_2 emissions. In addition, we will aim to seek to reduce CO_2 emissions, including Scope 3 of the supply chain, by 2030 with acquisition of the certification of Science Based Targets (SBT) 1.5°C and net zero CO_2 emissions by 2050. The 1.5°C target, which calls for holding the rise in global average temperatures below 1.5°C by 2100 is an ambitious goal, and is considered to be a non-binding target in the Paris Agreement. However, we hope that we will lead the industry in environmental efforts by working on these targets with strong determination.



b. DX

In the Group policy "DX" (digital transformation), we will promote three initiatives.

We will work to transform our business with digital technology through 1) a shift to creative operations by promoting labor saving, including the digitalization of workflow and process automation, in the operation process, 2) impressive experience creation through advances in customer contact points, including the promotion of the integration of online and offline (so-called OMO (Online-Merge-Offline)) in CX (customer experience) and 3) new value creation by utilizing intellectual assets in innovation.

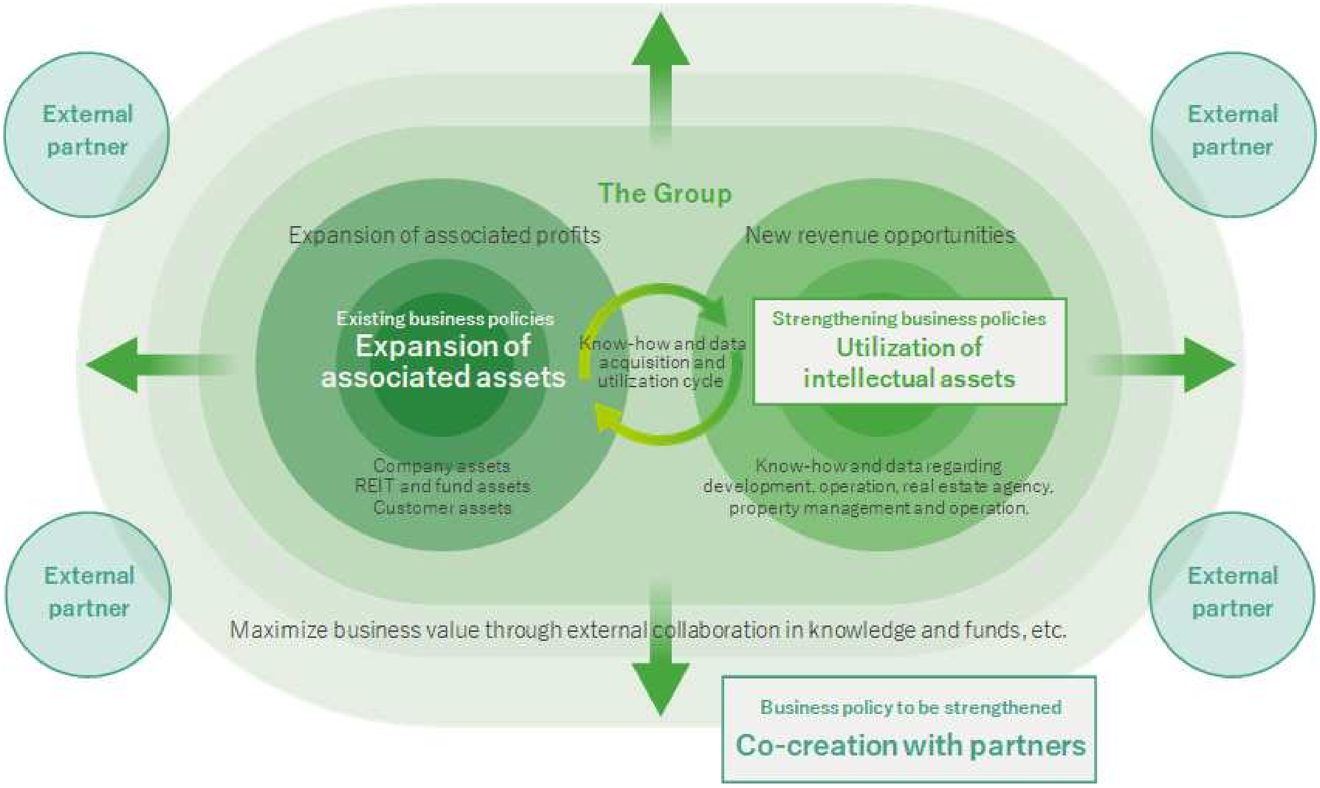
We believe that the Group will be able to provide new added value by working on DX, given that it has abundant contact points with customers because it engages in many BtoC businesses. We will promote DX to transform the BtoC businesses into our strength.

(ii) Business policy

Based on a policy of "expanding associated assets," we have been take steps to boost revenue through the expansion of associated assets of the Group, not limited to assets owned by the Company. To further evolve this policy even as we follow it, we will build a solid business wingspan by promoting the use of intellectual assets and co-creation with partners.

With respect to the use of intellectual assets, we will aim to expand incidental revenues by accumulating and utilizing know-how and data obtained from associated assets and acquire new revenue opportunities by harnessing our know-how.

As for co-creation with partners, we will maximize business value by actively utilizing external resources such as funds and knowledge.



(iii) Priority strategies

We have adopted four priority strategies based on our vision of the world in 2030, which is the target year of our long-term management policy, and our recognition of individuals, society and the environment. We will achieve a business transformation and sustainable growth with the four priority strategies.

Perception of the business environment	Key strategies	Materialities of particular focus
Toward an era in which the meaning of going to real places will be questioned	**1. Producing of attractive city development** • Provision of lifestyles and experiences that integrate city operating systems and contents • Increase in the value of the greater Shibuya area through appealing by creating an attractive urban center	Lifestyle, Liveable City, DX
Toward an era in which contribution to the environment becomes a corporate value	**2. Strengthening of environment-related business** • Expansion of the renewable energy business • People- and environmentally friendly urban development	Lifestyle, Liveable City, Environment
Toward an era of personalized customer service	**3. Digital transformation of BtoC business (customer-oriented experience value creation)** • Evolution of services utilizing abundant contacts with customers (promotion of OMO) • Expansion of the source of earnings by providing our know-how to the outside	Lifestyle, Liveable City, DX
Toward an era of co-creation through borderless society	**4. Creation of business in new domains** • Promotion of business focusing on changes in social issues and the social structure • Business construction by combining resources inside and outside the Group	Lifestyle, Liveable City, Environment, DX

(iv) Strengthening of the management base

As measures to strengthen the management base, we will work on financial capital strategy, human capital and organizational climate and governance.

In our financial capital strategy, we will aim to improve ROE and grow EPS, ultimately enhancing shareholder value and corporate value by realizing efficiency-conscious profit growth while maintaining financial discipline through asset control and liability and equity control.

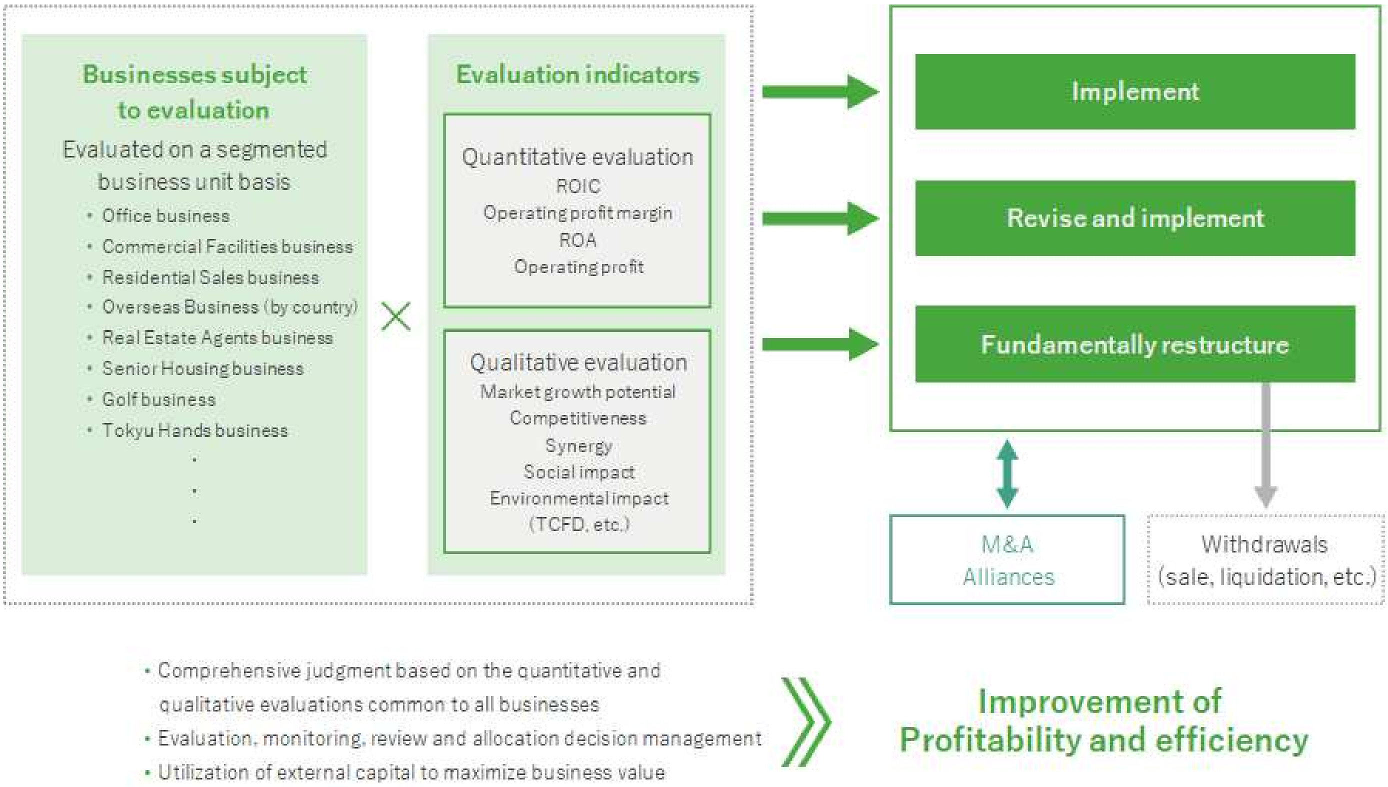
In asset control, improvements in the efficiency of existing businesses and optimization of the business portfolio are issues. As specific measures to improve the efficiency of existing businesses in the asset-utilizing business, we will work to expand sales business, cyclical reinvestment business and high-efficiency business, steadily operate large-scale projects, utilize external capital, expand fee income, replace the asset portfolio and sell unprofitable assets. In the human capital-utilizing business, we will improve efficiency through scale growth and move away from labor-intensive operations.

In liability and equity control, we will strive to build a financial base that can withstand a downturn in market conditions and improve our rating to facilitate the raising of funds while maintaining financial discipline. Going forward, we will improve the debt-to-equity (D/E) ratio by building up periodic profits.

In terms of return to shareholders, our basic policy is to achieve EPS growth through growth reinvestment, but the immediate policy is to make efforts to continue and maintain stable dividend payment by raising the dividend payout ratio to 30% or more.

With the measures above, we will improve ROE. In the fiscal year ended March 31, 2021, ROE declined significantly to 3.7% due to the impact of COVID-19, but we believe that ROE of 8% is a target we should attain at an early stage if we keep shareholder capital costs in mind. We will aim to achieve an 8% ROE by the mid-2020s.

In addition, with regard to business portfolio management, we will aim to improve profitability and efficiency through measures such as monitoring and optimum resources allocation by determining evaluation segments in light of quantitative and qualitative evaluations common to all businesses. We will make an evaluation on a segmented business unit basis by making all the businesses of the Group businesses subject to evaluation.



(v) Target indicators

In targets indicators for FY2030, we have set KPIs for each materiality.

As financial indicators, we have set an ROE of 10% or more, an ROA of 5% or more, a D/E ratio of 2.0 times or less, and operating profit of 150 billion or more and net profit of 75 billion yen or more as our ideal vision for FY2030. We have also decided to prepare a medium-term management plan along with the GROUP VISION 2030 to materialize our ideal vision for FY2030.

Themes to work on (Materialities)	Target indicators
Lifestyle: Create a variety of lifestyles.	• Customer satisfaction level *1 **90% or more** • Products and services that contribute to the Lifestyles Creation 3.0 **100 cases or more (10 cases a year)**
Liveable City: Create well-being communities and lifestyles.	• Measures to revitalize communities **100 cases or more (10 cases a year)** • Strengthening of safety and security*2 **100%**
Environment: Create a sustainable environment.	• CO2 emissions (compared with FY 2019) **(46.2)% (SBT certification)** • Environmental efforts through business **100 cases or more (10 cases a year)**
DX: Create value in the digital era.	• Number of initiatives for digital utilization **100 cases or more (10 cases a year)** • Acquisition of IT passport*3 **100%**
Human Capital: Create an organizational climate under which diverse human capital is enlivened.	• Ensuring of diversity in the core human capital Ratio of female managers **20% or more** • Ratio of childcare leave taken by male employees **100%**
Governance: Create governance to accelerate growth.	• Engagement with shareholders and investors **300 cases** or more • Improvement of effectiveness of the Board of Directors (third-party evaluation) **100%**

〈Reference indicators〉

- ROE 10% or More
- ROA 5% or More
- D/E ratio 2.0 times or less
- Operating profit 150 billion yen or More
- Net profit 75 billion yen or More

*1 Tokyu Cosmos Members Club Questionnaire survey *2 Support people who have difficulty returning home in the event of a disaster in a large and non-residential building, etc. *3 Tokyu Land Corporation employees

(2) Basic Policies Regarding Distribution of Profits and Dividends

The Company considers returns to shareholders as one of its most important policies. We have made it a policy to determine the distribution of profits with a target payout ratio of 25% or more while maintaining stable dividend policies in our medium- and long-term management plan Value Frontier 2020, comprehensively considering business performance, the future business environment, and capital requirements including medium- and long-term development.

The Company has also decided to pay the dividend of surplus twice a year including the interim dividend and the year-end dividend, and the decision-making bodies of these dividends of surplus are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

Based on the policy above, the Company has decided to pay dividends of ¥16.0 per share (including an interim dividend of ¥8 per share) for the fiscal year under review.

We will use internal reserves mainly as investment funds necessary for business development plans, etc. in the future to increase the corporate value.

The Articles of Incorporation of the Company stipulate that "the Company may pay interim dividends with the resolution of the Board of Directors with September 30 each year as the record date."

In its long-term vision GROUP VISION 2030 in which FY2021 is the first year, the Company sets the enhancement of shareholder value by increasing earnings per share over the medium and long term through growth investments including the medium- and long-term development of the greater Shibuya area and others and the return of created profits to shareholders as the basic policy for shareholder returns. In terms of the return of profits, we will make efforts to maintain and continue stable dividends with a payout ratio of 30% or more as a target, comprehensively taking into account the business performance, the future business environment and financial position, etc.

The dividend of surplus for the fiscal year under review is as follows.

Date of decision:	Total amount of dividends (million yen)	Dividend per share (yen)
Resolution of the board of directors meeting on November 9, 2020	5,756	8.0
Resolution of the general shareholders meeting on June 25, 2021	5,756	8.0

(3) Business-related and other risks

Of matters concerning the Group's operating results and financial position, etc., those that could have a significant impact on investors' decisions are as follows.

Forward-looking statements in the text are the Group's judgments as of the end of the fiscal year under review, and actual results, etc. may differ from these forecasts.

<u>Risks that are assumed to have a significant impact on management</u>

In the Basic Regulations on Risk Management, the Group has defined seven individual risks (investment risks, financial and capital risks, personnel and labor risks, legal and compliance risks, IT strategy risks/ digital strategy risks, information security risks and crisis management risks) as events that could interfere with the achievement of management targets of the Group companies. We recognize a significant new risk in climate change, which is a risk with high significance

In addition, in the GROUP VISION 2030, the Group has identified opportunities and risks for six materialities the Group has defined and related significant risks.

