



TOKYU FUDOSAN HOLDINGS

2018 Integrated Report



TOKYU FUDOSAN HOLDINGS



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



MSCI 2018 Constituent
MSCI Japan ESG
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Women Index (WIN)

Tokyu Fudosan Holdings Corporation
Group Finance Department, Investor Relations
Group Planning Policy Department, CSR Promotion Group
<https://www.tokyu-fudosan-hd.co.jp/english/>



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We go beyond the bounds of physical structures to propose and create lifestyles.

The Tokyu Fudosan Holdings Group has always eagerly taken on new challenges, starting with the development of the community of Den-en Chofu. It's in our DNA. We will continue to leverage that "Challenging DNA" to deliver new value to communities and society through the proposal of new home, work and play styles.

Tokyu Group Slogan

Toward a Beautiful Age — The Tokyu Group

Tokyu Group Philosophy

We hold this philosophy in common as we work together to create and support the Tokyu Group.

Mission Statement We will create a beautiful living environment, where each person can pursue individual happiness in a harmonious society.

Management Policy Work independently and in collaboration to raise Group synergy and establish a trusted and beloved brand.

- Meet current market expectations and develop new ones.
- Manage in harmony with the natural environment.
- Pursue innovative management from a global perspective.
- Value individuality and make the most of each person.

Through these means, we will fulfill our corporate social responsibilities.

Guidelines for Action Fulfill your responsibilities. Collaborate to enhance each other's abilities. Reinvent yourself with a global awareness.

Tokyu Fudosan Holdings Group Ideal

A corporate group that continues to create value

We go beyond the bounds of physical structures to propose and create new lifestyles

Founding Spirit

Challenging DNA

The Tokyu Fudosan Holdings Group originated 100 years ago in 1918 with the development of Den-en Chofu based on the garden city concept, with the aim of developing the ideal community at a time when there was a housing shortage. With this DNA of taking on challenges, or "Challenging DNA," that we have inherited, we are sincerely working toward solutions to social problems with an enterprising spirit, and will go beyond the bounds of physical structures to propose and create new lifestyles.



Eiichi Shibusawa, who established the Den-en Toshi Company, the origin of the Group, in 1918.

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Editorial Policy

The Tokyu Fudosan Holdings Group seeks to contribute to a sustainable society by solving social issues through its businesses. The Group issues integrated reports to provide stakeholders with a better overall understanding of how it creates value in all of its business activities. This report discloses the Group's medium- and long-term management policies and business strategies as well as financial and non-financial data prepared in accordance with the international integrated reporting framework of the International Integrated Reporting Council (IIRC) and the *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation* formulated by the Ministry of Economy, Trade and Industry (METI).

For more detailed financial and CSR information, please refer to the Company's website.

Investor Relations Information <https://www.tokyu-fudosan-hd.co.jp/english/ir/>

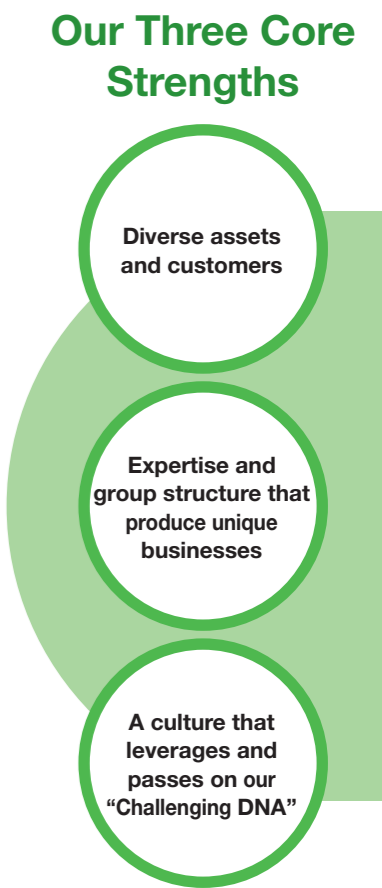
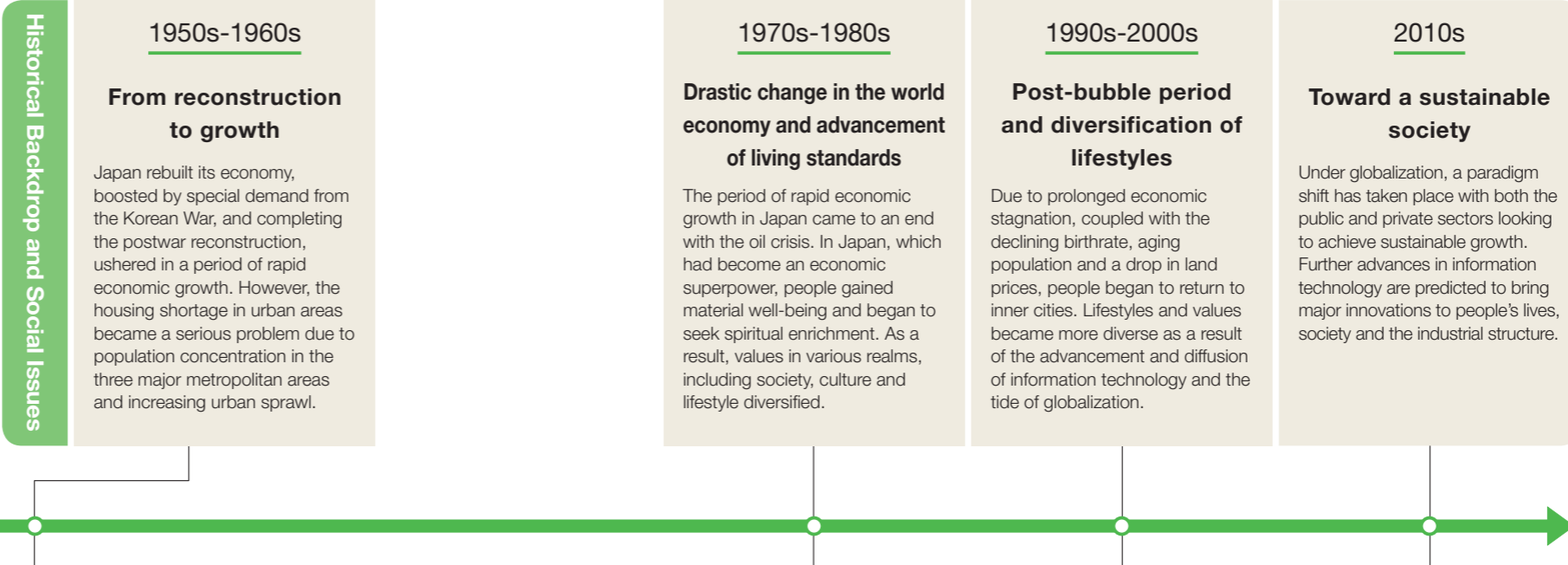
CSR Information <https://tokyu-fudosan-hd-csr.disclosure.site/en>

Note on Forward-Looking Statements

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

The History of Our Business and Social Issues

The origin of the Tokyu Fudosan Holdings Group was the development of the town of Den-en Chofu, which became the model for modern suburban community development in Japan. We later created new businesses and have grown by addressing social issues and needs. One constant through the years has been our dedication to solving social issues through the creation of new value. The history of our business is proof that we have done just that.



Addressing Social Issues through Our Businesses

1918
The Tokyu Group's urban development begins with the creation of a "garden city"
 Based on the garden city concept that originated in England, Den-en Chofu was created as an innovative, modern community where urban functions co-existed with abundant greenery. This was the origin of the Tokyu Group's urban development.

Den-en Chofu (Tokyo) at the time of its development

1950s-1960s
Early focus on urban development in Shibuya, Daikanyama and neighboring areas
 Tokyu Land Corporation was formed in 1953 by splitting off the real estate division of Tokyu Corporation. It supplied housing to alleviate the shortage, and commercial facilities to support people's daily lives, mainly in the Shibuya area, its base.

- 1955 Completion of Daikanyama Tokyu Apartment: Japan's first luxury apartment complex development for foreign nationals
- 1958 Completion of Tokyu Skyline: The first condominiums in the Japanese real estate industry
- 1961 Start of Tokyu-Mitsubishi Home Loan Program: The prototype for the home loan system
- 1965 Opening of Shibuya Tokyu Building: A multipurpose commercial facility in front of Shibuya Station (reconstruction currently underway at the site)

Newspaper advertisement announcing the establishment of Tokyu Land Corporation

1970s
Pursuing business diversification from an early stage to become a corporate group that creates new lifestyles
 In response to changing times and social needs, we quickly expanded into real estate-related businesses with the aim of conducting urban development to meet needs for comfortable homes and enriched lifestyles, and to create new lifestyles.

- 1970 Establishment of Tokyu Community Corporation: Expansion into the property management business to create comfortable lives and living spaces
- 1972 Establishment of Area Service Co., Ltd. (currently Tokyu Livable, Inc.): Expansion into the real estate agents business as a pioneer in real estate transactions
- 1976 Establishment of Tokyu Hands Inc.: Creative life stores for creating new lifestyles and culture

First Tokyu Hands store (Fujisawa Store)

1980s
Enriching living through large-scale new town development and resort business
 In a time when people sought spiritual enrichment, we developed large-scale new towns in harmony with the natural surroundings and began full-scale development of environment-conscious resort towns.

- 1982 Launch of the Asumigaoka New Town business: New urban development in harmony with natural surroundings
- 1984 Opening of Palau Pacific Resort: An environment-conscious, authentic resort hotel
- 1986 Opening of first Tokyu Sports Oasis: A members-only sports club offering programs to promote healthy lifestyles
- 1988 Opening of first Tokyu Harvest Club: A membership resort hotel offering new ways to enjoy leisure time

Asumigaoka New Town

1990s-2000s
Creating a new urban development business in the post-bubble era
 We strengthened our revenue base by shifting our business focus from built-for-sale homes to leasing, which is less affected by economic cycles.

- 1993 Opening of the first Tokyu Stay hotel: Urban-style hotels that can be used for long-term stays
- 1993 Opening of Setagaya Business Square: Tokyu Group's first super-high-rise office building
- 1999 Start of the real estate securitization business: First foray into the securitization business
- 2004 Opening of first senior housing facility: One of the first in the industry to enter the senior housing business

Grancreer Azamino

2010s-
Leveraging the Group's combined strengths to propose new lifestyles
 Shifting to a holding company structure enabled us to propose new lifestyles by leveraging the Group's combined strengths. Our aim was to provide new value through Group synergy.

- 2013 Establishment of Tokyu Fudosan Holdings Corporation: Merger of Tokyu Land Corporation, Tokyu Community Corporation and Tokyu Livable, Inc.

Future
Achieve further growth through full-scale urban development that proposes new lifestyles
 We are pursuing new urban developments geared to the new era that is unfolding, such as the Greater Shibuya Area Concept and the Life Story Town model. With these approaches, we intend to achieve further growth as a comprehensive real estate development group.

Artist's rendering of the Shibuya Station area after completion

Value Creation Process

The Tokyu Fudosan Holdings Group is carrying out stage 2 of its medium- and long-term management plan based on the three core strengths it has cultivated and materialities.

Capitalizing on our broad business scope and many points of contact with customers, we will become a corporate group that continues to create new value by going beyond the bounds of physical structures to propose and create new lifestyles.

Value Provided to Society

Value Provided to Customers

Our Three Core Strengths

Diverse assets and customers

Expertise and group structure that produce unique businesses

A culture that leverages and passes on our "Challenging DNA"

Medium- and Long-Term Management Plan

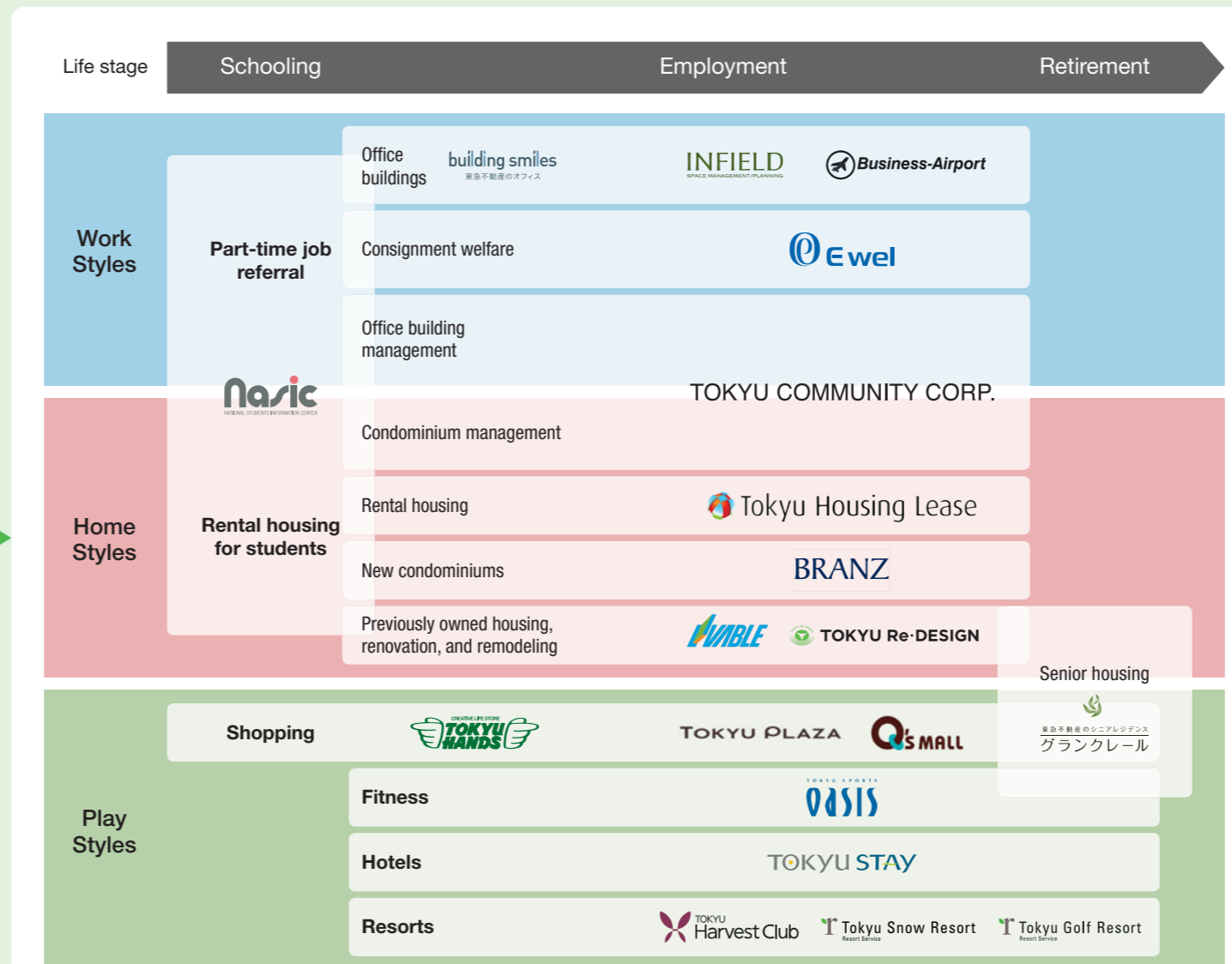
Value Frontier 2020
To become a corporate group that continues to create value

Group Fundamental Policies

- Expansion of associated assets
- Creation of new demand

- Materialities (Key Social Issues)**
- Economic, political and regulatory changes
 - Diversification and globalization of lifestyles
 - Safety and security in local communities and urban areas
 - Progression of a low birthrate and aging society
 - IoT and innovation
 - More stringent social demands
 - Changes in the natural environment

Our Business Model



Proposals for new work styles

Proposals for new home styles

Proposals for new play styles

- Richness of people's lives
- Safety and security
- Community formation
- Contribution to the local economy
- Enhancement of real estate value
- Environmental protection
- The SDGs we focus on



Our Three Core Strengths

By leveraging the three core strengths it has built up over many years, the Tokyu Fudosan Holdings Group is promoting business activities that address social issues.

The Group will continue to create new value through dialogue with society and customers about their needs, which will continue to change with the times.



Morinomiya Q's MALL BASE



Tokyu Plaza Omotesando Harajuku



Tokyu Harvest Club Atami Izusan & VIALA



Business-Airport Roppongi

Organization

Expertise and Group Structure That Produce Unique Businesses

We were a pioneer in expanding into the Property Management and Real Estate Agents segments, and have a track record of creating unique businesses such as Tokyu Hands Inc. With our wide-ranging business domains, we will continue to produce unique new businesses.

Number of consolidated subsidiaries

131

(As of March 31, 2018)

Number of employees with professional qualifications

6,741

(As of March 31, 2018)

- First-class registered architects: 278
- Second-class registered architects: 329
- Real estate brokers: 5,549
- Condominium managers: 585

Business Foundations

Diverse Assets and Customers

We are involved in diverse assets through a wide range of businesses in the varied life settings of home, work and play, and create opportunities for contact with a variety of customers.

Corporate Culture

A Culture That Leverages and Passes on Our "Challenging DNA"

The DNA of embracing challenges, or "Challenging DNA," that has been passed on since our business began and management that emphasizes the meaningfulness of work help to foster a corporate culture that encourages employees to take on challenges.

Number of customers	Assets under management (AUM)
Approx. 10 million	¥988.6 billion (As of March 31, 2018)
Cumulative number of condominium units	Number of facilities operated by the Wellness segment
Approx. 91,000 (As of March 31, 2018)	168 (As of March 31, 2018)
Number of condominium units under management	Number of real estate agent transactions
822,231 (As of March 31, 2018)	23,268 (Fiscal 2017)

Knowledge Café and Knowledge Forum
Cumulative number of times held

43 times
(Total of 5,298 participants)



Knowledge Café is a place for Group employees to gain mutual understanding of Group businesses other than their own.



Positive Networking College provides support for the active participation of women in the workplace.

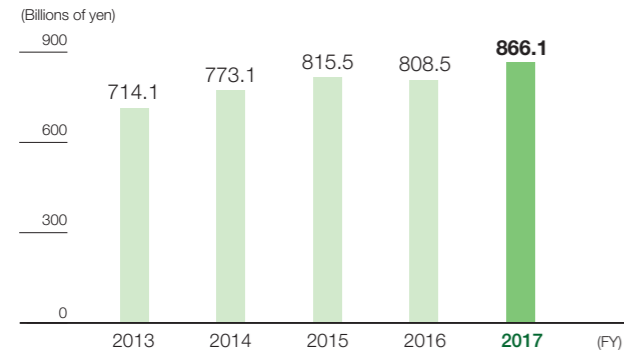
Advanced services



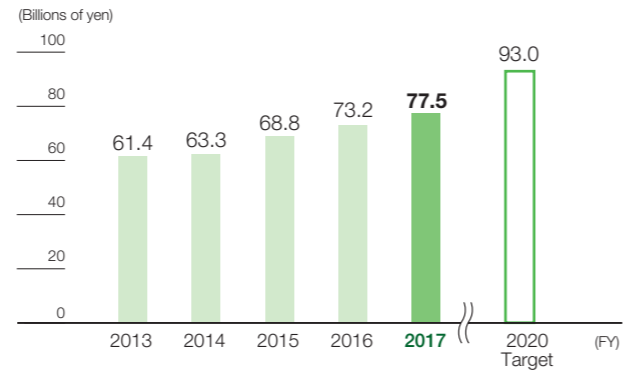
Financial and Non-Financial Highlights

Financial Indicators

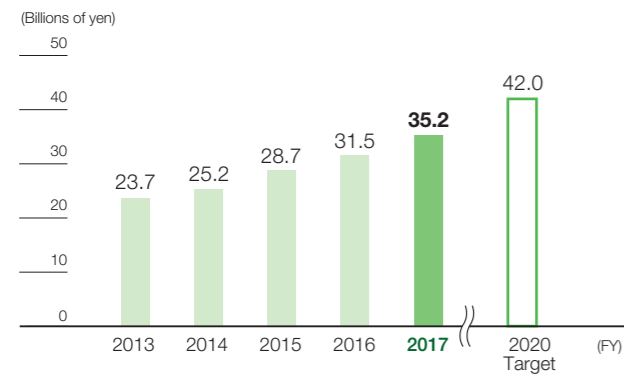
Operating Revenue



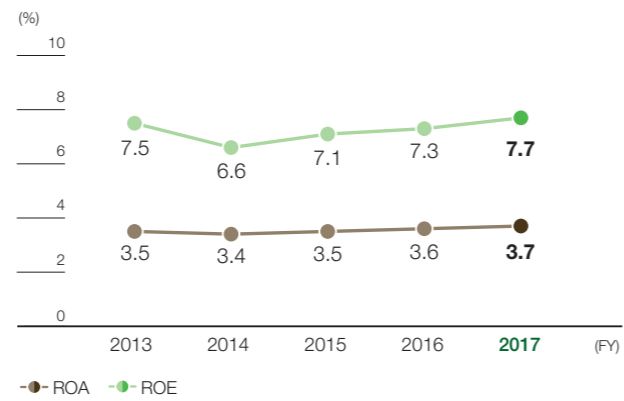
Operating Profit



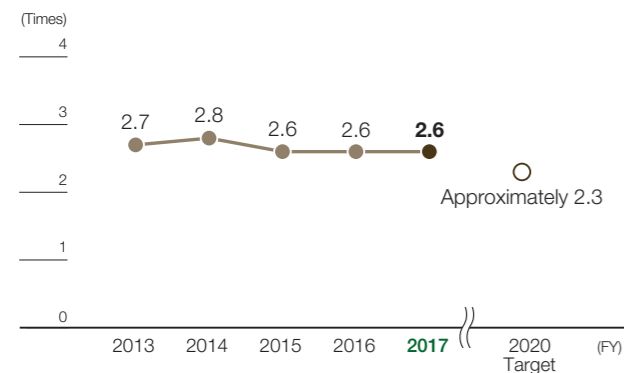
Profit Attributable to Owners of Parent²



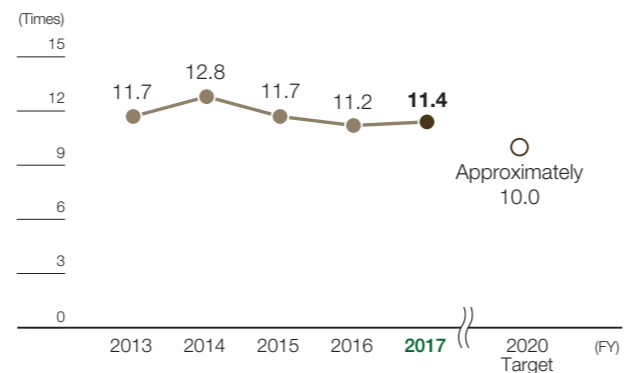
ROA³/ROE⁴



Debt/Equity Ratio⁵



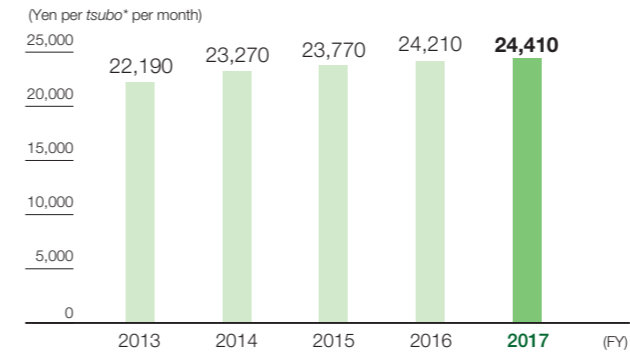
Debt/EBITDA Ratio⁶



1. (FY) = Fiscal year ended/ending March 31 of the following calendar year
 2. Net profit has been reclassified as profit attributable to owners of parent from fiscal 2015.
 3. ROA (Return on Assets) is an indicator that measures the profitability of investments in total assets: (Operating profit + Interest income + Dividend income) ÷ Total assets (average for the period)
 4. ROE (Return on Equity) is an indicator that measures the profitability of investments in equity: Profit attributable to owners of parent ÷ Equity (average for the period)
 5. Debt/Equity ratio is an indicator of financial soundness: Interest-bearing debt ÷ Equity
 6. Debt/EBITDA ratio is an indicator of whether the level of interest-bearing debt compared to cash flows generated from business activities is appropriate: Interest-bearing debt ÷ EBITDA

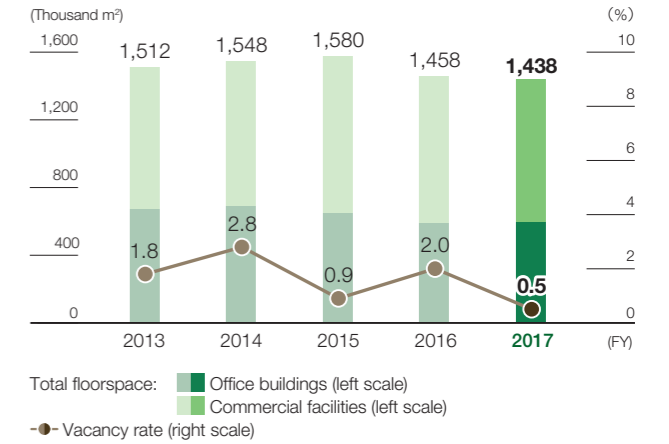
Business Indicators

Average Office Building Rent



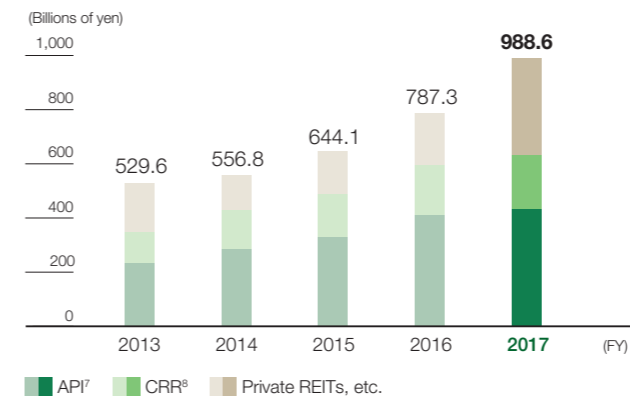
*1 tsubo = 3.3 m²

Total Floorspace/Vacancy Rate (Office Buildings and Commercial Facilities)



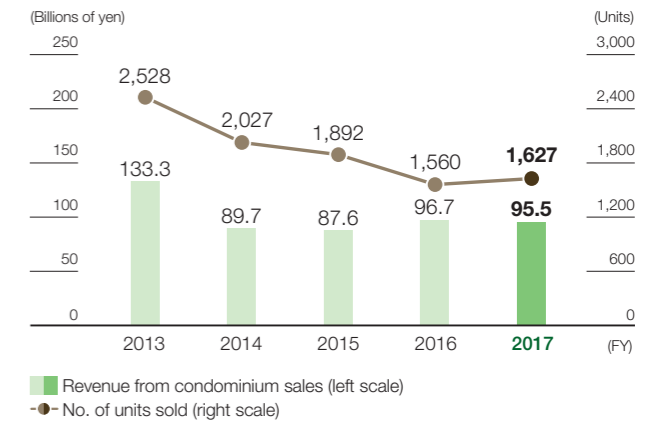
Total floorspace: Office buildings (left scale), Commercial facilities (left scale)
 Vacancy rate (right scale)

Assets under Management (AUM)

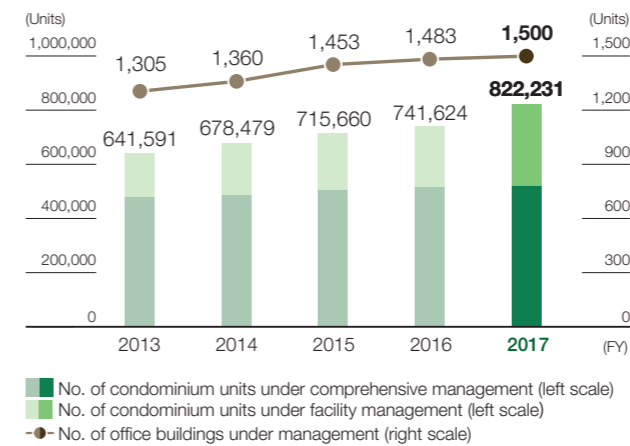


API⁷, CRR⁸, Private REITs, etc.