Materialities	Major opportunities and risks (○ opportunities, ● risks)	Major fluctuating factors	Significant risks
Create a variety of lifestyles.	○Integration of all lifestyle scenes ●Mismatch with consumer needs	・Economic trends, real estate market conditions ・Competitor trends ・Financial market (interest rates, share prices) ・Consumer attitudes	Investment risks Financial and capital risks
Create well-being communities and lifestyles.	○Increasing importance of community creation ○Growing needs for disaster readiness and disaster damage reduction ●Subordination in competition between cities ●Decreasing value due to insufficient asset maintenance and management		
Create the sustainable environment.	○Growing needs to respond to the decarbonized and recycling-oriented society ●Escalation of climate change and natural disasters ●Increasing costs due to stronger environmental restrictions, etc.	・Transition risks: Tighter legal regulations including carbon tax ・Physical risks: An impact on the operation of facilities due to damage to buildings and rising temperatures	Climate change risks
Create value in the digital era.	○Increasing importance of utilizing customer contact points ●Appearance of disruptors to existing businesses	・Trends of digital technology and companies, etc.	IT strategy risks/ digital strategy risks
Create an organizational climate under which diverse human capital is enlivened.	○Emergence of innovation due to diverse human capital ●Intensifying competition in the human capital acquisition market	・Securing and cultivation of human capital ・Long working hours	Personnel and labor risks
Create governance to accelerate growth.	○Strengthening of relationships with stakeholders by improving transparency ●Losses and a decline in confidence due to legal violations and defects in security systems	・Cyber attacks ・Defects in safety measures and BCP ・Improper conduct and legal violation by officers and employees ・Effectiveness of the Board of Directors	Information security risks Crisis management risks Legal and compliance risks

The timing and degree of the possibility that these risks surface and the quantitative details of the impact of these risks on the Group's operating results and financial position, etc. in cases where they do surface are not stated here because it is difficult to reasonably foresee them.

Our view of these risks is as follows.

① Investment risks

In the Urban Development business and the strategic investment business segments, which are asset-utilizing businesses that involve investment among the Group's businesses, tend to be susceptible to factors such as economic trends, corporate earnings, personal consumption trends, real estate market conditions and the competitive environment in Japan and overseas, policy changes by the government and the Bank of Japan, and the situation in business areas, particularly central Tokyo, and these factors could result in a fall in profit margins, a decline in profitability in individual businesses and a fall in the value of assets held.

The Group Corporate Planning Department of the Company is in charge of these risks and manages the risk amount by calculating and continuously monitoring the VaR after defining risks factors for each asset for investment.

② Financial and capital risks

The Group raises funds for the development of real estate through equity, borrowings from financial institutions and the issuing of bonds. If interest rates rise sharply or if share prices fall markedly in the future, it could have a significant impact on operating results and financial position, etc.

With regard to financing from financial institutions, etc., we work to minimize the impact on operating results in the event of a future rise in interest rates by ensuring that most interest-bearing debt is long-term borrowings and fixing most interest rates for loans other than certain project financing in light of financial conditions to mitigate the impact of fluctuations in interest rates. At the end of the fiscal year under review, the ratio of long-term borrowings to interest-bearing debt and the ratio of fixed interest rates are 97.0% and 93.6%, respectively. In addition, the Group Finance Department of the Company is in charge of financing and conducts a trend analysis of the financial market and the quantitative simulation of an impact of rising interest rates on the Company.

In terms of equity, the Group Finance Department conducts a trend analysis of the capital market and provides feedback to the Board of Directors, etc. on the details of dialogues with shareholders and investors in IR activities to continuously ensure the appropriate share price of the Company.

③ Climate change risks

Based on the Environmental Vision established in 1998, the Group is stepping up its environmental initiatives on an ongoing basis through its business activities and recognizes climate change, above all, as an important issue. Transition risks and physical risks in climate change could have an impact on the Group's business. As transition risks, changes in policy trends such as tighter legal regulations including carbon tax, falling demand, and reputational damage to companies that are unable to respond to a low-carbon society are expected. As physical risks, the impact of declining snowfalls due to global warming on the operation of ski resorts and increasing costs due to damage to buildings and longer construction periods caused by the escalation of abnormal weather are expected. These risks could have an adverse impact on business.

The Corporate Sustainability Office of the Group Corporate Planning Department of the Company is in charge of these risks and deals with them on a Group-wide basis in cooperation with business departments. The Sustainability Committee deliberates and discusses details of initiatives and reports them to the Board of Directors as needed. In addition, the Company announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2019 and has been participating in the TCFD Consortium, an organization in Japan that discusses TCFD initiatives. In terms of risks and opportunities of climate change for its business, the Company investigates multiple scenarios for climate change assuming rises in the average global temperature of 1.5°C, 3°C and 4°C.

In addition, in the GROUP VISION2030, the Company has positioned environmental management as the Group policy. As a target for climate change, the Group will aim to achieve its own carbon minus, which means that the Group's CO_2 emissions are less than the volume of CO_2 emissions reductions achieved by the renewable energy business, a strength of the Group. Moreover, in May 2021, the Group has also acquired SBT certification of the 1.5°C level, the first developers in Japan to do so. The Group aims to reduce CO_2 emissions by 46.2% from the level in FY2019 by FY2030, with the aim of reducing CO_2 emissions by the high level required for the 1.5°C target, which was considered to be a non-binding target in the Paris Agreement.

④ IT strategy risks/ digital strategy risks

The IT environment surrounding the Group and society is evolving rapidly, and if the Group is unable to respond appropriately and promptly to technological innovations and changes in customer demand, it could have an impact on the Group's operating results and financial position, etc.

The Group IT Strategy Department and the Digital Transformation Promotion Department of the Company are in charge of these risks, and they examine the possibility of application of new technologies to each business.

In addition, in the GROUP VISION2030, the Company has positioned DX as the Group policy and promotes the following three measures. First, in the operation process, the Group will work on a shift to creative operations by promoting labor saving, including the digitalization of workflow and process automation. In CX (customer experience), the Group will work on impressive experience creation through advances in customer contact points, including the integration of online and offline (so-called OMO (Online-Merge-Offline)). In innovation, the Group will work on new value creation by utilizing intellectual assets. Through these efforts, the Group will strive to transform its business with digital technology. We believe that the Group will be able to provide new added value by working on DX, given that it has abundant contact points with customers because it engages in many BtoC businesses. We will promote DX to transform the BtoC businesses into our strength.

⑤ Personnel and labor risks

The Group recognizes highly specialized personnel as one of its strengths. However, if we are unable to secure and cultivate human capital on an ongoing basis due to recent changes in the social structure such as the declining birthrate and aging population, it could become a major factor to inhibit the growth of the Group.

In charge of these risks, the Group Human Resources Department of the Company aims to create a company that will be selected by its employees with measures in response to their diverse workstyles, such as telework and the work-from-home system, in addition to the reduction of long working hours and the encouragement of taking paid leave. In recognition of these initiatives, the Company was selected by the 2021 Health & Productivity Stock Selection program, in which the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange select listed companies that think about the health of their employees from a management perspective and take strategic measures in that regard, for the second consecutive year.

In the GROUP VISION2030, human capital and organizational climate are considered to be one of the themes to strengthen the management base. Human capital and organizational climate are capital that is the most important to realize the transformation and growth of the Group but are invisible externally, and we will aim to foster an innovative organizational climate with a sense of unity by inheriting the founding spirit of “Challenge-oriented DNA.”

⑥ **Information security risks**

The Group handles large volumes of personal information of customers in the Urban Development business, the Property Management & Operation business and the Real Estate Agents business segments. If an information leak occurs due to a cyberattack or the act of a Group employee, it could result in a decline in the social credibility and brand image of the Group and could have an impact on the Group's operating results and financial position, etc.

The Group General Administration Department and the Group IT Strategy Department of the Company are in change of these risks, and they take steps to strengthen information systems through security measures and improve the literacy of employees by providing training including an exercise to deal with targeted e-mail attacks.

⑦ **Crisis management risks**

If an earthquake, a storm, a flood or any other natural disaster occurs in Japan or overseas, if an act of terrorism, an accident, a fire, an infectious disease or any other human disaster occurs, if an environmental problem or a defect in real estate is discovered, or if population change accelerates markedly, a dispute could occur in relation to damage to assets held or the fulfillment of compensation obligations, etc., and this could have an impact on the Group's business performance and financial position, etc.

In charge of these risks, the Group General Administration Department of the Company will work to minimize the impact by taking safety measures that will become necessary when a disaster occurs, developing BCP and providing training as preparation for disasters.

Since the previous fiscal year, the COVID-19 pandemic has been having a significant impact on the Company's business performance. In response to requests from the government and local governments, the Group is making efforts to prevent the spread of COVID-19, such as the temporary closing or reduction in operating hours of commercial facilities, facilities and business facilities and the introduction of a work-from-home system for employees.

⑧ **Legal and compliance risks**

If a situation that violates laws and regulations occurs as a result of the Group's employee or business activity, or if the payment of compensation for damages incurred becomes necessary, it could result in a fall in the social credibility and the brand image of the Group and could have an impact on the Group's operating results and financial position, etc.

In charge of these risks, the Group Legal Affairs Department of the Company strives to fully enforce compliance management by building a compliance system at each Group company, including the formulation and promotion of an activity plan (compliance program) to realize compliance. Specifically, the Department strives to make compliance fully known to all officers and employees of the Tokyu Fudosan Holdings Group by establishing the Tokyu Fudosan Holdings Group Code of Conduct that will become the standards of behavior for them, developing the Tokyu Fudosan Holdings Group Compliance Manual as a specific manual to understand and practice the Code of Conduct, and providing training periodically.

4. Operating Results and Financial Position

(1) Current Operating Performance

During the fiscal year ended March 31, 2021, with regard to the Japanese economy, economic activity was restricted and severely affected by people refraining from going out, a significant decrease in the number of foreign visitors to Japan, and other factors as a result of the declaration of a state of emergency in Japan in April 2020 due to the spread of the novel coronavirus disease (COVID-19). Although the economy has continued to recover following the lifting of the state of emergency, the outlook for the economy as a whole still remains uncertain amid uncertainty regarding when COVID-19 will be brought under control as there continues to be a trend of refraining from going out and restrictions on travel, as well as other factors including a declaration of second state of emergency in January 2021 due to a resurgence of COVID-19.

Under this type of environment, the Group has faced significant restrictions on business activities of all segments, mainly due to the temporarily closing or reduction in operating hours of commercial facilities, facilities and business facilities in the first quarter ended June 30, 2020. After the lifting of the state of emergency, operations gradually resumed, and results in the second quarter ended September 30, 2020 and thereafter are on a recovery trend due to various government measures, etc., but the effects have continued mainly due to the trend of refraining from going out in response to the resurgence of COVID-19.

Results for this fiscal year ended March 31, 2021 showed decreases in both revenues and profit with ¥907.7 billion in operating revenue (down 5.8% from the previous fiscal year), ¥56.5 billion in operating profit (down 28.7%) and ¥46.6 billion in ordinary profit (down 31.0%) due to the impact of the spread of COVID-19, mainly in the Wellness business and Tokyu Hands business, despite an increase in revenues and profit in the Urban Development business because of newly opened development projects and an increase in revenues from sales of properties including buildings for investors, and operation projects in the renewable energy business, as well as ¥21.7 billion in profit attributable to owners of parent (down 43.9%) due to the recording of loss, etc. as extraordinary losses due to COVID-19.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	963.2	907.7	(55.5)
Operating income	79.3	56.5	(22.8)
Ordinary income	67.5	46.6	(20.9)
Profit attributable to owners of parent	38.6	21.7	(16.9)

Interest-bearing debt	1,361.0	1,478.8	117.7

(2) Segment Performance

Operating revenue

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	963.2	907.7	(55.5)
Urban Development	292.6	304.9	12.3
Residential	136.3	146.3	10.0
Property Management	190.8	184.8	(6.0)
Real Estate Agents	131.4	128.4	(3.0)
Wellness	114.5	87.6	(26.8)
Tokyu Hands	96.6	63.2	(33.4)
Innovation Business	35.2	16.7	(18.6)
Adjustment for Inter-Company Transactions	(34.3)	(24.2)	10.1

Operating profit (Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	79.3	56.5	(22.8)
Urban Development	52.5	55.0	2.5
Residential	8.5	8.4	(0.1)
Property Management	8.7	6.6	(2.1)
Real Estate Agents	15.2	12.3	(2.9)
Wellness	3.5	(11.4)	(14.9)
Tokyu Hands	0.2	(4.4)	(4.7)
Innovation Business	(1.4)	(2.8)	(1.4)
Adjustment for Inter-Company Transactions	(8.1)	(7.3)	0.8

EBITDA (Current year) (Unit: ¥ billion)

	Operating profit	Depreciation	Amortization of goodwill	EBITDA
Total	56.5	39.8	5.3	101.6
Urban Development*	55.0	22.8	1.0	78.8
Residential	8.4	0.9	-	9.3
Property Management	6.6	1.8	1.9	10.3
Real Estate Agents	12.3	1.6	-	13.9
Wellness	(11.4)	10.1	-	(1.3)
Tokyu Hands	(4.4)	1.5	-	(2.9)
Innovation Business	(2.8)	0.4	0.0	(2.3)
Adjustment for Inter-Company Transactions	(7.3)	0.7	2.4	(4.1)

* Details of the renewable energy business included in the Urban Development segment are as follows. The remaining of Urban Development segment are development, ownership, and sales of office buildings, commercial facilities, logistics facilities, etc.

(Unit: ¥ billion)

	Operating profit	Depreciation	Amortization of goodwill	EBITDA
Renewable energy business	5.9	4.5	-	10.5

① Urban Development

In our Urban Development business, we recorded ¥304.9 billion in operating revenue (up 4.2% from the previous fiscal year) and ¥55.0 billion in operating profit (up 4.7%).

During the first quarter ended June 30, 2020, the Group's major commercial facilities such as Tokyu Plaza were temporarily closed as a result of the declaration of a state of emergency due to the spread of COVID-19, and due to this closure, we exempted full or partial rent for some tenants to support them. Despite business activity in the second quarter ended September 30, 2020 and thereafter have been affected by the reductions in operating hours and prolonging trend of refraining from going out due to the spread of COVID-19, even after the lifting of the state of emergency, revenues and profit increased due to factors such as the start of operations of development projects, an increase in revenues from sales of properties including buildings for investors, and operation projects in the renewable energy business.

Despite concerns about factors such as a shrinking demand for office buildings due to the diversification of working styles such as telework, the vacancy rate (office buildings and commercial facilities) was maintained at a low level of 1.3%.

Tokyo PortCity Takeshiba Office Tower (Minato-ku, Tokyo), a newly opened facility, has commenced operations with all rooms in the facility occupied in September 2020. The renewable energy business is progressing steadily as the number of facilities in operation increased as planned.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	292.6	304.9	12.3
Operating profit	52.5	55.0	2.5

Breakdown of operating revenue (Unit:¥ billion)

	Previous year	Current year	Comparison
Leasing (Office buildings)	40.5	46.1	5.7
Leasing (Commercial facilities)	42.9	37.6	(5.3)
Asset management etc.	112.3	129.7	17.4
Leasing (Residence) etc.	96.9	91.5	(5.4)

Leasing floor space and vacancy rate of office buildings and commercial facilities

	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Leasing floor space (m^2)	910,774	883,975	920,935	1,003,926
Vacancy rate	0.5%	0.4%	0.6%	1.3%

Major new openings

	Use	Completion	Floor space (thousand m^2)
Asakusa 2-chome Place	Hotel	May 2020	6
Tokyo PortCity Takeshiba Office Tower	Office and commercial	May 2020	182
Tokyo PortCity Takeshiba Residence Tower	Residential	June 2020	19

② Residential

In our Residential business, we recorded ¥146.3 billion in operating revenue (up 7.3% from the previous fiscal year) and ¥8.4 billion in operating profit (down 1.3%).

Revenues increased, mainly due to an increase in the number of condominium units sold, while profits decreased primarily because of increased selling expenses. Sales remained strong, and the ratio of contracted amount for sale to the planned sales amount for the next fiscal year for condominium became 54% (up 4 percentage points from the previous fiscal year).

In the fiscal year ended March 31, 2021, sales of condominium units in “BRANZ Tower Ofuna” (Yokohama-shi, Kanagawa), “Kosugi 3rd Avenue The Residence” (Kawasaki-shi, Kanagawa), “BRANZ City Azamino” (Yokohama-shi, Kanagawa) “BRANZ City Hasuda” (Hasuda-shi, Saitama) and others were recorded.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	136.3	146.3	10.0
Operating profit	8.5	8.4	(0.1)

Breakdown of operating revenue (Unit: ¥ billion)

	Previous year		Current year		Comparison
Condominiums	1,680 units	96.1	1,777 units	106.0	9.9
Detached housing	17 units	0.7	-	-	(0.7)
Others	-	39.6	-	40.3	0.7

Number of units supplied and sold

	Previous year		Current year		Inventory of completed units	
	New supply	Contracted units	New supply	Contracted units	As of March 31, 2020	As of March 31, 2021
Condominiums	2,260 units	2,008 units	1,797 units	1,767 units	453 units	827 units
Detached housing	9 units	16 units	-	-	-	-

③ Property Management

In our Property Management business, we recorded ¥184.8 billion in operating revenue (down 3.1% from the previous fiscal year) and ¥6.6 billion in operating profit (down 24.2%).

Although SHIBUYA FUKURAS, SHIBUYA SOLASTA, Phase I of SHIBUYA SCRAMBLE SQUARE (East Tower), Tokyo PortCity Takeshiba Office Tower, etc. contributed to building management operations, both revenues and profit decreased due to factors such as a decrease in construction orders associated with refraining from operating activities because of the spread of COVID-19, and a reactionary drop in construction because of construction of large-scale buildings in the previous fiscal year. Effective from this period, the new construction contracting business of Tokyu Homes Corporation were transferred from the Innovation Business segment, and in the breakdown of operating revenue below, their portion is included in “Condominiums.”

The stock of condominium management service sites was 840 thousand units (of which the number of units under comprehensive management was 526 thousand units) as of March 31, 2021.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	190.8	184.8	(6.0)
Operating income	8.7	6.6	(2.1)

Breakdown of operating revenue (Unit:¥ billion)

	Previous year	Current year	Comparison
Condominiums	125.8	122.7	(3.1)
Buildings	65.0	62.1	(2.9)

Number of sites managed as of fiscal year end

	As of March 31, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Condominiums (units)	822,231	831,684	829,533	839,891
Buildings (no. of contracts)	1,500	1,540	1,561	1,532

④ Real-Estate Agents

In our Real Estate Agents business, we recorded ¥128.4 billion in operating revenue (down 2.3% from the previous fiscal year) and ¥12.3 billion in operating profit (down 19.1%).

Regarding the real estate sales agent business of Tokyu Livable Inc., revenues decreased as a result of a decrease in the number of transactions because of temporary closures of stores, reduced operating hours, etc. associated with the spread of COVID-19 during the first quarter ended June 30, 2020, and profit decreased as a result of a reactionary drop from the recording of sales of highly profitable properties in real estate sales in the previous fiscal year.

The real estate transaction market is on a recovery trend, and the numbers of transactions in retail and wholesale sales for the real estate sales agent business in the fourth quarter ended March 31, 2021 both increased compared with the same period of the previous fiscal year.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	131.4	128.4	(3.0)
Operating profit	15.2	12.3	(2.9)

Breakdown of operating revenue (Unit:¥ billion)

	Previous year	Current year	Comparison
Real estate sales agent	59.8	55.6	(4.2)
Consignment sales	3.3	4.0	0.7
Real estate sales	66.4	66.8	0.4
Others	2.0	2.1	0.1

⑤ Wellness

In our Wellness business, we recorded ¥87.6 billion in operating revenue (down 23.4% from the previous fiscal year) and ¥11.4 billion in operating loss.

The Wellness segment was the segment most severely affected by the spread of COVID-19. In the first quarter ended June 30, 2020, there were the temporary closure of facilities such as Tokyu Stay, Tokyu Sports Oasis, Harvest Club, etc., reduction of operating hours and a decline in demand. In the second quarter ended September 30, 2020 and thereafter, despite the recovery trend, both revenues and profit decreased as a result of the prolonged trend of refraining from going out due to the spread of COVID-19, and a decrease in demand for skiing, Tokyo Stay, and Tokyo Sports Oasis, etc. and other factors due to the reinstatement of a state of emergency during the fourth quarter.

As a new facility for resort hotel, nol kyoto sanjo (Kyoto-shi, Kyoto) commenced operations in November 2020. Regarding new facilities for senior housing, Grancreer Shibaura (Minato-ku, Tokyo) commenced operations in July 2020, Grancreer Tachikawa (Tachikawa-shi, Tokyo) commenced operations in September and services for Hikarigaoka Park Villa (Nerima-ku, Tokyo) began after construction for expansion was completed in September.

Furthermore, in the hotel business, we strengthened efforts to capture domestic demand with our Day Use Plan and Workation Plan, while reviewing our earning structure, including reducing expenses by reducing personnel with smart check in and so forth.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	114.5	87.6	(26.8)
Operating income	3.5	(11.4)	(14.9)

Breakdown of operating revenue (Unit:¥ billion)

	Previous year	Current year	Comparison	
Resort operations	41.8	30.7	(11.1)	(Golf course, Harvest club, Ski resort, Resort hotel, etc.)
Oasis	18.7	13.8	(4.9)	(Fitness club, etc.)
Senior housing	9.7	9.5	(0.2)	
Tokyu stay	14.3	5.6	(8.6)	(Urban style hotel)
Consignment welfare	10.1	9.8	(0.3)	
Sales	11.0	11.1	0.2	
Others	9.0	7.0	(2.0)	

⑥ Tokyu Hands

In our Tokyu Hands business, we recorded ¥63.2 billion in operating revenue (down 34.6% from the previous fiscal year) and ¥4.4 billion in operating loss.

In the first quarter ended June 30, 2020, the business activity was affected by factors such as the temporary closure of stores and reduced operating hours due to the spread of COVID-19. In the second quarter ended September 30, 2020 and thereafter, despite the recovery trend, both revenues and profit decreased as a result of the continued reduction in operating hours at stores and prolonged trend of refraining from going out due to the spread of COVID-19, and a nationwide decrease in customer numbers due to the reinstatement of a state of emergency during the fourth quarter. The Group is working to strengthen the EC business and to reduce operating expenses, etc. in order to respond to lifestyle changes due to the “new way of life.”

As part of the review for the store restructuring, the Group closed low-performing stores including the “Tokyu Hands Sannomiya Store” (Kobe-shi, Hyogo). On the other hand, the new stores that opened were the “Hands Be Grand Emio Tokorozawa Store” (Tokorozawa-shi, Saitama) in September 2020 and, in November 2020, the “Tokyu Hands Miyazaki Store” (Miyazaki-shi, Miyazaki) as a franchise store and the “Tokyu Hands Shinsaibashi Store” (Osaka-shi, Osaka) as a store that was relocated in a more favorable location.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	96.6	63.2	(33.4)
Operating income	0.2	(4.4)	(4.7)

⑦ Innovation Business

In our Innovation Business, we recorded ¥16.7 billion in operating revenue (down 52.7% from the previous fiscal year) and ¥2.8 billion in operating loss.

In overseas operations, both revenues and profit decreased due in part to a decrease in the recording of transactions related to condominium units in Indonesia, namely “BRANZ SIMATUPANG” and “BRANZ BSD.” Similar to Japan, business activity was affected by factors such as condominium galleries temporarily suspending operations and imposing restrictions on the number of visitors even after resuming sales activities due to the spread of COVID-19.

The custom-built houses business of Tokyu Homes Corporation ended as of the fiscal year ended March 31, 2020, and the new construction contracting business was transferred to Property Management segment from this fiscal year.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	35.2	16.7	(18.6)
Operating profit	(1.4)	(2.8)	(1.4)

Breakdown of operating revenue

(Unit:¥ billion)

	Previous year	Current year	Comparison
Overseas operations, etc.	13.3	4.6	(8.7)
Custom-built houses	8.6	-	(8.6)
Landscape gardening	13.4	12.1	(1.3)

(3) Analysis of Financial Conditions

① Assets, Liabilities, and Net Assets

Total assets increased by ¥164.9 billion compared to the end of the previous fiscal year, mainly due to increases in real estate for sale and non-current assets resulting from progress of under-development projects, while total liabilities also increased by ¥150.4 billion compared to the end of the previous fiscal year, mainly due to an increase in interest-bearing debt. Net assets increased by ¥14.5 billion compared to the end of the previous fiscal year mainly due to an increase in retained earnings.

The interest-bearing debt is expected to be ¥1,480.0 billion, debt equity ratio 2.4 times and EBITDA multiple 11.8 times as of the end of the fiscal year ending March 31, 2022 largely as a result of costs accompanying the progress of projects.

(Unit: ¥ billion)

	As of March 31, 2020	As of March 31, 2021
Total assets	2,487.4	2,652.3
Total liabilities	1,893.1	2,043.6
Net assets	594.2	608.7
Equity	583.3	596.7
Equity ratio	23.5%	22.5%
Interest-bearing debt	1,361.0	1,478.8
EBITDA multiple	11.6×	14.5×
DER	2.3×	2.5×
ROA	3.3%	2.2%
ROE	6.7%	3.7%

EBITDA Multiple: Interest-Bearing Debt/EBITDA (Operating Income Before Depreciation)
DE Ratio: Interest-Bearing Debt/Equity
ROA: (Operating Income + Interest Income + Dividends Income)/Total Assets (Yearly Average)
ROE: Profit attributable to owners of parent/Equity (Yearly Average)

② Cash flow position

As of the end of fiscal 2020, cash and cash equivalents were ¥189.5 billion, representing a ¥92.5 billion increase from the previous fiscal year end.

Cash flows from operating activities

Net cash provided by operating activities was ¥100.4 billion mainly due to ¥41.8 billion of profit before income taxes and ¥39.8 billion of depreciation, notwithstanding ¥12.3 billion in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities was ¥116.0 billion mainly due to ¥100.3 billion for purchase of non-current assets and ¥40.4 billion for purchase of short-term and long-term investment securities, notwithstanding an increase of ¥27.0 billion in sales and redemption of short-term and long-term investment securities, among others.

Cash flows from financing activities

Net cash provided by financing activities was ¥108.3 billion mainly due to ¥249.6 billion in proceeds from long-term borrowings and ¥90.0 billion in proceeds from issuance of bonds, notwithstanding ¥114.1 billion in repayments of long-term borrowings, a decrease of ¥90.0 billion in commercial papers and ¥20.0 billion in redemption of bonds, among others.

Trend of indices

	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Equity ratio	23.3%	23.5%	22.5%
Equity ratio on market value basis	19.3%	16.6%	18.5%
Ratio of interest-bearing debt to cash flows	29.0 years	–	14.7 years
Interest coverage ratio	4.8	–	8.7

Equity Ratio: Equity/Total Assets
Equity Ratio on Market Value Basis: Market Capitalization/Total Assets
Ratio of Interest-Bearing Debt to Cash Flows: Interest-Bearing Debt/Operating Cash Flow
Interest Coverage Ratio: Operating Cash Flow/Interest Payments

Notes:

1. All figures are calculated based on the Consolidated Financial Statements.
2. Market Capitalization: Monthly average stock price during the last month of the fiscal year × number of shares issued (after deducting treasury stock)
3. Cash Flow: Cash Flow from Operating Activities stated in the Consolidated Statements of Cash Flows
4. Interest bearing-debt contains all liabilities to pay interest.

5. Employees

(As of March 31, 2021)

Segment of business	Number of employees	Number of temporary employees
Urban Development	2,805	714
Residential	293	69
Property Management	8,246	6,369
Real-Estate Agents	3,506	-
Wellness	5,013	3,121
Tokyu Hands	2,574	982
Innovation Business	312	149
Whole Company (Common)	662	59
Total	23,411	11,461

Notes: 1. The number of temporary employees is the annual average number and is not included in the number of employees in the left hand column.

2. The number of employees in the Whole Company (Common) is the number of employees belonging to administration departments that cannot be classified into any specific business segment.

6. Purchase of Property and Equipment

The Company made a capital investment of ¥105,970 million in the fiscal year, mainly in the new construction, acquisition and renovation works of buildings in the Urban Development segment.
(Figures include the amounts of property and equipment, intangible fixed assets, and long-term prepaid expenses, but do not include consumption tax.)

Segment	Capital investment (Unit: ¥ million)	Composition
Urban Development	87,398	82.5%
Residential	975	0.9%
Property Management	1,415	1.3%
Real-Estate Agents	1,970	1.9%
Wellness	9,932	9.4%
Tokyu Hands	1,662	1.6%
Innovation Business	1,956	1.8%
Subtotal	105,311	99.4%
Adjustment or Whole Company	658	0.6%
Total	105,970	100.0%

II. Outline of the Company

1. Distribution of Common Stock of the Company

(1) Total number of shares authorized to be issued by the Company: 2,400,000,000 shares

(2) Total number of shares issued: 719,830,974 shares

(3) Number of shareholders: 106,068

(4) Principal shareholders:

Name of Shareholder	Investment by each principal shareholder in the Company	
	Number of shares held	Percent of total shares issued
	(thousand shares)	(%)
Tokyu Corporation	114,479	15.91
The Master Trust Bank of Japan Ltd. (Trust Account)	67,167	9.33
Custody Bank of Japan, Ltd. (Trust Account)	44,651	6.21
Sumitomo Mitsui Trust Bank, Limited.	16,008	2.22
STANDARD LIFE ASSUARANCE LIMITED-PENSION FUNDS	15,856	2.20
The Dai-ichi Life Insurance Company, Limited	14,918	2.07
SSBTC CLIENT OMNIBUS ACCOUNT	12,615	1.75
Custody Bank of Japan, Ltd. (Trust Account 7)	11,839	1.65
THE BANK OF NEW YORK 133972	10,750	1.49
JPMorgan Securities Japan Co., Ltd.	9,502	1.32

2. Information on Major Subsidiaries

(As of March 31, 2021)

Name	Paid-in capital	Percentage of shares owned by the Company	Principal business
	(million yen)	(%)	
Tokyu Land Corp.	57,551	100.0	Development, sales, leasing and management of real estate
Tokyu Community Corp.	1,653	100.0	Management of buildings and condominium apartments
Tokyu Livable, Inc.	1,396	100.0	Brokerage and sales agency for land and buildings
Tokyu Hands Inc.	400	100.0	Retail Sales of D-I-Y goods
Tokyu Housing Lease Corporation	100	100.0	Operation and subleasing of rental residence, etc.
NATIONAL STUDENTS INFORMATION CENTER CO., LTD.	40	100.0	Management of student apartments

3. Principal lenders

(As of March 31, 2021)

Lender	Amount of borrowing
	(million yen)
MUFG Bank, Ltd.	293,580
Sumitomo Mitsui Trust Bank, Limited.	222,866
Mizuho Bank, Ltd.	178,250

4. Directors and Statutory Auditors

Position and Name

Chairman	Kiyoshi Kanazashi
Vice Chairman	Yuji Okuma
President and CEO	Hironori Nishikawa *
Director & Executibe Vice President	Hitoshi Uemura
Directors & Operating Officers	Katsuhide Saiga
	Masashi Okada
	Shohei Kimura
	Yoichi Ota
Directors	Hirofumi Nomoto
	Makoto Kaiami
	Saeko Arai
	Michiaki Ogasawara **
	Satoshi Miura **
	Tsuguhiko Hoshino **
	Yumiko Jozuka **
Audit & Supervisory Board members	Kazuo Mochida
	Masahiko Hashizume
	Katsunori Takechi ***
	Takahiro Nakazawa ***

(As of June 25, 2021)

Note: Directors marked with * are Representative Directors.

Directors marked with ** are Independent Outside Directors.

Directors marked with *** are Outside Audit & Supervisory Board members.

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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><td colspan="2">Revenue recognition for real estate sales with real estate funds</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>The Company and its consolidated subsidiaries engage in real estate sales with real estate funds (special purpose companies, funds and parties with whom the Company has continuous real estate transactions). Current fiscal year operating revenues of 907,735 million yen include real estate sales to real estate funds, which mainly relate to the Urban Development and Residential segments.