Revenue from Condominium Sales/No. of Units Sold

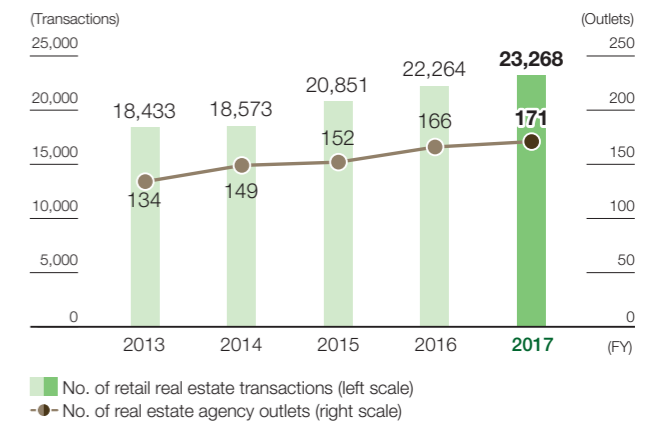


No. of Condominium Units under Management/No. of Office Buildings under Management



No. of condominium units under comprehensive management (left scale), No. of condominium units under facility management (left scale), No. of office buildings under management (right scale)

No. of Retail Real Estate Transactions/No. of Real Estate Agency Outlets

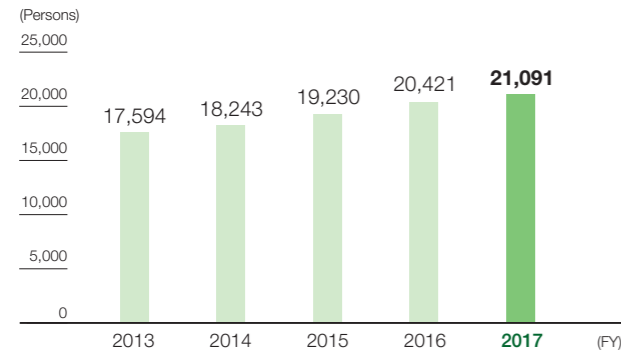


No. of retail real estate transactions (left scale), No. of real estate agency outlets (right scale)

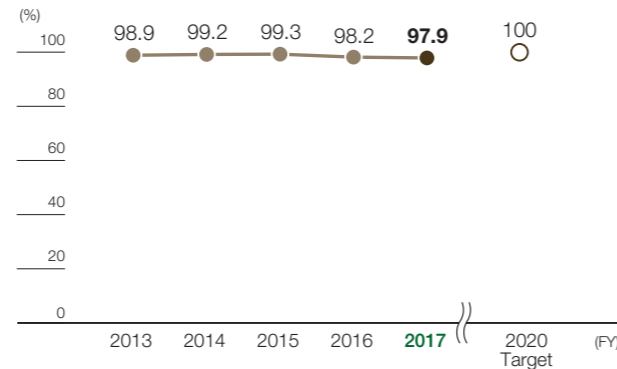
7. Activia Properties Inc.
 8. Comforia Residential REIT, Inc.

Human Resource, Social and Environmental Indicators

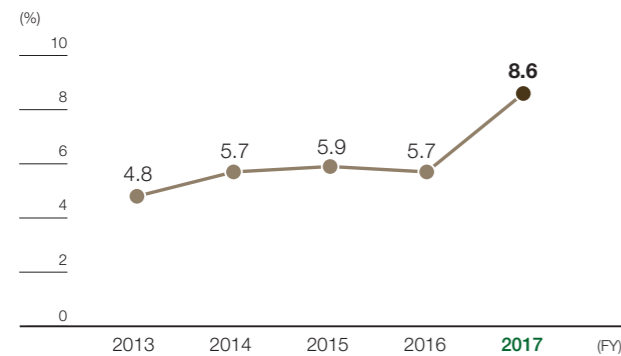
Number of Employees



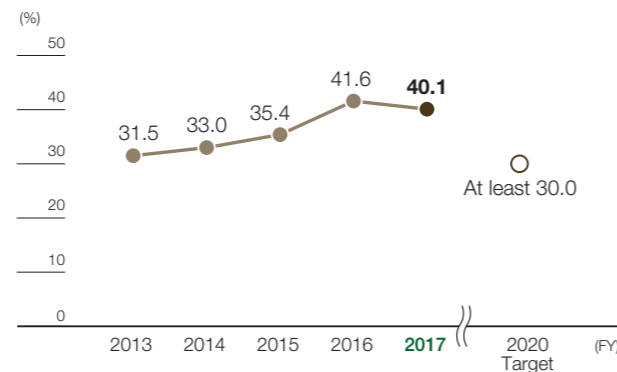
Percentage of Employees Undergoing Medical Examinations



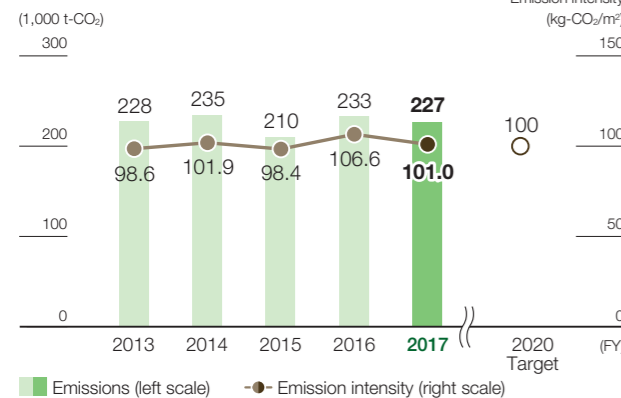
Ratio of Female Managers



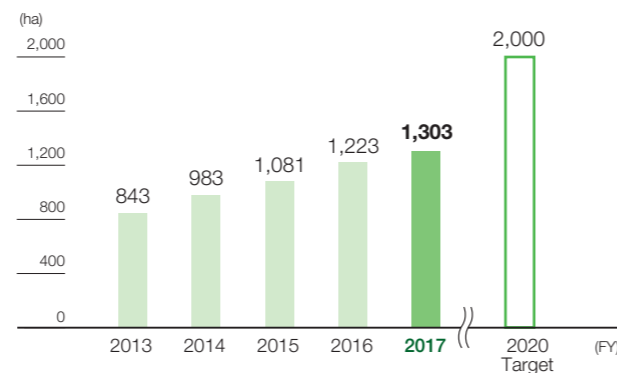
Ratio of Females among Total New Graduate Hires



CO₂ Emissions



Midori wo Tsunagu Project (Area of Forest Protected)



Materiality Identification Process

When it formulated the medium-term management plan, the Tokyu Fudosan Holdings Group identified key social issues that will be important to the Group over the long term, and then determined materialities based partly on the input of experts who are highly knowledgeable about the low birthrate and aging society, living and lifestyles, the environment, work styles and ESG investment. We strive to create solutions for social issues through our businesses in order to realize a sustainable society and enhance the Group's value.

Identification Process

Step 1 Determination and Organization of Social Issues

When identifying key issues, the Group ascertained social issues while making reference to the Group's management plans, the GRI Guidelines, ISO 26000, the Sustainable Development Goals, issues recognized by the Japanese government and economic organizations, and other information, and generated a long list comprising 470 items.

Step 2 Integration and Consolidation of Issues

We integrated and consolidated the 470 social issues by organizing similar items and taking into account relevancy to the Group. Based on the results, we tentatively evaluated importance based on relevancy to the Group's value creation process and stakeholder expectations and demands and selected 31 materialities.

Step 3 Interviews of Management Staff and Experts

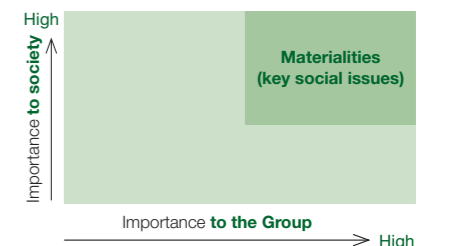
We conducted interviews of management staff and experts with high levels of knowledge in specialized fields. We also gathered opinions regarding the importance of social issues from within the Group and society.

Management	Comment
President and Representative Director Yuji Okuma	<ul style="list-style-type: none"> Sound and sustainable management requires an emphasis on the opinions of independent outside directors, arrangement of issues, and investigation of the details of measures. In order to enhance our competitiveness even further, we need to emphasize items that will make use of the Group's diversity and differentiate the Group from other companies.
Director, Operating Officer Hironori Nishikawa Responsible for general administration divisions	<ul style="list-style-type: none"> In a society with an aging population and advances in the Internet of things (IoT), business will be born from services that combine various issues and can be provided in an integrated manner. When engaging in the resort business, it is necessary to take measures to mitigate environmental impact from business activities with regard to the issue of climate change.
Specialized Field Experts	Comment
Low Birthrate and Aging Society Tomoo Matsuda Research Director and Chief Producer Platinum Society Center, Mitsubishi Research Institute, Inc.	<ul style="list-style-type: none"> It is important to create business from means of preventing the elderly from needing nursing care (such as sports, diet, and lifelong learning)—in other words, the perspective of preventing rather than addressing issues. In an aging society, there is potential for the Internet of things (IoT) including the use of big data relating to health to play extremely important roles and become a new growth business.
Living and Lifestyles Research institution (anonymous)	<ul style="list-style-type: none"> It is important to consider what type of space people will come to in order to spend their time. Businesses need to realize that minority groups are becoming the majority (e.g., unmarried persons, double-income no-kids households, at-home workers)
Environment Shiro Wakui Professor, Department of Environmental and Information Studies, Tokyo City University	<ul style="list-style-type: none"> Platform-like spaces and services that can change flexibly according to the diversity of individual consumers will be expected in the future. The key is how to create value with environmental measures.
Work Styles Keiko Tsuchiya General Manager, Personnel Division and Director, Adecco Ltd.	<ul style="list-style-type: none"> With regard to changes in work styles, emphasis will be placed on flexible working styles not limited to a single site, such as work from anywhere (a work style whereby employees can work not just at a single office, but also at home, satellite offices, and other locations). As society becomes increasingly diverse, there will be calls for this to be reflected in buildings and the environment.
ESG Investment Masaru Arai Chairman, Japan Sustainable Investment Forum (JSIF)	<ul style="list-style-type: none"> What is currently being emphasized with regard to ESG investment is governance. Whether boards of directors are functioning properly is being called into question. Policies, plans, and structures must be formulated, PDCA implemented, and the information disclosed.

Note: Titles are as of June 2016 when the interviews were conducted.

Step 4 Identification of Materialities

Based on the interview results, we verified the appropriateness of the importance of each issue that should be prioritized by the Group. The evaluation results were plotted and organized as a materiality map and categorized into seven groups. The materialities were reported to the Board of Directors by the CSR Promotion Committee and identification was finalized.



Medium-Term Management Plan Based on Materialities

In fiscal 2017, the Tokyu Fudosan Holdings Group launched the 2017-2020 Medium-Term Management Plan as stage 2 of its Value Frontier 2020 medium- and long-term management plan. When formulating this plan, we developed strategies based on the materialities that were verified and identified as the issues on which the Group should place priority.

Materialities of the Tokyu Fudosan Holdings Group

Materialities	Opportunities	Risks	Related SDGs
Economic, political, and regulatory changes Issues of social security by the Japanese government, privatization, uncertainty in the global economy, and other factors will have major impacts on business opportunities and capital procurement.	<ul style="list-style-type: none"> Capturing new business opportunities 	<ul style="list-style-type: none"> Risk of long-term interest rate increases 	
Diversification and globalization of lifestyles As an urban development enterprise, diversification in life and work styles, increasing importance of multifaceted responses to consumer needs, invigoration of local communities, and other changes will have major impacts on business opportunities.	<ul style="list-style-type: none"> Inbound demand Expanded opportunities for overseas business 	<ul style="list-style-type: none"> Decline in total domestic demand (diversification of demand) 	
Safety and security in local communities and urban areas As a real estate developer, the increase and aging of existing stock and rising need to respond to disasters will have a major impact on business opportunities.	<ul style="list-style-type: none"> Expansion of markets related to existing stock Accelerated privatization of public asset processing and operation 	<ul style="list-style-type: none"> Issue of vacant homes Deterioration of existing stock 	
Progression of a low birthrate and aging society As a Group that develops business in residences and senior housing, the low birth rate, aging population, and declining population in Japan will have a major impact on business opportunities.	<ul style="list-style-type: none"> Increasing demand related to senior citizens 	<ul style="list-style-type: none"> Falling demand in conjunction with the decline of the working age population 	
IoT & Innovation As a company that provides both products and services, advances in IoT technology will have a major impact on innovation and changes in business models.	<ul style="list-style-type: none"> Business innovation 	<ul style="list-style-type: none"> Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control 	
More stringent social demands Diverse demands from consumers, corporate governance, and various other factors will have a major impact on management systems.	<ul style="list-style-type: none"> Increase in non-financial value 	<ul style="list-style-type: none"> Increasingly stringent responses to various types of risk 	
Changes in the natural environment As a company that performs urban development, changes in infrastructure development and investor interests in conjunction with intensifying climate change will have a major impact on business opportunities and continuity.	<ul style="list-style-type: none"> Expansion of environmental markets 	<ul style="list-style-type: none"> Expansion of climate change risks 	



STAGE 2: 2017–2020 Medium-Term Management Plan

Three Growth Strategies

Urban development that proposes new lifestyles

Under the Greater Shibuya Area Concept, the Group is making use of local characteristics that integrate numerous functions relating to work, residences, and spending time and the strengths resulting from concentration on major projects to undertake development and participation ranging from individual sites to entire communities. We are also conducting urban development that promotes interaction among generations. Through collaboration within the Group, we provide services that integrate tangible and intangible elements and are directly operated by the Group to respond to diverse customer needs in a super-aged society.

Expansion of the scope of cyclical reinvestment business

We are expanding cyclical reinvestment targets from office buildings, commercial facilities, and rental housing to new types of assets including infrastructure, hotels, and student residences, reinforcing earnings capacity. We will increase assets under management (AUM) as associated assets in the Group's asset investment business from ¥0.8 trillion in fiscal 2016 to ¥1.3 trillion in fiscal 2020.

Reinforcing stock utilization

In response to the environmental shift from a flow-based society to a stock-based society, we are reinforcing stock utilization business with a focus on the Property Management business and the Real Estate Agents business, based on customer contact points. We will raise profits by maximizing utilization of management stock, real estate information in the Real Estate Agents business, and other assets, taking advantage of business opportunities, and conducting business that does not involve investment.

Reinforcing the Management Foundations That Support the Growth Strategies

- Strengthening measures to generate synergy effects among businesses
- Optimizing Group management assets and ESG management

We will maximize use of the Group's business foundations (stock, customer information, and human resources), acquire derivative business opportunities, and create added value.

In addition, to achieve sustainable growth and increase corporate value over the long term, we are optimizing Group management assets and undertaking ESG management.

Targets (Fiscal 2020)

Operating profit	¥93 billion	CO ₂ emissions	25% reduction compared to fiscal 2005
Profit attributable to owners of parent	¥42 billion	Percentage of female hires	At least 30%
Debt/Equity ratio (times)	Approximately 2.3	Buildings* certified under the Barrier Free Act	100%
Debt/EBITDA ratio (times)	Approximately 10	Number of outside directors	At least 1/3 (approximately 33%)

*Tokyu Land Corporation new large office buildings and commercial facilities

Message from the President

We will continue sustainable value creation, going beyond the bounds of physical structures to propose and create new lifestyles and address social issues.

■ The Value Provided by Tokyu Fudosan Holdings

Applying Our “Challenging DNA” to the Creation of Solutions for Social Issues

The Tokyu Fudosan Holdings Group originated as the Den-en Toshi Company established by the industrialist Eiichi Shibusawa and others in 1918. In response to the deteriorating housing situation in central Tokyo due to population concentration, the company brought in Western ideas for high-quality urban development, and developed the community of Den-en Chofu based on the garden city concept, which combined the merits of nature and cities. Ever since, the Group has conducted its businesses based on a strong commitment to creating solutions for social issues, driven by its corporate DNA of taking on new challenges, which we call “Challenging DNA.”

I often explain the evolution of the Group’s business to investors by dividing it into four stages. The first stage was during Japan’s rapid economic growth period, which was accompanied by a worsening housing shortage. Through the development of large-scale new towns, we supplied housing in quantity while simultaneously pursuing quality in urban development.

The second stage came after the period of rapid growth ended and people began to seek spiritual enrichment. We were quick to grasp the changes in society, and developed a resort business to provide ways to enjoy leisure time, and the Tokyu Hands segment, which offers a wide variety of DIY products and information. In addition to urban development, we expanded our business scope to real estate-related fields, such as property management and real estate agents businesses, thus building the foundations for our current business operations.

The third stage was the period following the collapse of the bubble economy, when the value of real estate was called into question. We broadened our earnings model by dividing real estate into properties for ownership and properties for use. A representative example is Tokyu Harvest Club, a chain of membership resort hotels that was launched in 1988 and is celebrating its 30th anniversary this year. This was also the period when we began securitization of real estate, and the real estate business became more dynamic. By utilizing securitization plans, we achieved significant growth in the leasing business, and shifted the center of our earnings platform to the Urban Development segment.

The fourth stage is the present, when competition among cities around the world is intensifying and the urban functions of Tokyo are once again being questioned. The roles that the real estate industry is expected to play are also changing significantly as lifestyles and values diversify and the needs of city dwellers become more fragmented. It is with that perspective that we are conducting diverse urban development using our unique approach, based on our recognition that we need to propose new home, work and play styles. The redevelopment of Shibuya that we have been conducting as part of the Tokyu Group compiles all the elements of the ideal community development concept that we have pursued for the last 100 years. (See Feature 1 on page 22.)

Value Creation Generated by Dialogue with Customers

Our businesses have flexibly evolved to adapt to changing times, but the strengths we have cultivated over the years can be distilled down to three: our corporate culture, organization and business foundations.

Our corporate culture is “a culture that passes on and leverages our Challenging DNA.” The flexibility to accept unprecedented challenges permeates the Tokyu Fudosan

Holdings Group, and the passing on of that flexibility is supported by management that emphasizes the meaningfulness of work. Tokyu Hands, which was created as a new business segment in 1976, is symbolic of that spirit of challenge.

The strength of our organization is our “expertise and Group structure that produce unique businesses.” We shifted to a holding company structure in 2013, creating a flat, flexible organization.



Yuji Okuma
President and Representative Director
Tokyu Fudosan Holdings Corporation

The more than 100 Group companies that conduct unique businesses, and the approximately 20,000 Group employees, combine their capabilities through collaborative business under a unified Group strategy.

The strength of our business foundations is our “diverse assets and customers.” Under the reliable and trusted Tokyu brand, we own an exceptionally wide range of assets, including office buildings, commercial facilities, housing, hotels, resorts and fitness clubs, and provide services for people at every stage of life, from children to senior citizens.

■ **Medium- and Long-Term Management Plan “Value Frontier 2020: To Become a Corporate Group That Continues to Create Value”**

Stage 2 of the Medium- and Long-Term Management Plan Makes a Solid Start

In fiscal 2014, we announced “Value Frontier 2020: To Become a Corporate Group That Continues to Create Value,” our first medium- and long-term management plan since adopting the holding company structure. The second half of the plan period (stage 2) began in fiscal 2017.

For stage 2, we developed a strategy based on the materialities we identified and determined as priority issues for the Group, and formulated the four-year 2017-2020 Medium-Term Management Plan. The plan is centered on three growth strategies that will connect the Group’s combined strengths to the creation of solutions for social issues: 1) Urban development that proposes new lifestyles; 2) Expansion of the scope of

These three strengths are the driving force of our business operations, and the source of the value the Group provides in addressing social issues. Five years have passed since we shifted to a holding company structure, but I still believe that the diversity and uniqueness of our Group are outcomes of our dialogue with customers. From our abundant points of contact with customers, we are able to gain insight into their needs first-hand, and will fully leverage that advantage to continue providing value that goes beyond the bounds of physical structures.

cyclical reinvestment business; and 3) Reinforcing stock utilization. (See “Medium-Term Management Plan Based on Materialities” on page 14.)

Our financial targets for fiscal 2020, the final year of the plan, are operating profit of ¥93 billion, profit attributable to owners of parent of ¥42 billion, a debt/equity ratio of approximately 2.3 times and a debt/EBITDA ratio of approximately 10 times. In fiscal 2017, the first year, revenue and profit both surpassed the levels of the previous fiscal year and of the plan. Operating profit reached ¥77.5 billion, exceeding the plan by ¥4 billion. We thus got off to a solid start toward achieving the targets for fiscal 2020.

Continuing to Strategically Evolve Our Various Businesses

Next, I will explain our initiatives since the beginning of fiscal 2017, and their results.

Advancement of the Greater Shibuya Area Concept

In growth strategy 1, “urban development that proposes new lifestyles,” leasing of office buildings in the redevelopment of Shibuya proceeded faster than planned. Redevelopment projects to solve the shortage of quality office buildings in Shibuya are progressing steadily.

An acquisition of commercial facilities via a joint investment with Norges Bank, which operates one of the world’s largest government pension funds, contributed to the expansion of our associated assets in the greater Shibuya area. (See Feature 1 on page 22.)

Development of “Life Story Towns”

To promote interaction among generations and lifestyle continuity from one generation to the next, which is a pillar of growth strategy 1, construction of the Setagaya Nakamachi Project has been completed. This project is aimed at creating solutions for social issues related to daily life, such as childcare and the aging of the population through the development of a complex containing senior housing and condominiums for sale. In the Tokaichiba Project, the second phase, we are aiming to develop

a sustainable urban community where everyone can continue to live in comfort throughout their lives. (See Feature 2 on page 26.)

“Life Story Town” is the name we have given to our business of urban development that proposes new lifestyles shaped by housing. We have decided on the first four phases of such development, including the complex developments mentioned above. Based on the concept, “A new story for each lifestyle,” we will address social issues such as diversification of lifestyles and the desire for healthier living.

Investment in Renewable Energy Business

In growth strategy 2, “expansion of the scope of cyclical reinvestment business,” investment in the renewable energy business is outpacing our expectations. The Group now owns and operates 32 solar power and wind power generation facilities nationwide, including facilities under development. We are also cooperating with solar energy operators in solar sharing, which shares solar energy between agriculture and power generation. The renewable energy business is expected to grow significantly as demand for clean energy rises, and we plan to develop it into the third pillar of our asset management business alongside office buildings/commercial facilities and rental housing. (See Feature 3 on page 27.)

Reinforcing Businesses That Utilize Real Estate Stock

In growth strategy 3, “reinforcing stock utilization,” we have made growth in the Property Management segment and Real Estate Agents segment a fundamental strategy, based on the shift in the external environment from a flow economy to a stock economy. Tokyu Community Corporation established a renovation subsidiary, Tokyu Re•design Corporation, in 2017. All of the renovation business of the Tokyu Fudosan Holdings Group will be concentrated at this subsidiary, which will strengthen the business by conducting redesign to generate high added value.

Tokyu Livable, Inc. has launched GRANTACT, a real estate sales agent brand for high-grade condominiums in Minato-ku and Shibuya-ku. In addition, Tokyu Housing Lease Corporation is focusing on meeting the needs of wealthy residents of central Tokyo, including establishing a sales center specifically for high-end inner-city rental housing.

Growth of the Wellness Segment

In the Wellness segment, we are strengthening the hotel business to meet inbound demand (demand from visitors to Japan), where strong growth is expected. For example, we are expanding the number of Tokyu Stay urban-style hotels, which we are also steadily opening in cities other than Tokyo.

In addition, we are carrying out business expansion, such as the 2018 opening of resort hotels in Karuizawa and Okinawa in partnership with a foreign hotel brand. We intend to grow the Wellness segment into a new core business by 2020.



Synergy with National Students Information Center

We are taking steps to realize synergy at National Students Information Center, Co., Ltd., which the Group acquired in 2016. For example, we are developing student residences in the Residential segment, and Nasic I Support Co., Ltd., a subsidiary of the National Students Information Center, opened the “Scoutship” website for intern placement. The site uses artificial intelligence co-developed with Tokyu Land Corporation subsidiary Ewel, Inc.

We plan to create further synergy with the Group’s various businesses for schools and students, who are new customers. (See “Synergy among Our Businesses” on page 37.)

Steadily Executing Large-Scale Developments and Strengthening Our Financial Position

Gross investment over the four years of the medium-term management plan will be ¥1.23 trillion. In the development of Shibuya, the Nampeidai Project (tentative name) and the Dogenzaka 1-chome Shibuya Station Front Redevelopment Project are scheduled to be completed in 2019. In addition, the Takeshiba District Development Project (tentative name) will open in 2020. As these large-scale projects move forward on schedule, we will carry out investment and recovery through cyclical reinvestment in wide-ranging domains including office buildings and commercial facilities, rental housing, infrastructure and industry, and hotels and resorts.

The debt/equity ratio, a measure of financial soundness, was 2.6 times at the end of fiscal 2017, essentially the same as a year earlier, as the increase in interest-bearing debt for new investments was offset by an increase in shareholders’ equity. I recognize that strengthening our financial position is a priority issue for management in order to ensure the Group’s stable growth. We will steadily improve the debt/equity ratio to approximately 2.3 times, our target for the final year of the plan.

Deepening Dialogue with Shareholders and Investors

In our dividend policy, we seek to maintain stable dividends, and have set a dividend payout ratio target of 25% or higher.

We are returning the growth in profit mentioned in the medium-term management plan to shareholders, and in fiscal 2017 we increased the dividend for the fifth consecutive fiscal year. Given the favorable market conditions, we anticipate revenue and profit growth again in fiscal 2018, and are planning a sixth consecutive dividend increase.

The Company has introduced a stock-based compensation program for officers. The objective is to raise awareness regarding enhancement of corporate value over the medium to long term by having officers share the benefits and risks of changes in the Company’s stock price with shareholders. We plan to further deepen dialogue with shareholders and investors through company briefings and other events to build long-term ties and mutual trust.

Achieving Sustainable Growth with ESG Management

From the beginning, we have conducted our business with the creation of solutions for social issues in mind. One might say that we are a group that recognized ESG (environmental, social and governance) initiatives as a business strategy even before ESG investing became a focus of interest. Tokyu Land Corporation established a Basic Policy regarding the environment in 1998, and we undertook environmental initiatives early on. Today, we are promoting ESG management across the Group, guided by our Group CSR Vision: “We will work on creating solutions for social issues through our business activities and in the process enhance the satisfaction of stakeholders.”

In the medium-term management plan, ESG management is positioned as an initiative to reinforce the management foundations that support our growth strategies. We have formulated four themes from the perspective of ESG – environment, work-style reform, social needs, and corporate

governance – and are working toward achieving targets for each theme by fiscal 2020. (See “Reinforcing the Management Foundations That Support Growth Strategies” on page 29.)

In corporate governance, we are working to enhance the governance system based on our belief that it is important to increase management efficiency and build a sound, transparent management structure. The number of independent outside directors was increased to four in June 2018, comprising approximately 30% of the Board of Directors.

We consider environmental and social issues, such as conservation of energy through reduction of CO₂ emissions and the active involvement of women in the workplace, to be as important as financial matters, and strengthened management of such issues in the past year. Going forward, we will firmly maintain our stance of addressing social issues as a Group and achieve sustainable growth by thoroughly implementing ESG management.

Promoting the Health and Vitality of Each and Every Employee

As I often say, the source of the Tokyu Fudosan Holding Group’s value creation is unquestionably its human resources. The fact that our people generate value leads to the creation of new concepts and lifestyles beyond the bounds of physical structures, and is the reason we are able to create solutions for social issues through our businesses.

Recently, ESG has taken on greater importance in capital markets, and attention is also being focused on the value of human capital. These are ideas that we have long embraced. For example, Tokyu Land Corporation had a corporate culture of providing the same opportunities to both men and women even before Japan’s Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment went into effect, and we have actively taken measures to improve workplace environments and enhance our human resource development programs.

Our Group companies continue to carry out progressive initiatives. Tokyu Community Corporation and Tokyu Livable, Inc. received the highest level of *Eruboshi* certification, which is granted by the Ministry of Health, Labour and Welfare to recognize companies with excellent performance in promoting the active involvement of female employees. Tokyu Livable, Inc. placed 24th in the Best Workplaces 2018 ranking* compiled by Great Place to Work® Institute Japan. In health management, eight Tokyu Fudosan Holding Group companies were recognized as “White 500” companies in 2018 for their outstanding health and productivity management. We will continue to foster workplaces that promote employee health and vitality to ensure that the Group remains a supportive and meaningful place to work. (See “Work Style Reforms” on page 38.)

* The world’s largest employee attitudes survey, conducted by Great Place to Work® Institute Japan and covering more than 5 million employees at 7,000 companies in 50 countries



The Value Creation Story of Tokyu Fudosan Holdings

Pursuing Group Synergy for Sustainable Value Creation

In the five years since we shifted to a holding company structure, we have achieved notable results, including the reorganization of overlapping businesses. On the other hand, we recognize that there are Group management issues that still need to be addressed. For example, I think we still have room for improvement in personnel exchanges and creation of synergy within the Group. We need an environment for quickly creating value not just from the growth of individual companies, but from collaboration and co-creation in the Group as a whole. Going forward, we plan to accelerate efforts to create both tangible and intangible mechanisms to maximize synergy among businesses.