In general, sales transactions have unique terms and conditions, and the amount of each real estate transaction is material to the financial statement. In particular, if the buyer is a real estate fund, there may be continuing involvement such as undertaking an asset management role, having a repurchase option or retaining some equity interest in the sold property. In such cases, the determination of whether substantially all of the risks and rewards of real property have been transferred may be complex and judgmental. If this determination is inappropriate, there is a risk that revenue or gain on sale might be recognized for the real estate sales transaction where almost all of the risks and rewards are not transferred to the buyer. Also, if the buyer is a real estate fund, there is a risk that the transaction amount might be intentionally manipulated to recognize improper revenue or gain on sale, or to avoid loss.

Therefore, we determined that revenue recognition for real estate sales transactions with real estate funds is a key audit matter.</td><td>We conducted the following procedures to assess whether almost all risks and rewards are transferred to the buyer in real estate sales with real estate funds:
• Read the related approval documents, the minutes of the Group Executive Committee, and the minutes of the Board of Directors in order to understand the sales transactions and whether there will be any continuing involvement in the future.
• Read the sales contracts and other agreements, and inquired of management and the in-charge department, in order to understand and evaluate the transaction terms and conditions confirming whether repurchase conditions exist.
• Compared the transaction price with similar historical transaction and the real estate appraisal report in order to verify the transaction amount. In addition, compared the inputs on which the real estate appraisal is based, such as future cash flows and discount rate, with those in similar historical transactions, and information of rent and discount rate released from external institutions.
• Read the related approval documents, the minutes of the Group Executive Committee, and the minutes of the Board of Directors, and external information such as on the website, in order to understand the business of buyer and the relationship with the Company.
• Inspected the cash receipt evidence and a copy of the registration certificates, in order to verify the fact of delivery.</td></tr>
</table>

Valuation of Non-current assets relating to large-scale real estate developments during the development period	
Description of Key Audit Matter	Auditor's Response
The Company and its consolidated subsidiaries engage in real estate development business. Under this business, assets are recorded as Non-current assets such as Land and Construction in progress on the Consolidated Balance Sheet. When an affiliate engages in the real estate investment business, its assets are recorded as Investment securities on the Company's Consolidated Balance Sheet. These amounts are included in Non-current assets of 1,180,549 million yen and Investment securities of 216,712 million yen on the Consolidated Balance Sheet at the end of the current consolidated fiscal year, and will increase in the future as development progresses. In the real estate development business, there are potential risks such as the investment becoming unrecoverable due to subsequent modification of a development plan. Specifically, the following events might cause those modifications: being unable to obtain consent from other landowners, governmental permission for development, delay in construction, increase of construction costs, and delay of tenant leasing. In addition, there is a risk that occurrence of the Covid-19 pandemic will affect construction and tenant leasing. In particular, large-scale real estate developments have a high degree of uncertainty because of the long development periods and require large investments, therefore, they have a material potential impact on the financial statements when impairment is recorded. In terms of impairment relating to the real estate development assets, the Company is required to test for impairment even in the development period, and judgement on the indication of impairment is complex because of the above mentioned risk of modification to the development plans. Consequently, there is a risk that the necessary impairment loss might not be recorded. Therefore, we determined that the impairment of Non-current assets relating to large-scale real estate developments during the development period, is a key audit matter.	We conducted the following procedures to identify indications of impairment of Non-current assets relating to large-scale real estate developments during the development period, of which the total investment amounts exceed a certain amount, among others: • Read the related approval documents, minutes of the Group Executive Committee, and minutes of the Board of Directors, to understand the business plans of the projects and its progress. In addition, inquired of management and the in-charge department, to understand the status of negotiation with other landowners and local governments, the status of applications and approvals on city planning and scheme of exchange rights of new building, and the impact of the Covid-19 pandemic. Furthermore, considered the consistency of their responses with related external information, such as notice of the local governments, documents prepared by the redevelopment partnership, and the information on website owned by the related local governments. • Inspected the development site and considered the consistency with the information obtained from the procedures above. In addition, determined whether the development is delayed significantly based on the understanding of its progress. • Inquired of management and the in-charge department, and compared the planned tenant rent, occupancy rates, and construction costs in the cash forecast of each project with similar historical transaction and previous track records, in order to verify them. Also, if the cash forecast of each project was modified, examined whether the modified cash forecast was not significantly revised down from the original cash forecast. • Read the related contracts when a construction contract or a lease contract was entered into as the development progresses, and compared the tenant rent and leasing period reflected in the cash forecast of each project, with those contracts.

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Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 18, 2021

竹内和徳

Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant

新居幹也

Mikiya Arai
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2020	Yen (millions) **As of March 31, 2021**	U.S. dollars (thousands) (Note 2) **As of March 31, 2021**
Assets			
Current assets			
Cash and deposits (Note 9)	¥ 97,644	¥ 190,028	$ 1,727,527
Notes and accounts receivable - trade	35,940	41,842	380,382
Securities (Notes 5,22)	24,417	20,899	189,991
Merchandise	13,501	12,116	110,145
Real estate for sale (Notes 9,12)	287,345	343,715	3,124,682
Real estate for sale in process (Note 12)	366,591	332,329	3,021,173
Costs on construction contracts in progress	4,031	4,604	41,855
Supplies	802	749	6,809
Other	58,893	58,801	534,555
Allowance for doubtful accounts	(121)	(105)	(955)
Total current assets	889,046	1,004,980	9,136,182
Non-current assets			
Property, plant and equipment			
Buildings and structures	468,156	562,827	5,116,609
Accumulated depreciation	(195,206)	(208,082)	(1,891,655)
Buildings and structures, net (Note 9)	272,950	354,745	3,224,955
Land (Notes 8,9)	728,712	703,295	6,393,591
Construction in progress	112,966	78,156	710,509
Other	84,885	96,873	880,664
Accumulated depreciation	(48,126)	(52,521)	(477,464)
Other, net	36,759	44,351	403,191
Total property, plant and equipment (Notes 12,26)	1,151,389	1,180,549	10,732,264
Intangible assets			
Leasehold interests in land (Note 9,12)	22,646	23,153	210,482
Goodwill	71,710	66,373	603,391
Other	18,679	20,164	183,309
Total intangible assets (Note 12)	113,036	109,691	997,191
Investments and other assets			
Investment securities (Notes 9,22)	195,125	216,712	1,970,109
Long-term loans receivable (Note 9)	1,307	1,267	11,518
Leasehold and guarantee deposits	89,553	91,310	830,091
Deferred tax assets (Note 25)	21,799	18,280	166,182
Retirement benefit asset (Note 24)	199	266	2,418
Other	26,030	29,501	268,191
Allowance for doubtful accounts	(332)	(335)	(3,045)
Total investments and other assets	333,684	357,004	3,245,491
Total non-current assets	1,598,109	1,647,245	14,974,955
Deferred assets			
Share issuance cost	213	71	645
Total deferred assets	213	71	645
Total assets	¥ 2,487,369	¥ 2,652,296	$ 24,111,782

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2020	Yen (millions) **As of March 31, 2021**	U.S. dollars (thousands) (Note 2) **As of March 31, 2021**
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 51,783	¥ 56,714	$ 515,582
Short-term borrowings (Notes 9,10)	143,558	123,956	1,126,873
Commercial papers	90,000	—	—
Current portion of bonds payable (Note 10)	20,000	20,000	181,818
Accounts payable – other	35,376	42,482	386,200
Income taxes payable	12,388	19,779	179,809
Advances received	39,772	42,453	385,936
Deposits received from consignment sales	19,262	9,209	83,718
Deposits received	33,924	35,899	326,355
Deposits received for special joint ventures	—	15,000	136,364
Provision for bonuses	11,183	10,530	95,727
Provision for bonuses for directors (and other officers)	259	259	2,355
Provision for warranties for completed construction	1,190	1,040	9,455
Other provisions	2,496	1,824	16,582
Other	19,419	19,874	180,673
Total current liabilities	480,616	399,025	3,627,500
Non-current liabilities			
Bonds payable (Notes 10)	200,000	270,000	2,454,545
Long-term borrowings (Notes 9,10)	907,483	1,064,814	9,680,127
Deferred tax liabilities (Note 25)	28,982	29,595	269,045
Deferred tax liabilities for land revaluation (Note 8)	4,980	4,980	45,273
Long-term leasehold and guarantee deposits received	198,776	204,386	1,858,055
Deposits received for special joint ventures	8,500	—	—
Retirement benefit liability (Note 24)	30,023	29,732	270,291
Provision for loss on guarantees	14	9	82
Provision for retirement benefits for directors (and other officers)	80	104	945
Other (Note 9)	33,665	40,923	372,027
Total non-current liabilities	1,412,507	1,644,547	14,950,427
Total liabilities	1,893,123	2,043,573	18,577,936
Net assets			
Shareholders' equity (Note 28)			
Share capital	77,562	77,562	705,109
Capital surplus	166,678	166,679	1,515,264
Retained earnings	325,509	333,829	3,034,809
Treasury shares	(260)	(174)	(1,582)
Total shareholders' equity	569,489	577,896	5,253,600
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	8,696	18,316	166,509
Deferred gains or losses on hedges (Note 23)	(206)	(422)	(3,836)
Revaluation reserve for land (Note 8)	8,067	9,903	90,027
Foreign currency translation adjustment	(1,047)	(8,084)	(73,491)
Remeasurements of defined benefit plans (Note 24)	(1,709)	(936)	(8,509)
Total accumulated other comprehensive income	13,800	18,776	170,691
Non-controlling interests	10,956	12,050	109,545
Total net assets	594,246	608,723	5,533,845
Total liabilities and net assets	¥ 2,487,369	¥ 2,652,296	$ 24,111,782

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) 2020 (From April 1, 2019 to March 31, 2020)	Yen (millions) **2021 (From April 1, 2020 to March 31, 2021)**	U.S. dollars (thousands) (Note 2) **2021 (From April 1, 2020 to March 31, 2021)**
Operating revenue	¥ 963,198	¥ 907,735	$ 8,252,136
Operating cost (Note 13)	761,492	742,940	6,754,000
Operating gross profit	201,705	164,795	1,498,136
Selling, general and administrative expenses (Note 14)	122,393	108,277	984,336
Operating profit	79,312	56,517	513,791
Non-operating income			
Interest income	190	226	2,055
Dividend income	491	774	7,036
Foreign exchange gains	—	349	3,173
Share of profit of entities accounted for using equity method	57	87	791
Subsidy income	93	1,130	10,273
Insurance claim income	90	477	4,336
Other	516	735	6,682
Total non-operating income	1,439	3,780	34,364
Non-operating expenses			
Interest expenses	10,273	11,896	108,145
Foreign exchange losses	822	—	—
Other	2,156	1,845	16,773
Total non-operating expenses	13,251	13,742	124,927
Ordinary profit	67,499	46,555	423,227
Extraordinary income			
Gain on sale of investment securities	—	4,586	41,691
Subsidies for employment adjustment (Note 15)	—	2,610	23,727
Other	78	82	745
Total extraordinary income	78	7,278	66,164
Extraordinary losses			
Impairment loss (Note 16)	3,537	2,531	23,009
Loss on liquidation of subsidiaries and associates	—	2,477	22,518
Loss on COVID-19 impact (Note 17)	—	6,604	60,036
Other	1,039	380	3,455
Total extraordinary losses	4,576	11,993	109,027
Profit before income taxes	63,001	41,840	380,364
Income taxes – current	26,880	19,167	174,245
Income taxes – deferred (Note 25)	(2,466)	1,039	9,445
Total income taxes (Note 25)	24,413	20,206	183,691
Profit	38,587	21,634	196,673
Loss attributable to non-controlling interests	(24)	(34)	(309)
Profit attributable to owners of parent	¥ 38,611	¥ 21,668	$ 196,982

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyu Fudosan Holdings Corporation

	Yen (millions)				U.S. dollars (thousands) (Note 2)	
Account title	2020 (From April 1, 2019 to March 31, 2020)		**2021 (From April 1, 2020 to March 31, 2021)**		**2021 (From April 1, 2020 to March 31, 2021)**	
Profit	¥	38,587	¥	21,634	$	196,673
Other comprehensive income						
Valuation difference on available-for-sale securities		(6,486)		9,619		87,445
Deferred gains or losses on hedges		859		(224)		(2,036)
Foreign currency translation adjustment		1,344		(1,734)		(15,764)
Remeasurements of defined benefit plans, net of tax		45		773		7,027
Share of other comprehensive income of entities accounted for using equity method		(1,084)		(5,347)		(48,609)
Total other comprehensive income (Note 18)		(5,322)		3,086		28,055
Comprehensive income		33,265		24,721		224,736
Comprehensive income attributable to						
Comprehensive income attributable to owners of parent		33,287		24,809		225,536
Comprehensive income attributable to non-controlling interests	¥	(22)	¥	(87)	$	(791)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

2020 (from April 1, 2019 to March 31, 2020)
Tokyu Fudosan Holdings Corporation

(Audit has not been completed.) (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥77,562	¥166,675	¥298,411	¥(367)	¥542,281
Changes during period					
Dividends of surplus			(11,512)		(11,512)
Profit attributable to owners of parent			38,611		38,611
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		107	107
Reversal of revaluation reserve for land					–
Change in ownership interest of parent due to transactions with non-controlling interests		2			2
Net changes in items other than shareholders' equity					–
Total changes during period	–	2	27,098	106	27,208
Balance at end of period	¥77,562	¥166,678	¥325,509	¥(260)	¥569,489

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698
Changes during period								
Dividends of surplus								(11,512)
Profit attributable to owners of parent								38,611
Purchase of treasury shares								(0)
Disposal of treasury shares								107
Reversal of revaluation reserve for land								–
Change in ownership interest of parent due to transactions with non-controlling interests								2
Net changes in items other than shareholders' equity	(6,486)	860	–	257	45	(5,323)	3,663	(1,660)
Total changes during period	(6,486)	860	–	257	45	(5,323)	3,663	25,548
Balance at end of period	¥8,696	¥(206)	¥8,067	¥(1,047)	¥(1,709)	¥13,800	¥10,956	¥594,246

2021 (from April 1, 2020 to March 31, 2021)

Tokyu Fudosan Holdings Corporation

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥77,562	¥166,678	¥325,509	¥(260)	¥569,489
Changes during period					
Dividends of surplus			(11,512)		(11,512)
Profit attributable to owners of parent			21,668		21,668
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		87	87
Reversal of revaluation reserve for land			(1,836)		(1,836)
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes in items other than shareholders' equity					–
Total changes during period	–	1	8,320	86	8,407
Balance at end of period	¥77,562	¥166,679	¥333,829	¥(174)	¥577,896

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥8,696	¥(206)	¥8,067	¥(1,047)	¥(1,709)	¥13,800	¥10,956	¥594,246
Changes during period								
Dividends of surplus								(11,512)
Profit attributable to owners of parent								21,668
Purchase of treasury shares								(1)
Disposal of treasury shares								87
Reversal of revaluation reserve for land								(1,836)
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes in items other than shareholders' equity	9,620	(216)	1,836	(7,036)	773	4,976	1,094	6,070
Total changes during period	9,620	(216)	1,836	(7,036)	773	4,976	1,094	14,477
Balance at end of period	¥18,316	¥(422)	¥9,903	¥(8,084)	¥(936)	¥18,776	¥12,050	¥608,723

2021 (from April 1, 2020 to March 31, 2021)

Tokyu Fudosan Holdings Corporation

U.S. dollars (thousands)
(Note 2)

Account title	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	$705,109	$1,515,255	$2,959,173	$(2,364)	$5,177,173
Changes during period					
Dividends of surplus			(104,655)		(104,655)
Profit attributable to owners of parent			196,982		196,982
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		(0)		791	791
Reversal of revaluation reserve for land			(16,691)		(16,691)
Change in ownership interest of parent due to transactions with non-controlling interests		9			9
Net changes in items other than shareholders' equity					—
Total changes during period	-	9	75,636	782	76,427
Balance at end of period	$705,109	$1,515,264	$3,034,809	$(1,582)	$5,253,600