Enterprises that have a broad business scope like our Group has are sometimes at risk of being subject to a “conglomerate discount,” but I think having a business portfolio that can respond flexibly to changes in social issues and the external environment is, instead, effective for the Group’s long-term sustainable growth. To gain the understanding of investors and shareholders regarding this point, I carefully explain it as the spokesperson, and I intend to demonstrate it by achieving further management successes.

Leveraging Diversity to Create Value beyond the Bounds of Physical Structures

Looking at the Japanese real estate market, it is evident that the balance of supply and demand will inevitably shift to oversupply due to demographic changes resulting from the low birthrate and aging of the population. The risk that the value of real estate may decline in the medium to long term is more or less understood by stakeholders.

If that is the case, providing value that goes beyond the bounds of physical structures will become even more important. Our “Challenging DNA,” which originated with the development of Den-en Chofu, has expanded our revenue model from development and sale to include property management, real estate agents businesses, leasing, operation, and real estate asset management. Having gone through these transitions in our business development, we now have diverse assets and customers, which enable us to propose value that goes beyond the bounds of physical structures.

I believe the key to finding future business opportunities will be diversity. Recently, we have been carrying out measures for

diversity in connection with work style reform, but the diversity I am talking about refers not just to employees but to all stakeholders, including customers. In a society where values are diversifying, needs are also becoming fragmented, and in some situations we may no longer be able to meet them with existing business techniques. Previously, we largely practiced an “in-Group” approach because we could draw on the Group’s broad business scope, but we are now actively pursuing new collaborative initiatives with partners from outside the Group that have diverse knowledge and expertise. In Shibuya, for example, we have joined forces with a global venture capital firm to develop a startup support program, as well as other measures to create new industries. The greater Shibuya area incorporates various urban functions and attracts many different kinds of people. It is an area where the word “diversity” is truly apt. By combining new home, work and play styles, we hope to realize urban development that takes full advantage of Shibuya’s diversity.

Opening Up a New Era with Future-Oriented Management That Does Not Fear Change

One thing I have always valued is future-oriented management that does not fear change. Twenty years ago, the start of securitization dramatically changed the real estate business model. Ten years ago, the operating environment of the real estate business underwent another major change due to the global financial crisis. Having experienced such sweeping change in the industry structure over 10-year spans, what can we expect in the years ahead? We always look at changes in the environment with a long-term perspective, and will strive to continue creating value that society and customers need.

Discussions are currently under way on the Tokyu Fudosan Holding Group’s approach to the Sustainable Development Goals (SDGs) adopted at the U.N. Summit in 2015. If we can coordinate our new value creation with these development goals, we will be able to achieve further evolution.

Using the Group’s strengths as the driving force, we will steadily carry out the medium-term management plan to make our vision a reality through the creation of value for customers and society. My job is to advance our value creation story and pave the way for the next era. Through sustainable value creation, we will meet the expectations of our shareholders and investors.

1 Greater Shibuya Area Concept

The Tokyu Fudosan Holdings Group is conducting long-term, continuous urban development, of which the Greater Shibuya Area Concept is the leading example, while building deeper relations with local communities. Our goal is to create solutions for social issues with urban development that utilizes the strengths of the Group.

Promotion of the Greater Shibuya Area Concept

The Shibuya Station area and the collection of neighborhoods with unique character surrounding it, such as Omotesando, Harajuku, Ebisu and Daikanyama, are what we consider the greater Shibuya area. It is where most of the key properties of our Group and the Tokyu Group are concentrated. It also has many outstanding advantages – diverse urban functions including places for working, living, playing relaxing and engaging in creative activities, as well as a good living environment and convenient access. By connecting Shibuya and its surrounding neighborhoods, we will increase the potential of the greater Shibuya area as a whole and create a place where bustling

activity, culture and lifestyles blend with the streetscape. By shifting the focus of urban development from individual sites to the wider area and building a community that will grow sustainably over the long term, we will enhance the value of the greater Shibuya area, and of our associated assets.

Within this concept, we are carrying out three redevelopment projects. The Nampeidai Project (tentative name) and the Dogenzaka 1-chome Shibuya Station Front Redevelopment Project are scheduled for completion in 2019. These will be followed by completion of the Shibuya Sakuragaoka Block Redevelopment Project in 2023.



- 1 Dogenzaka 1-chome Shibuya Station Front Redevelopment Project
Completion: Fall 2019 (Planned)
- 2 Shibuya Sakuragaoka Block Redevelopment Project
Completion: FY2023 (Planned)
- 3 Nampeidai Project (Tentative name)
Completion: March 2019 (Planned)
- 4 Jingumae 6-chome Block
Open: FY2022 (Planned)
- 5 Q Plaza Harajuku
- 6 Tokyu Plaza Omotesando Harajuku
- 7 TENOHA DAIKANYAMA
- 8 Shibuya BEAM
- 9 GLASSAREA AOYAMA
- 10 Shibuya Minami Tokyu Building
- 11 Shin-Aoyama Tokyu Building
- 12 Minamiaoyama Tokyu Building
- 13 Spline Aoyama Tokyu Building Business-Airport Aoyama (Membership satellite offices)
- 14 Ebisu Business Tower
- 15 Dogenzaka Tokyu Building Plug and Play Shibuya powered by TLC (Incubation facilities)
- 16 SHIBUYA SCRAMBLE SQUARE
Opening: FY2019/FY2027 (Planned)
- 17 SHIBUYA CAST
- 18 SHIBUYA STREAM
- 19 SHIBUYA BRIDGE

Advantages of the Greater Shibuya Area

Concentration of IT firms Growth of creative content industries	Rich residential area Residents include embassies and foreigners	Major hub of commercial and cultural activity A district that attracts new trends	Good access Served by nine train lines including JR and private lines
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Addressing Social Issues through Redevelopment of the Shibuya Station Area

Modern cities in Japan are not well equipped to deal with the changes taking place in the environment, namely the rapid decline and aging of populations, diversification of values and lifestyles, and the growing risk of large-scale natural disasters. Amid major shifts in people's awareness and views on society, urban development needs to be carried out with a strong awareness of these social issues to make cities sustainable.

By redeveloping the Shibuya Station area, we are creating a community where people can continue to live with a sense of security, and establishing infrastructure for supporting business innovation. Through these and other outcomes of our urban development initiatives, we aim to create solutions for social issues and achieve the SDGs.

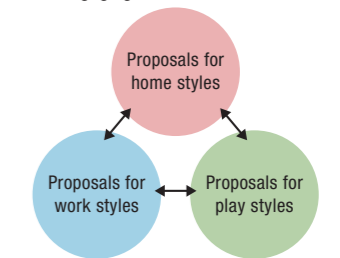
SDGs in the Redevelopment of the Shibuya Station Area



Greater Shibuya Area Concept

A town where diversity gives rise to new value

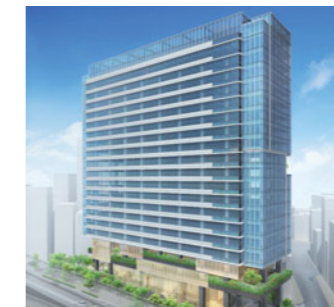
Various urban functions, including places for working, living, playing, relaxing and engaging in creative activities



Cooperation with communities and the government and generation of innovation

Nampeidai Project (Tentative name)

Total floorspace: Approx. 46,954 m²
 Building scale: 21 floors above ground and 1 basement level
 Use: Offices, etc.
 Completion: March 2019 (Planned)



Creation of a rare large-scale office building in Shibuya

Reconstruction on the site of four buildings, including the Shin-Nampeidai Tokyu Building, will create a large-scale office building that solves the shortage of office buildings in the Shibuya area.

An office building with abundant greenery that workers will enjoy

The rooftop Sky Garden, green terraces on each floor, and other greenery will provide open and comfortable spaces for workers.

Enhancement of creative content industries

Introduction of an incubation office will nurture new companies based in Shibuya.

Dogenzaka 1-chome Shibuya Station Front Redevelopment Project

Total floorspace: Approx. 58,970 m²
 Building scale: 18 floors above ground* and 4 basement levels
 Use: Retail stores, offices, etc.
 Completion: Fall 2019 (Planned)



A pedestrian network that connects the station to the surrounding urban area

Establishment of three-dimensional barrier-free pedestrian flow lines will facilitate vertical and horizontal movement around the area.

Establishment of Airport Limousine Bus arrival/departure points

Establishment of a bus terminal that includes arrival and departure points for the Airport Limousine Bus will provide comfortable, direct access to international airports.

Stronger disaster prevention functions and environmental initiatives

The project includes the introduction of support functions for people who may have difficulty returning to their homes after a disaster and an efficient, highly independent power supply system, as well as environmental measures such as rooftop greenery.

* 19 floors according to the Building Standards Act of Japan

Shibuya Sakuragaoka Block Redevelopment Project

Total floorspace: Approx. 252,870m²
 Building scale:
 Block A: 37 floors above ground and 4 basement levels
 Block B: 32 floors above ground and 2 basement levels
 Block C: 4 floors above ground
 Use: Offices, retail stores, residences, etc.
 Completion: Fiscal 2023 (Planned)



Connection of pedestrian flow lines of the southwest part of Shibuya Station

An urban core will enhance convenience, comfort and safety, and will eliminate the fragmentation of the area caused by differences in elevation and by railways and main roads.

Establishment of lifestyle support facilities for a global world

A multilingual international medical facility, serviced apartments, childcare support facilities and other services will provide an enriched residential environment.

Maintenance of community safety and security in the event of a disaster

The development will be equipped with temporary lodging facilities for people who may have difficulty returning to their homes, temporary living spaces, and a disaster stockpile warehouse.

A New Initiative with an Overseas Company Will Further Raise the Value of the Greater Shibuya Area

Acquisition of five commercial facilities in a joint investment with Norges Bank

In December 2017, Tokyu Land Corporation acquired and began operating five commercial facilities located in Jingumae, Shibuya-ku, and Minami Aoyama, Minato-ku as a joint investment with Norges Bank Real Estate Management of Norway. This joint investment has expanded the Tokyu Fudosan Holdings Group's associated assets in various ways. For example, the total rentable floor space of commercial facilities owned by Tokyu Land Corporation is now the largest in the Omotesando/Harajuku area.

Norges Bank has an established reputation for choosing investment targets with an emphasis on long-term growth and ESG factors. Tokyu Land Corporation became Norges Bank's first local partner in Japan in part because of its recognized track record in developing and operating commercial facilities over many years. A joint project with an overseas financial institution was also a new approach for Tokyu Land Corporation, and is significant in that it expands its options for future investment strategies and methods of acquiring properties.



The Jewels of Aoyama



The IceCubes

Implementing an acceleration program for startups with a global venture capital firm

The greater Shibuya area is a dynamic place that attracts people who have innovative technologies and ideas, and is filled with entrepreneurial opportunities. Based on these strengths, Tokyu Land Corporation launched the SHIBUYA Startup 100 project in October 2017 with the aim of concentrating startups and co-creating the next era in Shibuya. In collaboration with Plug and Play Tech Japan KK, one of the world's premier global venture capital firms, Tokyu Land Corporation will also build a new incubation facility to implement an acceleration program for startups. Going beyond providing and managing properties as a real estate company, Tokyu Land Corporation will also play a role in supporting the creation of new industries in the greater Shibuya area by providing diverse and comprehensive services.



Entrance



Co-working space

Providing world-class urban development with unique value creation



Shuzo Yokoyama

Operating Officer
Division Manager of Shibuya Project Division,
Urban Business Unit
Tokyu Land Corporation

We have been based in Shibuya since our inception, and have developed the area as an important hub. Shibuya today is a center for various kinds of entertainment, including movies, music and fashion, and has appeal that no other community can match. We are now combining our assets, such as the Group's office buildings, commercial facilities, residences and hotels, and a wide range of resources, to conduct urban development that will make Shibuya even more attractive.

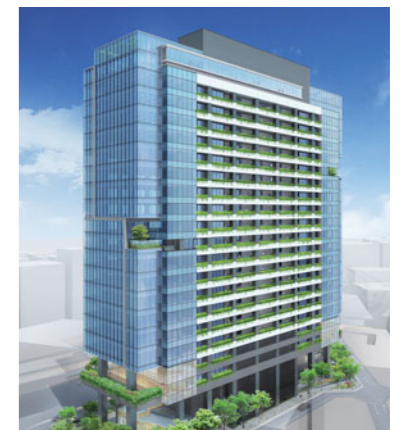
The massive redevelopment projects in the Shibuya Station area, which have been described as a once-in-a-century endeavor, differ from mere reconstruction of physical structures. They will incorporate various urban functions, including places for working, living, playing, relaxing and engaging in creative activities, and combine tangible and intangible features to inject new vitality into the entire area. In addition to office buildings and commercial facilities, the projects will include entrepreneurial support facilities to nurture creative content industries based in Shibuya, an international medical center with multilingual staff, serviced apartments, childcare support facilities, and more, to propose new work, home and play styles that are ahead of the times.

In the redevelopment currently in progress in the Shibuya Station area, we are conducting world-class urban development that draws on our three strengths – “diverse assets and customers,” “expertise and Group structure that produce unique businesses,” and “a culture that passes on and leverages our Challenging DNA” – in order to develop an ideal community, a concept we have been pursuing since the development of Den-en Chofu.

We will continue to enhance the value of the greater Shibuya area by shifting the focus of our development from individual sites to the wider area, starting with the redevelopment of the Shibuya Station area.



Dogenzaka 1-chome Shibuya Station Front Redevelopment Project (Artist's rendering)



Nampeidai Project (Tentative name) (Artist's rendering)

Redevelopment for Lifestyle Creation in the Shibuya Area

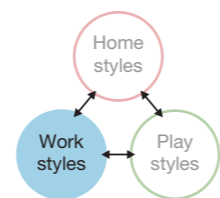
The population of residents and workers in the greater Shibuya area will increase with the progress of the projects in the area. In addition to proposing new work styles with the completion of the Nampeidai Project (tentative name) in March 2019, we will also offer new home styles and play styles with the opening of the Dogenzaka 1-chome Shibuya Station Front Redevelopment Project in fall 2019 and the Shibuya Sakuragaoka Block Redevelopment Project in fiscal 2023. As a result, we will bring diverse value to urban functions, including greater convenience and safety, and enriched residential and employment environments.

Proposals for New Work Styles

Nampeidai Project (Tentative name)

We will further evolve work style proposals to support the diverse work styles of tenant businesses.

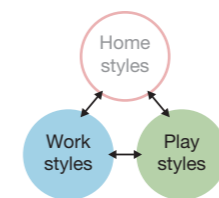
We plan to provide smart office buildings with software services that use IoT, as well as systems to support tenant businesses in their work style reforms and creation of office environments that promote high productivity.



Proposals for New Play Styles

Dogenzaka 1-chome Shibuya Station Front Redevelopment Project (Commercial facilities zone)

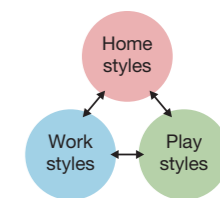
We are planning the new Tokyu Plaza Shibuya, which will send out and create ideas for new lifestyles targeting adult city dwellers with mature sensibilities. By providing solutions and experiences in various categories such as beauty, health, food and life planning, this modern commercial facility will be closely tied to the lives of customers.



Proposals for New Home Styles

Shibuya Sakuragaoka Block Redevelopment Project

This is a major project that will enrich the residential environment by building condominiums alongside attractive commercial facilities and office space. The development will feature world-class living support facilities, including a multilingual international medical facility, serviced apartments, childcare support facilities and other services.



2018

2019

2020

2023

2 Senior Housing Business

In its senior housing business, the Tokyu Fudosan Holdings Group works to enable senior citizens to enjoy “My own style, for All Time.” We operate a variety of businesses aimed at enhancing senior living. These businesses help create quality time and new happiness, in ways such as by providing housing where senior citizens can live with peace of mind.

Helping Senior Citizens to Enjoy Their Own Lifestyles for All Time

The Group has been engaged in the senior housing business for more than 10 years, starting with Grancreer Azamino, an assisted living residence that opened in 2004. We offer detailed support tailored to the wishes of each resident through independent living residences, assisted living residences and other forms of housing

in order to provide senior citizens with homes where they can continue to enjoy their own lifestyles for all time. In addition to housing, we provide services for senior citizens in their daily lives, such as in-home care and programs to prevent dementia.

Initiatives to Address Social Issues through the Senior Housing Business

In Japan, the aging of society is accelerating, with people age 65 or older accounting for more than 27% of the population. At the same time, there is a severe shortage in the supply of housing where senior citizens can continue to live comfortably with a sense of security. Moreover, partly because of the weakening of community bonds, there are many cases in which senior citizens and people who need long-term care live in isolation. The Group is applying the experience and expertise it has acquired over more than 10 years to support integrated community care and conduct initiatives to promote interaction among generations that include participation of community residents. We will continue to support the lifestyles of senior citizens so that everyone in the community, not just those who live in the housing the Group provides, can enjoy their own lifestyles for all time.

SDGs in the Senior Housing Business



Long-term urban development project to promote interaction among generations and lifestyle continuity from one generation to the next

In view of social issues such as interaction among generations and changes in life stages with the extension of healthy life expectancy, the Setagaya Nakamachi Project (Setagaya-ku, Tokyo), a complex consisting of senior housing and condominiums for sale, opened in 2017 based on the concept of promoting interaction among generations and lifestyle continuity from one generation to the next. This project involves development of a community where residents can continue to live in comfort, security and health no matter what life stage they are at. The project, which takes into account the needs of Japan’s aging modern society, including the need for a sense of security from having multiple generations living nearby and realization of diverse home styles in the same community, was the first to be selected in the Tokyo Metropolitan Government’s “Project to Establish Senior Housing with Services Combined with Ordinary Residences.”



Grancreer Setagaya Nakamachi (senior housing)



BRANZ City Setagaya Nakamachi (condominiums for sale)



Setagaya Nakamachi Festival (scene on a festival day)



Setagaya Nakamachi Festival (exploring the town)

3 Renewable Energy Business

We will work to harmonize the environment and economy through our businesses. One activity to make this environmental policy a reality is the renewable energy business. With its investments in this business, the Tokyu Fudosan Holdings Group will contribute to reduction of greenhouse gas emissions and an increase in the energy self-sufficiency rate.

Creation of New Economic and Environmental Value

“Expansion of the scope of cyclical reinvestment business” is one of our growth strategies. Part of that strategy is promoting investment in the renewable energy business as a new investment target. Investment in infrastructure, which includes the renewable energy business, is attracting increasing interest as a stable asset class that

is insulated from economic fluctuations and other external factors. It is gaining attention in the asset management business, as exemplified by the establishment of an infrastructure fund on the Tokyo Stock Exchange. By promoting the asset management business, we will create new economic value and new environmental value.

Initiatives to Address Social Issues through the Renewable Energy Business

Amid calls to reduce emissions of CO₂ and other greenhouse gases in the supply of energy, expectations are rising for renewable energy from solar and wind power. Renewable energy is not depleted with use because it is produced from natural phenomena. It also does not emit greenhouse gases. The renewable energy business, in addition to producing clean energy, contributes to local job creation and economic activity through the development and operation of power generation facilities.

SDGs in the Renewable Energy Business

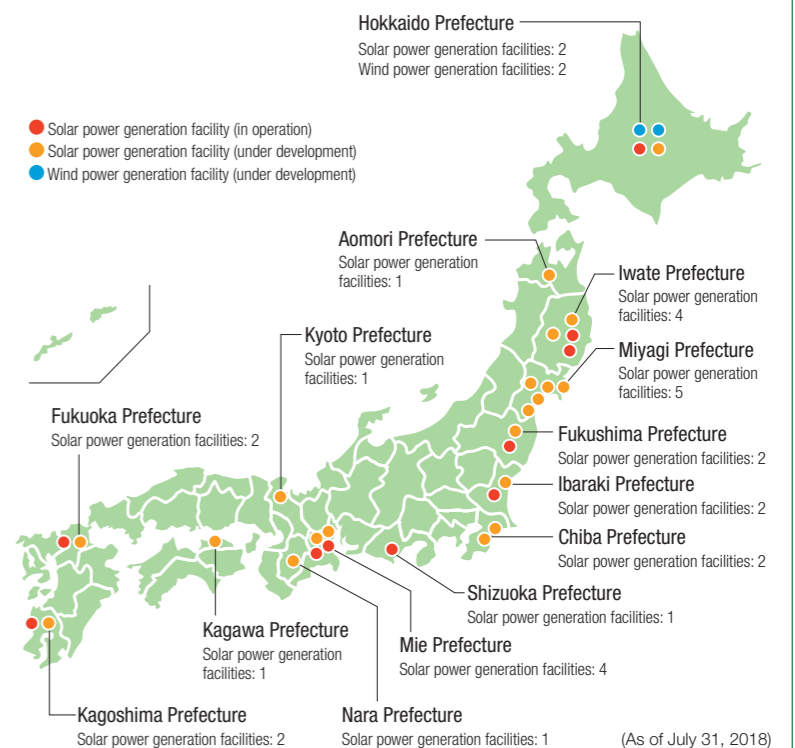


Development of the Renewable Energy Business in 32 Locations Nationwide

The Group first invested in a solar power generation project in 2014. In 2017, we entered into a capital and business alliance with Renewable Japan Co., Ltd., a renewable energy provider. In July 2018, through a joint investment with the Development Bank of Japan we began an ownership and operation business for seven projects that are either currently in operation or under development. With this investment, we are now involved in renewable energy business facilities in 32 locations throughout Japan (including projects under development).

Projects in various regions are moving forward, including the Suzuran Kushiro-cho Solar Power Plant (tentative name), which will be one of Japan’s largest solar power generation facilities equipped with storage batteries, and an innovative solar sharing business in Ichinoseki, Iwate Prefecture that will operate both a solar power generation facility and an agricultural business. We will continue to contribute to the realization of a sustainable society and regional development through our businesses.

Renewable Energy Business Map



Value Creation Strategy

Medium-Term Management Plan

Three Growth Strategies

The Tokyu Fudosan Holdings Group creates new value by leveraging a wide range of business operations and various contact points with customers to promote three growth strategies.



Urban Development Segment	<p>A Solid and Unique Urban Development Business at the Core of the Group</p> <ul style="list-style-type: none"> Create urban and area value through urban development in the greater Shibuya area, Takeshiba and elsewhere Expand the scope of cyclical reinvestment business to include infrastructure and industry 	▶ Page 30
Residential Segment	<p>Establish a Unique Presence in Domains That Make Use of the Combined Strengths of the Group</p> <ul style="list-style-type: none"> Expand the scale of business in domains where high added value can be generated, including city center development, redevelopment, complex development, and new businesses such as student residences Develop and sell rental housing for investors 	▶ Page 31
Property Management Segment	<p>Overwhelming No. 1 Comprehensive Property Management Company</p> <ul style="list-style-type: none"> Add a broad range of management stock including condominiums, office buildings, commercial facilities and public facilities such as public housing and airport terminal buildings Acquire additional business opportunities originating from currently managed stock 	▶ Page 32
Real Estate Agents Segment	<p>Real Estate Information Multi-Value Creator</p> <ul style="list-style-type: none"> Acquire business opportunities and expand business domains by evolving into a real estate brokerage business that provides value-added information Achieve three No.1 positions in the industry: in customer recognition, business competitiveness and meaningfulness of work 	▶ Page 33
Wellness Segment	<p>Secure Top Position in the Industry in the Wellness Domain</p> <ul style="list-style-type: none"> Expand scale by making use of development and management capabilities for Tokyu Stay and other hotels, senior housing, and other businesses Promote cyclical reinvestment business for hotels, resorts and other properties 	▶ Page 34
Tokyu Hands Segment	<p>No. 1 Brand for Lifestyle Creation Proposals</p> <ul style="list-style-type: none"> Propose products aligned with customer needs through consulting sales Transition to and reinforce a structure that can generate stable profits Strengthen the Tokyu Hands brand 	▶ Page 35
Innovation Business Segment (Overseas Business)	<p>Make the Most of Our Presence as a Comprehensive Developer in Overseas Business</p> <ul style="list-style-type: none"> Leverage our presence at the 425 Park Avenue Project in New York City to strengthen our business in the United States Strengthen business in Indonesia as the leading foreign-affiliated developer and expand business to other Asian countries 	▶ Page 36

Reinforcing the Management Foundations That Support Growth Strategies

Strengthening Measures to Generate Synergy among Businesses

We will maximize use of the Group's business foundation (stock, customer information, and human resources), acquire derivative business opportunities and create added value. To do so, we are

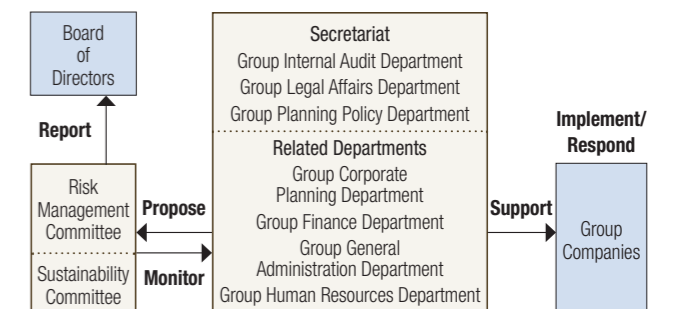
creating mechanisms to promote collaboration among our business segments and the generation of new initiatives.

▶ Page 37

ESG Management

The Tokyu Fudosan Holdings Group has positioned environmental, social and governance (ESG) initiatives as a key management issue for sustainable value creation. We identified Group materialities (key social issues) as background to the formulation of the 2017-2020 Medium-Term Management Plan and organized them into four themes from the perspective of ESG: corporate governance, work style reforms, social needs, and environment. We set KPI targets for each theme for fiscal 2020, the final year of the plan, and we are working toward achieving those targets across the entire Group.

Management Structure



Work style reforms ▶ Page 38 **Social needs** ▶ Page 41
Environment ▶ Page 42 **Corporate governance** ▶ Page 44

KPI Targets for Fiscal 2020

		Fiscal 2017 Results	Fiscal 2020 Targets
E Environmental	Environment	Reduce CO ₂ emissions	-24% compared to fiscal 2005 / 25% reduction compared to fiscal 2005
		Water use	-7% compared to fiscal 2005 / 25% reduction compared to fiscal 2005
		Waste emissions	+1.5% compared to fiscal 2005 / 25% reduction compared to fiscal 2005
		Acquisition of environmental certifications such as CASBEE and DBJ ¹	100% / 100%
		Green buildings (roofs, walls, etc.) ¹	100% / 100%
		Midori wo Tsunagu Project	1,303 ha / 2,000 ha
S Social	Work style reforms	Working hours (average overtime hours per month)	14.9 hours / (Internal target)
		Percentage of employees who undergo stress tests	90% / 100%
		Percentage of employees who undergo physical examinations	97.9% / 100%
		Percentage of female hires	40% / At least 30%
		Percentage of female managers	8.6% / (Internal target)
		Percentage of disabled employees	2.14% / 2.2%
G Governance	Social needs	Securing space for use during disasters ¹	100% / 100%
		Buildings certified under the Barrier Free Act ¹	100% / 100%
		Condominiums with stockpiles of disaster relief goods ²	100% / 100%
		Persons who have nursing care or other professional qualifications ³	75% / 80%
G Governance	Corporate governance	Number of outside directors	3/13 (approximately 23%) / At least 1/3 (approximately 33%)
		Board of Directors meeting attendance rate	98% / 100%
		Female directors	0 / At least one
		Strict adherence to the Compliance Code of Conduct	98% / 100%
		Awareness of the Compliance Helpline Counter	81% / 100%

1. Tokyu Land Corporation new large office buildings and commercial facilities
 2. Tokyu Land Corporation new condominiums
 3. Nursing care workers

Business Strategies

Creating cities that bustle with activity

Urban Development Segment

The Urban Development segment aims to be a solid and unique business at the core of the Group by providing optimal services for a variety of needs related to urban real estate such as development and management of office buildings and commercial facilities, complex redevelopment projects, real estate investment trust management, and management of rental housing.

Overview (As of March 31, 2018)

Office building floor space 592,000 m²/60 buildings	Commercial facility floor space 846,000 m²/31 buildings	Assets under management (AUM) ¥988.6 billion
No. of rental housing units under management* 128,000	No. of corporate housing units under management 90,000	

*Including student residences

Strengths	Excellent office building portfolio primarily in inner-city locations, development of unique facilities, and ability to drive business	Opportunities	Increasing needs for area development and changing work styles
Weaknesses	Insufficient large flagship buildings	Risks	Overheated investment environment and intensifying inter-area competition

Value Delivered and Future Strategies

In the Urban Development segment, we are improving the value of Tokyo as a global city through various urban development projects that maximize the potential of each area, including the greater Shibuya area.

At our office buildings, we provide safe, secure and comfortable working environments for businesspeople and offer support for work style reforms. At our commercial facilities, we communicate new culture and trends to consumers and offer support for enriching lifestyles. We deliver value to communities by helping to resolve various issues. This includes reinforcing disaster prevention functions through urban development and redevelopment, environmental initiatives including curbing CO₂ emissions, promoting renewable energy, and improving logistics efficiency.

The Urban Development segment is at the core of the Group. It develops, manages and operates many unique office buildings and commercial facilities. About 80% of the office buildings we operate are in the four central wards of Tokyo, and over half of our properties have been constructed since 2001. With more than 50 years of experience in commercial facilities, we are differentiated by flexible facility development that makes the most of location characteristics.

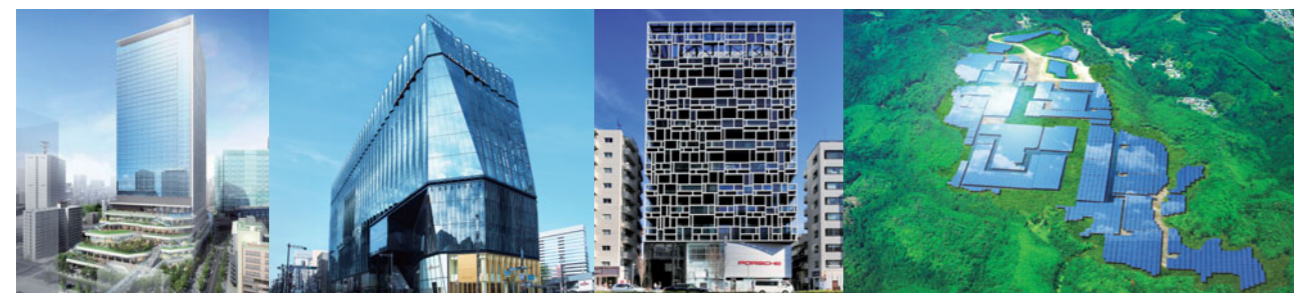
In recent years, competition among cities around the world and competition among areas in Japan have intensified. The Tokyu Fudosan Holdings Group carries out urban development in the

greater Shibuya area, Takeshiba and elsewhere in cooperation with governments and local residents to attract excellent companies and promote entrepreneurship, with the aim of improving area value.

By 2020, large-scale projects such as the Nampo-dai Project (tentative name), the Dogenzaka 1-chome Shibuya Station Front Redevelopment Project, and the Takeshiba District Development Project will open in succession. The development of the city through these flagship urban properties will generate stable cash flow. In addition, the number of units managed by the rental housing property management business is also growing steadily. We plan to increase the number of rental housing units managed by Tokyu Housing Lease Corporation and National Students Information Center Co., Ltd. from 128,000 units currently to 150,000 units by the end of fiscal 2020.

In the cyclical reinvestment business, which is one of our growth strategies, the Group will accelerate expansion of associated assets by broadening the scope of investment from office buildings, commercial facilities and rental housing to infrastructure and industry, areas where growth can be expected as a result of changes in the industrial structure.

We will actively pursue the realization of a sustainable society by promoting the renewable energy business and the development of logistics facilities under the brand name LOGI'Q.



Takeshiba District Development Project (Tentative name) (Artist's rendering) | Tokyu Plaza Ginza | Shin-Aoyama Tokyu Building | Solar power generation facility (Nara Prefecture) (Artist's rendering)

Shining a new light on housing

Residential Segment

The Residential segment offers comprehensive support for enriching the lifestyles of customers through the sale of high-quality, comfortable residential properties including condominiums.

Overview (As of March 31, 2018)

Number of condominium units sold in fiscal 2017
1,627

BRANZ Club members
Approximately 108,000

BRANZ **CAMPUS VILLAGE** **MAJES**

Strengths	Complex developments that make the most of comprehensive developer strengths and unified Group services for residents	Opportunities	Diversification of lifestyles, growing need for residences that are near workplaces, population movement into inner-city areas
Weaknesses	Business scale (number of units)	Risks	Rising cost of land acquisition and construction for business use

Value Delivered and Future Strategies

In the Residential segment, we build housing that responds to societal changes, such as the aging of the population, the declining birthrate and diversification of lifestyles. In addition, we contribute to local communities in ways including disaster countermeasures, revitalization of communities, and initiatives to conserve energy and the environment.

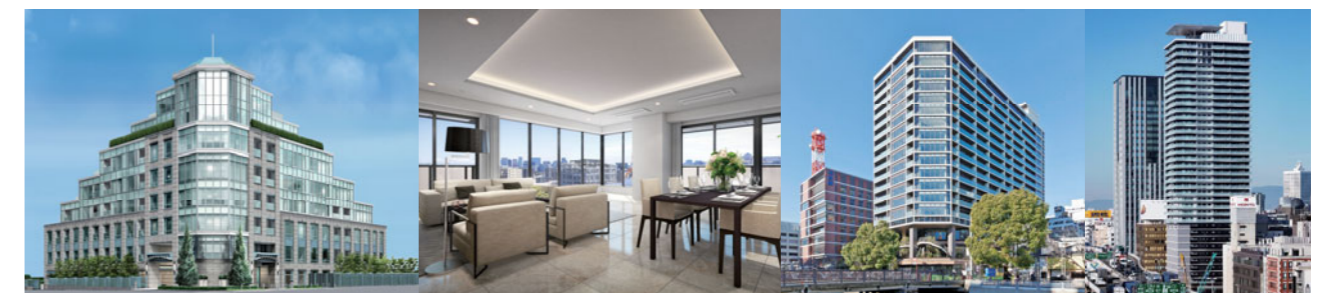
Since the completion of the industry's first houses built for sale, Tokyu Skyline, in 1958, we have provided home buyers with timeless designs and residences and services that support safe, comfortable and high-quality living. Our BRANZ series embodies the collective experience and insight that we have cultivated in multi-dwelling residences. We deliver value to local communities through redevelopment that contributes to safety, security and comfort in ways such as improving disaster prevention in areas with high wooden housing density, remodeling and renovating aging condominiums, and revitalizing communities. In addition, we contribute to building up superior housing stock over the long term by improving landscaping through better designs and greenery and by reducing CO₂ emissions.

In the Residential segment, we aim to leverage the combined strengths unique to the Group to establish a distinctive presence in the industry. The condominium business underpins these efforts. The Group's system for providing integrated planning, sales, property

management and after-sales service helps to improve brand strength.

The housing market environment is constantly changing due to economic trends, national economic policies, personal consumption trends, and the like. In tandem with the development of inner city properties, which is a Group strength, as part of our growth strategies we are carrying out urban development that promotes interaction among generations and lifestyle continuity from one generation to the next. Our objective is to secure a stable earnings base that is resilient to changes in the operating environment. Specifically, in complex developments that include condominiums, senior housing, commercial facilities and other components, we are developing "life story towns" that provide services that integrate tangible elements and associated services. In this way, we are working to foster links with communities and respond to social needs for diverse living styles and healthy living.

In addition, National Students Information Center Co., Ltd., which handles management of student residences in major metropolitan areas, joined the Group in 2016. In 2017, we established the CAMPUS VILLAGE brand for our student residence business, and are actively engaged in development.



BRANZ Roppongi The Residence (Artist's rendering) | BRANZ Rokuban-cho (Model room) | BRANZ Yokohama (Completed in 2018) | BRANZ Tower Midosuji Honmachi (Completed in 2017)

Providing lifelong support for buildings and customers

Property Management Segment

The Property Management segment contributes to building up quality social stock by providing total real estate-related support, including maintenance, operation and repairs for condominiums, office buildings, commercial facilities and public facilities. We aim to be the overwhelming No. 1 comprehensive property management company.

Overview (As of March 31, 2018)

No. of condominium units under management 822,231 (No. of condominium units under comprehensive management included in the above: ¹ 520,390)	No. of public housing properties under designated management 205,856 ³
No. of buildings and other properties under management (including designated management properties and PFI ² properties) 1,500	Number of engineers 1,554

1. Entrusted by condominium management associations 2. Private finance initiative 3. As of April 1, 2018

Strengths Top-class in its industry for the number of properties under management, broad scope of management and human resources with advanced technical skills and expertise	Opportunities Growing demand for repairs and renovations and development and outsourcing of public projects to the private sector
Weaknesses A business model that makes rapid growth difficult	Risks Securing a workforce, intensification of competition in condominium replacement and decline in the number of new condominium units built for sale

Value Delivered and Future Strategies

In the Property Management segment, Tokyu Community Corporation is responsible for building up quality social stock through total real estate management support that includes management, operation and repair for various buildings and facilities such as condominiums, office buildings, commercial facilities and public facilities based on real estate management know-how accumulated over roughly half a century. For condominium residents, while contributing to the creation of high-quality living environments, we strive to maintain and improve asset value and to optimize management costs. Through these services, we support the formation of communities with multigenerational residents. For office building owners, we provide detailed management services according to the individual characteristics of each building by making full use of our proposal capabilities that are based on our experience and know-how in managing a variety of buildings. We will contribute to maintaining and improving asset value and maximizing revenue by providing services on a one-stop basis, such as timely and appropriate repair proposals and entrusted management.

While the supply of new condominium units is declining in Japan, private outsourcing for public facilities and services is expected to increase and repair and renovation demand is expected to rise in conjunction with the aging of condominiums and office buildings. Given these circumstances, by achieving an overwhelming No. 1

status in customer satisfaction and trust, technical capabilities, labor environment, and business fields and productivity, the Property Management segment aims to secure high-quality management resources that are essential for maintaining and expanding its businesses, such as sales data and human resources.

As a future strategy, we intend to expand business by building up stock of various managed properties such as condominiums, office buildings, commercial facilities and public utility assets. In condominiums, we will accelerate the expansion of replacement orders by taking advantage of the brand strengths of Tokyu Community Corporation and Community One Co., Ltd. In office buildings and other areas, we will step up our advance into airports and logistics facilities. We will also use the existing stock of managed properties to expand the construction business for the common and occupied areas of condominiums and increase the occupied area service business.

Based on its philosophy that "employees are the most important management resource," Tokyu Community Corporation is working to secure its workforce, maintain and improve employees' physical and mental health, and create a comfortable workplace. For example, it has expanded its retirement age extension system and earned recognition as a "White 500" company with outstanding health and productivity management from the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



Sendai Airport Terminal Building Nippon Seinenkan Futako Tamagawa Rise Ogasayama Sports Park (Ecopa Stadium)

Connecting customers and real estate

Real Estate Agents Segment

The Real Estate Agents segment addresses diverse customer needs in real estate transactions by using the combined strengths it has nurtured in a broad range of businesses, including real estate brokerage, consignment sales and real estate sales, to offer an advanced service menu and optimal solutions as a real estate information multi-value creator.

Overview (As of March 31, 2018)

Tokyu Livable, Inc. network 182 locations in Japan and 3 overseas locations	Fiscal 2017: Total amount of transactions ¥1,315.6 billion
No. of real estate agent sales staff 1,477	Fiscal 2017: No. of units sold* 728

*Including purchased, resold and newly developed units



Strengths Strong brands, wide-ranging customer contacts, extensive real estate transaction information and broad scope of business unmatched by other companies	Opportunities Expanding transaction market for existing residential properties, and continuing strong purchasing environment due to low interest rates
Weaknesses Business model susceptible to the real estate market (prices)	Risks Reduction in the value of the information we provide and of our ability to match buyers and sellers due to greater use of the Internet and artificial intelligence

Value Delivered and Future Strategies

As the population and birthrate decline and the population ages, the Real Estate Agents segment contributes to vitalizing transactions for existing residential properties as social stock. Tokyu Livable, Inc., which is responsible for the Real Estate Agents segment, aims to be a real estate information multi-value creator that uses its extensive information contact points and broad business scope. It aims to achieve three No.1 positions in the industry: in customer recognition, business competitiveness and meaningfulness of work. We continue to deliver diverse value to customers by leveraging our wide-ranging service menu that includes real estate brokerage, rental brokerage, real estate sales and consulting to provide value-added information that meets needs related to selling, buying, renting and operating real estate, among others.

Throughout its 46-year history, the Real Estate Agents segment has created advanced services and businesses unique to the Tokyu Fudosan Holdings Group, and today it boasts real estate agent transaction volume and value that are top class in the industry. However, customer behavior is diversifying due to the emergence of information provision and new methods for matching buyers and sellers via the Internet and artificial intelligence. We will therefore respond to the needs of customers by reviewing the value provided by the existing Real Estate Agents business to evolve into a Real Estate Agents business that provides value-added information by

taking advantage of wide-ranging information contact points and a broad business scope.

As future initiatives, we will open new outlets nationwide to expand the scale of our business, broaden its scope by taking on operational assets such as logistics facilities and hotels and non-residential products, and continue to differentiate ourselves from competitors with unique services and branding strategies. In this way, we will achieve the three No.1 industry positions, which will enable us to continue proposing new value that only a real estate information multi-value creator can deliver.

Human resource development is essential to achieving the three No.1 positions in our industry and to becoming a real estate information multi-value creator. Tokyu Livable, Inc. incorporates systematic education and training programs aimed at acquiring excellent business manners and customer service skills. We are also implementing various measures to achieve the No. 1 position in meaningfulness of work. Great Place to Work® Institute Japan, which conducts surveys to evaluate whether companies meet or exceed globally shared standards, ranked Tokyu Livable, Inc. 24th in the Large Enterprise Division (more than 1,000 employees) in its Best Workplaces 2018 ranking. Tokyu Livable has also received the highest level of Eruboshi certification based on the Act on the Promotion of Women's Participation and Advancement in the Workplace.



With the goal of improving mindshare, we strengthen branding and use media such as television commercials featuring celebrities.

Office of GRANTACT, a real estate sales agent brand for high-grade condominiums in Minato-ku and Shibuya-ku

Providing quality time and experiences

Wellness Segment

Aiming for the top position in its industry, the Wellness segment helps customers create high-quality time through cross-business collaboration in the fields of leisure, health and senior citizens by developing and managing resorts, leisure facilities, sports clubs and senior housing.

Overview (As of March 31, 2018)

Hotels	Membership resort hotels included:	Golf courses	Ski resorts
49 hotels/6,082 rooms	24 hotels/2,578 rooms	20	8
Senior housing	Members-only fitness clubs	No. of consignment welfare members	
16 facilities/1,332 units	34 outlets/97,000 members	Approximately 3.74 million	

Strengths	Varied asset portfolio, strong brand presence and operating know-how as an industry leader, and a rich variety of contacts with customers	Opportunities	Expanding senior-related and inbound demand
Weaknesses	Weather-sensitive business model (hotels and resorts)	Risks	Labor shortage (decline of the working age population)

Value Delivered and Future Strategies

In the Wellness segment, through asset development and operation we aim to respond to the demands of a new era by helping to solve problems caused by the aging of the population, and by contributing to regional revitalization, while proposing new lifestyles that will lead to a better way of living.

For customers who use our resort facilities, we provide experiences and quality time throughout the year by creating comfortable spaces and environments that transcend everyday life. In the fitness club business, we meet members' needs for maintaining and promoting physical and mental health and extending healthy life expectancy. For senior housing and assisted living facility residents, we provide a full array of services geared to senior lifestyles, as well as caregiving, nursing and other health-related services for peace of mind to help overcome or ease concerns about the future.

In its Wellness business, the Tokyu Fudosan Holdings Group has a history of developing and operating diverse leading-edge facilities and services, and stands out in the real estate industry for its distinctive approach. Our results have been improving steadily, driven by factors such as the arrival of the super-aged society, which has been called "the era of living to 100 years old," increasing awareness of health among the general population, expansion of the wealthy class and inbound demand, and growth of investment in hotel and health care-related operational assets.

In this favorable business environment, our strategy is to capture the benefits of being a forerunner to secure the top industry position in the wellness domain, based on the resources of urban hotels and resorts and senior housing, and the health business that we have pioneered as a comprehensive developer. In line with this strategy, we are working to build businesses that leverage the development and management capabilities and broad menu that we have cultivated over many years, and construct mechanisms for benefitting from economies of scale. Specifically, we are working to manage the entire area where a facility is located and create opportunities for complex businesses that extend beyond our own facilities. We plan to respond to the difficulty of hiring people – an industry-wide problem caused by Japan's labor shortage – by combining multiple measures such as using IT and labor-saving tools and developing multi-skilled human resources. Furthermore, by considering the cyclical reinvestment business, we plan to grow the Wellness segment into the Group's fifth revenue pillar (new core business) by fiscal 2020.



Tokyu Harvest Club Karuizawa & VIALA (Opened in 2018)

Hyatt Regency Seragaki Island Okinawa (Opened in 2018)

Tokyu Sports Oasis

Making life fun

Tokyu Hands Segment

Under the banner of its "hint market" brand slogan, Tokyu Hands is aiming to establish the No. 1 brand for lifestyle creation proposals by offering an extensive and diverse range of products to customers as a means of helping them establish their own individual lifestyles, thus providing "hints" that enrich life.

Overview (As of March 31, 2018)

No. of stores	No. of Hands Club members
79 (49 Tokyu Hands stores, 22 hands be stores, and 8 other specialty stores*)	Approximately 4.7 million



*hands café and HANDS EXPO

Strengths	Unique, powerful brand and identity, a rich product lineup and staff with a wealth of product knowledge	Opportunities	Increasing emphasis on lifestyle, increasing consumption of experiences, and increasing inbound demand
Weaknesses	A business model that is easily affected by the presence of competitors	Risks	• Reduction in sales share of brick-and-mortar stores due to expansion of e-commerce • Increase in showrooming and number of imitators, and intensification of competition

Value Delivered and Future Strategies

Customers of the Tokyu Hands segment are general consumers, especially those who want to make their daily lives richer and more convenient and those who want to enjoy their hobbies and interests. Tokyu Hands offers these customers three types of value: products (full lines of reliable products), experiences (a place for discovering exciting hints), and people (reliable staff with a wealth of product knowledge). Utilizing these three types of value (strengths), the Tokyu Hands segment proposes products that meet customers' needs and provides consulting sales that help resolve issues in areas such as lifestyles and hobbies.

The Tokyu Hands segment boasts overwhelming brand strength and is positioned as a business that helps improve the added value of the Tokyu Fudosan Holdings Group. The business environment is challenging, with many competing companies and, in recent years, factors including the accelerating proliferation of e-commerce. On the other hand, the Tokyu Hands segment will promote product and service measures that respond to contemporary changes such as expansion of inbound demand and growth in the market for do-it-yourself (DIY) projects and other experiences due to an increase in leisure time resulting from the government's work style reform initiative. The segment's goal is to become the No. 1 brand for lifestyle creation proposals and transform its profit structure.

With regard to merchandising, we are making particular efforts to

reinforce the Tokyu Hands brand message through measures such as establishing a specialized department for private brands. At the same time, we are promoting transformation to a structure that can generate stable profits by raising workflow efficiency largely through investment in IT and digitalizing forms to restrain fixed costs and enhance work style efficiency.

We are moving forward with our store opening strategy by carefully selecting locations, including overseas, that attract more customers. In addition, by replacing existing stores and closing stores with low profitability, we are working to steadily raise our earnings capacity, and at existing stores we are striving to expand our contact points with customers by strengthening initiatives tailored to the customer base of each region.

The people who are responsible for the stores are the source of the Tokyu Hands brand power, so to develop them we are working to pass on and improve customer service skills and product knowledge by utilizing senior employees with proposal capabilities and a wealth of knowledge. Meanwhile, in order to address the problematic shortage of human resources, we are working to enhance and expand work systems that accommodate diverse work styles and improve the efficiency of work in order to create an environment where the employees who sustain the Tokyu Hands brand can have a long and secure career.



Tokyu Hands Sapporo Store (Relocated and opened in April 2018)

Senior employee with a wealth of product knowledge

The "Hi! Tenshu" project at Tokyu Hands Shinjuku Store, in which specialists in various fields are shopkeepers

Developing new fields

Innovation Business Segment

The Innovation Business segment develops overseas businesses, and creates and promotes new business fields, such as custom-built houses, detached house renovation projects and greenification. In overseas operations, we aim to exhibit our presence as a comprehensive developer.

Overview: Overseas Business (As of March 31, 2018)

Global expansion of the real estate business

United States, Indonesia, China

No. of units currently under construction as a part of condominium complex development projects in Indonesia*

Approximately **4,400**

* Includes certain joint business activities

Strengths	Development know-how cultivated in Japan and strong presence as a foreign-owned developer (Indonesia)	Opportunities	Potential for business development in Asian countries where economic growth continues
Weaknesses	Limitation of overseas development and recognition to only a few countries	Risks	Political risk, deterioration of circumstances overseas, including war, conflict or terrorism, and sudden fluctuations in exchange rates

Value Delivered and Future Strategies: Overseas Business

The Innovation Business segment is made up of the overseas and affiliate operations of Tokyu Land Corporation. In this segment, we are evolving our business model to create new demand in Japan and overseas and leveraging the unique strengths of the Tokyu Fudosan Holdings Group to generate growth opportunities.

We are promoting businesses that make full use of the development know-how we have cultivated in Japan. We are currently focusing on the United States, where stable growth is forecast. In Asia, where rapid growth is ongoing, we are particularly focused on Indonesia. In the United States, we invest to add value and operate in the office building redevelopment business. We supply properties that are aligned with investor needs, and provide high-grade office space with excellent environmental performance. In Asia, where urbanization is progressing, we will contribute to a better quality of life for residents by providing high-quality Japanese-style living spaces and services, while helping to create employment through our businesses.

One of our themes going forward is to quickly establish a stable business foundation in the United States. To do so, we will leverage the presence we exhibit by first steadily implementing the 425 Park Avenue Project in New York City's Manhattan borough, through

which we will accumulate know-how. Stable growth in the United States is considered a major growth opportunity for the Group, so we intend to further strengthen our business from the perspective of asset allocation.

Another theme is to strengthen our business in Indonesia through the establishment of development, supply and sales systems for stabilizing sales of housing. Since entering Indonesia in 1975, the Group has achieved solid results and established a strong reputation by developing detached housing. We are currently focusing on the development of luxury condominiums in the BRANZ series, as we are in Japan. These efforts have been praised, and PT. Tokyu Land Indonesia was selected as one of Indonesia's top 10 developers in 2017 by BCI Asia. BCI Asia has been recognizing developers in seven Southeast Asian countries since 2011, and this was the first time that a foreign-affiliated developer was selected in Indonesia. Going forward, we will generate profits through the stable supply of condominiums with the aim of establishing our presence as the leading foreign-affiliated developer.

Furthermore, we are considering new development possibilities in other Asian countries based on factors including country stability and market transparency.



425 Park Avenue Project (New York, USA) (Artist's rendering)

BRANZ BSD (Indonesia) (Artist's rendering)

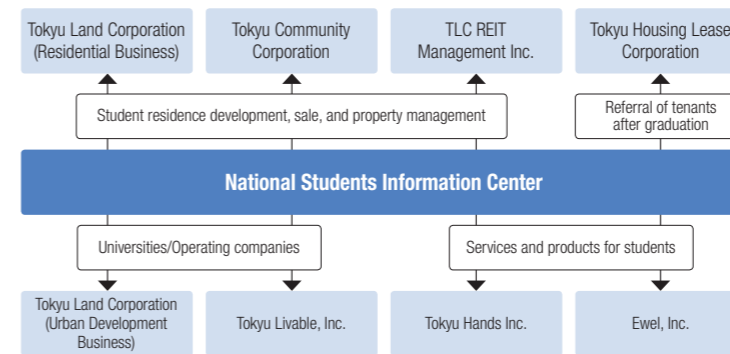
Puri Botanical Project (Indonesia) (Artist's rendering)

Synergy among Our Businesses

The Group leverages its resources (housing stock, customer information and human resources) to generate synergy. In doing so, we also utilize external resources to complement our own resources and to increase added value.

Initiatives to Generate Synergy from National Students Information Center Customers

Synergy with National Students Information Center



Initiatives at National Students Information Center Co., Ltd., which joined the Group in 2016, exemplify synergy creation. This company develops student residences in major metropolitan areas and has a wealth of contacts with students, educational institutions and condominium owners, which enables it to offer students employment support through part-time job referrals and internships. Collaboration with its previously established businesses allows the Group to work together, from the development of student residences to management and operation.

In addition to growing our Urban Development and Residential businesses, we will work to acquire derivative business opportunities in this new student-related market.

CAMPUS VILLAGE: A Student Residence Series from Tokyu Land Corporation

CAMPUS VILLAGE

CAMPUS VILLAGE Shiinamachi (Toshima-ku, Tokyo) is the first student residence developed by Tokyu Land Corporation. It is managed and operated by National Students Information Center Co., Ltd. It was completed in January 2018 and tenants began moving in during March 2018. Based on the concept of safe and secure living environments that offer a new lifestyle to students who will be society's next leaders, we are differentiating the series in ways such as promoting community development and introducing the WELBOX welfare service of Group company Ewel, Inc.



CAMPUS VILLAGE Shiinamachi (Completed in January 2018)

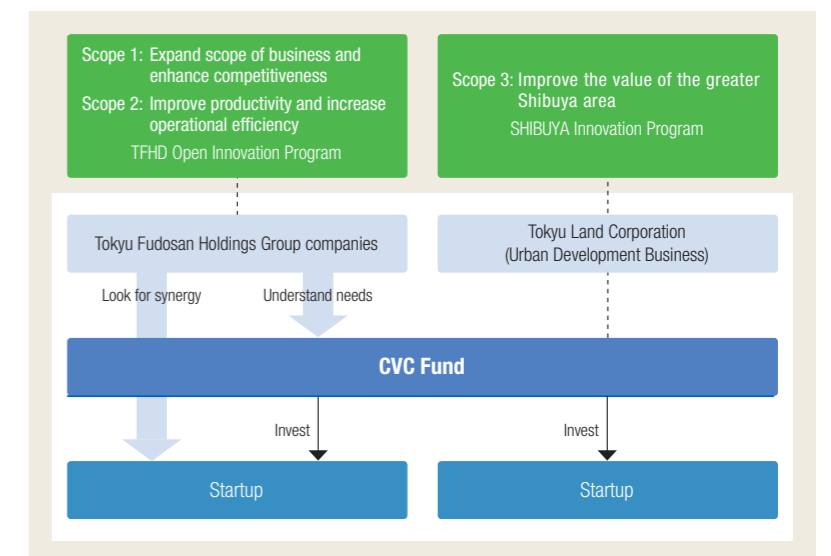
Initiatives to Generate Synergy Using Corporate Venture Capital

The Group has embraced the concept of open innovation and promotes initiatives funded by corporate venture capital (CVC), based on cooperation with external professional institutions.

We are deepening collaboration with entrepreneurial startups. The Tokyu Fudosan Holdings Group launched the TFHD Open Innovation Program in 2017 with a view to expanding the scope of business, enhancing competitiveness, improving productivity and increasing operational efficiency. At the same time, Tokyu Land Corporation launched the SHIBUYA Innovation Program from the perspective of improving the value of the greater Shibuya area.

Through these two programs, we will make flexible investments in entrepreneurial startups, form business alliances, and provide hands-on support to expand the scope of business and create synergy.

CVC Scheme



Work Style Reforms

In order to achieve sustainable growth, we believe that meaningfulness of work strengthens organizational capabilities. We are therefore reforming work styles with the aim of creating a vibrant workplace where all employees can take full advantage of their abilities.

Basic Approach

The Tokyu Fudosan Holdings Group believes that creating workplaces where each employee can work to the best of his or her abilities with enthusiasm and in good health is crucial for sustainable corporate development. To this end, the Group is proactively undertaking work style reforms with the five priority themes of diversity and inclusion, work-life balance, engagement, human resource development, and health management. Our aim is to create a group of companies that facilitates work and makes it meaningful.

Management Structure

- Established the Sustainability Committee under the direct authority of the President and Representative Director to manage various work style reform programs on a Group-wide basis.
- Numerical targets are set and progress in achieving KPIs is monitored for key issues.
- Information relating to occupational health and safety is shared through the Group Labor Liaison Committee.
- Annual stress checks are conducted.
- Physical examinations are performed.

Division with Authority and Responsibility
Group Human Resources Department

Initiatives and Progress by Theme

Diversity and Inclusion Initiatives

The ability of the Group as a whole to provide products and services that match customers' life stages through a wide array of businesses and diverse points of contact with customers is a strength of the Group. To accelerate the proposal of new home, work and play styles, we also recognize the importance of using the diversity of our human resources and its acceptance (inclusion) to enable each and every employee to work to the best of his or her abilities.