Account title	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	$79,055	$(1,873)	$73,336	$(9,518)	$(15,536)	$125,455	$99,600	$5,402,236
Changes during period								
Dividends of surplus								(104,655)
Profit attributable to owners of parent								196,982
Purchase of treasury shares								(9)
Disposal of treasury shares								791
Reversal of revaluation reserve for land								(16,691)
Change in ownership interest of parent due to transactions with non-controlling interests								9
Net changes in items other than shareholders' equity	87,455	(1,964)	16,691	(63,964)	7,027	45,236	9,945	55,182
Total changes during period	87,455	(1,964)	16,691	(63,964)	7,027	45,236	9,945	131,609
Balance at end of period	$166,509	$(3,836)	$90,027	$(73,491)	$(8,509)	$170,691	$109,545	$5,533,845

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) 2020 (From April 1, 2019 to March 31, 2020)	Yen (millions) **2021 (From April 1, 2020 to March 31, 2021)**	U.S. dollars (thousands) (Note 2) **2021 (From April 1, 2020 to March 31, 2021)**
Cash flows from operating activities			
Profit before income taxes	¥ 63,001	¥ 41,840	$ 380,364
Depreciation	32,345	39,803	361,845
Amortization of goodwill	5,421	5,336	48,509
Share of loss (profit) of entities accounted for using equity method	(57)	(87)	(791)
Increase (decrease) in retirement benefit liability	211	(286)	(2,600)
Increase (decrease) in other provision	(55)	(650)	(5,909)
Impairment loss	3,537	2,531	23,009
Loss on valuation of inventories	1,566	2,942	26,745
Loss on retirement of non-current assets	1,956	1,184	10,764
Interest and dividend income	(681)	(1,000)	(9,091)
Interest expenses	10,273	11,896	108,145
Decrease (increase) in trade receivables	(2,312)	(4,628)	(42,073)
Decrease (increase) in inventories	(64,161)	(2,811)	(25,555)
Increase (decrease) in trade payables	6,011	4,989	45,355
Increase (decrease) in deposits received for consignment sales	(14,938)	(10,052)	(91,382)
Increase (decrease) in deposits received for special joint ventures	(5,500)	6,500	59,091
Other, net	(6,767)	22,807	207,336
Subtotal	29,851	120,313	1,093,755
Interest and dividend income received	2,382	3,967	36,064
Interest paid	(10,184)	(11,588)	(105,345)
Income taxes paid	(28,710)	(12,280)	(111,636)
Net cash provided by (used in) operating activities	¥ (6,660)	¥ 100,411	$ 912,827
Cash flows from investing activities			
Loan advances	(1,087)	(126)	(1,145)
Proceeds from collection of loans receivable	29	117	1,064
Purchase of short-term and long-term investment securities	(31,989)	(40,429)	(367,536)
Proceeds from sales and redemption of short-term and long-term investment securities	4,413	26,959	245,082
Payments of leasehold and guarantee deposits	(6,027)	(6,054)	(55,036)
Proceeds from refund of leasehold and guarantee deposits	5,285	4,277	38,882
Purchase of non-current assets	(136,247)	(100,268)	(911,527)
Proceeds from sales of non-current assets	19,214	141	1,282
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(307)	-	–
Other, net	(506)	(649)	(5,900)
Net cash provided by (used in) investing activities	¥ (147,223)	¥ (116,031)	$ (1,054,827)

Account title	Yen (millions) 2020 (From April 1, 2019 to March 31, 2020)	Yen (millions) **2021 (From April 1, 2020 to March 31, 2021)**	U.S. dollars (thousands) (Note 2) **2021 (From April 1, 2020 to March 31, 2021)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ (30,296)	¥ (5,400)	$ (49,091)
Net increase (decrease) in commercial papers	90,000	(90,000)	(818,182)
Proceeds from long-term borrowings	107,818	249,617	2,269,245
Repayments of long-term borrowings	(110,772)	(114,102)	(1,037,291)
Proceeds from long-term lease and guarantee deposited	18,740	25,760	234,182
Repayments of long-term lease and guarantee deposited	(14,630)	(15,059)	(136,900)
Proceeds from issuance of bonds	40,000	90,000	818,182
Redemption of bonds	(25,825)	(20,000)	(181,818)
Dividends paid	(11,512)	(11,512)	(104,655)
Proceeds from share issuance to non-controlling shareholders	3,843	3,159	28,718
Dividends paid to non-controlling interests	(200)	(1,134)	(10,309)
Repayments of finance lease obligations	(2,057)	(2,278)	(20,709)
Payments for investments in silent partnership that do not result in change in scope of consolidation	(30)	(258)	(2,345)
Purchase of treasury shares	(0)	(0)	(7)
Other, net	—	(445)	(4,045)
Net cash provided by (used in) financing activities	¥ 65,077	¥ 108,344	$ 984,945
Effect of exchange rate change on cash and cash equivalents	1,042	(252)	(2,291)
Net increase (decrease) in cash and cash equivalents	¥ (87,763)	¥ 92,472	$ 840,655
Cash and cash equivalents at beginning of period	184,800	97,037	882,155
Cash and cash equivalents at end of period (Note 19)	¥ 97,037	¥ 189,509	$ 1,722,809

See accompanying notes to the consolidated financial statements.

TOKYU FUDOSAN HOLDINGS CORPORATION
AND CONSOLIDATED SUBSIDIARIES
Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries controlled directly or indirectly by the Company. Significant affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by applying the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

There were 172 consolidated subsidiaries as of March 31, 2021. The following companies have become consolidated subsidiaries: TLUS Charlotte Holdings LLC and 2 other companies became consolidated subsidiaries, as they were newly established. Silent Partnership Q's Logi and 10 other companies (due to new investments) became consolidated subsidiaries.

On the other hand, Tokyu Homes Corporation was removed from the scope of consolidation as a result of its merger through absorption into TOKYU LAND CORPORATION the surviving entity. Tokyu Stay Co., Ltd. and Tokyu Stay Service Co., Ltd. were removed from the scope of consolidation as a result of its merger through absorption into Tokyu Resort Service Co., Ltd. the surviving entity. 11 other companies were also removed from the scope of consolidation, as a result of the completion of liquidation and so forth. Tokyu Resort Service Co., Ltd. has changed its trade name to Tokyu Resorts & Stay Co., Ltd.

(c) Securities

The Company classifies its securities into the following three categories; trading, held-to-maturity, or available-for-sale securities. Based on this classification, all of the Company's securities were classified as either held-to-maturity or available-for-sale securities.

Held-to-maturity securities are carried at amortized cost.

Available-for-sale securities with determinable market values are carried principally at market value. The difference between the acquisition cost and the carrying value of these securities, consisting of unrealized gains and losses, is recognized net of the applicable income taxes in "Valuation difference on available-for-sale securities" in "Net assets." Available-for-sale securities without determinable market values are carried principally at cost. The cost of available-for-sale securities sold is principally determined by the moving average-method.

For investments in silent partnerships and preferred equity securities of special purpose companies, the ownership interest equivalent profits and losses attributable to the Group are recorded as operating revenue or operating cost, and the corresponding amounts are added or deducted to the securities or investment securities account.

(d) Inventories

Inventories are stated at the lower of cost or market. Real estate for sale, real estate for sale in process and costs on uncompleted construction contracts are determined by the gross average method or individual method, merchandise by the retail method and supplies by the moving average method.

(e) Property, Plant and Equipment (except for leased assets)

Property, plant and equipment are stated at cost except for land revalued pursuant to the Law Concerning Land Revaluation. Property, plant and equipment are principally depreciated by the declining-balance method over their estimated useful lives.

Depreciation for buildings acquired after April 1, 1998 and structures acquired after April 1, 2016 are computed by the straight-line method.

Most of estimated useful lives are as follows:

Buildings and structures	3 to 69 years

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

(f) Intangible Assets (except for leased assets)

Intangible assets are amortized by the straight-line method. Software (for internal use) are amortized over their estimated useful lives of 5 years.

(g) Leases

Finance leases are principally recognized as assets. Leased property is depreciated over the lease term by the straight-line method with no residual value.

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases.

(h) Deferred assets

Share issuance cost is amortized by the straight-line method over three years.

Bond issuance costs are charged to income as incurred.

(i) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide for an allowance for doubtful accounts to cover the estimated probable losses on collection. The allowance consists of a general reserve calculated based on the historical write-off rate, and a specific reserve calculated based on the estimate of uncollectible amounts with respect to each identified doubtful account.

(j) Provision for Bonuses

The estimated amount of bonus payments relevant to the fiscal year is provided to cover the payment of bonuses to employees.

(k) Provision for Warranties for Completed Construction

A warranty reserve for completed construction contracts is provided at an estimated amount, based on the historical level of warranty costs incurred on completed construction contracts.

(l) Retirement benefit liability

Liability for retirement and severance benefits for employees is recorded based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

Actuarial gain and loss are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over the period of principally from 3 to 10 years, which is shorter than the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over the period of principally from 5 to 12 years, which is shorter than the average remaining years of service of the employees.

(m) Recognition of Revenue

Methods for recording construction contract revenue and construction contract cost

Construction for which the outcome of the construction activity performed by the end of the current consolidated fiscal year is deemed certain: Percentage-of-completion method (Estimation of the percentage of completion is made by the cost proportion method)

Other construction: Completed-contract method

Method for recording advertising expense

Advertising expense in the condominium business that are clearly linked to certain property is capitalized before delivery to match its corresponding revenue, and expensed in lump sum at the time of delivery.

The Accounting Standard for Disclosure of Accounting policy and Correction of Accounting Changes and Errors (ASBJ Statement No. 24, March 31, 2020) has been adopted from the current fiscal year, and the disclosure above has been made.

(n) Foreign Currency Translation

All receivables and payables denominated in foreign currencies at the balance sheet date are translated at the exchange rates in effect as of the balance sheet date, and the translation gain or loss is included in other non-operating income or expenses.

The assets and liability accounts and the revenue and expense accounts of the consolidated foreign subsidiaries are translated into yen at the year-end rates and the average rates in effect during the period, respectively. Differences resulting from the translation are presented as “Foreign currency translation adjustment” and “Non-controlling interests” in the “Net assets” section.

(o) Derivative Financial Instruments

The Company and certain consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations and changes in interest rates (interest rate swaps), but do not enter into such transactions for speculative or trading purposes.

Derivative financial instruments are carried at fair value with any changes recognized in income or expense, except for those which meet the criteria for deferral hedge accounting under which the gain or loss is deferred and presented in "Deferred gains or losses on hedging".

When the Company enters into interest rate swap agreements to hedge the interest rate risks and the agreements meet certain criteria, the interest rate swap agreements are eligible for a special treatment. Under the special treatment, the hedged debt is accounted for as if it had the interest of the debt and the interest rate swap combined, not the original interest rate of the debt by itself.

(p) Amortization of Goodwill

Goodwill is amortized by the straight-line method over the estimated period (from one year to twenty years) of its effect.

(q) Cash and Cash Equivalents

For purposes of the consolidated statement 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.

(r) Income Taxes

Deferred tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of the assets and liabilities, using the enacted tax rates in effect for the year in which those temporary differences are expected to be reversed. Deferred tax assets are also recognized for the estimated future tax effects attributable to tax operating loss carry forwards. Valuation allowances are provided in order to reduce the deferred tax assets in case some or all are not realized.

(s) 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, 2021.

(Consolidated statement of income)

The Company has decided to separately state Insurance claim income, which was included in Other under non-operating income in the previous fiscal year, because such income has exceeded 10/100 of the total amount of non-operating income. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, 606 million yen, which was presented in Other of non-operating income in the consolidated statement of income for the previous fiscal year, has been reclassified into 90 million yen as Insurance claim income and 516 million yen as Other.

Gain on sale of non-current assets under extraordinary income and Loss on disaster under extraordinary losses, which were separately stated in the previous fiscal year, have been included in Other in the current fiscal year because their significance in value has diminished. Consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, the 78 million yen gain on sale of non-current assets under extraordinary income and 868 million yen loss on disaster under extraordinary losses, which were presented in the consolidated statement of income for the previous fiscal year, have been reclassified into Other, respectively.

(Application of Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been adopted from the current fiscal year, and notes regarding significant accounting estimates are disclosed in the consolidated financial statements.

However, information for the previous fiscal year are not disclosed in the notes in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates.

2. Basis of Financial Statements Translation

The accompanying 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 ¥110=U.S. $1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2021. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

3. Significant accounting estimates

The Group’s consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in Japan (Japanese GAAP). When preparing the consolidated financial statements, the Group has to make estimates and projections that could have an impact on reported figures of assets and liabilities on the closing date, the disclosure of contingent liabilities and reported figures of revenues and expenses during the reporting period. Therefore, there are uncertainties in the estimates and projections, and actual results in the future may differ from these estimates and projections.

With regard to the impact of COVID-19, significant restrictions were imposed on the business activities of all segments of the Group in the first quarter, due to the temporary closing and shortening of operating hours of commercial facilities in the Urban Development business, facilities operated in the Wellness business and business facilities in each segment associated with the declaration of a state of emergency by the government. After the lifting of the state of emergency, operations gradually resumed, and the business performance has been on a recovery trend from the second quarter. However, certain measures such as shortening of operating hours has been taken in some regions in the fourth quarter due to the redeclaration of a state of emergency. In light of these circumstances, we have made accounting estimates based on the assumption that the business performance of the Group will gradually recover from the following fiscal year.

In particular, the Group considers that the following accounting estimates and assumptions will have a significant impact on the Company's consolidated financial statements.

1. Valuation of inventories and investments in silent partnerships (current)

(1) Amounts recorded on the consolidated financial statements for the current fiscal year

	Yen (millions)	U.S. dollars (thousands)
2021	**2021**	**2021**
Merchandise	¥ 12,116	$ 110,145
Real estate for sale	343,715	3,124,682
Real estate for sale in process	332,329	3,021,173
Costs on construction contracts in progress	4,604	41,855
Investments in silent partnerships	7,448	67,709
Loss on valuation of inventories	2,942	26,745

Note: Investments in silent partnerships are included in "Securities" on the consolidated balance sheet.

In addition, loss on valuation of inventories is included in "Operating cost" in the consolidated statement of income.

(2) Information on the content of significant accounting estimates pertaining to identified items

(i) Calculation method

The decline in profitability is written down from the book value. If the net realizable value falls below the acquisition cost, the net realizable value is used as the value on the consolidated balance sheet, and the difference is recognized as valuation loss. The valuation loss is directly reduced from inventories. The net realizable value is calculated by deducting the estimated costs of construction to complete and estimated direct selling expenses from the selling price.

(ii) Key assumptions

Significant assumption in the valuation of inventories is the market value in the selling market.

(iii) Impact on the consolidated financial statements for the following fiscal year

Actual sales price could differ from the estimates due to trends in the selling market, etc.

2. Impairment of property, plant and equipment and intangible assets

(1) Amounts recorded on the consolidated financial statements for the current fiscal year

	Yen (millions)	U.S. dollars (thousands)
2021	**2021**	**2021**
Property, plant and equipment	¥ 1,180,549	$ 10,732,264
Intangible assets	109,691	997,191
Impairment loss	2,531	23,009

(2) Information on the content of significant accounting estimates pertaining to identified items

(i) Calculation method

We determine whether there is any indicator of impairment in an asset or an asset group. If an indicator is identified, we compare the total amount of undiscounted future cash flows provided from the asset or the asset group and the book value. If the total amount of undiscounted future cash flows is less than the book value, the book value is reduced to the recoverable value, and the reduced amount is recognized as impairment loss. The recoverable value is calculated by the net selling price or value in use.

(ii) Key assumptions

Significant assumptions in the determination of indicators of impairment, the estimate of future cash flows and the calculation of recoverable values are the market value used in the calculation of selling price, tenant rents and occupancy rates of offices and commercial facilities based on historical performance, the unit prices and occupancy rates of resort facilities, and discount rates. In addition, assumptions in business plans to determine whether there is an indicator of impairment and estimate future cash flows in real estate development business include the status of negotiations with land owners and local governments, development period, costs of construction, and tenant rents and occupancy rates, etc. after development.