We established the Diversity Council in fiscal 2015 to promote information sharing and diversity across the Group. Regarding the active involvement of women, Tokyu Land Corporation, Tokyu Community Corporation, Tokyu Livable, Inc., Tokyu Hands Inc. and Tokyu Lease Corporation have set the shared goal for new graduate female hires of at least 30% of total new graduate hires, and we are working to achieve this and other KPIs. Furthermore, to promote the progress of female employees, including female managers, we monitor the progress at each Group company and are moving forward with the introduction of an interview system and a mentoring program for people who are taking childcare leave. As a result of these efforts, the Group has been selected as a constituent of the MSCI Japan Empowering Women Index. In addition, Tokyu Community Corporation and Tokyu Livable, Inc. received the highest of the three levels of *Eruboshi* certification, which is granted by the Minister of Health, Labour and Welfare to companies making excellent efforts to promote the active involvement of female employees based on the Act on the Promotion of Women's Participation and Advancement in the Workplace.

MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN)



Livable Kids Room in-company daycare center

In employing people with disabilities, we disclose employment rates from the viewpoint of compliance-based management and promotion of diversity, and use labor audits to check the progress of each operating company toward the statutory employment rate. In addition, for managers at Group companies we conduct training on employment of people with disabilities and are promoting working environments that enable their active participation.

Value Creation and Work-Life Balance Initiatives

The Group's reason for existence is to propose new home and work styles. The ability of our employees to choose different work styles and achieve work-life balance supports our ability to create new value.

In order to make full use of each individual's ability to generate value, we need to establish working environments and systems that facilitate work and make it meaningful. Tokyu Land Corporation, Tokyu Community Corporation, Tokyu Livable, Inc. and Tokyu Housing Lease Corporation have introduced a telework system that uses IT to enable flexible work styles regardless of location or time. In fiscal 2017, these companies participated in a national campaign called Telework Day that was



Working Mothers information exchange meeting for employees taking childcare leave

promoted by organizations including the Ministry of Internal Affairs and Communications. Their employees worked at home, at shared satellite offices and elsewhere. Response was favorable, including comments such as "I lessened my fatigue by not having to ride a crowded train," and "I was able to focus on tasks that are often time-consuming, such as reading difficult materials." We are also promoting trial use of the satellite office "Business Airport" developed by Tokyu Land Corporation, and are accelerating teleworking.

Working hours are a related KPI. We monitor and confirm progress at each Group company with labor audits, and the information is shared with the Group Labor Liaison Committee. We also report on overtime to management and are implementing measures to reduce overtime, such as shutting down PCs.

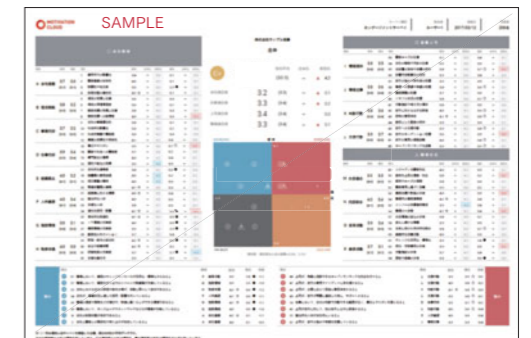
Initiatives to Increase Employee Engagement

In order to increase our organization's ability to execute and make that ability a source of growth and a competitive advantage, it is important to create a highly productive organization in which all employees take full advantage of their respective strengths with shared purpose. The Group is focusing on improving employee engagement because without such efforts it cannot create such an organization.

Conventionally, it has been difficult to quantitatively measure organizational state and organizational activities. However, in February 2018, Tokyu Land Corporation introduced an employee survey (an engagement survey) as a first attempt. By visualizing the

state of employee engagement (degree of mutual understanding and mutual affinity between company and employee), we aim to continue the PDCA cycle for organizational improvement with the goal of creating an organization and workplaces that make employees feel the meaning of what they do. Based on the 900-employee survey, we are particularly focused on improving penetration of our corporate philosophy at workplaces. We plan to use workshops for the executive managers of all departments to create a narrative about Tokyu Land Corporation's reason for existence and its mission, and to implement measures to inculcate our corporate philosophy in frontline employees in each workplace.

Meanwhile, Tokyu Livable, Inc. was ranked 24th in the Large Enterprise Division (more than 1,000 employees) in Best Workplaces 2018. It has set Company-wide goals and aims to be the real estate transaction industry's No. 1 company to work for through efforts to improve the measures formulated by each department to make work more meaningful, as well as to improve the personnel systems and policies that support them.



Engagement survey and PDCA cycle

Specific Initiatives to Increase Employee Engagement

We have reformed our organizational culture and changed our targets to improve organizational capabilities and encourage employees to take on challenges. Going forward, it will be important to further increase employee engagement in order to create an organization that can flexibly address change and encourage employees to take on challenges more readily. To that end, it is indispensable for both a company and its employees to understand and trust each other, and to unite across departments.

The engagement survey conducted in fiscal 2017 enabled us to visualize our strengths and weaknesses, and deepened discussions with management concerning company ideals. Going forward, general managers who are key to companies and organizations will work on improving employee engagement by formulating and implementing action plans in their respective departments.



Akiko Enokido
Executive Manager
Human Resources Department
Tokyu Land Corporation

Human Resource Development Initiatives

In order to generate innovation that enables diverse lifestyle value creation, the Group actively promotes the development of each and every employee's capabilities.

For growth through open innovation, we are strengthening collaboration with innovative entrepreneurial startups in Japan and overseas and developing human resources capable of responding flexibly while incorporating different ideas.

In addition, we provide various training opportunities, including human resource development programs that enable employees to acquire skills directly applicable to business, as well as Group-wide new employee training and coaching to cultivate broad perspectives. We also have a wide range of programs such as selective level-based training and elective training so that employees can develop their careers and acquire comprehensive business skills. In addition, we energetically engage in personnel exchanges along with joint training to provide an understanding of personnel-related information, and to share that information across the Group as a whole.



Joint training for Group employees

Health Management Initiatives

The mental and physical health and vitality of our employees are the foundation of sustainable growth for the Group, and extending healthy life expectancy meets the demands of society. Based on this mindset, the Tokyu Fudosan Holdings Group engages in "health management," which views employee health maintenance and promotion from a management perspective.

Since the physical and mental health of each employee is essential for creating a vital workplace, we have set KPI targets for the percentage of employees who undergo stress tests and percentage of employees who undergo physical examinations. With regard to these two parameters, we use shared Group infrastructure, monitor the progress of the examinations with labor audits, and share information at the Group Labor Liaison Committee. Tokyu Land Corporation and Tokyu Livable, Inc. make further use of stress test results by conducting organizational analysis and holding reporting meetings.

In addition, we hold a Group-wide long-distance running event to promote health. Tokyu Land Corporation has introduced Ewel, Inc.'s KENPOS health support program, which promotes daily health with a dedicated app. In recognition of these initiatives, eight Group companies were selected in 2018 as "White 500" companies for their outstanding health and productivity management by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



Group long-distance running event

Social Needs

The Group sees the social issues that various stakeholders must resolve as social needs, such as neighborhood safety and security, lifestyle diversification, and the aging of society, and is working to resolve these issues through its businesses.

Basic Approach

The Tokyu Fudosan Holdings Group believes that creating products and services that can resolve social issues and making them widely available will lead to the development of an enriched society and sustainable companies. We strive to understand social issues and needs and work in collaboration with all stakeholders toward the creation of a sustainable and prosperous society through our business activities.

Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president. The committee conducts Group-wide management and promotes individual projects to resolve social issues and create value through business in areas such as urban revitalization, reducing environmental impact, and creating barrier-free buildings.
- Targets for KPIs are set in related departments in each company and progress is monitored using a PDCA cycle.

Division with Responsibility and Authority

Related departments in each company

Initiatives and Progress by Theme

Pursuit of Safety and Security

The Tokyu Fudosan Holdings Group creates important value by providing safety and security in homes, work and play.

In its redevelopment projects in the Shibuya Station area, the Group is actively involved in area management, including the reinforcement of urban disaster prevention functions. We are developing temporary lodging within our facilities for people who may have difficulty returning to their homes, as well as temporary living spaces and disaster stockpile warehouses. In these ways, we are working to maintain safe and secure neighborhoods even in the event of disasters.

To prepare for all eventualities, all facilities are being equipped with cogeneration systems and emergency generators as highly independent power supplies. The Group is also working to secure temporary lodging facilities in all new Tokyu Land Corporation large-scale office buildings and commercial facilities.

Furthermore, Tokyu Community Corporation has been recognized for its initiatives for business continuity in the event of a disaster. In 2018 it acquired the Certificate of Resilience from the Association for Resilience Japan as an organization that contributes to national resilience.

As a comprehensive real estate management company that manages condominium units, office buildings, commercial facilities and other properties, Tokyu Community Corporation considers business continuity in the event of a disaster to be an important issue. The company therefore implements various measures such as formulation of policies related to business continuity and stipulation of



management procedures during disasters in order to promptly respond and to restore condominiums and buildings, which are valuable customer assets. The entire Group will continue to enhance the provision of safe and secure services for customers.

Contributions to Local Communities

The Group works to promote the sustainability of local communities, which it positions as an important issue for the sustainable development of companies. We conduct various initiatives with goals that include raising the value of areas and creating economic effects. We are also working to revitalize communities through our business in collaboration with stakeholders such as design companies, construction companies, and customers who use them.

At our four Q's Mall shopping centers in the Kansai area, we contribute to the community through activities to return card points to the local community. The Q's Mall Smile Project, initiated in 2013, is a system that allows customers to donate from 1 point (equivalent to ¥1), and in March 2018, we donated rucksack reflectors to new first grade students at local elementary schools.

In addition, the Midori wo Tsunagu Project, in which the Group and its customers work together to protect forests, has preserved about 1,300 hectares of forest land to date. Utilizing thinned timber and other materials produced in this process for businesses such as commercial facilities and housing adds a recycling loop to the relationship between our customers and the local community.

Aiming to Realize a Society with Long and Healthy Lives

In 2004, the Group began promoting the senior housing business in order to meet needs for high-quality senior living as Japan becomes a super-aged society. Currently, we operate 16 facilities with 1,332 living units, providing nursing care services 24 hours a day, 365 days a year. In order to continue offering high-quality nursing care services, we aim to increase the ratio of staff with caregiver or other professional qualifications to 80% or more by 2020. In addition, we are introducing a training program developed in cooperation with Juntendo University to extend the length of healthy everyday life (healthy life expectancy). We will continue to work on health maintenance and long-term preventative care from the perspectives of both physical environments and services with the goal of realizing a society with long and healthy lives.



Toshio Matsuda
Executive Manager
Management Department,
Management Division
Tokyu E-Life Design Inc.

Creating New Demand through Open Innovation

We have been holding venture pitch events since 2016 with the aim of bringing new value to society using open innovation to carry out co-creation. In 2017, we started Knowledge Next, an educational event on innovation. A total of about 500 Group employees have participated in this event, which has been held four times to date. High satisfaction among participants was reflected in comments such as, "I learned new ideas for innovating" and "It was energetic and very stimulating." The event has also created business synergy, as products and services of the entrepreneurial startups that make presentations are implemented at properties we develop. By evoking the "Challenging DNA" that gave birth to our business and cultivating an entrepreneurial spirit, we aim to be a corporate Group that continues to create value.



Yuki Otsuka
Group Corporate
Strategy Department,
Corporate Strategy Group
Tokyu Fudosan Holdings Corporation

Environment

In order to realize a sustainable society and business operations, based on our Environmental Vision we have determined five environmental issues, including climate change and biodiversity conservation, as key themes, and are implementing ongoing initiatives to address them through our business activities.

Basic Approach

The Tokyu Fudosan Holdings Group understands that five environmental issues – climate change, biodiversity conservation, pollution and resources, water use, and supply chains – can have a major impact on business activities. The Group takes active measures to address each of these environmental issues in the development and operation of business sites and office buildings, commercial facilities, resort facilities and other properties that it owns. We believe that a business that excels in environmental initiatives will enhance competitiveness and create new business opportunities. The Group cooperates with various stakeholders including design companies, construction companies, and customers to carry out ongoing measures.



Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president. The committee conducts Group-wide management for each of the environmental issues.
- Targets are set for CO₂ emissions, waste generation, and water use, and progress of KPIs is monitored

Division with Authority and Responsibility

Sustainability Promotion Group, Group Planning Policy Department
Related departments in each company

Environmental Vision (Basic Policy developed in 1998, revised in 2015)

- **Environmental Philosophy**
We will create value to connect cities and nature, and people with the future
- **Environmental Policy**
We will make efforts to harmonize the environment and the economy through business activities
- **Environmental Action**
We will tackle five environmental issues from three viewpoints.

Three viewpoints

- Publicize a goal and implement action.
- Endeavor to implement progressive activities.
- Conduct community-based activities in collaboration with local people.

Five environmental issues

- Climate change
- Biodiversity conservation
- Pollution and resources
- Water use
- Supply chains

Initiatives and Progress by Theme

Initiatives to Reduce CO₂ Emissions

Recognizing that climate change is an important environmental issue that substantially affects its business activities, the Group is working to reduce the impact of those activities on climate change by promoting efficient use of energy at its own offices as well as at its office buildings, commercial facilities, resort facilities and other properties. At the Shin-Meguro Tokyu Building developed by Tokyu Land Corporation, BEMS monitors installed on each floor allow tenants to see the amount of energy used, and we have reduced the energy consumed by the entire building through natural ventilation equipment, automatic dimmers and other measures. We aim to achieve Group-wide reductions in CO₂ emissions per unit of

floor area of 25% by fiscal 2020 and 30% by fiscal 2030, compared with fiscal 2005. To help realize a low-carbon society, we are conducting initiatives in cooperation with a variety of stakeholders, including design companies, construction companies and the customers who use our properties.

Biodiversity Initiatives

By proactively adding greenery to its condominiums, office buildings, commercial facilities and other buildings to link them to surrounding greenery, the Group is working to form ecological networks that take biodiversity into consideration. When developing large-scale properties with a substantial local impact, we conduct surveys of

Hibiya Parkfront: Designed to Fuse Work with Greenery

Hibiya Parkfront takes advantage of its prime location adjacent to Hibiya Park. Conceptualized as an office in a park, it features interior and exterior greenery intended to create indoor space with park-like comfort. Many Japanese companies are working on reforming work styles, so we hope to contribute as a developer by creating environments that facilitate the work of office workers. Therefore, we initiated the Green Work Style Project, aiming to relieve stress, improve productivity and revitalize communication using the power of plants to counter the various issues that arise from work. Drawing on extensive research, we effectively incorporate greenery and promote efforts to revitalize workplaces while considering the conservation of local ecosystems.



Shiho Nakagami

Senior Manager
Office Building Development Department
Urban Development Division
Urban Business Unit
Tokyu Land Corporation

surrounding ecosystems during planning. We preserve biodiversity in the area by planting greenery that considers the birds and insects that will inhabit it to form a network with neighboring flora. Kiriko Terrace on the roof of the commercial facility Tokyu Plaza Ginza features large-scale green walls with biodiversity in mind. At the office building Hibiya Parkfront, we have realized a comfortable office environment where people can work in close touch with nature, with a rooftop garden that creates an uninterrupted stretch of greenery that includes the Imperial Palace grounds and Hibiya Park.



Sky Garden, Hibiya Parkfront | Kiriko Terrace on the rooftop of Tokyu Plaza Ginza

DBJ Green Building Certification

Tokyu Land Corporation develops real estate with due consideration for the environment and society.

In recognition of our best-in-class initiatives, 20 properties we have developed have received DBJ Green Building Certification from the Development Bank of Japan.

5 stars (2 Properties)



Takeshiba District Development Project (Tentative name)
Location: Minato-ku, Tokyo
Completion: May 2020
(Planned) (Artist's rendering)



Amagasaki Q's MALL
Location: Amagasaki-shi, Hyogo Prefecture
Completion: October 2009

4 stars (8 Properties)



Jimbocho North Tokyu Building
Location: Chiyoda-ku, Tokyo
Completion: July 2019
(Planned) (Artist's rendering)



Shin-Aoyama Tokyu Building
Location: Minato-ku, Tokyo
Completion: January 2015



Shin-Meguro Tokyu Building
Location: Shinagawa-ku, Tokyo
Completion: December 2012



Spline Aoyama Tokyu Building
Location: Minato-ku, Tokyo
Completion: June 2012



Tokyu Plaza Omotesando Harajuku
Location: Shibuya-ku, Tokyo
Completion: April 2012



Kasumigaseki Tokyu Building
Location: Chiyoda-ku, Tokyo
Completion: November 2010



Nihombashi Front
Location: Chuo-ku, Tokyo
Completion: June 2008



Nihombashi Maruzen Tokyu Building
Location: Chuo-ku, Tokyo
Completion: November 2006

3 stars (10 Properties)



Minamiyama Tokyu Building
Location: Minato-ku, Tokyo
Completion: June 2008



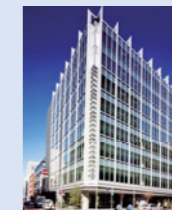
Shimbashi Tokyu Building
Location: Minato-ku, Tokyo
Completion: April 2008



Uchisaiwaicho Tokyu Building
Location: Chiyoda-ku, Tokyo
Completion: July 2006



Shibuya Minami Tokyu Building
Location: Shibuya-ku, Tokyo
Completion: January 2005



Nihombashi Honcho Tokyu Building
Location: Chuo-ku, Tokyo
Completion: October 2004



Ichigaya Tokyu Building
Location: Chiyoda-ku, Tokyo
Completion: October 2004



Hamamatsucho Square
Location: Minato-ku, Tokyo
Completion: September 2004



Ebisu Business Tower
Location: Shibuya-ku, Tokyo
Completion: November 2003



Ebisu Prime Square Tower
Location: Shibuya-ku, Tokyo
Completion: January 1997



Tokyu Plaza Akasaka
Location: Chiyoda-ku, Tokyo
Completion: September 1969

Corporate Governance

The Tokyu Fudosan Holdings Group places the utmost emphasis on ensuring thorough risk management and strict compliance. Not only does the Group strive earnestly to enhance the transparency and accountability of its management, but it also endeavors to strengthen corporate governance in a bid to ensure bold and timely decisions.

Message from the Chairman of the Board of Directors

In response to changes in the external environment, we are taking initiatives to accelerate the responsiveness of management while ensuring fairness and transparency. These initiatives include improving the operation of Board of Directors meetings based on the results of evaluation of its effectiveness, and appointing independent outside directors with diverse experience and insight. We will continue to focus on enhancing our governance system and solving social issues in order to achieve long-term sustainable growth.

Kiyoshi Kanazashi

Chairman and Representative Director,
Chairman of the Board of Directors
Tokyu Fudosan Holdings Corporation



Corporate Governance System

Basic Stance on Corporate Governance

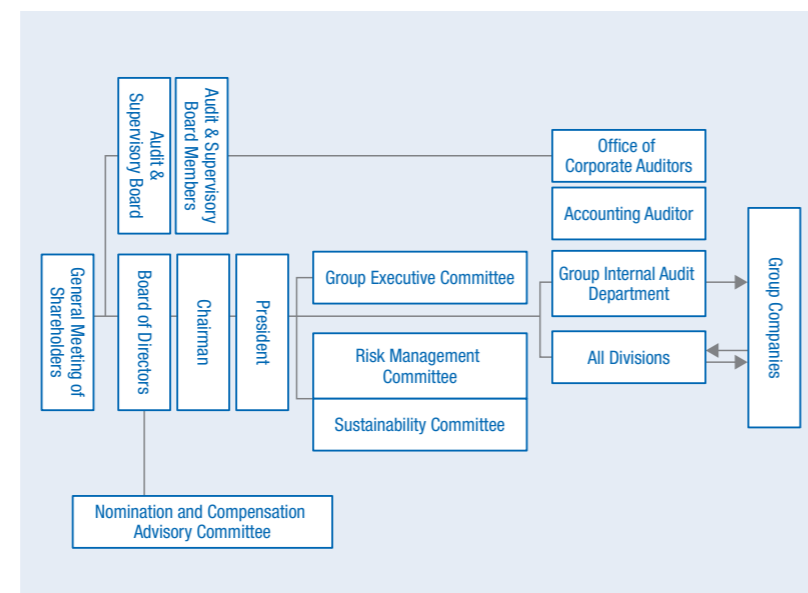
Taking into consideration people's needs and lifestyles, the Group is a comprehensive lifestyle company that creates beautiful living environments together with its customers under the slogan of "Toward a Beautiful Age." As a member of the Tokyu Group, the Tokyu Fudosan Holdings Group is committed to enhancing the value of the Tokyu brand, which has come to be associated with "comfort and reliability." It will continue to faithfully pursue a stable growth path

and respond to the drastically changing operating environment. At the same time, the Group strives to improve corporate value by making "Challenge" the key word in its management strategy, constantly taking on the challenges of new businesses and tackling new issues. As such, the Group sees improving management efficiency and building a healthy and transparent management structure as important issues, and is putting its best efforts into the area of corporate governance.

Basic Policies

1. The Company will respect shareholders' rights and secure effective equal treatment of shareholders.
2. The Company will strive to cooperate appropriately with its stakeholders.
3. The Company will disclose information proactively and fulfill its duty of accountability to its stakeholders.
4. The Company will clarify the roles and responsibilities of various organizations within its structure to ensure that the management oversight function of the Board of Directors and the management monitoring and auditing functions of Audit & Supervisory Board members and the Audit & Supervisory Board are adequately performed.
5. The Company will engage in constructive dialogue with shareholders in order to contribute to its sustainable growth and increase corporate value over the medium and long term.

Schematic Diagram of the Corporate Governance System



The Tokyu Fudosan Holdings Group's Initiatives for Enhancement of Corporate Governance

Nomination and Compensation Advisory Committee Established

The Nomination and Compensation Advisory Committee, chaired by an independent outside director, was established as an advisory body to the Board of Directors to enhance the objectivity and transparency of procedures for matters related to the nomination of candidates for director and for matters related to compensation.

Evaluating the Effectiveness of the Board of Directors

The effectiveness of the Board of Directors is evaluated annually. Evaluations and opinions of its effectiveness according to each director and Audit & Supervisory Board member are reported to and shared with the Board of Directors, and issues for reassessment are identified to raise effectiveness even further. Going forward, these issues will be addressed and the status of improvements will be continuously verified through annual assessments.

As one example, changes were made to the method and timing for provision of information to directors and Audit & Supervisory Board members. In the evaluation the following year, the assessment of the Board of Directors had improved as a result. The Company will

continue to use this evaluation to improve the effectiveness of the Board of Directors.

Introduction of Stock-Based Compensation

The Company seeks to create a compensation system that will raise awareness of contributing to corporate value by enhancing financial results over the medium to long term. A stock-based compensation program was introduced in fiscal 2017 in order to clarify the link between share prices and the compensation of directors and others and to create a common interest with shareholders regarding the gains and risks from fluctuations in share prices.

Diversity of the Board of Directors

The Company believes that having a Board of Directors with a good balance of diverse knowledge, experience and abilities is key to increasing its effectiveness. The Company has appointed a total of four independent outside directors who have extensive knowledge in such diverse fields as corporate management, finance and accounting, law and government. One of the directors is a woman, and the Company will continue its efforts to secure the diversity of the Board of Directors.

Board of Directors

The Board of Directors functions as a supreme decision-making body second to the General Meeting of Shareholders, and makes decisions on important issues related to business operations. The Board of Directors develops internal rules such as the Board of Directors Regulations and the Duty Authority Regulations in addition to the matters stipulated in laws and regulations and the Articles of Incorporation. Based on these rules, the Board of Directors makes decisions on important matters related to the Group's management, such as management policies, business plans, and large-scale investment plans. Authority for the execution of business and decisions relating to the execution of duties for issues other than the

important matters listed above is delegated to the Group Executive Committee and other subordinate meeting bodies, officers and others in charge of business operations.

Meanwhile, the Board of Directors supervises the performance of duties by the meeting bodies as well as officers and others. In principle, the Board of Directors meets once a month. Extraordinary meetings are held as and when necessary. In order to clarify the management responsibility of directors and establish a system that is able to respond rapidly to changes in the management environment, the term of office of directors is set at one year.

Audit & Supervisory Board

The Company has adopted a statutory auditor system. Under this system, Audit & Supervisory Board members attend important meetings including those of the Board of Directors to receive business reports from Directors and other officers. Audit & Supervisory Board members peruse documentation on important decisions and listen to reports as well as other presentations from the Internal Audit Department, subsidiaries, other parties, and the accounting auditor as a part of their audit of the status of business

execution at the Company, its subsidiaries, and related companies.

Audit & Supervisory Board members form fair audit opinions by accurately grasping information based on on-site visits and other activities, which are mainly conducted by full-time Audit & Supervisory Board members, and effectively audit directors in the performance of their duties as an independent body under the mandate of shareholders by utilizing the fast responsiveness and flexibility of the Audit & Supervisory system.

Independent Outside Directors

For the Company's corporate governance, independent outside directors should have rich experience in management and a high level of discernment and character as well as other pertinent attributes together with an understanding of the Group's wide-ranging business fields and the value they create. They are to provide advice from a broad, high-level perspective, while appropriately supervising executives from an independent position. Tokyu Fudosan Holdings recognizes this as an important duty and has currently appointed four independent outside directors.

To enable appropriate and flexible decision-making on business activities and the supervision of execution, the Company considers it advantageous for the Board of Directors to be composed of directors from inside the Company who have specialist capabilities and insight into business fields, management plans, personnel, finance and accounting, and so forth, and independent outside directors who are able to proactively offer opinions on growth strategies as well as the enhancement of governance, and raise concerns, from the perspectives of diverse stakeholders and society.

Criteria for Determining Independence

The Company deems independent outside directors to be independent when, in addition to meeting the independence standards for independent officers stipulated by the Tokyo Stock Exchange, they have not been any of the following for any of the previous three fiscal years.

1. An executive of a business partner to which the Company's net sales account for 2% or more of the Company's consolidated net sales
2. An executive of a business partner whose net sales to the Company account for 2% or more of the business partner's net sales

3. An executive of a lender from which the Company borrows funds that account for 2% or more of the Company's consolidated total assets
4. An executive of a major shareholder or investor of the Company with an investment ratio of 10% or more
5. A consultant, accounting professional, or legal professional who receives compensation of more than ¥10 million a year from the Company besides officer compensation
6. A spouse or relative within two degrees of kinship of a director, etc. of the Company or a consolidated subsidiary

Compensation Policy and Details

With regard to the amounts of monetary compensation for directors and Audit and Supervisory Board members, the General Meeting of Shareholders adopted a resolution setting the amount of compensation for directors at no more than ¥600 million annually and that for Audit & Supervisory Board members at no more than ¥120 million annually. In addition, a stock-based compensation program was introduced in order to clarify the link between share prices and the compensation of directors and others and to create a common interest with shareholders regarding the gains and risks from fluctuations in share prices. A board benefit trust (BBT) has been set up for directors other than outside directors, and for managing officers with whom contracts have been concluded, with a maximum issuance of 170,000 shares per year.

When determining officer compensation, the Company seeks to create a compensation system that will raise awareness of contributing to corporate value by enhancing financial results over

the medium to long term. Specifically, a decision was made that variable compensation shall comprise a certain percentage of total compensation, and the amount is determined taking into consideration the degree of attainment of various management indicators (KPIs) specified in the medium-term management plan, the degree of contribution to achieving plans, and other factors.

Compensation is determined by decision of the Board of Directors within the limits set by the General Meeting of Shareholders, taking into consideration the results of consultations with the Nomination and Compensation Advisory Committee regarding director compensation. Compensation of Audit & Supervisory Board members is determined by discussion among Audit & Supervisory Board members. The Company plans to determine future compensation in consideration of the balance with levels of compensation paid at other companies in the same industry and that paid to employees so that it can recruit excellent human resources.

Total Amount of Compensation Paid to Directors and Audit & Supervisory Board Members in Fiscal 2017

Category	Number of Persons	Total Amount of Compensation (Millions of yen)
Directors	13	256
(of which, independent outside directors)	3	32
Audit & Supervisory Board members	6	65
(of which, independent outside Audit & Supervisory Board members)	3	8
Total	19	321
(of which, outside officers)	6	41

Group Executive Committee

The Group Executive Committee was set up as an entity to deliberate, discuss and report on matters in two areas: important plans and proposals relating to Group management policy, management strategies and Group management; and important investment plans and proposals as well as business strategy

proposals for subsidiaries.

Comprising the chairman and representative director, president and managing officers from directors on down, the Group Executive Committee convenes, in principle, once a month.

Internal Control

The Tokyu Fudosan Holdings Group has taken active steps to put in place and implement internal control systems for all members of the Group, including the Board of Directors and other organizations, management and employees, with the aims of thoroughly implementing compliance-based management, ensuring proper business operations, achieving management priorities such as earnings targets by raising the levels of efficiency and effectiveness, and undertaking the

appropriate disclosure of information; all of which will contribute to the sustainable development of the Group and the consistent improvement of its corporate value. In addition, Audit & Supervisory Board members are monitoring and validating the progress of developments in its internal control system in accordance with the Audit Practice Standards for Internal Control Systems.

Risk Management

Basic Stance on Risk Management

Guided by its Basic Risk Management Policy, the Company has put in place and maintains a risk management structure and systems. The Company recognizes as potential risks all internal and external factors that negatively impact the Group's business operations resulting in financial loss, damage to its brand or reputation, or interruption and suspension of activities as a

Basic Risk Management Policy

The Company makes every effort to clearly identify all major risks as they apply to the Group as a whole and takes systematic and continuous steps to implement all necessary measures on a priority basis in order to comprehensively manage all risks that have the potential to hinder the Group from achieving its objectives or to create a loss.

going concern. The Company evaluates, analyzes, and manages all relevant risks in each Group company.

The Company has classified the aforementioned risks into three broad categories: operating and management risks; business process risks, and; other major risks including crisis management. The Company manages each risk on an individual basis as follows.

Individual Risks

- | | |
|--------------------------------|---|
| 1. Investment risks | 5. IT strategy risks |
| 2. Financial and capital risks | 6. Information management and leakage risks |
| 3. Personnel and labor risks | 7. Crisis management risks |
| 4. Legal and compliance risks | |

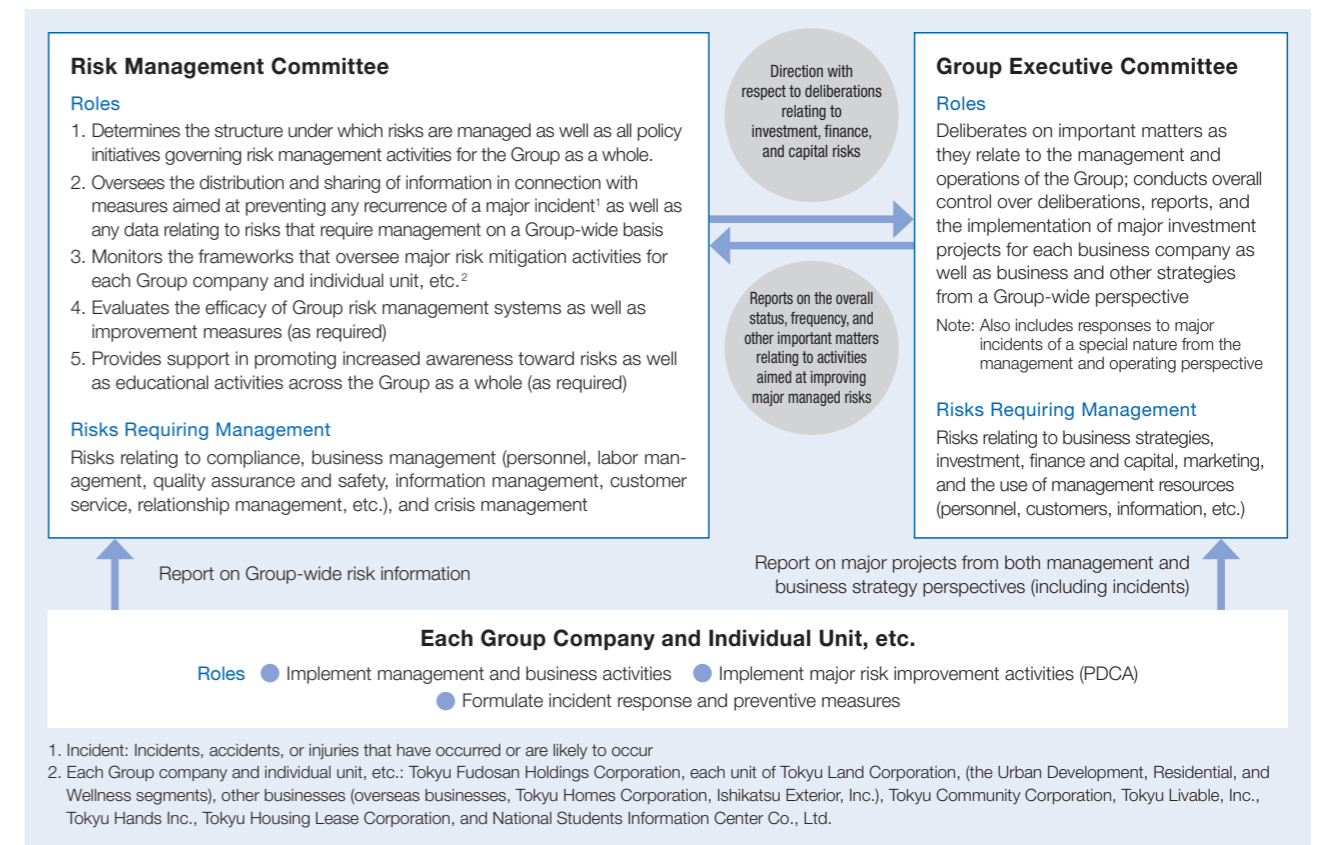
Risk Management System

In addition to the Group Executive Committee and Board of Directors, the Company has established the Risk Management Committee to ensure the proper management of risks on a comprehensive Group-wide basis. A department has also been formed to oversee individual risks within the Company. This department is responsible for ascertaining, evaluating, and analyzing the Group's risk management structure and systems as well as the status of operations.

Complementing these initiatives, the Company takes steps to confirm the efficacy of its risk management structure and systems as well as its risk management operations through internal audits. Audits of major risks are systematically undertaken in accordance with their priority.

In the event of a major loss or emergency that could cause serious damage to the Group, the Company takes appropriate steps in line with its Emergency Response Provisions. These include the distribution of information and decisive action as necessary to minimize damage.

Risk Management Structure



Risk Management Process

The Company takes steps to identify the wide variety of risks to which the Group is susceptible. At the same time, the Company undertakes an evaluation and analysis of risks in line with the

● Major Risks

- Occurrence of an accident that negatively impacts the safety of customers, business partners, and/or employees
- Leakage or loss of confidential or personal information
- Prolonged working hours and unpaid overtime
- Inadequate customer service and product quality
- Breach of statutory or regulatory requirement (industrial, financial, commercial, and other legislation) or compliance
- Inadequate crisis management systems
- Improper or inappropriate work-related conduct by officers and employees
- Inadequate internal control system development and operation

degree of impact and likelihood of occurrence. Based on the results of evaluations and analyses, the Risk Management Committee has identified the following parameters with respect to the continuous management of major risks.

● Major Risks Relating to Investment and Financing Capital

- Deviations from or delays in new investment strategies
- Inappropriate decision-making with respect to changes in the external environment
- Changes in economic and business conditions
- Delays in the application of Group management resources (personnel, customers, information, etc.); errors in the use, education, or training of human resources
- Sharp rise in personnel and raw material prices including the prices of lumber; changes in construction costs
- Inadequate medium- and long-term IT strategies; errors in systems investment
- Slump in overseas business development
- Drop in the values of assets held (drop in operating rents)
- Errors in identifying customers' needs

Compliance

The Company has positioned the establishment of risk management through compliance-based management as a priority management issue. We are keenly aware that the practice of such risk management is the foundation of our operations, and we undertake educational measures so that all officers and employees not only comply with laws and regulations applicable to our corporate activities, but also make decisions and act in accordance with the Tokyu Fudosan Holdings Group Code of Conduct.

The Company also created the Tokyu Fudosan Holdings Group Compliance Manual as a concrete manual for understanding the Tokyu Fudosan Holdings Group Code of Conduct and putting it into practice. All officers and employees are thoroughly informed about compliance through periodic training.

Compliance helplines were established at the Company and individual Group companies for consultations and reporting relating to violations of laws and regulations, internal rules, and the Tokyu Fudosan Holdings Group Code of Conduct.

The Company's helpline can be used by all Group employees (including contract employees, temporary employees, and part-time workers). There is an internal reporting desk that allows anonymous reports to be made and an external reporting desk handled by an outside advising attorney. The aim of these desks is to discover and rectify violations at the earliest possible time. A total of 114 consultations and reports including consultations and questions on minor matters were received by the Company and Group companies in fiscal 2017.

Reinforcing Information Security

The Company has established rules on proper information retention and management, and as a part of its efforts to raise information security levels even further and reinforce development of the internal control environment, we adopted a fundamental policy on information management, reorganized the Fundamental Rules on Information Management, and put them into practice on April 1, 2017.

The Fundamental Rules on Information Management clarify responsibility for information management and specify basic requirements and principles of information management pursuant to

the fundamental policy on information management.

In addition, a Group Information Security Committee was established.

The committee is establishing PDCA cycles including receipt of reports on annual activities from each Group company.

Similar rules have been established by each company of the Tokyu Fudosan Holdings Group, and measures are being taken throughout the Group.

Dialogue with Shareholders and Investors

The Company engages in constructive dialogue with shareholders and other investors to contribute to sustainable growth and the improvement of corporate value over the medium to long term. In addition to individual meetings with shareholders and investors, the Company regularly holds results briefings for institutional investors

and analysts, and for individual investors. Through these and other events, the president and the relevant directors and departments actively engage in dialogue. The views aired by shareholders and investors during these events are regularly reported to the Board of Directors and used in improving the Company's management.

Directors, Audit & Supervisory Board Members and Managing Officers

Directors



Kiyoshi Kanazashi

Chairman and Representative Director

Chairman, Tokyu Land Corporation
Outside Director, Tokyu Corporation
Chairman, Tokyu Hands Inc.
Director, Tokyu Recreation Co., Ltd.



Yuji Okuma

President and Representative Director

President and Representative Director,
Tokyu Land Corporation



Shinji Sakaki

Director

President and Representative Director,
Tokyu Livable, Inc.



Hitoshi Uemura

Director

Vice Chairman and Senior Executive Officer,
Tokyu Land Corporation



Katsuhide Saiga

Director

President and Representative Director,
Tokyu Community Corporation



Toshihiko Kitagawa

Director

President and Representative Director,
Tokyu Housing Lease Corporation



Hironori Nishikawa

Director

Representative Director,
Tokyu Land Corporation



Masashi Okada

Director

Director, Tokyu Land Corporation

Directors



Hirofumi Nomoto
Director
 Chairman of the Board and Representative Director, Tokyu Corporation
 Director, Tokyu Recreation Co., Ltd.
 Outside Director, Toei Company, Ltd.
 Outside Director, Japan Post Bank Co., Ltd.



Koichi Iki
Outside Director (Independent Officer)
 April 1970 Joined The Dai-ichi Life Insurance Company
 June 2001 Audit & Supervisory Board Member, Tokyu Land Corporation
 April 2007 Director & Executive Vice President, The Dai-ichi Life Insurance Company
 June 2008 President and Representative Director, The Dai-ichi Building Co., Ltd.
 June 2009 Chairman & CEO, DIAM Co., Ltd.
 June 2014 Outside Director, Tokyu Fudosan Holdings Corporation (current)
 July 2014 Representative Director, Toho Kinzoku Co., Ltd.
 (Reasons for nomination)
 The Company nominated Mr. Koichi Iki as an Independent Outside Director with the expectation that he will continue to utilize his extensive operational experience as a former executive officer at The Dai-ichi Mutual Life Insurance Group and broad insight of corporate management in general for the management of the Company.



Makoto Kaiami
Outside Director (Independent Officer)
 April 1978 Appointed as a judge
 April 2000 Division-head Judge, Tokyo District Court
 July 2007 Associate Vice-Minister of Justice in charge of Litigation Affairs, Minister's Secretariat, the Ministry of Justice
 November 2012 Division-head Judge, Tokyo High Court
 July 2014 Chief Judge, the Tokyo Family Court
 June 2015 Chief Judge, Tokyo District Court
 February 2017 Registered as attorney at law
 February 2017 Special Advisor, SophiaCity Law Office (current)
 June 2017 Outside Director, FUJIFILM Holdings Corporation (current)
 June 2018 Outside Audit & Supervisory Board Member, SEIREN CO., LTD. (current)
 June 2018 Outside Director, Tokyu Fudosan Holdings Corporation (current)

(Reasons for nomination)
 The Company nominated Mr. Makoto Kaiami as an Outside Director so that his expert insight as a judge and attorney at law and his extensive experience in corporate legal affairs may be reflected in the management of the Company.



Saeko Arai
Outside Director (Independent Officer)
 October 1987 Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)
 October 1993 Joined Sasaki Certified Public Accountants Office
 September 1998 Director, Managing Director & CFO, Internet Research Institute, Inc.
 November 2002 Established Gratia, Inc. (currently Acuray, Inc.), assumed position as Representative (current)
 April 2016 Specially-Appointed Professor, Hakuoh University
 June 2017 Outside Audit & Supervisory Board Member, AEON CREDIT SERVICE CO., LTD. (current)
 April 2018 Professor, Showa Women's University (current)
 June 2018 Outside Member, Board of Directors, Sumitomo Dainippon Pharma Co., Ltd.
 June 2018 Outside Director, Tokyu Fudosan Holdings Corporation (current)

(Reasons for nomination)
 The Company nominated Ms. Saeko Arai as an Outside Director with the expectation that she will utilize her broad knowledge in accounting as a certified public accountant, as well as her extensive experience in corporate management as a CFO, for the management of the Company.



Shun Sakurai
Outside Director (Independent Officer)
 April 1977 Joined the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications)
 August 2005 Director-General, Radio Department, Telecommunications Bureau, the Ministry of Internal Affairs and Communications
 July 2008 Director-General, Telecommunications Bureau, the Ministry of Internal Affairs and Communications
 September 2012 Director-General, Global Strategy Bureau, the Ministry of Internal Affairs and Communications
 June 2013 Vice-Minister for Policy Coordination, the Ministry of Internal Affairs and Communications
 July 2015 Vice-Minister, the Ministry of Internal Affairs and Communications
 January 2018 Executive Officer, DENTSU INC. (current)
 June 2018 Outside Director, Tokyu Fudosan Holdings Corporation (current)

(Reasons for nomination)
 The Company nominated Mr. Shun Sakurai as an Outside Director with the expectation that he will utilize his extensive experience and broad knowledge in administration for the management of the Company.

Audit & Supervisory Board Members



Ken Sumida
Audit & Supervisory Board Member
 April 1973 Joined Mitsui Trust Bank, Limited
 June 1999 Director, Mitsui Trust Bank, Limited
 June 2006 Senior Managing Director, Mitsui Trust Holdings, Inc.
 October 2007 Senior Managing Director, Chuo Mitsui Trust Holdings, Inc.
 June 2010 President, Chuo Mitsui Asset Trust and Banking Company, Limited
 June 2013 Audit & Supervisory Board Member, Mitsui Direct General Insurance Company, Limited
 July 2014 Advisor, Sansen Trust Insurance Service Co., Ltd.
 June 2015 Audit & Supervisory Board Member, Tokyu Land Corporation (current)
 June 2015 Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)



Tomoyasu Asano
Outside Audit & Supervisory Board Member (Independent Officer)
 April 1978 Joined The Dai-ichi Life Insurance Company
 June 2009 Director and Managing Executive Officer, The Dai-ichi Life Insurance Company, Limited
 April 2010 Director and Managing Executive Officer, The Dai-ichi Life Insurance Company, Limited
 June 2011 Audit & Supervisory Board Member, Tokyu Land Corporation
 October 2013 Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)
 October 2016 Director and Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. (resigned March 2017)
 June 2017 Advisor, The Cardiovascular Institute (current)



Masahiko Hashizume
Audit & Supervisory Board Member
 April 1983 Joined Tokyu Land Corporation
 April 2010 General Manager, Asset Management Division
 April 2014 Managing Officer, Tokyu Land Corporation
 April 2017 Audit & Supervisory Board Member (current)
 April 2017 Audit & Supervisory Board Member, Tokyu Community Corporation (current)
 April 2017 Audit & Supervisory Board Member, Tokyu Livable, Inc. (current)
 April 2017 Audit & Supervisory Board Member, Tokyu Hands Inc. (current)
 April 2017 Audit & Supervisory Board Member, Tokyu Housing Lease Corporation (current)
 June 2017 Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)



Katsunori Takechi
Outside Audit & Supervisory Board Member (Independent Officer)
 April 2000 Public Prosecutor, Civil Affairs Bureau, Ministry of Justice
 August 2003 Assistant Judge, Tokyo District Court
 October 2003 Registered as attorney
 October 2003 Joins Anderson Mori & Tomotsune
 January 2006 Partner, Anderson Mori & Tomotsune
 November 2006 Partner, Kataoka & Kobayashi
 July 2011 Founded Takechi & Partners (current)
 June 2017 Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)

Managing Officers

President and Representative Director, and Operating Officer	Yuji Okuma	Responsible for Group Internal Audit Department (President and CEO, Tokyu Land Corporation)
Operating Officer	Shinji Sakaki	Responsible for Real Estate Agent business (President and Representative Director, Tokyu Livable, Inc.)
Operating Officer	Hitoshi Uemura	Responsible for management of Group overseas business (Vice Chairman & Senior Executive Officer, Tokyu Land Corporation)
Operating Officer	Katsuhide Saiga	Responsible for Property Management business (President and Representative Director, Tokyu Community Corporation)
Operating Officer	Toshihiko Kitagawa	Responsible for Urban Development business (President and Representative Director, Tokyu Housing Lease Corporation)
Operating Officer	Hironori Nishikawa	Responsible for general administration divisions and Innovation business (Representative Director, Tokyu Land Corporation)
Operating Officer	Masashi Okada	Responsible for Urban Development business (Manager, Urban Business Unit, Tokyu Land Corporation)
Operating Officer	Katsuhiko Yoshiura	Responsible for Urban Development business (President and Representative Director, National Students Information Center Co., Ltd.)
Operating Officer	Shouhei Kimura	Responsible for Wellness business (Manager, Wellness Promotion Unit, Tokyu Land Corporation)
Operating Officer	Shigeyuki Furusawa	Responsible for Residential business (Manager, Residential Business Unit, Tokyu Land Corporation)
Operating Officer	Seiichi Kimura	Responsible for Tokyu Hands business (President and Representative Director, Tokyu Hands Inc.)
Operating Officer	Kazuo Mochida	Responsible for Property Management business (responsible for general administration divisions, Tokyu Community Corporation)
Operating Officer	Youichi Oota	Responsible for Real Estate Agent business (responsible for general administration divisions, Tokyu Livable, Inc.)
Operating Officer	Kazuhiro Nishimura	Responsible for Group Planning Policy Department, Group Finance Department, Group Accounting Department
Operating Officer	Naruyuki Kameshima	Responsible for Group General Administration Department, Group Legal Affairs Department, Group Human Resources Department
Operating Officer	Shinya Miwa	Responsible for Group Solutions Promotion Department
Operating Officer	Hiroaki Hoshino	Responsible for Group Corporate Planning Department, Group Marketing IT Strategy Department

Messages from Outside Directors



Koichi Iki
Outside Director (Independent Officer)

Promote Future-Oriented Management with Diverse Perspectives

In the Tokyu Fudosan Holdings Group, which is engaged in a variety of businesses, detailed action plans based on extensive discussions about each individual business are essential. Rather than looking backward with a focus on past experiences, plans must be formulated with a medium- to long-term time frame and a forward-looking perspective.

My role, of course, is to contribute to management transparency and credibility from my position as an outside director, but I also want to contribute to the Group by expressing an external viewpoint on the need for strategic planning based on changes in the social structure, such as the aging of society and population decline. I would also like to deepen cooperation and engage in active discussions with other outside directors, who have diverse viewpoints, in order to implement the PDCA cycle based on the overall Group vision.

The diversity of the employees supporting front-line operations will also be critical for the Group's sustainable growth. I expect the Group to pursue more active exchanges with outside organizations and to use external human resources to cultivate younger employees with a sound awareness of issues who can generate innovative ideas.



Shun Sakurai
Outside Director (Independent Officer)

Deepen Discussion with a Medium- to Long-term Perspective to Prepare the Group to Respond to Environmental Changes

Ensuring the effectiveness of corporate governance is key to sustainable growth, and outside advice and supervision are critical. Therefore, I frequently exchange views with other outside directors, work to encourage vigorous debate and help to ensure that the Board of Directors fulfills its responsibilities.

With rapid advances in technologies such as AI and IoT, a digital transformation will be required in many industries. Moreover, changes are occurring in society at large and in local communities due to population aging. In this period of transition, the Group is working to meet the expectations of stakeholders and contribute to creating solutions for social issues through the proposal and creation of new lifestyles. I will strive in particular to make proposals to management from a medium- to long-term perspective.

In order to respond flexibly to changes in the external environment, the Group should also be a place where diverse employees with varied backgrounds can work together energetically. I welcome deeper discussions from that viewpoint as well.



Makoto Kaiami
Outside Director (Independent Officer)

Enhance Governance and Contribute to Society by Creating Value through Businesses

Corporations are required to not only conduct business in compliance with laws and social norms, but also to contribute to society through their business activities. I want to use my knowledge and experience in the legal profession including my experience as a judge to ensure adequate compliance and promote more effective governance in the Group, as well as to look at the Group's corporate activities in terms of their contribution to society.

I think all of the Group's businesses benefit society through the value they create. However, because it does conduct various businesses, I expect the Group to make a social contribution by creating broad and diverse value that goes beyond the bounds of physical structures.

To contribute to society while maintaining sound growth, it is important that individual employees work energetically and passionately with a sense that their jobs are useful to society. As a member of this Group, I will work to further develop a vibrant corporate culture.



Saeko Arai
Outside Director (Independent Officer)

Actively Inform Society about the Value That Group Companies Provide

I want to use my accounting and finance knowledge, and my experience as CFO of an IT venture and a hotel wedding company, to contribute to the Group from the perspectives of governance and auditing.

Formerly I was a consumer of the Group's services, but since my appointment as an outside director, I feel that the value Group companies provide is not well understood by the public. I think the Group should more actively communicate that value, including the effectiveness of its ESG initiatives, such as the new community development and creation of lifestyles symbolized by the Shibuya redevelopment projects.

In its organization, the Group needs to cultivate entrepreneurial human resources to contribute to society in a broader range of areas based on its "Challenging DNA." I myself want to help enhance the Group's social reputation and trust as someone who can share management issues for the future from various angles by drawing on my experiences including involvement in an international human rights NGO and inclusion workshops.

Financial Analysis

Results of Operations

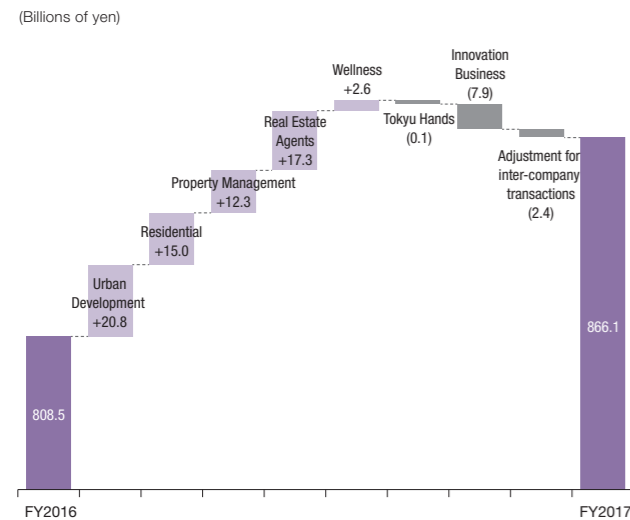
Summary of Results

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Operating revenue	815.5	808.5	866.1	+57.6
Operating profit	68.8	73.2	77.5	+4.3
Ordinary profit	56.4	63.6	68.7	+5.1
Profit attributable to owners of parent	28.7	31.5	35.2	+3.7
Debt/EBITDA ratio*	11.7 times	11.2 times	11.4 times	+0.2 pts
ROA	3.5%	3.6%	3.7%	+0.1 pts
ROE	7.1%	7.3%	7.7%	+0.4 pts

* Debt/EBITDA ratio: Interest bearing debt ÷ EBITDA

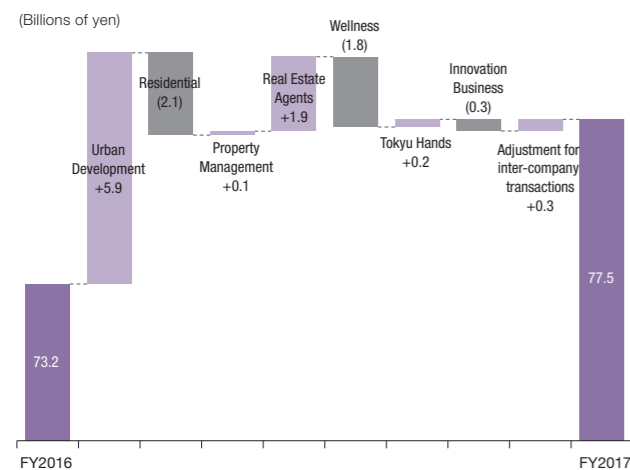
- In fiscal 2017, operating revenue was ¥866.1 billion (up 7.1% year on year), operating profit was ¥77.5 billion (up 5.9%), ordinary profit was ¥68.7 billion (up 8.0%), and profit attributable to owners of parent was ¥35.2 billion (up 11.6%).
- Revenue and profit increased amid firm conditions in the real estate market. Contributing factors included an increase in gains on sales of buildings to investors and improvement in lease revenues from existing buildings in the Urban Development segment, and strong performance in the Real Estate Agents segment.
- Operating profit, ordinary profit and profit attributable to owners of parent increased for the fifth consecutive year since the shift to the current holding company structure.

Operating Revenue by Segment



- In segment results for fiscal 2017, revenue and profit increased in the Urban Development, Property Management and Real Estate Agents segments; revenue increased but profit declined in the Residential and Wellness segments; revenues declined but profit increased in the Tokyu Hands segment; and revenue and profit declined in the Innovation Business segment.
- In the Urban Development segment, revenue and profit increased owing to an increase in gain on sales of buildings to investors, improvement in lease revenue from existing buildings, and the full-year contribution of National Students Information Center Co., Ltd., which became a consolidated subsidiary in November 2016.
- In the Residential segment, revenue increased due to higher sales of rental housing and other properties to investors. Profit decreased, mainly because the gross margin dropped in comparison with fiscal 2016, when the Company recorded the sale of highly profitable properties.
- In the Property Management segment, revenue and profit increased due to the effect of the transfer of a portion of the renovation business from the Innovation Business segment with the October 2017 start of operations of Tokyu Re·design Corporation, which was established to strengthen the renovation business.

Operating Profit by Segment



- In the Real Estate Agents segment, revenue and profit increased as the number of transactions and contract prices rose in both the retail and wholesale divisions against the backdrop of a firm real estate transaction market.
- In the Wellness segment, revenue increased, mainly due to new operation of senior housing and Tokyu Stay urban-style hotels. However, profit decreased, reflecting the absence of revenue from sales of land for vacation homes recorded in fiscal 2016 and other factors.
- In the Tokyu Hands segment, revenue from existing stores decreased, but profit increased as a result of lower expenses.
- In the Innovation Business segment, although overseas business sales increased, revenue and profit decreased, mainly due to the effect of the transfer of a portion of the renovation business to the Property Management segment.

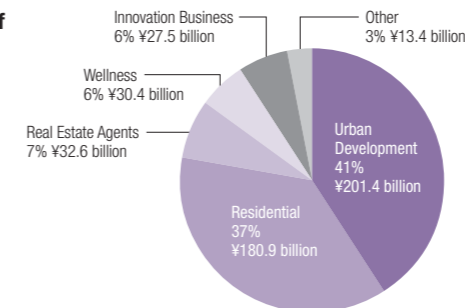
Financial Position

Assets, Liabilities and Net Assets

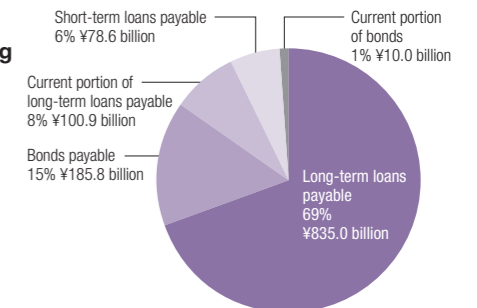
	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Real estate for sale	364.4	418.6	473.7	+55.1
Non-current assets	1,207.7	1,164.1	1,165.6	+1.5
Goodwill	75.9	88.0	82.6	(5.4)
Investments and loans	203.2	214.7	258.1	+43.5
Other	133.2	181.8	196.7	+15.0
Total assets	1,984.4	2,067.2	2,176.8	+109.6
Interest-bearing debt	1,106.1	1,137.9	1,210.4	+72.5
Other	455.9	483.0	491.0	+8.1
Total liabilities	1,562.0	1,620.8	1,701.4	+80.6
Total net assets	422.4	446.3	475.3	+29.0

- As of March 31, 2018, total assets were ¥2,176.8 billion, an increase of ¥109.6 billion from the end of the previous fiscal year. Land and buildings for sale increased due to investment in the renewable energy business and other infrastructure-related investments, and investment securities increased due to factors including a joint investment with Norges Bank.
- Total liabilities were ¥1,701.4 billion, an increase of ¥80.6 billion from the end of the previous fiscal year due to an increase in interest-bearing debt and other factors. Net assets were ¥475.3 billion, increasing ¥29.0 billion from the end of the previous fiscal year as retained earnings increased due to factors including the recording of profit attributable to owners of parent.