(iii) Impact on the consolidated financial statements for the following fiscal year

Although careful considerations are given in the identification of indicators of impairment, and recognition and measurement of impairment losses, an impairment loss could become necessary if conditions and assumptions on which the estimated amounts are based have changed, due to changes in business plans or market environment, weather or disasters, etc., and if the estimated amounts have declined.

3. Valuation of investment securities

(1) Amounts recorded on the consolidated financial statements for the current fiscal year

	Yen (millions)	U.S. dollars (thousands)
2021	**2021**	**2021**
Investment securities	¥ 216,712	$ 1,970,109
Loss on valuation of investment securities	151	1,373
Loss on valuation of shares of subsidiaries	24	218

Note: Loss on valuation of investment securities and loss on valuation of shares of subsidiaries are included in "Other" of "Extraordinary losses" in the consolidated state of income.

(2) Information on the content of significant accounting estimate pertaining to the identified item

(i) Calculation method

The market value method and the cost method are used for securities with market value and securities without market value, respectively. For securities with market value, if the market value at the end of the period falls 50% or more compared with the acquisition cost, an impairment loss is recorded based on the prospect that recovery is unlikely unless there is reasonable counter-evidence. If the market value falls around 30% to 50% compared with the acquisition cost, an impairment loss is recorded for the amount that is deemed necessary by taking into account the recoverability, etc. For securities without market value, on the other hand, if the substantial value falls 50% or more compared with the acquisition cost, an impairment loss is recorded unless recoverability is supported by sufficient evidence.

(ii) Key assumptions

Significant assumptions in the valuation of securities without market value are the business performance of the investee and the valuation of assets held by the investee. For assumptions regarding the business performance of the investee that engage in the real estate development business, please refer to the statement in "2. Impairment of property, plant and equipment and intangible assets."

(iii) Impact on the consolidated financial statements for the following fiscal year

If the business performance of the investee and the valuation of assets held by the investee differ from those at the time of estimation, loss on valuation of investment securities could be recorded.

4. Accounting standards issued but not yet adopted, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published “Revenue from Contracts with Customers" in May 2014 (IFRS 15 in IASB and Topic 606 in FASB). Given that IFRS 15 and Topic 606 would apply from the business year starting on or after January 1, 2018, and after December 15, 2017, respectively, the Accounting Standards Board of Japan (ASBJ) developed comprehensive accounting standards for revenue recognition, which were published together with the implementation guidance.

The basic policy of ASBJ for the development of accounting standards for revenue recognition states that establishment of accounting standards starts with the incorporation of the basic principles of IFRS 15 in view of comparability among financial statements as one of the benefits of encouraging consistency with IFRS 15 and that if there are items that should give consideration to practices conducted in Japan, alternative treatment will be added to the extent not impairing the comparability.

(2) Scheduled date of application

The Company and its consolidated subsidiaries will apply the accounting standard from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of applying the accounting standard, etc.

With regard to the application of the Accounting Standard for Revenue Recognition, etc., the Company will apply the new accounting policy from the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022, whereby the cumulative effects of retroactive application of the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022 are added and subtracted to such balance, in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The impact on retained earnings at the beginning of the fiscal year ending March 31, 2022 is minor.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

Given that the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have separately published guidance for fair value measurement consisting of nearly the same details (IFRS 13 “Fair Value Measurement” in the International Financial Reporting Standards (IFRS) and the Accounting Standards Codification Topic 820 "Fair Value Measurements and Disclosures" of the US Generally Accepted Accounting Principles), the Accounting Standards Board of Japan (ASBJ) has published the Accounting Standard for Fair Value Measurement and other standards in an effort to establish the consistency of Japanese standards with international accounting standards primarily for guidance and disclosure about fair value of financial instruments.

The basic policy of ASBJ for the development of the Accounting Standard for Fair Value Measurement states that, in principle, all provisions of IFRS 13 are adopted to improve the comparability of financial statements among domestic and overseas companies using uniform calculation methods and that the treatment of individual items is determined within a range not significantly impairing the comparability among financial statements, taking into account business practices that have been conducted in Japan.

(2) Scheduled date of application

The Company and its consolidated subsidiaries will apply the accounting standard from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of applying the accounting standard, etc.

The impact of applying the Accounting Standard for Fair Value Measurement and other standards on the consolidated financial statements is not yet determined.

5. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMKs holding properties for sale, and operational investment securities included in securities at March 31, 2020 and 2021 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Investments in silent partnership	¥ 9,889	¥ 7,448	$ 67,709
Securities	14,159	13,185	119,864

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2020 and 2021 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Investment securities	¥ 101,106	¥ 119,896	$ 1,089,964

7. Contingent Liabilities

At March 31, 2020 and 2021 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Guarantee of loans on behalf of:						
Individual customers for principally housing loans	¥	11	¥	7	$	64
Membership loan users		2		1		9
Employees for their purchase of residential houses		1		0		0
PT. TTL Residences		152		137		1,245
425 Park Owner LLC		10,099		10,274		93,400
Mizuho Trust & Banking Co., Ltd. : The real-estate trust beneficiary company		5,500		-		-
Yonago Biomass power plant Joint company		979		996		9,055
Rhapsody TMK		3,000		3,000		27,273
Renewable Japan Energy Operator SPC		1,000		1,000		9,091
Violet LLC		-		3,500		31,818
	¥	20,746	¥	18,917	$	171,973

8. Revaluation of Land

Land owned by TOKYU LAND CORPORATION and IZU KANKOU KAIHATSU, subsidiaries of the company, were revalued pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998).

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 portions of the land is determined based on Item 2, 3, and 4 of the Government Ordinance.

Date of revaluation

TOKYU LAND CORPORATION	March 31, 2000
（Revaluation on merger of subsidiaries）	March 31, 2001
IZU KANKOU KAIHATSU	January 31, 2001

The market value of the revalued land was higher than the book value after revaluation at March 31, 2020 and 2021 respectively. As such, the difference is not stated.

9. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2020 and 2021 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Cash and deposits	¥ 229	¥ 2,188	$ 19,891
Inventories (Real estate for sale)	26,283	61,153	555,936
Buildings and structures	97,481	188,010	1,709,182
Land	477,448	463,903	4,217,300
Leasehold interests in land	14,140	14,562	132,382
Investment securities	139	148	1,345
Long-term loans receivable	182	163	1,482
	¥ 615,904	¥ 730,129	$ 6,637,536

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Short-term borrowings	¥ 5,542	¥ 16,368	$ 148,800
Long-term borrowings	323,341	420,459	3,822,355
Other non-current liabilities	2,261	2,261	20,555
	¥ 331,144	¥ 439,089	$ 3,991,718

In addition to the above, Investment securities of ¥30 million and ¥10 million (U.S. $91 thousand) at March 31, 2020 and 2021, respectively were pledged as collateral for guarantee of the real estate agent business.

Tokyu Land Corporation, a subsidiary of the Company, transferred land to another company in which Tokyu Land Corporation has made preferred equity investment and treated the transaction as a finance transaction according to the Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special Purpose Companies (the Accounting System Committee Statement No. 15 of the Japanese Institute of Certified Public Accountants (JICPA) dated November 4, 2014).

Accordingly, the figures above include such assets offered as security and the secured obligations as follows.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Real estate for sale	¥ 2,261	¥ 2,261	$ 20,555
Other non-current liabilities	¥ 2,261	¥ 2,261	$ 20,555

Of the long-term borrowings, the following are in the form of non-recourse loans where security is limited to certain specified assets.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Short-term borrowings (Current portion of long-term borrowings)	¥ 5,542	¥ 16,368	$ 148,800
Long-term borrowings	323,341	420,459	3,822,355

Specified assets subject to allowances for the payment of such debt are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Cash and deposits	¥ 229	¥ 2,188	$ 19,891
Real estate for sale	23,766	56,802	516,382
Land	477,448	463,903	4,217,300
Buildings and structures	97,481	188,010	1,709,182
Leasehold interests in land	14,140	14,562	132,382
Investment securities	0	-	-

10. Short-term borrowings and Long-term Debt

Short-term borrowings at March 31, 2020 (¥50,017 million) and 2021 (¥43,797 million ($398,155 thousand)) consist of loans principally from banks with weighted average interest rates of 0.28% in 2021.

Long-term debt at March 31, 2020 and 2021 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
0.639% unsecured corporate bond, maturing 2021	¥ 10,000	¥ –	$ –
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	90,909
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	90,909
0.371% unsecured corporate bond, maturing 2021	10,000	–	–
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	90,909
0.160% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.790% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.410% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.170% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.390% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.980% unsecured corporate bond, maturing 2038	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2024	10,000	10,000	90,909
0.455% unsecured corporate bond, maturing 2029	10,000	10,000	90,909
0.370% unsecured corporate bond, maturing 2030	10,000	10,000	90,909
0.880% unsecured corporate bond, maturing 2040	10,000	10,000	90,909
0.190% unsecured corporate bond, maturing 2025	10,000	10,000	90,909
0.700% unsecured corporate bond, maturing 2040	10,000	10,000	90,909
0.440% unsecured corporate bond, maturing 2026		10,000	90,909
0.600% unsecured corporate bond, maturing 2031		10,000	90,909
1.060% unsecured corporate bond, maturing 2056		40,000	363,636
1.240% unsecured corporate bond, maturing 2061		30,000	272,727
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2021 to 2040 with weighted average interest rates of 0.62% in 2021.			
Secured	328,884	436,828	3,971,163
Unsecured	672,140	708,145	6,437,685
	1,221,024	1,434,974	13,045,214
Less current portion	(113,542)	(100,160)	(910,541)
	¥ 1,107,483	¥ 1,334,814	$ 12,134,673

The aggregate annual maturity of long-term debt after March 31, 2020 and 2021 are as follows:

2020

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2022	¥ 89,790	$ 831,388
2023	146,554	1,356,982
2024	135,653	1,256,046
2025	137,913	1,276,973
2026 and thereafter	597,573	5,533,087
	¥ 1,107,483	$ 10,254,472

2021

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2023	¥ 144,080	$ 1,309,818
2024	139,439	1,267,627
2025	134,426	1,222,055
2026	197,851	1,798,645
2027 and thereafter	719,015	6,536,500
	¥ 1,334,814	$ 12,134,673

11. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 28 banks at March 31, 2020 and 27 banks at March 31, 2021, and commitment lines with 10 banks at March 31, 2020 and March 31, 2021 respectively. These contracts at March 31, 2020 and 2021 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Limit of overdraft	¥ 249,719	¥ 319,719	$ 2,906,536
Line of credit	104,000	104,000	945,455
Borrowing outstanding	49,207	43,797	398,155
Available commitment lines	¥ 304,512	¥ 379,922	$ 3,453,836

12. Change in Purpose of Possession

The following amount was transferred due to a change in the purpose of possession.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
From property, plant and equipment to real estate for sale	¥ 23,491	¥ 34,140	$ 310,364
From property, plant and equipment to real estate for sale in process	3,273	-	-
From intangible assets (leasehold interests in land) to real estate for sale	106	-	-
From real estate for sale to property, plant and equipment	-	7,232	65,745
From real estate for sale in process to property, plant and equipment	1,175	-	-

13. Loss on Valuation of Inventories

The balance of inventories at the end of the fiscal year is the amount after a write-down corresponding to declined profitability. The following loss on valuation of inventories is included in “Operating cost”.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Loss on valuation of inventories	¥ 1,566	¥ 2,942	$ 26,745

14. Selling, General and Administrative expenses

The main items of selling, general and administrative expenses are as follows.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Salaries, allowance and bonuses	¥ 24,233	¥ 23,024	$ 209,309
Selling and advertising expenses	12,229	12,149	110,445
Rent expenses	17,493	13,876	126,145
Provision for bonuses	2,735	2,218	20,164
Provision for bonuses for directors (and other officers)	150	121	1,100
Retirement benefit expenses	1,361	1,368	12,436
Provision for retirement benefits for directors (and other officers)	29	24	218

15. Subsidies for employment adjustment

2020

Not applicable

2021

In the first quarter, due to the impact of the COVID-19 pandemic, the Company closed certain operating facilities and business facilities following requests by national and local governments to refrain from going out. For this reason, the Company recorded subsidies for employment adjustment as extraordinary income, which correspond to personnel expenses during the closure period.

16. Impairment Loss on Fixed Assets

2020

For the year ended March 31, 2020, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	Impairment loss U.S. dollars (thousands)
Project site	Land	Katsuyama-shi, Fukui	¥2,821	$26,120
Others (11 assets)	Buildings and structures, other fixed assets	Other area	¥715	$6,620

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 12 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years and those where decisions of aborting operationalization of a project site were made. The amounts written down were recorded as impairment loss of ¥3,537 million ($32,750 thousand).

The recoverable value of the asset groups was measured by their net selling price. The net selling price was determined by value based on real estate appraisal standards, value at which the asset group could be sold, or market price of land and other assets.

2021

For the year ended March 31, 2021, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	Impairment loss U.S. dollars (thousands)
Retail store (10 cases)	Buildings and structures, other fixed assets	Toshima-ku, Tokyo, etc.	¥1,102	$10,018
Leased assets	Land, Buildings and structures, other fixed assets	Chiba City, Chiba Prefecture	¥777	$7,064
Others (6 assets)	Buildings and structures, other fixed assets	Other area	¥651	$5,918

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 17 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded as impairment loss of ¥2,531 million ($23,009 thousand).

The recoverable value of the asset groups was measured by their net selling price. The net selling price was determined by value based on real estate appraisal standards, value at which the asset group could be sold, or market price of land and other assets.

17. Loss on COVID-19

2020

Not applicable

2021

In the first quarter, due to the impact of the COVID-19 pandemic, the Company closed certain commercial facilities, operating facilities and business facilities following requests by national and local governments to refrain from going out . For this reason, the Company recorded certain fixed costs during the closure period, such as rents, depreciation and personnel expenses, as extraordinary losses.

18. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2020 and 2021:

(1) Reclassification to income for the year of other comprehensive income

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Valuation difference on available-for-sale securities:						
Amount arising during the year	¥	(9,375)	¥	13,742	$	124,927
Reclassification to income for the year		25		60		545
Total valuation difference on available-for-sale securities	¥	(9,350)	¥	13,802	$	125,473
Deferred gains or losses on hedges:						
Amount arising during the year		1,238		86		782
Reclassification to income for the year		-		-		-
Total deferred gains or losses on hedges	¥	1,238	¥	86	$	782
Foreign currency translation adjustment:						
Amount arising during the year		1,344		(1,366)		(12,418)
Reclassification to income for the year		-		(368)		(3,345)
Total foreign currency translation adjustment	¥	1,344	¥	(1,734)	$	(15,764)
Remeasurements of defined benefits:						
Amount arising during the year		(269)		490		4,455
Reclassification to income for the year		426		503		4,573
Total remeasurements of defined benefits	¥	156	¥	993	$	9,027
Share of other comprehensive income of entities accounted for using equity method:						
Amount arising during the year		(1,084)		(5,347)		(48,609)
Reclassification to income for the year		-		-		-
Total share of other comprehensive income of entities accounted for using equity method	¥	(1,084)	¥	(5,347)	$	(48,609)
Amount before tax effect		(7,694)		7,801		70,918
Tax effect		2,372		(4,714)		(42,855)
Total accumulated other comprehensive income	¥	(5,322)	¥	3,086	$	28,055

(2) Tax effect of other comprehensive income

	Yen (millions) 2020					
	Before tax effect		Tax effect		After tax effect	
Valuation difference on available-for-sale securities	¥	(9,350)	¥	2,863	¥	(6,486)
Deferred gains or losses on hedges		1,238		(379)		859
Foreign currency translation adjustment		1,344		-		1,344
Remeasurements of defined benefit plans		156		(111)		45
Share of other comprehensive income of entities accounted for using equity method		(1,084)		-		(1,084)
Total accumulated other comprehensive income	¥	(7,694)	¥	2,372	¥	(5,322)

	Yen (millions) **2021**					
	Before tax effect		Tax effect		After tax effect	
Valuation difference on available-for-sale securities	¥	13,802	¥	(4,183)	¥	9,619
Deferred gains or losses on hedges		86		(311)		(224)
Foreign currency translation adjustment		(1,734)		-		(1,734)
Remeasurements of defined benefit plans		993		(220)		773
Share of other comprehensive income of entities accounted for using equity method		(5,347)		-		(5,347)
Total accumulated other comprehensive income	¥	7,801	¥	(4,714)	¥	3,086

	U.S. dollars (thousands) **2021**					
	Before tax effect		Tax effect		After tax effect	
Valuation difference on available-for-sale securities	$	125,473	$	(38,027)	$	87,445
Deferred gains or losses on hedges		782		(2,827)		(2,036)
Foreign currency translation adjustment		(15,764)		-		(15,764)
Remeasurements of defined benefit plans		9,027		(2,000)		7,027
Share of other comprehensive income of entities accounted for using equity method		(48,609)		-		(48,609)
Total accumulated other comprehensive income	$	70,918	$	(42,855)	$	28,055

19. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2020 and 2021 are as follows:

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Cash and deposits	¥	97,644	¥	190,028	$	1,727,527
Time deposits with maturity over three months		(657)		(518)		(4,709)
Short-term loans receivable		50		-		-
Cash and cash equivalents	¥	97,037	¥	189,509	$	1,722,809

The details of significant non-cash transactions

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥	23,597	¥	34,140	$	310,364
The amount transferred from property, plant and equipment to real estate for sale in process due to change in purpose of holdings the real estate		3,273		-		-
The amount transferred from real estate for sale to property, plant and equipment due to change in purpose of holding the real estate.		-		7,232		65,745
The amount transferred from real estate for sale in process to property, plant and equipment due to change in purpose of holdings the real estate		1,175		-		-
Assets related to finance leases		1,870		3,582		32,564
Liabilities related to finance leases		2,073		3,885		35,318
Liabilities related to asset retirement obligations		530		5,130		46,636

20. Information Regarding Certain Leases

(Finance Lease Transactions as lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2020 and 2021 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2020 and 2021 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Acquisition cost	¥ 6,251	¥ 6,251	$ 56,827
Accumulated depreciation	3,978	4,291	39,009
Carrying amount	¥ 2,272	¥ 1,959	$ 17,809

(2) Future lease payments at March 31, 2020 and 2021

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Due within one year	¥ 517	¥ 517	$ 4,700
Due after one year	3,199	2,682	24,382
Total	¥ 3,717	¥ 3,199	$ 29,082

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2020 and 2021

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Lease payments	¥ 517	¥ 517	$ 4,700
Reversal of impairment loss account on leased assets	-	-	-
Depreciation expense equivalent	312	312	2,836
Interest expenses equivalent	174	155	1,409

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2020 and 2021 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Due within one year	¥ 27,644	¥ 31,060	$ 282,364
Due after one year	524,467	568,111	5,164,645
Total	¥ 552,111	¥ 599,172	$ 5,447,018

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2020 and 2021 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Due within one year	¥ 31,359	¥ 44,513	$ 404,664
Due after one year	107,178	203,589	1,850,809
Total	¥ 138,537	¥ 248,103	$ 2,255,482

21. Financial Instruments

Financial instruments at March 31, 2020 and 2021 are summarized as follows:

Overview

(1) Policy for financial instruments

The Group raises funds (primarily bank loans payable) needed for its capital expenditure plans. In fund management, the Group emphasizes liquidity and avoids market risks as much as possible by investing short-term. The primary purpose of derivative transactions is to hedge exchange rate fluctuation risks and interest rate risks and reduce interest payments. The Group does not enter into derivative transactions for the purpose of speculation.

(2) Types of financial instruments and related risks

Primary operational investment securities and investment securities are preferred equity securities of special purpose companies under the Asset Liquidation Act, shares in companies with which the Group has business relationships, and bonds held to maturity. The Group has exposures to the credit risks of issuers, interest rate risks, and market price fluctuation risks.

Investments in silent partnerships are investments in special purpose companies and are exposed to the credit risks of issuers and interest rate risks.

Lease and guarantee deposits for leased properties are exposed to the credit risks of counterparties.

The purpose of loans payable and bonds payable is the raising of operating funds (primarily short-term funds) and funds for capital expenditure (long-term funds). Floating-rate loans and bonds are exposed to interest rate risks, but the risks are hedged using derivatives (interest rate swaps).

Derivative transactions are foreign exchange contracts and interest rate swap transactions for the purpose of hedging against the risk of exchange rate fluctuations. Please refer to "1. Summary of Significant Accounting Policies (o) Derivative Financial Instruments" above for hedging methods and hedging targets related to hedging accounting, hedging policies, and methods for evaluating the effectiveness of hedging.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (The risk that customers or counterparties may default)

Each operating department monitors the status of major counterparties and manages the due dates and balances of lease and guarantee deposits made by each counterparty. The Group seeks to identify at an early stage any collectability issues due to financial difficulties of counterparties to mitigate credit risk.

(b) Monitoring of market risks

(The risks arising from fluctuations in foreign exchange rates, interest rates and others)

To minimize the risks arising from fluctuations in interest rates on loans payable, the Group uses interest rate swaps. In relation to investment securities, the Group regularly monitors the fair values and financial positions of the issuers (counterparties). The Group reviews the status of its holdings of financial instruments, other than bonds held to maturity, considering market trends and relationships with counterparties.

(c) Monitoring of liquidity risk

(The risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, if available. When there is no quoted market price, fair value is reasonably estimated. Since various assumptions and factors are used in estimating the fair value, different assumptions and factors could result in different fair value.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2020 and 2021, and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

2020

	Yen (millions)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	¥ 97,644	¥ 97,644	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	9	10	0
Available-for-sale securities	61,927	61,927	-
Total assets	¥ 159,581	¥ 159,581	¥ 0
(1) Short-term borrowings	50,017	50,017	-
(2) Commercial papers	90,000	90,000	-
(3) Bonds payable	220,000	218,767	(1,232)
(4) Long-term borrowings	1,001,025	1,005,437	4,412
Total liabilities	¥ 1,361,042	¥ 1,364,222	¥ 3,180
Derivatives			
Derivatives to which hedge accounting is not applied	(911)	(911)	-
Derivatives to which hedge accounting is applied	(325)	(325)	-

2021

	Yen (millions)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	¥ 190,028	¥ 190,028	¥ -
(2) Securities and investment securities			
Available-for-sale securities	79,972	79,972	-
Total assets	¥ 270,000	¥ 270,000	¥ -
(1) Short-term borrowings	43,797	43,797	-
(2) Bonds payable	290,000	288,467	(1,532)
(3) Long-term borrowings	1,144,973	1,147,246	2,272
Total liabilities	¥ 1,478,770	¥ 1,479,510	¥ 740
Derivatives			
Derivatives to which hedge accounting is applied	(239)	(239)	-

2021

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	$ 1,727,527	$ 1,727,527	$ -
(2) Securities and investment securities			
Available-for-sale securities	727,018	727,018	-
Total assets	$ 2,454,545	$ 2,454,545	$ -
(1) Short-term borrowings	398,155	398,155	-
(2) Bonds payable	2,636,364	2,622,427	(13,927)
(3) Long-term borrowings	10,408,845	10,429,509	20,655
Total liabilities	$ 13,443,364	$ 13,450,091	$ 6,727
Derivatives			
Derivatives to which hedge accounting is applied	(2,173)	(2,173)	-

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets

Cash and deposits

Since these items are settled in a short period of time, their carrying value approximates fair value.

Securities and Investment securities

The fair value of held-to-maturity securities is based on prices provided by Japan Securities Dealers Association.

The fair value of available-for-sale securities is based on quoted market prices.

Liabilities

Short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds payable (Including current portion of bonds)

The fair value of bonds is based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

Long-term borrowings (Including current portion of long-term borrowings)

The fair values are estimated by discounting the total principal and interest, using rates at which similar new loans would be made. Floating-rate long-term borrowings satisfy the requirements for special treatment of interest rate swaps and are estimated by discounting the total principal and interest of the loans and the interest rate swaps combined, using rates at which similar loans would be made.

Derivatives

Please see Note 23. Derivatives.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Operational investment securities	¥ 1,783	¥ 1,783	$ 16,209
Unlisted stocks – current	12,733	11,666	106,055
Unlisted stocks – non-current	125,988	123,772	1,125,200
Investments in silent partnerships – current	9,889	7,448	67,709
Investments in silent partnerships – non-current	7,209	12,967	117,882

Because no quoted market price is available and future cash flows cannot be estimated, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included in the table of financial instruments with estimated fair values.

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Lease and guarantee deposits	¥ 89,553	¥ 91,310	$ 830,091
Long-term lease and guarantee deposited	198,776	204,386	1,858,055

Because no quoted market price is available, calculation of the substantial deposit period is difficult, the above financial instruments are not included in the table of financial instruments with estimated fair values.

3. Redemption schedule for receivables and marketable securities with maturities at March 31, 2020 and 2021.

2020

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 97,644	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	9	-	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	11	-	-	-
(2) Corporate bonds	-	-	-	-
Total	¥ 97,665	¥ -	¥ -	¥ -

2021

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 190,028	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	-	-	-	-
Total	¥ 190,028	¥ -	¥ -	¥ -

2021

	U.S. dollars (thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 1,727,527	$ -	$ -	$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	-	-	-	-
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	-	-	-	-
Total	$ 1,727,527	$ -	$ -	$ -

22. Securities

Securities held by the Company as of March 31, 2020 and 2021 are summarized as follows:

(1) Held-to-maturity Securities

2020

	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥ 9	¥ 10	¥ 0
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	9	10	0
Securities whose fair value does not exceed book value:			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other	-	-	-
Subtotal	-	-	-
Total	¥ 9	¥ 10	¥ 0

2021

Not applicable

(2) Available-for-sale securities

2020	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 60,894	¥ 48,177	¥ 12,717
National and local government bonds	11	10	0
Other	-	-	-
Subtotal	60,905	48,188	12,717
Securities whose book value does not exceed acquisition cost:			
Stocks	1,021	1,178	(157)
National and local government bonds	-	-	-
Other	-	-	-
Subtotal	1,021	1,178	(157)
Total	¥ 61,927	¥ 49,367	¥ 12,560

2021	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 79,919	¥ 53,648	¥ 26,271
Bonds	-	-	-
Other	-	-	-
Subtotal	79,919	53,648	26,271
Securities whose book value does not exceed acquisition cost:			
Stocks	53	53	-
Bonds	-	-	-
Other	-	-	-
Subtotal	53	53	-
Total	¥ 79,972	¥ 53,701	¥ 26,271

2021	U.S. dollars (thousands)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$ 726,536	$ 487,709	$ 238,827
Bonds	-	-	-
Other	-	-	-
Subtotal	726,536	487,709	238,827
Securities whose book value does not exceed acquisition cost:			
Stocks	482	482	-
Bonds	-	-	-
Other	-	-	-
Subtotal	482	482	-
Total	$ 727,018	$ 488,191	$ 238,827

Notes: Securities for which it is extremely difficult to determine the fair value

Available-for-sale securities	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Operational investment securities	¥	1,783	¥	1,783	$	16,209
Unlisted stocks, etc.		37,258		37,119		337,445
Investments in silent partnerships	¥	17,099	¥	20,415	$	185,591

Because these instruments do not have quoted market prices and is considered to be extremely difficult to determine their fair values, they are not included in "Available-for-sale securities" in the table above.

(3) Sales of Available-for-sale securities

Sales of Available-for-sale securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2020 and 2021:

2020	Yen (millions)					
Type	Sales amount		Aggregate gains		Aggregate losses	
Stocks	¥	58	¥	21	¥	-
Other		-		-		-
Total	¥	58	¥	21	¥	-

2021	Yen (millions)					
Type	Sales amount		Aggregate gains		Aggregate losses	
Stocks	¥	4,550	¥	4,463	¥	-
Other		1,320		122		-
Total	¥	5,870	¥	4,586	¥	-

2021	U.S. dollars (thousands)					
Type	Sales amount		Aggregate gains		Aggregate losses	
Stocks	$	41,364	$	40,573	$	-
Other		12,000		1,109		-
Total	$	53,364	$	41,691	$	-

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2020 and 2021:

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Loss on valuation of investment securities (Note)	¥	619	¥	151	$	1,373

Note: Securities which market value is very difficult to determine was 127 millions Yen (1,155 thousands dollars) in 2021.

23. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2020 and 2021 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

		Yen (millions)			
2020	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥ 8,690	¥ -	¥ (911)	¥ (911)

2021

Not applicable

Note: The fair value is determined based on the quoted price obtained from the counterparty financial institutions of the derivatives transactions.

(2) Derivatives to which hedge accounting is applied

Currency-related transactions

2020

			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Forward exchange contract Buy: U.S. dollars	Scheduled transactions in foreign currency	¥ 13,772	¥ 13,772	¥ 471

2021

			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Forward exchange contract Buy: U.S. dollars	Scheduled transactions in foreign currency	¥ 13,772	¥ 13,772	¥ 1,075

2021

			U.S. dollars (thousands)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Forward exchange contract Buy: U.S. dollars	Scheduled transactions in foreign currency	$ 125,200	$ 125,200	$ 9,773

Note: The fair value is determined based on the quoted price obtained from the counterparty financial institutions of the derivatives transactions.

Interest rate-related transactions

2020

Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions) Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps		¥ 15,099	¥ 15,024	¥ (796)
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	¥ 254,044	¥ 205,598	¥ (Note 1)

2021

Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions) Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps		¥ 28,053	¥ 26,925	¥ (1,314)
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	¥ 218,711	¥ 186,729	¥ (Note 1)

2021

Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands) Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps		$ 255,027	$ 244,773	$ (11,945)
Special treatment for interest rate swaps	Receive/floating Pay/fixed	Long-term debt	$ 1,988,282	$ 1,697,536	$ (Note 1)

Notes:

1. Interest rate swaps which qualify for the special treatment for interest swaps is treated together with the hedged long-term debt. Accordingly, the fair value of those interest rate swaps are included in the fair value of the long-term debt.
2. The fair value is determined based on the quoted price obtained from the counterparty financial institutions of the derivatives transactions.

24. Employees' Retirement and Severance Benefits

The Group have defined benefit plans (i.e., welfare pension fund plans and lump-sum retirement benefit plan). The amounts of benefit are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The Company and certain consolidated subsidiaries have adopted a defined contribution pension plan for part of their retirement benefit system. Under the defined-benefit corporate pension plan and lump-sum retirement benefit plan owned by certain consolidated subsidiaries, net defined benefit liability and retirement benefit cost are calculated using the simplified method.

Defined benefit plan

I. Table of reconciliation of retirement benefit obligations as of the beginning and end of the fiscal period

1. Principle method

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Retirement benefit obligations at beginning of year	¥	35,389	¥	35,995	$	327,227
Service cost		2,306		2,347		21,336
Interest cost		229		233		2,118
Actuarial loss		(49)		(177)		(1,609)
Retirement benefits paid		(1,997)		(2,304)		(20,945)
The amount of transfer in association with changing from the simplified method to the principle method		117		-		-
Retirement benefit obligations at end of year	¥	35,995	¥	36,095	$	328,136

2. Simplified method

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Retirement benefit obligations at beginning of year	¥	1,063	¥	1,028	$	9,345
Retirement benefit cost		198		165		1,500
Retirement benefits paid		(115)		(131)		(1,191)
The amount of transfer in association with changing from the simplified method to the principle method		(117)		-		-
Retirement benefit obligations at end of year	¥	1,028	¥	1,062	$	9,655

II. Table of reconciliation of pension assets as of the beginning and end of the fiscal period

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Pension assets at beginning of year	¥ 7,309	¥ 7,199	$ 65,445
Expected return on plan assets	225	223	2,027
Actuarial loss	(319)	313	2,845
Contributions from employer	614	598	5,436
Retirement benefits paid	(629)	(643)	(5,845)
Pension assets at end of year	¥ 7,199	¥ 7,692	$ 69,927

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2020 and 2021 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Retirement benefit obligations under the savings-type plan	¥ 9,011	¥ 8,757	$ 79,609
Plan assets at fair value	(7,199)	(7,692)	(69,927)
	1,811	1,064	9,673
Retirement benefit obligations under the non-savings-type plan	28,012	28,401	258,191
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 29,824	¥ 29,465	$ 267,864
Net defined benefit liability	30,023	29,732	270,291
Net defined benefit asset	(199)	(266)	(2,418)
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 29,824	¥ 29,465	$ 267,864

IV. Components of retirement benefit cost for the year ended March 31, 2020 and 2021

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Service cost	¥ 2,306	¥ 2,347	$ 21,336
Interest cost	229	233	2,118
Expected return on plan assets	(225)	(223)	(2,027)
Amortization of actuarial loss	388	468	4,255
Amortization of prior service cost	38	34	309
Retirement benefit cost calculated using the simplified method	198	165	1,500
Retirement benefit cost for the defined benefit plan	¥ 2,936	¥ 3,027	$ 27,518

V. Remeasurements of defined benefit plans, before tax

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Prior service cost	¥ (38)	¥ (34)	$ (309)
Actuarial loss	(118)	(959)	(8,718)
Total	¥ (156)	¥ (993)	$ (9,027)

VI. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the year ended March 31, 2020 and 2021.