Breakdown of Inventories



Breakdown of Interest-Bearing Debt



Market Value Appraisal for Leased Properties

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Carrying value	866.9	797.5	791.4	(6.1)
Fair value	967.7	928.5	937.1	+8.6
Difference	100.8	131.0	145.7	+14.7

- The carrying value of leased properties, including office buildings and commercial facilities, as of March 31, 2018 was ¥791.4 billion, and the fair value was ¥937.1 billion, a difference of ¥145.7 billion. In a strong real estate market, the fair value appraisal is increasing as a result of increasing lease revenues and a decline in the cap rate. Properties in planning that have not yet opened (¥137.4 billion at March 31, 2018) are not included in the fair value and the carrying value at the end of the period as their fair value cannot be readily ascertained.

Cash Flows

	(Billions of yen)			
	FY2015	FY2016	FY2017	Comparison
Cash flows from operating activities	87.9	68.9	12.3	(56.7)
Cash flows from investing activities	(112.4)	(71.0)	(96.4)	(25.4)
Cash flows from financing activities	(30.5)	23.0	82.4	+59.4

- In the fiscal year ended March 31, 2018, net cash used in investing activities was ¥96.4 billion as a result of purchase of non-current assets, including office buildings and commercial facilities, and purchase of investment securities due to the joint investment with Norges Bank. These investments were funded by cash flow from operating activities and cash flow from financing activities, including proceeds from loans payable and issuance of bonds.
- Net cash provided by operating activities decreased compared with the previous fiscal year because of non-recurring factors including a ¥70.7 billion increase in inventories due to the progress of investment in real estate for sale.

Shareholder Returns

	FY2015	FY2016	FY2017	Comparison
Dividends per share (yen)	12.00	13.00	14.50	+1.50
Net profit per share (yen)	47.18	51.77	57.80	+6.03
Dividend payout ratio	25.4%	25.1%	25.1%	—

- The Company considers returns to shareholders one of its most important management policies. Our policy is to maintain stable dividends based on a payout ratio target of 25% or higher. Dividends are determined after comprehensively considering factors such as business performance, the outlook for the operating environment and financing needs for medium- and long-term development.
- We increased dividends for the fifth consecutive fiscal year in fiscal 2017, reflecting steady growth in profit attributable to owners of parent.

Consolidated Balance Sheets

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2017	As of March 31, 2018	(Note 2) As of March 31, 2018
Assets			
Current assets			
Cash and deposits (Note 7)	¥ 62,885	¥ 62,785	\$ 592,311
Notes and accounts receivable – trade	27,391	31,042	292,849
Securities (Notes 3,10,17)	5,403	15,831	149,349
Merchandise	12,023	11,759	110,934
Real estate for sale (Notes 7,10)	213,239	207,705	1,959,481
Real estate for sale in process	199,431	260,138	2,454,132
Costs on uncompleted construction contracts	5,948	5,858	55,264
Supplies	779	746	7,038
Deferred tax assets (Note 20)	12,474	8,712	82,189
Other	48,591	54,084	510,226
Allowance for doubtful accounts	(143)	(110)	(1,038)
Total current assets	588,025	658,554	6,212,774
Non-current assets			
Property, plant and equipment			
Buildings and structures	394,607	404,150	3,812,736
Accumulated depreciation	(169,750)	(179,695)	(1,695,236)
Buildings and structures, net (Note 7)	224,857	224,455	2,117,500
Land (Notes 6,7)	815,232	813,087	7,670,632
Construction in progress	77,129	79,430	749,340
Other	62,025	64,322	606,811
Accumulated depreciation	(38,465)	(40,624)	(383,245)
Other, net	23,560	23,698	223,566
Total property, plant and equipment (Notes 10,21)	1,140,779	1,140,671	10,761,047
Intangible assets			
Leasehold right	9,567	8,758	82,623
Goodwill	87,975	82,553	778,802
Other	13,772	16,186	152,698
Total intangible assets (Note 10)	111,315	107,498	1,014,132
Investments and other assets			
Investment securities (Notes 7,10,17)	119,314	159,863	1,508,142
Long-term loans receivable (Note 7)	3,547	282	2,660
Lease and guarantee deposits	68,664	72,829	687,066
Net defined benefit asset (Note 19)	644	821	7,745
Deferred tax assets (Note 20)	13,047	12,247	115,538
Other	22,515	24,343	229,651
Allowance for doubtful accounts	(701)	(351)	(3,311)
Total investments and other assets	227,032	270,036	2,547,509
Total non-current assets	1,479,126	1,518,206	14,322,698
Total assets	¥2,067,152	¥2,176,761	\$20,535,481

Account title	Yen (millions)		U.S. dollars (thousands)
	As of March 31, 2017	As of March 31, 2018	(Note 2) As of March 31, 2018
Liabilities			
Current liabilities			
Notes and accounts payable – trade	¥ 40,791	¥ 36,977	\$ 348,840
Short-term loans payable (Notes 7,8,9)	257,025	179,532	1,693,698
Commercial papers	60,000	—	—
Current portion of bonds (Note 8)	20,000	10,000	94,340
Accounts payable – other	37,862	29,892	282,000
Income taxes payable	9,781	8,739	82,443
Deferred tax liabilities (Note 20)	517	1,766	16,660
Advances received	39,748	41,292	389,547
Deposits received from consignment sales	7,533	10,353	97,670
Deposits received	26,029	28,556	269,396
Deposits received for special joint ventures	11,600	17,500	165,094
Provision for bonuses	9,183	9,839	92,821
Provision for directors' bonuses	221	224	2,113
Provision for warranties for completed construction	316	297	2,802
Other provision	1,233	1,674	15,792
Other	15,891	19,468	183,660
Total current liabilities	537,737	396,114	3,736,925
Non-current liabilities			
Bonds payable (Notes 7,8)	120,000	185,825	1,753,066
Long-term loans payable (Notes 7,8)	680,867	835,018	7,877,528
Deferred tax liabilities (Note 20)	30,015	30,901	291,519
Deferred tax liabilities for land revaluation (Note 6)	4,981	4,980	46,981
Long-term lease and guarantee deposited	175,218	179,963	1,697,764
Deposits received for special joint ventures	17,500	14,000	132,075
Net defined benefit liability (Note 19)	29,062	29,646	279,679
Provision for loss on guarantees	11	17	160
Provision for directors' retirement benefits	71	67	632
Other (Note 7)	25,379	24,881	234,726
Total non-current liabilities	1,083,106	1,305,301	12,314,160
Total liabilities	1,620,844	1,701,415	16,051,085
Net assets			
Shareholders' equity (Note 22)			
Capital stock	60,000	60,000	566,038
Capital surplus	118,704	119,188	1,124,415
Retained earnings	243,131	270,095	2,548,066
Treasury shares	(1,790)	(2,197)	(20,726)
Total shareholders' equity	420,045	447,087	4,217,802
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15,792	13,796	130,151
Deferred gains or losses on hedges (Note 18)	—	(169)	(1,594)
Revaluation reserve for land (Note 6)	8,069	8,067	76,104
Foreign currency translation adjustment	1,089	1,319	12,443
Remeasurements of defined benefit plans (Note 19)	(2,675)	(1,959)	(18,481)
Total accumulated other comprehensive income	22,275	21,053	198,613
Non-controlling interests	3,987	7,204	67,962
Total net assets	446,307	475,345	4,484,387
Total liabilities and net assets	¥2,067,152	¥2,176,761	\$20,535,481

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Operating revenue	¥808,503	¥866,126	\$8,171,000
Operating cost (Note 11)	635,495	683,650	6,449,528
Operating gross profit	173,008	182,476	1,721,472
Selling, general and administrative expenses	99,781	104,956	990,151
Operating profit	73,227	77,519	731,311
Non-operating income			
Interest income	94	116	1,094
Dividend income	614	533	5,028
Share of profit of entities accounted for using equity method	—	190	1,792
Other	590	590	5,566
Total non-operating income	1,300	1,430	13,491
Non-operating expenses			
Interest expenses	8,362	7,936	74,868
Foreign exchange losses	912	883	8,330
Other	1,621	1,438	13,566
Total non-operating expenses	10,896	10,258	96,774
Ordinary profit	63,631	68,691	648,028
Extraordinary income			
Gain on sales of non-current assets	128	18	170
Gain on sales of investment securities	82	28	264
Other	—	—	—
Total extraordinary income	211	47	443
Extraordinary losses			
Impairment loss (Note 12)	15,439	8,037	75,821
Other	2,543	1,292	12,189
Total extraordinary losses	17,982	9,329	88,009
Profit before income taxes	45,860	59,409	560,462
Income taxes – current	19,226	17,950	169,340
Income taxes – deferred (Note 20)	(5,341)	6,080	57,358
Total income taxes (Note 20)	13,884	24,031	226,708
Profit	31,975	35,377	333,745
Profit attributable to non-controlling interests	457	192	1,811
Profit attributable to owners of parent	¥ 31,518	¥ 35,185	\$ 331,934

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Profit	¥31,975	¥35,377	\$333,745
Other comprehensive income			
Valuation difference on available-for-sale securities	(920)	(1,996)	(18,830)
Deferred gains or losses on hedges	—	(8)	(75)
Revaluation reserve for land	—	—	—
Foreign currency translation adjustment	442	1,921	18,123
Remeasurements of defined benefit plans, net of tax	688	715	6,745
Share of other comprehensive income of entities accounted for using equity method	(353)	(1,673)	(15,783)
Total other comprehensive income (Note 13)	(141)	(1,040)	(9,811)
Comprehensive income	¥31,833	¥34,337	\$323,934
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥31,385	¥34,126	\$321,943
Comprehensive income attributable to non-controlling interests	448	210	1,981

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

2017 (from April 1, 2016 to March 31, 2017)

Account title	Yen (millions)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥60,000	¥118,638	¥219,855	¥(1,789)	¥396,704
Changes of items during period					
Dividends of surplus			(7,913)		(7,913)
Profit attributable to owners of parent			31,518		31,518
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		65			65
Reversal of revaluation reserve for land			(327)		(327)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	65	23,276	(1)	23,340
Balance at end of current period	¥60,000	¥118,704	¥243,131	¥(1,790)	¥420,045

Account title	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
	Balance at beginning of current period	¥16,713	¥—	¥7,741	¥ 990	¥(3,364)	¥22,080	¥3,596
Changes of items during period								
Dividends of surplus								(7,913)
Profit attributable to owners of parent								31,518
Purchase of treasury shares								(1)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								65
Reversal of revaluation reserve for land								(327)
Net changes of items other than shareholders' equity	(920)	—	327	99	688	194	390	585
Total changes of items during period	(920)	—	327	99	688	194	390	23,925
Balance at end of current period	¥15,792	¥—	¥8,069	¥1,089	¥(2,675)	¥22,275	¥3,987	¥446,307

2018 (from April 1, 2017 to March 31, 2018)

Account title	Yen (millions)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥60,000	¥118,704	¥243,131	¥(1,790)	¥420,045
Changes of items during period					
Dividends of surplus			(8,223)		(8,223)
Profit attributable to owners of parent			35,185		35,185
Purchase of treasury shares				(532)	(532)
Disposal of treasury shares		484		126	610
Change in ownership interest of parent due to transactions with non-controlling interests					—
Reversal of revaluation reserve for land			2		2
Net changes of items other than shareholders' equity					
Total changes of items during period	—	484	26,963	(406)	27,042
Balance at end of current period	¥60,000	¥119,188	¥270,095	¥(2,197)	¥447,087

Account title	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
	Balance at beginning of current period	¥15,792	¥ —	¥8,069	¥1,089	¥(2,675)	¥22,275	¥3,987
Changes of items during period								
Dividends of surplus								(8,223)
Profit attributable to owners of parent								35,185
Purchase of treasury shares								(532)
Disposal of treasury shares								610
Change in ownership interest of parent due to transactions with non-controlling interests								—
Reversal of revaluation reserve for land								2
Net changes of items other than shareholders' equity	(1,996)	(169)	(2)	229	715	(1,222)	3,217	1,995
Total changes of items during period	(1,996)	(169)	(2)	229	715	(1,222)	3,217	29,037
Balance at end of current period	¥13,796	¥(169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204	¥475,345

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

2018 (from April 1, 2017 to March 31, 2018)

Account title	U.S. dollars (thousands) (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$566,038	\$1,119,849	\$2,293,689	\$(16,887)	\$3,962,689
Changes of items during period					
Dividends of surplus			(77,575)		(77,575)
Profit attributable to owners of parent			331,934		331,934
Purchase of treasury shares				(5,019)	(5,019)
Disposal of treasury shares		4,566		1,189	5,755
Change in ownership interest of parent due to transactions with non-controlling interests					—
Reversal of revaluation reserve for land			19		19
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	4,566	254,368	(3,830)	255,113
Balance at end of current period	\$566,038	\$1,124,415	\$2,548,066	\$(20,726)	\$4,217,802

Account title	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
	Balance at beginning of current period	\$148,981	\$ —	\$76,123	\$10,274	\$(25,236)	\$210,142	\$37,613
Changes of items during period								
Dividends of surplus								(77,575)
Profit attributable to owners of parent								331,934
Purchase of treasury shares								(5,019)
Disposal of treasury shares								5,755
Change in ownership interest of parent due to transactions with non-controlling interests								—
Reversal of revaluation reserve for land								19
Net changes of items other than shareholders' equity	(18,830)	(1,594)	(19)	2,160	6,745	(11,528)	30,349	18,821
Total changes of items during period	(18,830)	(1,594)	(19)	2,160	6,745	(11,528)	30,349	273,934
Balance at end of current period	\$130,151	\$(1,594)	\$76,104	\$12,443	\$(18,481)	\$198,613	\$67,962	\$4,484,387

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
	Cash flows from operating activities		
Profit before income taxes	¥ 45,860	¥ 59,409	\$ 560,462
Depreciation	23,529	23,133	218,236
Amortization of goodwill	4,911	5,421	51,142
Share of loss (profit) of entities accounted for using equity method	264	(190)	(1,792)
Increase (decrease) in net defined benefit liability	518	583	5,500
Increase (decrease) in other provision	(112)	657	6,198
Impairment loss	15,439	8,037	75,821
Loss on valuation of inventories	5,036	3,200	30,189
Loss on retirement of non-current assets	1,044	2,716	25,623
Interest and dividend income	(709)	(649)	(6,123)
Interest expenses	8,362	7,936	74,868
Decrease (increase) in notes and accounts receivable – trade	(3,334)	(3,236)	(30,528)
Decrease (increase) in inventories	(25,735)	(70,734)	(667,302)
Increase (decrease) in notes and accounts payable – trade	2,354	(3,798)	(35,830)
Increase (decrease) in deposits received for consignment sales	(2,719)	2,820	26,604
Increase (decrease) in deposits received for special joint ventures	8,600	2,400	22,642
Other, net	12,294	1,015	9,575
Subtotal	95,606	38,723	365,311
Interest and dividend income received	785	504	4,755
Interest expenses paid	(8,337)	(7,741)	(73,028)
Income taxes paid	(19,130)	(19,221)	(181,330)
Net cash provided by (used in) operating activities	¥ 68,925	¥ 12,265	\$ 115,708
Cash flows from investing activities			
Payments of loans receivable	(1,780)	(245)	(2,311)
Collection of loans receivable	50	3,267	30,821
Purchase of short-term and long-term investment securities	(11,985)	(48,847)	(460,821)
Proceeds from sales and redemption of short-term and long-term investment securities	1,100	1,103	10,406
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18,847)	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(601)	—	—
Payments for lease and guarantee deposits	(8,835)	(8,692)	(82,000)
Proceeds from collection of lease and guarantee deposits	3,914	4,424	41,736
Purchase of non-current assets	(53,336)	(47,965)	(452,500)
Proceeds from sales of non-current assets	19,669	44	415
Other, net	(336)	487	4,594
Net cash provided by (used in) investing activities	¥(70,988)	¥(96,423)	\$(909,651)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)	2018 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ 32,540	¥ (14,982)	\$ (141,340)
Net increase (decrease) in commercial papers	2,000	(60,000)	(566,038)
Proceeds from long-term loans payable	148,298	255,197	2,407,519
Repayments of long-term loans payable	(192,127)	(155,022)	(1,462,472)
Proceeds from long-term lease and guarantee deposited	29,257	27,752	261,811
Repayments of long-term lease and guarantee deposited	(27,552)	(19,604)	(184,943)
Proceeds from issuance of bonds	60,000	75,825	715,330
Redemption of bonds	(20,000)	(20,000)	(188,679)
Cash dividends paid	(7,913)	(8,223)	(77,575)
Proceeds from share issuance to non-controlling shareholders	467	3,071	28,972
Dividends paid to non-controlling interests	(73)	(211)	(1,991)
Repayments of finance lease obligations	(1,463)	(1,398)	(13,189)
Payments for investments in silent partnership that do not result in change in scope of consolidation	(390)	—	—
Net decrease (increase) in treasury shares	(1)	(2)	(19)
Net cash provided by (used in) financing activities	¥ 23,042	¥ 82,400	\$ 777,358
Effect of exchange rate change on cash and cash equivalents	1,021	1,743	16,443
Net increase (decrease) in cash and cash equivalents	¥ 22,000	¥ (13)	\$ (123)
Cash and cash equivalents at beginning of period	39,864	61,865	583,632
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(122)	(1,151)
Cash and cash equivalents at end of period (Note 14)	¥ 61,865	¥ 61,729	\$ 582,349

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Tokyu Fudosan Holdings Corporation and Consolidated Subsidiaries

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 131 consolidated subsidiaries as of March 31, 2018. The following companies have become consolidated subsidiaries: Silent Partnerships of Mietoba, Nove Grande, Kushiro Toritoshi, Mobarata Hatsudensho, Kurihara Kurikoma, Kyodo Infrastructure Fund, Kitaema, Minami Kyushu Ei, RE Investment 1, Yoshino, Cosmos and GK009 are treated as consolidated subsidiaries following new investments in them. Tokyu Re·design Corporation, Seragaki Hotel Management K.K., TLUS HDB, LLC, TLUS SCC, LLC, TLUS DEXTER, LLC, P.T. Tokyu Property Management Indonesia, TPBD SINGAPORE PTE. LTD., PT. TPB DEVELOPMENT INDONESIA, Miyoshimachi Properties Special Purpose Company and Kashihama Properties Special Purpose Company are treated as consolidated subsidiaries given that they were newly established.

On the other hand, the following companies were excluded from the scope of consolidation due to the following reasons,

respectively: Elle-staff Co., Ltd. is excluded from the scope of consolidation after it ceased to exist following an absorption-type merger with Tokyu Livable Staff Corporation as the surviving company. So are TLC Activia Investment Management Inc. after it ceased to exist following an absorption-type merger with TLC Comforia Investment Management Inc. as the surviving company; Silent Partnerships of Arcadia HT, Kotoru, Comforia Virgo, Phoenix, Cosmos and Times Square due to a decline in the significance resulting from the sale of assets under management; TLC Steadfast LLC, TLC Steadfast Nob Hill LLC and Nob Hill LLC following the application of U.S. accounting standards; and Miyoshimachi Properties Special Purpose Company as a result of the sale of equity.

(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 65 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) 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.

(i) Provision for Bonuses

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

(j) 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.

(k) Net Defined 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.

(l) Recognition of Revenue

Revenue from the sale of real estate is recognized when they are delivered and accepted by the customers.

(m) 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.

(n) 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.

(o) Amortization of Goodwill

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

(p) 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.

(q) 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.

(r) 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, 2018.

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 ¥106=U.S. \$1.00, the approximate exchange

rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2018. 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. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMK holding properties for sale, and operational investment securities included in securities at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Investments in silent partnership	¥1,219	¥ 4,489	\$ 42,349
Securities	4,078	10,921	103,028

4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2017 and 2018 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Investment securities	¥49,598	¥75,612	\$713,321

5. Contingent Liabilities

At March 31, 2017 and 2018 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 206	¥ 85	\$ 802
Employees for their purchase of residential houses	12	4	38
PT. TTL Residences	214	183	1,726
425 Park Owner LLC	10,411	9,859	93,009
Tokyu Land US Corporation*1	—	—	—
PT. Tokyu Land Indonesia*2	2,940	5,850	55,189
Shiba Daimon TMK	10,000	—	—
Shiba Park TMK	—	10,000	94,340
Mizuho Trust & Banking Co., Ltd.:			
The real-estate trust beneficiary company	—	5,500	51,887
	¥23,785	¥31,483	\$297,009

*1 Represents the guarantee for borrowings that were made by Tokyu Land US Corporation, which is a consolidated subsidiary and whose closing date is different from the consolidated closing date, which took place between those dates.

*2 Represents the guarantee for borrowings that were made by PT. Tokyu Land Indonesia, which is a consolidated subsidiary and whose closing date is different from the consolidated closing date, which took place between those dates.

6. 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, 2017 and 2018 respectively. As such, the difference is not stated.

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2017 and 2018 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥ —	¥ 292	\$ 2,755
Inventories (Real estate for sale)	14,121	18,909	178,387
Buildings and structures	95,194	92,543	873,047
Land	583,485	583,485	5,504,575
Investment securities	164	170	1,604
Long-term loans receivable	223	207	1,953
	¥693,188	¥695,608	\$6,562,340

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Short-term loans payable	¥ 98,808	¥ 24,120	\$ 227,547
Bonds payable	—	5,825	54,953
Long-term loans payable	257,337	337,184	3,180,981
Other non-current liabilities	2,261	2,261	21,330
	¥358,407	¥369,391	\$3,484,821

In addition to the above, Investment securities of ¥889 million and ¥767 million (U.S.\$7,236 thousand) at March 31, 2017 and 2018, 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)
	2017	2018	2018
Real estate for sale	¥2,261	¥2,261	\$21,330
Other non-current liabilities	¥2,261	¥2,261	\$21,330

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Short-term loans payable			
(Current portion of long-term loans payable)	¥ 98,684	¥ 24,034	\$ 226,736
Long-term loans payable	257,251	337,184	3,180,981
Bonds payable	—	5,825	54,953

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥ —	¥ 292	\$ 2,755
Real estate for sale	10,680	15,629	147,443
Land	580,658	580,658	5,477,906
Buildings and structures	94,242	91,577	863,934

8. Short-term Loans Payable and Long-term Debt

Short-term loans payable at March 31, 2017 and 2018 consist of loans principally from banks with weighted average interest rates of 1.05% in 2018.

Long-term debt at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
0.700% unsecured corporate bond, maturing 2017	¥ —	¥ —	\$ —
0.810% unsecured corporate bond, maturing 2017	—	—	—
0.630% unsecured corporate bond, maturing 2018	10,000	—	—
0.560% unsecured corporate bond, maturing 2018	10,000	—	—
0.390% unsecured corporate bond, maturing 2019	10,000	10,000	94,340
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	94,340
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	94,340
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	94,340
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	94,340
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	94,340
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	94,340
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	94,340
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	94,340
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	94,340
0.001% unsecured corporate bond, maturing 2020	10,000	10,000	94,340
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	94,340
0.160% unsecured corporate bond, maturing 2023	—	10,000	94,340
0.790% unsecured corporate bond, maturing 2024	—	10,000	94,340
0.410% unsecured corporate bond, maturing 2028	—	10,000	94,340
0.170% unsecured corporate bond, maturing 2023	—	10,000	94,340
0.780% unsecured corporate bond, maturing 2033	—	10,000	94,340
0.390% unsecured corporate bond, maturing 2028	—	10,000	94,340
0.980% unsecured corporate bond, maturing 2038	—	10,000	94,340
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2019 to 2038 with weighted average interest rates of 0.63% in 2018.			
Secured	358,407	369,391	3,484,821
Unsecured	485,348	572,788	5,403,660
	983,755	1,132,179	10,680,934
Less current portion	(182,887)	(111,335)	(1,050,330)
	¥ 800,867	¥1,020,843	\$ 9,630,594

The aggregate annual maturity of long-term debt after March 31, 2019 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2020	¥ 101,936	\$ 961,660
2021	111,152	1,048,604
2022	88,027	830,443
2023	171,393	1,616,915
2024 and thereafter	548,334	5,172,962
	¥1,020,843	\$9,630,594

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 29 banks at March 31, 2017 and 2018 and commitment lines with 4 banks at March 31, 2017 and 2018, respectively. These contracts at March 31, 2017 and 2018 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Limit of overdraft	¥259,119	¥259,019	\$2,443,575
Line of credit	54,000	54,000	509,434
Borrowing outstanding	(65,097)	(44,297)	(417,896)
Available commitment lines	¥248,022	¥268,722	\$2,535,113

10. 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)
	2017	2018	2018
From property, plant and equipment to real estate for sale	¥40,826	¥7,353	\$69,368
From intangible assets to real estate for sale	—	861	8,123
From investment securities to securities	729	—	—

11. 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)
	2017	2018	2018
Loss on valuation of inventories	¥5,036	¥3,200	\$30,189

12. Impairment Loss on Fixed Assets

2017

For the year ended March 31, 2017, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)
Leased assets	Land	Shibuya-ku, Tokyo	¥15,133
Others (9 assets)	Land, buildings and structures, other fixed assets	Other area	¥ 305

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 10 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 ¥15,439 million.

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.

2018

For the year ended March 31, 2018, 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)
Golf course	Land, buildings and structures, other fixed assets	Oita-shi, Oita	¥2,600	\$24,528
Senior housing	Land, buildings and structures, other fixed assets	Yokohama-shi, Kanagawa	¥2,384	\$22,491
Golf course	Land, buildings and structures, other fixed assets	Miki-shi, Hyogo	¥1,956	\$18,453
Others (25 assets)	Land, buildings and structures, other fixed assets	Other area	¥1,095	\$10,330

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 28 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 ¥8,037 million (\$75,821 thousand).

The recoverable value of the asset groups was measured by their net selling price or value in use. 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. Value in use is calculated by discounting expected future cash flows using 2.0%.