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
Unrecognized prior service cost	¥	(203)	¥	(169)	$	(1,536)
Unrecognized actuarial loss		(1,810)		(851)		(7,736)
Total	¥	(2,014)	¥	(1,020)	$	(9,273)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2020 and 2021 are set forth below.

	2020	**2021**
Bonds	39%	34%
Stocks	17%	21%
General account	29%	28%
Others	15%	17%
Total	100%	100%

2. Method of establishing the long-term expected rate of return on pension assets

To determine the long-term expected rate of return on pension assets, the current and forecast allocation of pension assets and the current and expected long-term rates of return on various assets constituting the pension assets are considered.

VIII. Matters regarding assumptions for actuarial calculations

Major assumptions for actuarial calculations as of March 31, 2020 and 2021

	2020	**2021**
Discount rate	(0.17)% - 1.58%	(0.07)% - 1.58%
Long-term expected rate of return on pension assets	0.75% - 3.20%	0.75% - 3.20%
Expected rate of salary increase	1.85% - 7.47%	1.85% - 7.22%

Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,525 million and ¥1,529 million ($13,900 thousand) for the year ended March 31, 2020 and 2021.

25. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2020 and 2021 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2020	**2021**	**2021**
Deferred tax assets:			
Valuation loss on inventories	¥ 213	¥ 622	$ 5,655
Valuation loss on securities	2,508	2,517	22,882
Amortization of intangible assets	4,397	5,091	46,282
Allowance for doubtful accounts	115	71	645
Accrued expenses	484	537	4,882
Accrued bonuses to employees	3,907	3,664	33,309
Net defined benefit liability	8,755	8,679	78,900
Tax loss carried forward (Note 2)	10,737	17,820	162,000
Unrealized inter-company profits	1,024	1,211	11,009
Impairment losses on fixed assets	5,532	5,583	50,755
Loss of investments in silent partnerships	21	85	773
Valuation difference on consolidated subsidiaries	109	111	1,009
Undistributed loss from consolidated subsidiaries	283	-	-
Accrued enterprise tax/business office tax	1,400	1,243	11,300
Revaluation of assets for merger	7	7	64
Asset retirement obligations	2,333	3,751	34,100
Asset adjustment account	1,929	385	3,500
Other	8,048	7,129	64,809
Gross deferred tax assets	51,809	58,514	531,945
Valuation allowance related to tax loss carried forward (Note 2)	(6,802)	(13,242)	(120,382)
Valuation allowance related to future deductible temporary differences	(13,161)	(13,211)	(120,100)
Less: valuation allowance (Note 1)	(19,964)	(26,453)	(240,482)
Total deferred tax assets	¥ 31,845	¥ 32,060	$ 291,455
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 3,800	¥ 7,976	$ 72,509
Valuation difference on consolidated Subsidiaries	28,031	26,476	240,691
Reserve for advanced depreciation of non-current assets	2,423	2,285	20,773
Loss on approval for exchange of land rights	1,118	1,118	10,164
Property, plant and equipment corresponding to asset retirement obligations	1,460	2,689	24,445
Other	2,193	2,828	25,709
Total deferred tax liabilities	39,027	43,375	394,318
Net deferred tax assets (liabilities)	¥ (7,182)	¥ (11,314)	$ (102,855)

Notes:

1. The valuation allowance increased by ¥6,489 million. The main reason for the increase was that the valuation allowance was additionally recognized for consolidated subsidiaries whose deferred tax assets were deemed non-recoverable in full due to the occurrence of tax loss carried forward, etc.

2. Tax losses carried forward and the amounts of their deferred tax assets according to carry-forward period deadlines.

2020 — Yen (millions)

	One year or less	More than one year but two years or less	More than two years but three years or less	More than three years but four years or less	More than four years but five years or less	More than five years	Total
Tax loss carried forward (Note 1)	-	-	8	95	1,370	9,263	10,737
Valuation allowance	-	-	-	(66)	(1,260)	(5,476)	(6,802)
Deferred tax assets	-	-	8	29	110	3,786	3,934 (Note 2)

2021 — Yen (millions)

	One year or less	More than one year but two years or less	More than two years but three years or less	More than three years but four years or less	More than four years but five years or less	More than five years	Total
Tax loss carried forward (Note 1)	-	-	-	120	1,168	16,531	17,820
Valuation allowance	-	-	-	(98)	(12)	(13,131)	(13,242)
Deferred tax assets	-	-	-	21	1,155	3,400	4,578 (Note 3)

2021 — U.S. dollars (thousands)

	One year or less	More than one year but two years or less	More than two years but three years or less	More than three years but four years or less	More than four years but five years or less	More than five years	Total
Tax loss carried forward (Note 1)	-	-	-	1,091	10,618	150,282	162,000
Valuation allowance	-	-	-	(891)	(109)	(119,373)	(120,382)
Deferred tax assets	-	-	-	191	10,500	30,909	41,618

Notes:

1 Tax losses carried forward indicate amounts multiplied by legally-designated effective tax rates.

2 Deferred tax assets amounting to ¥3,934 million have been posted in conjunction with the tax loss carried forward of ¥10,737 million (multiplied by the legally designated effective tax rate). The portion of the said tax loss carried forward that is deemed recoverable based on expected future taxable income is not recognized as a valuation allowance.

3 Deferred tax assets amounting to ¥4,578 million (U.S. $41,618 thousand) have been posted in conjunction with the tax loss carried forward of ¥17,820 million (U.S. $162,000 thousand) (multiplied by the legally designated effective tax rate). The portion of the said tax loss carried forward that is deemed recoverable based on expected future taxable income is not recognized as a valuation allowance.

	Yen (millions) 2020	Yen (millions) **2021**	U.S. dollars (thousands) **2021**
Deferred tax assets – non-current	¥ 21,799	¥ 18,280	$ 166,182
Deferred tax liabilities – non-current	28,982	29,595	269,045

Breakdown by major items that caused a significant difference between the statutory tax rate and the effective tax rate is as follows:

	2020	**2021**
Statutory tax rate (Adjustments)	30.6%	30.6%
Items not included in tax deductions permanently, such as entertainment expenses	0.7%	0.5%
Items not included in taxable income permanently, such as dividend income	(0.0)%	(3.8)%
Temporary difference for consolidation	(1.0)%	-
Inhabitant tax on a per capita basis	0.5%	0.8%
Increase/decrease in the amount of valuation reserve	3.7%	15.2%
Amortization of goodwill	2.7%	4.1%
Equity in earnings of entities accounted for by the equity method	(0.0)%	(0.1)%
Exclusion from tax deductions directors' bonuses	0.1%	0.2%
Others	1.4%	0.7%
Effective tax rate	38.8%	48.3%

26. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas.

Rental profits related to those properties were 24,596 million yen (Rental revenue is recorded in operating revenue, and main rental expenses are recorded in operating cost.), and Gain on sales of fixed assets (recorded as extraordinary income) was 64 million yen in the fiscal year ended March 31, 2020. Rental profits related to those properties were 21,336 million yen (U.S. $193,964 thousand) (Rental revenue is recorded in operating revenue, and main rental expenses are recorded in operating cost.), and Impairment loss (recorded as extraordinary loss) was 777 million yen (U.S. $7,064 thousand) in the fiscal year ended March 31, 2021.

The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2020 and 2021 are as follows:

2020

Yen (millions)			
Carrying value			Fair value
As of April 1, 2019	Net change	As of March 31, 2020	As of March 31, 2020
¥ 816,148	¥ 18,306	¥ 834,454	¥ 1,091,527

2021

Yen (millions)			
Carrying value			Fair value
As of April 1, 2020	Net change	As of March 31, 2021	As of March 31, 2021
¥ 834,454	¥ 3,823	¥ 838,277	¥ 1,103,565

2021

U.S. dollars (thousands)			
Carrying value			Fair value
As of April 1, 2020	Net change	As of March 31, 2021	As of March 31, 2021
$ 7,585,945	$ 34,755	$ 7,620,700	$ 10,032,409

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Of the changes, the increase during the year ended March 31, 2020 was mainly attributable to the acquisition of properties, new opening and progress of properties to be developed before opening of ¥58,970 million. The increase during the year ended March 31, 2021 was mainly attributable to the acquisition of properties and new opening of properties of ¥56,460 million ($513,273 thousand).

   The decrease during the year ended March 31, 2020 was mainly due to the sales of properties of ¥18,641 million, and transfers to real estate for sale of ¥19,059 million. The decrease during the year ended March 31, 2021 was mainly due to transfers to real estate for sale of ¥33,013 million ($ 300,118 thousand).
3. Fair value is estimated by internal appraisers in accordance with appraisal standards issued by the Japanese Association of Real Estate Appraisers.
4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥74,708 million and ¥79,696 million ($724,509 thousand) as of March 31, 2020 and 2021) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

27. Per Share Information

Basic net income per share was 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.

Diluted net income per share is not presented as there are no dilutive potential shares.

	Yen				U.S. dollars	
	2020		**2021**		**2021**	
Net asset per share of common stock as of March 31	¥	811.04	¥	829.50	$	7.54
Net income per share of common stock for the year ended March 31	¥	53.70	¥	30.13	$	0.27

Bases of calculation for net income per share are as follows:

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
For the year ended March 31						
Profit attributable to owners of parent	¥	38,611	¥	21,668	$	196,982
Profit attributable to owners of parent of common stock		38,611		21,668		196,982
Weighted average number of shares of common stock (thousands)		719,040		719,198		

Bases of calculation for net asset per share are as follows:

	Yen (millions)				U.S. dollars (thousands)	
	2020		**2021**		**2021**	
As of March 31						
Total net assets	¥	594,246	¥	608,723	$	5,533,845
Amount deducted from total net assets		10,956		12,050		109,545
Non-controlling interests		(10,956)		(12,050)		(109,545)
Net assets of common stock at March 31	¥	583,289	¥	596,673	$	5,424,300
Number of shares of common stock at March 31 (thousands)		719,189		719,318		

28. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to at least 10 percent of distributions paid in cash be appropriated as a legal reserve until the aggregated amount of the capital reserve and the legal reserve equals 25 percent of common stock.

The portion of such aggregated amount in excess of 25 percent of common stock may become available for distributions subsequent to release of such excess to retained earnings.

29. Segment Information

The business of the Company and its consolidated subsidiaries is composed primarily of seven segments:

(1) Urban Development; (i) development, leasing, and operation of office buildings, renewable energy power facilities, logistics facilities and other properties and, (ii) sales of properties for investors, (2) Residential; development and sales of condominiums and detached housing, (3) Property Management; (i) property management of condominiums, buildings and other properties and, (ii)construction of common areas of condominiums, buildings and other properties, (4) Real Estate Agents; real estate brokerage and property sales, (5) Wellness; (i) development and sales of membership resort hotels and country houses and, (ii) ownership and management of resort facilities, urban style hotels, senior housing and membership sports clubs, (6) Tokyu Hands; retail sales of materials and products for living and D-I-Y, and (7) Innovation Business, (i) development, sales, and leasing of condominiums and other properties in overseas, (ii) construction of residential homes and others.

Information by geographic areas is omitted as overseas sales of the Company for the year ended March 31, 2020 and 2021 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2020 and 2021 are as follows:

	Yen (millions)								
Year ended March 31, 2020	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	286,340	136,159	171,108	128,829	113,842	95,646	31,270	-	963,198
Inter-segment	6,297	179	19,702	2,608	613	928	3,961	(34,290)	-
Total	292,637	136,338	190,811	131,438	114,455	96,574	35,231	(34,290)	963,198
Operating profit/loss	52,525	8,541	8,729	15,220	3,474	243	(1,361)	(8,062)	79,312
Total assets	1,612,161	282,530	127,111	98,286	273,263	37,100	138,131	(81,215)	2,487,369
Depreciation expenses	16,458	858	1,561	1,573	9,442	1,568	89	792	32,345
Amortization of goodwill	1,008	-	1,897	-	0	-	1	2,513	5,421
Investment in entities accounted for using equity method	2,339	-	-	192	-	-	97,306	779	100,617
Additions to property, plant and equipment and intangible assets	114,621	1,663	2,401	2,761	11,688	2,153	77	991	136,359

	Yen (millions)								
Year ended March 31, 2021	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	300,560	145,943	170,969	126,348	86,989	62,313	14,609	-	907,735
Inter-segment	4,338	378	13,857	2,067	648	840	2,057	(24,188)	-
Total	304,898	146,322	184,826	128,416	87,638	63,153	16,667	(24,188)	907,735
Operating profit/loss	54,978	8,429	6,618	12,316	(11,390)	(4,419)	(2,753)	(7,262)	56,517
Total assets	1,791,452	284,148	117,838	99,213	272,540	32,870	134,765	(80,531)	2,652,296
Depreciation expenses	22,814	902	1,770	1,600	10,064	1,481	424	744	39,803
Amortization of goodwill	1,008	-	1,913	-	-	-	1	2,412	5,336
Investment in entities accounted for using equity method	2,305	-	-	201	-	-	95,775	774	99,056
Additions to property, plant and equipment and intangible assets	87,398	975	1,415	1,970	9,932	1,662	1,956	658	105,970

Year ended March 31, 2021	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	2,732,364	1,326,755	1,554,264	1,148,618	790,809	566,482	132,809	-	8,252,136
Inter-segment	39,436	3,436	125,973	18,791	5,891	7,636	18,700	(219,891)	-
Total	2,771,800	1,330,200	1,680,236	1,167,418	796,709	574,118	151,518	(219,891)	8,252,136
Operating profit/loss	499,800	76,627	60,164	111,964	(103,545)	(40,173)	(25,027)	(66,018)	513,791
Total assets	16,285,927	2,583,164	1,071,255	901,936	2,477,636	298,818	1,225,136	(732,100)	24,111,782
Depreciation expenses	207,400	8,200	16,091	14,545	91,491	13,464	3,855	6,764	361,845
Amortization of goodwill	9,164	-	17,391	-	-	-	9	21,927	48,509
Investment in entities accounted for using equity method	20,955	-	-	1,827	-	-	870,682	7,036	900,509
Additions to property, plant and equipment and intangible assets	794,527	8,864	12,864	17,909	90,291	15,109	17,782	5,982	963,364

The breakdown of the impairment loss by business segment for the year ended March 31, 2020 and 2021 are as follows:

Year ended March 31, 2020	Yen (millions)								
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Impairment loss	-	-	-	-	2,910	626	-	-	3,537

Year ended March 31, 2021	Yen (millions)								
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Impairment loss	777	-	-	14	636	1,102	-	-	2,531

Year ended March 31, 2021	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Impairment loss	7,064	-	-	127	5,782	10,018	-	-	23,009

Company Profile (parent company)

Established	October 1, 2013
Headquarters	SHIBUYA SOLASTA, 1-21-1 Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan
Capital	¥ 77,562 million (as of March 31, 2021)
URL	https://www.tokyu-fudosan-hd.co.jp/english/