13. Other Comprehensive Income

The following table presents components of other comprehensive income for the years ended March 31, 2017 and 2018:

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥(1,319)	¥(2,877)	\$ (27,142)
Reclassification to income for the year	(6)	(3)	(28)
Total valuation difference on available-for-sale securities	¥(1,326)	¥(2,880)	\$ (27,170)
Deferred gains or losses on hedges:			
Amount arising during the year	¥ —	¥ (11)	\$ (104)
Reclassification to income for the year	—	—	—
Total deferred gains or losses on hedges	¥ —	¥ (11)	\$ (104)
Foreign currency translation adjustment:			
Amount arising during the year	¥ 442	¥ 1,921	\$ 18,123
Reclassification to income for the year	—	—	—
Total foreign currency translation adjustment	¥ 442	¥ 1,921	\$ 18,123
Remeasurements of defined benefits:			
Amount arising during the year	¥ (265)	¥ (229)	\$ (2,160)
Reclassification to income for the year	1,194	1,204	11,358
Total remeasurements of defined benefits	¥ 928	¥ 974	\$ 9,189
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	¥ (353)	¥(1,673)	\$ (15,783)
Reclassification to income for the year	—	—	—
Total share of other comprehensive income of entities accounted for using equity method	¥ (353)	¥(1,673)	\$ (15,783)
Amount before tax effect	¥ (308)	¥(1,669)	\$ (15,745)
Tax effect	166	629	5,934
Total accumulated other comprehensive income	¥ (141)	¥(1,040)	\$ (9,811)

(2) Tax effect of other comprehensive income

	Yen (millions)		
	2017		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥(1,326)	¥ 406	¥(920)
Foreign currency translation adjustment	442	—	442
Remeasurements of defined benefits	928	(240)	688
Share of other comprehensive income of entities accounted for using equity method	(353)	—	(353)
Total accumulated other comprehensive income	¥ (308)	¥ 166	¥(141)

	Yen (millions)		
	2018		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥(2,880)	¥ 884	¥(1,996)
Deferred gains or losses on hedges	(11)	3	(8)
Foreign currency translation adjustment	1,921	—	1,921
Remeasurements of defined benefit plans	974	(258)	715
Share of other comprehensive income of entities accounted for using equity method	(1,673)	—	(1,673)
Total accumulated other comprehensive income	¥(1,669)	¥ 629	¥(1,040)

	U.S. dollars (thousands)		
	2018		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$(27,170)	\$ 8,340	\$(18,830)
Deferred gains or losses on hedges	(104)	28	(75)
Foreign currency translation adjustment	18,123	—	18,123
Remeasurements of defined benefits	9,189	(2,434)	6,745
Share of other comprehensive income of entities accounted for using equity method	(15,783)	—	(15,783)
Total accumulated other comprehensive income	\$(15,745)	\$ 5,934	\$ (9,811)

14. 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, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Cash and deposits	¥62,885	¥62,785	\$592,311
Time deposits with maturity over three months	(1,019)	(1,085)	(10,236)
Short-term loans receivable	—	30	283
Cash and cash equivalents	¥61,865	¥61,729	\$582,349

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥40,826	¥8,214	\$77,491
The amount transferred from investment security due to security change in purpose of holding the real estate	729	—	—

15. 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, 2017 and 2018 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2017 and 2018 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Acquisition cost	¥7,248	¥7,174	\$67,679
Accumulated depreciation	3,516	3,804	35,887
Carrying amount	¥3,732	¥3,369	\$31,783

(2) Future lease payments at March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 596	¥ 590	\$ 5,566
Due after one year	5,528	4,937	46,575
Total	¥6,124	¥5,528	\$52,151

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Lease payments	¥602	¥596	\$5,623
Reversal of impairment loss account on leased assets	—	—	—
Depreciation expense	294	362	3,415
Interest expenses	206	242	2,283

(Operating Lease Transactions as Lessee)

Future lease payments of non-cancellable leases at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 19,520	¥ 23,021	\$ 217,179
Due after one year	184,541	337,849	3,187,255
Total	¥204,061	¥360,870	\$3,404,434

(Operating Lease Transactions as Lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Due within one year	¥ 28,707	¥ 30,702	\$ 289,642
Due after one year	177,558	100,349	946,689
Total	¥206,265	¥131,052	\$1,236,340

16. Financial Instruments

Financial instruments at March 31, 2017 and 2018 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 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 risk

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).

(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, 2018 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).

	Yen (millions)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	¥ 62,785	¥ 62,785	¥ —
(2) Securities and investment securities			
Held-to-maturity securities	711	716	5
Available-for-sale securities	58,498	58,498	—
Total assets	¥ 121,995	¥ 122,000	¥ 5
(1) Short-term loans payable	¥ 78,197	¥ 78,197	¥ —
(2) Bonds payable	195,825	196,022	197
(3) Long-term loans payable	936,354	935,306	¥(1,047)
Total liabilities	¥1,210,376	¥1,209,526	(850)
Derivatives			
Derivatives to which hedge accounting is not applied	¥ 185	¥ 185	¥ —
Derivatives to which hedge accounting is applied	(244)	(244)	—

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 592,311	\$ 592,311	\$ —
(2) Securities and investment securities			
Held-to-maturity securities	6,708	6,755	47
Available-for-sale securities	551,868	551,868	—
Total assets	\$ 1,150,896	\$ 1,150,943	\$ 47
(1) Short-term loans payable	\$ 737,708	\$ 737,708	\$ —
(2) Bonds payable	1,847,406	1,849,264	1,858
(3) Long-term loans payable	8,833,528	8,823,642	(9,877)
Total liabilities	\$11,418,642	\$11,410,623	\$(8,019)
Derivatives			
Derivatives to which hedge accounting is not applied	\$ 1,745	\$ 1,745	\$ —
Derivatives to which hedge accounting is applied	(2,302)	(2,302)	—

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 loans payable and Commercial papers

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 loans payable (Including current portion of long-term loans payable)

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 loans payable 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 18. Derivative Financial Instrument for information on derivative transactions.

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

	U.S. dollars (thousands)	
	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 3,149	\$ 29,708
Unlisted stocks – current	7,772	73,321
Unlisted stocks – non-current	100,372	946,906
Investments in silent partnerships – current	4,489	42,349
Investments in silent partnerships – non-current	700	6,604

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.

	U.S. dollars (thousands)	
	Yen (millions)	U.S. dollars (thousands)
Lease and guarantee deposits	¥ 72,829	\$ 687,066
Long-term lease and guarantee deposited	179,963	1,697,764

Because no quoted market price is available, calculation of the substantial deposit period is difficult, and the amount is not significant, 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, 2018.

	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
Deposits	¥62,785	¥ —	¥—	¥—
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	419	291	—	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) National and local government bonds	10	36	—	—
(2) Corporate bonds	—	—	—	—
Total	¥63,214	¥327	¥—	¥—

	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
Deposits	\$592,311	\$ —	\$—	\$—
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	3,953	2,745	—	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) National and local government bonds	94	340	—	—
(2) Corporate bonds	—	—	—	—
Total	\$596,358	\$3,085	\$—	\$—

17. Securities

Securities held by the Company as of March 31, 2017 and 2018 are summarized as follows:

(1) Held-to-maturity securities

	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥848	¥858	¥10
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	848	858	10
Securities whose fair value does not exceed book value:			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥848	¥858	¥10

	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥711	¥716	¥5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	711	716	5
Securities whose fair value does not exceed book value:			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	¥711	¥716	¥5

	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$6,708	\$6,755	\$47
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	6,708	6,755	47
Securities whose fair value does not exceed book value:			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	\$6,708	\$6,755	\$47

(2) Available-for-sale securities

	Yen (millions)		
	2017		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥60,540	¥37,630	¥22,910
National and local government bonds	46	45	0
Other	—	—	—
Subtotal	60,587	37,676	22,910
Securities whose book value does not exceed acquisition cost:			
Stocks	8	9	(0)
National and local government bonds	—	—	—
Other	—	—	—
Subtotal	8	9	(0)
Total	¥60,595	¥37,685	¥22,910

	Yen (millions)		
	2018		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥58,375	¥38,349	¥20,026
National and local government bonds	46	45	0
Other	—	—	—
Subtotal	58,421	38,395	20,026
Securities whose book value does not exceed acquisition cost:			
Stocks	77	81	(4)
National and local government bonds	—	—	—
Other	—	—	—
Subtotal	77	81	(4)
Total	¥58,498	¥38,476	¥20,022

	U.S. dollars (thousands)		
	2018		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$550,708	\$361,783	\$188,925
National and local government bonds	434	425	0
Other	—	—	—
Subtotal	551,142	362,217	188,925
Securities whose book value does not exceed acquisition cost:			
Stocks	726	764	(38)
National and local government bonds	—	—	—
Other	—	—	—
Subtotal	726	764	(38)
Total	\$551,868	\$362,981	\$188,887

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

Available-for-sale securities	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Operational investment securities	¥1,783	¥ 3,149	\$ 29,708
Unlisted stocks, etc.	9,478	32,532	306,906
Investments in silent partnerships	¥2,411	¥ 5,190	\$ 48,962

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, 2017 and 2018:

Type	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
2017			
Stocks	¥216	¥82	¥—
National and local government bonds	—	—	—
Other	—	—	—
Total	¥216	¥82	¥—

2018

Type	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥62	¥28	¥2
National and local government bonds	—	—	—
Other	—	—	—
Total	¥62	¥28	¥2

2018

Type	U.S. dollars (thousands)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	\$585	\$264	\$19
National and local government bonds	—	—	—
Other	—	—	—
Total	\$585	\$264	\$19

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2017 and 2018:

Loss on valuation of investment securities (Note)	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
	¥431	¥10	\$94

Note: Securities which market value is very difficult to determine

18. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2017 and 2018 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

2017	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥7,476	¥—	¥(561)	¥(561)
Non-market transaction	Interest rate cap transactions	9,144	—	—	—

2018	Type of derivatives	Yen (millions)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥11,934	¥2,340	¥185	¥185
Non-market transaction	Interest rate cap transactions	—	—	—	—

2018	Type of derivatives	U.S. dollars (thousands)			
		Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	\$112,585	\$22,075	\$1,745	\$1,745
Non-market transaction	Interest rate cap transactions	—	—	—	—

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

2018	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		Buy:	Forward exchange contract				
			U.S. dollars	Scheduled transactions in foreign currency	¥1,050	¥ 61	¥(8)
			Euro		3,457	202	(2)

2018	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		Buy:	Forward exchange contract				
			U.S. dollars	Scheduled transactions in foreign currency	\$ 9,906	\$ 575	\$(75)
			Euro		32,613	1,906	(19)

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

Currency-related transactions of derivatives to which hedge accounting is applied for the year ended March 31, 2017: Not applicable.

Interest rate-related transactions

2017	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				Contract/ notional amount	Amount due after one year	Fair value
Special treatment for interest rate swaps		Interest rate swaps Receive/floating Pay/fixed	Long-term debt	¥341,033	¥300,511	(Note 1)

2018	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 Receive/floating Pay/fixed	Long-term debt	¥ 4,762	¥ 4,613	¥ (232)
Special treatment for interest rate swaps				300,511	257,614	(Note 1)

2018	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 Receive/floating Pay/fixed	Long-term debt	\$ 44,925	\$ 43,519	\$ (2,189)
Special treatment for interest rate swaps				2,835,009	2,430,321	(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.

19. 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)
	2017	2018	2018
Retirement benefit obligations at beginning of year	¥32,708	¥34,059	\$321,311
Service cost	2,065	2,124	20,038
Interest cost	224	229	2,160
Actuarial loss	335	96	906
Retirement benefits paid	(1,847)	(1,806)	(17,038)
Increase due to new consolidation	237	—	—
The amount of transfer in association with changing from the simplified method to the principle method	357	41	387
Prior service cost that occurred in the fiscal year under review	(22)	226	2,132
Retirement benefit obligations at end of year	¥34,059	¥34,971	\$329,915
2. Simplified method			
Retirement benefit obligations at beginning of year	¥ 1,679	¥ 1,205	\$ 11,368
Retirement benefit cost	127	103	972
Retirement benefits paid	(213)	(155)	(1,462)
The amount of transfer in association with changing from the simplified method to the principle method	(454)	(30)	(283)
Contributions to the system	20	—	—
Increase due to new consolidation	46	—	—
Retirement benefit obligations at end of year	¥ 1,205	¥ 1,122	\$ 10,585

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Pension assets at beginning of year	¥6,557	¥6,846	\$64,585
Expected return on plan assets	201	210	1,981
Actuarial loss	47	93	877
Contributions from employer	332	667	6,292
Retirement benefits paid	(506)	(549)	(5,179)
Increase due to new consolidation	213	—	—
Pension assets at end of year	¥6,846	¥7,269	\$68,575

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2017 and 2018 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Retirement benefit obligations under the savings-type plan	¥ 7,407	¥ 9,651	\$ 91,047
Plan assets at fair value	(6,846)	(7,269)	(68,575)
Retirement benefit obligations under the non-savings-type plan	560	2,381	22,462
Net amount of liability and asset recorded in the consolidated balance sheet	27,857	26,442	249,453
Net defined benefit liability	¥28,418	¥28,824	\$271,925
Net defined benefit asset	(644)	(821)	(7,745)
Net amount of liability and asset recorded in the consolidated balance sheet	¥29,062	¥29,646	\$279,679
	(644)	(821)	(7,745)
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,418	¥28,824	\$271,925

IV. Components of retirement benefit cost for the years ended March 31, 2017 and 2018

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Service cost	¥2,065	¥2,124	\$20,038
Interest cost	224	229	2,160
Expected return on plan assets	(201)	(210)	(1,981)
Amount expensed associated with the change from the simplified method to the principle method	(96)	10	94
Amortization of actuarial loss	1,156	1,149	10,840
Amortization of prior service cost	37	54	509
Retirement benefit cost calculated using the simplified method	127	103	972
Retirement benefit cost for the defined benefit plan	¥3,312	¥3,460	\$32,642

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Prior service cost	¥ (59)	¥ 172	\$ 1,623
Actuarial loss	(868)	(1,146)	(10,811)
Total	¥(928)	¥ (974)	\$ (9,189)

VI. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the years ended March 31, 2017 and 2018.

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Unrecognized prior service cost	¥ (108)	¥ (280)	\$ (2,642)
Unrecognized actuarial loss	(3,266)	(2,119)	(19,991)
Total	¥(3,374)	¥(2,400)	\$(22,642)

VII. Pension assets

1. The ratios by major category of the total pension assets as of March 31, 2017 and 2018 are set forth below.

	2017	2018
Bonds	35%	37%
Stocks	20%	18%
General account	28%	28%
Others	17%	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, 2017 and 2018

	2017	2018
Discount rate	0.00% - 1.10%	0.03% - 1.58%
Long-term expected rate of return on pension assets	0.75% - 3.20%	0.75% - 3.20%
Expected rate of salary increase	1.22% - 7.47%	1.80% - 7.50%

Defined contribution plan

The amounts required to be contributed to the defined contribution plan are ¥1,348 million and ¥1,377 million (\$12,991 thousand) for the years ended March 31, 2017 and 2018.

20. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2017 and 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Deferred tax assets:			
Valuation loss on inventories	¥ 628	¥ 1,039	\$ 9,802
Valuation loss on securities	2,364	2,420	22,830
Amortization of intangible assets	3,162	3,739	35,274
Allowance for doubtful accounts	122	129	1,217
Accrued expenses	155	164	1,547
Accrued bonuses to employees	3,618	3,874	36,547
Net defined benefit liability	8,171	8,410	79,340
Net operating loss carry forwards	2,721	5,018	47,340
Unrealized inter-company profits	427	481	4,538
Impairment losses on fixed assets	7,000	3,659	34,519
Loss of investments in silent partnerships	9	5	47
Undistributed loss from consolidated subsidiaries	452	300	2,830
Accrued enterprise tax/business office tax	874	869	8,198
Revaluation of assets for merger	7	7	66
Asset retirement obligations	1,507	1,460	13,774
Asset adjustment account	6,581	5,017	47,330
Other	6,170	4,711	44,443
Gross deferred tax assets	43,977	41,310	389,717
Less: valuation allowance	(9,040)	(12,906)	(121,755)
Total deferred tax assets	¥34,937	¥ 28,403	\$ 267,953
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,937	¥ 6,057	\$ 57,142
Allowance for doubtful accounts	3	—	—
Valuation difference on consolidated subsidiaries	26,993	28,300	266,981
Reserve for advanced depreciation of non-current assets	2,960	2,793	26,349
Loss on approval for exchange of land rights	115	24	226
Property, plant and equipment corresponding to asset retirement obligations	887	839	7,915
Other	2,049	2,095	19,764
Total deferred tax liabilities	¥39,947	¥ 40,111	\$ 378,406
Net deferred tax assets (liabilities)	¥ (5,010)	¥(11,707)	\$(110,443)

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
Deferred tax assets – current	¥ 12,474	¥ 8,712	\$ 82,189
Deferred tax assets – non-current	13,047	12,247	115,538
Deferred tax liabilities – current	(517)	(1,766)	(16,660)
Deferred tax liabilities – non-current	(30,015)	(30,901)	(291,519)
	¥ (5,010)	¥(11,707)	\$(110,443)

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

	2017	2018
Statutory tax rate (Adjustments)	*Note	30.9%
Items not included in tax deductions permanently, such as entertainment expenses		0.7%
Items not included in taxable income permanently, such as dividend income		(0.1)%
Inhabitant tax on a per capita basis		0.6%
Increase/decrease in the amount of valuation reserve		6.7%
Amortization of goodwill		2.8%
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity-enhancing equipment		(1.4)%
Equity in earnings of entities accounted for by the equity method		(0.1)%
Exclusion from tax deductions directors' bonuses		0.1%
Others		0.3%
Effective tax rate		40.5%

*Note: Since the difference between the statutory tax rate and the effective tax rate is less than five hundredths of the statutory tax rate, the note is omitted.

21. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2017 and 2018 are as follows:

2017

Yen (millions)		Yen (millions)	
Carrying value	As of March 31, 2017	Fair value	As of March 31, 2017
As of April 1, 2016	Net change	As of March 31, 2017	As of March 31, 2017
¥866,918	¥(69,429)	¥797,488	¥928,504

2018

Yen (millions)		Yen (millions)	
Carrying value	As of March 31, 2018	Fair value	As of March 31, 2018
As of April 1, 2017	Net change	As of March 31, 2018	As of March 31, 2018
¥797,488	¥(6,107)	¥791,381	¥937,080

2018

U.S. dollars (thousands)		U.S. dollars (thousands)	
Carrying value	As of March 31, 2018	Fair value	As of March 31, 2018
As of April 1, 2017	Net change	As of March 31, 2018	As of March 31, 2018
\$7,523,472	\$(57,613)	\$7,465,858	\$8,840,377

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

2. Of the changes during the fiscal year under review,

The increase during the year ended March 31, 2018 is mainly attributable to the acquisition of properties of ¥2,773 million (\$ 25,783 thousand). The increase during the year ended March 31, 2017 were mainly attributable to the acquisition of properties of ¥1,057 million.

The decrease during the year ended March 31, 2017 were mainly due to the sales of properties of ¥19,216 million, and transfers to real estate for sale of ¥30,441 million, respectively.

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 ¥127,353 million and ¥137,364 million (\$1,295,887 thousand) as of March 31, 2017 and 2018) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

22. 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
	2017	2018	2018
Net asset per share of common stock as of March 31	¥726.59	¥768.85	\$7.25
Net income per share of common stock for the year ended March 31	51.77	57.80	0.55

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
For the year ended March 31			
Profit attributable to owners of parent	¥ 31,518	¥ 35,185	\$331,934
Profit attributable to owners of parent of common stock	¥ 31,518	¥ 35,185	\$331,934
Weighted average number of shares of common stock (thousands)	608,766	608,772	

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

	Yen (millions)		U.S. dollars (thousands)
	2017	2018	2018
As of March 31			
Total net assets	¥446,307	¥475,345	\$4,484,387
Amount deducted from total net assets	3,987	7,204	67,962
Non-controlling interests	(3,987)	(7,204)	(67,962)
Net assets of common stock at March 31	¥442,320	¥468,140	\$4,416,415
Number of shares of common stock at March 31 (thousands)	608,764	608,883	

23. 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.

24. 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, retail facilities, rental residences 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 retail facilities and, (ii) construction of common areas of condominiums, (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) Business Innovation and Others, (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, 2018 and 2017 are less than 10 percent of consolidated revenue.

Independent Auditor's Report

Summarized information by business segment for the years ended March 31, 2018 and 2017 are as follows:

Year ended March 31, 2017	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 246,822	¥108,494	¥139,658	¥80,192	¥ 93,841	¥96,575	¥42,919	¥ —	¥ 808,503
Inter-segment	2,198	54	8,976	1,876	574	592	6,674	(20,947)	—
Total	¥ 249,021	¥108,548	¥148,634	¥82,069	¥ 94,416	¥97,167	¥49,593	¥(20,947)	¥ 808,503
Operating profit/loss	44,854	9,663	8,079	11,292	7,577	253	(1,909)	(6,584)	73,227
Total assets	¥1,395,640	¥168,482	¥ 91,028	¥66,408	¥251,158	¥39,302	¥94,607	¥(39,476)	¥2,067,152
Depreciation expenses	11,902	354	1,120	1,194	7,064	1,512	103	278	23,529
Amortization of goodwill	512	—	1,922	—	(13)	—	1	2,488	4,911
Investment in entities accounted for using equity method	—	—	—	55	—	—	47,936	626	48,618
Capital expenditures	36,332	1,191	1,895	1,215	17,821	1,420	832	750	61,459

Year ended March 31, 2018	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 266,875	¥123,490	¥150,416	¥96,305	¥ 96,315	¥96,378	¥ 36,346	¥ —	¥ 866,126
Inter-segment	2,902	48	10,532	3,044	704	736	5,343	(23,311)	—
Total	¥ 269,777	¥123,538	¥160,948	¥99,349	¥ 97,019	¥97,114	¥ 41,689	¥(23,311)	¥ 866,126
Operating profit/loss	50,745	7,595	8,212	13,238	5,823	413	(2,220)	(6,288)	77,519
Total assets	¥1,427,090	¥211,898	¥ 92,559	¥75,358	¥258,878	¥38,700	¥117,627	¥(45,353)	¥2,176,761
Depreciation expenses	10,928	503	1,136	1,212	7,413	1,460	92	386	23,133
Amortization of goodwill	1,008	—	1,922	—	0	—	1	2,488	5,421
Investment in entities accounted for using equity method	—	—	—	89	—	—	72,613	707	73,410
Capital expenditures	21,811	1,102	2,081	1,838	17,001	1,273	1,001	1,222	47,331

Year ended March 31, 2018	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	\$ 2,517,689	\$1,165,000	\$1,419,019	\$908,538	\$ 908,632	\$909,226	\$ 342,887	\$ —	\$ 8,171,000
Inter-segment	27,377	453	99,358	28,717	6,642	6,943	50,406	(219,915)	—
Total	\$ 2,545,066	\$1,165,453	\$1,518,377	\$937,255	\$ 915,274	\$916,170	\$ 393,292	\$(219,915)	\$ 8,171,000
Operating profit/loss	478,726	71,651	77,472	124,887	54,934	3,896	(20,943)	(59,321)	731,311
Total assets	\$13,463,113	\$1,999,038	\$ 873,198	\$710,925	\$2,442,245	\$365,094	\$1,109,689	\$(427,858)	\$20,535,481
Depreciation expenses	103,094	4,745	10,717	11,434	69,934	13,774	868	3,642	218,236
Amortization of goodwill	9,509	—	18,132	—	0	—	9	23,472	51,142
Investment in entities accounted for using equity method	—	—	—	840	—	—	685,028	6,670	692,547
Capital expenditures	205,764	10,396	19,632	17,340	160,387	12,009	9,443	11,528	446,519



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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

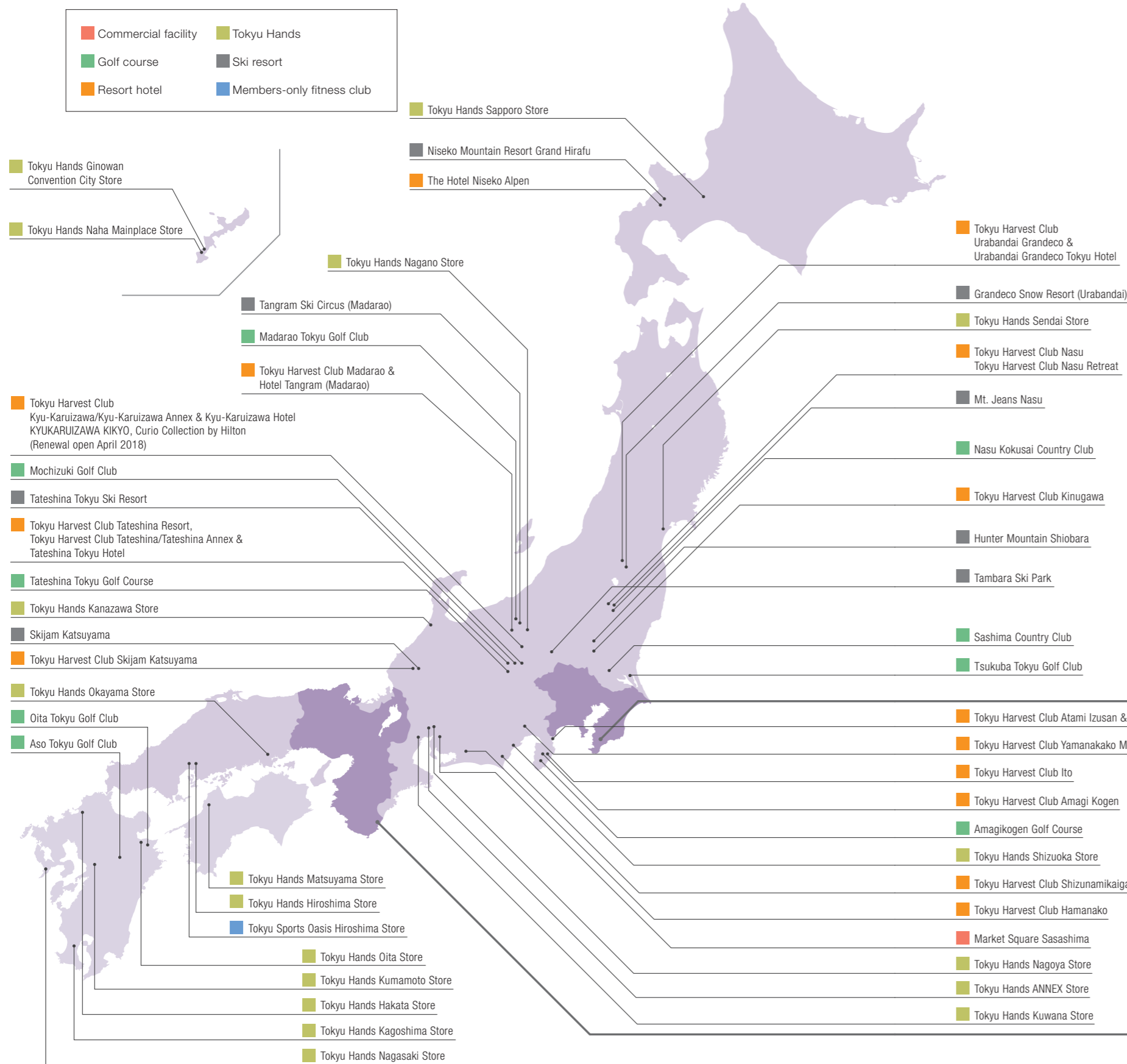
Ernst & Young ShinNihon LLC

June 15, 2018
Tokyo, Japan

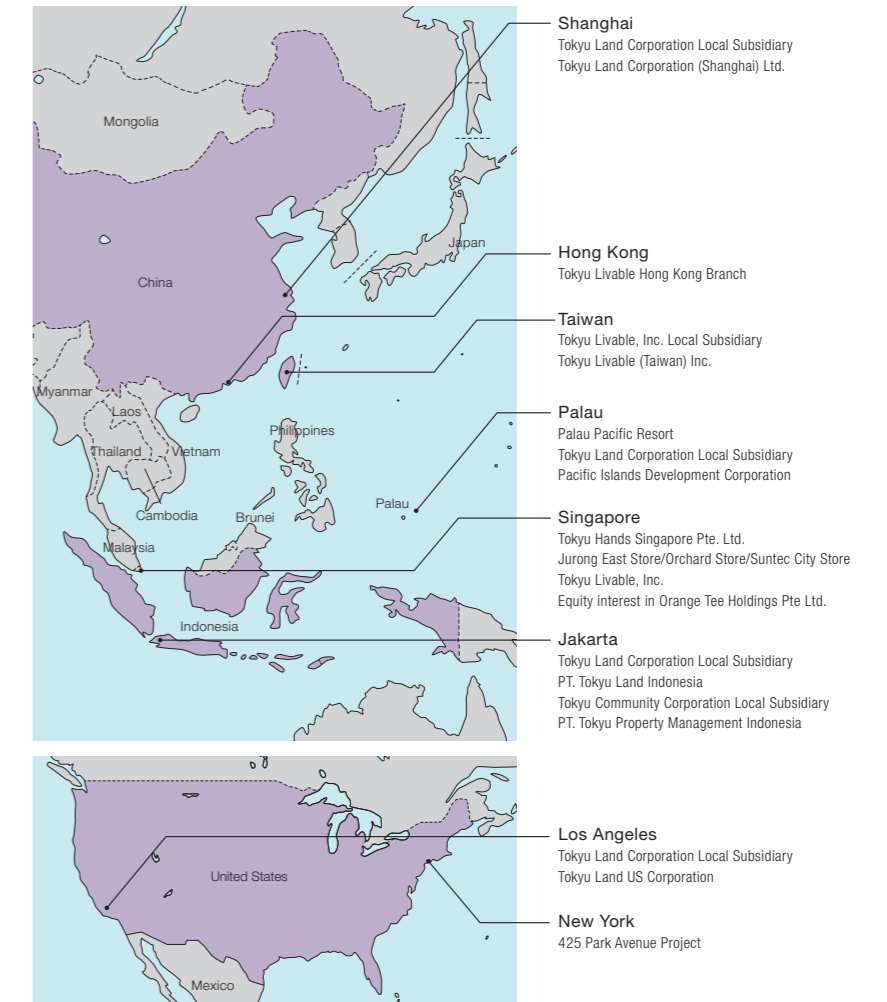
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Major Business Areas

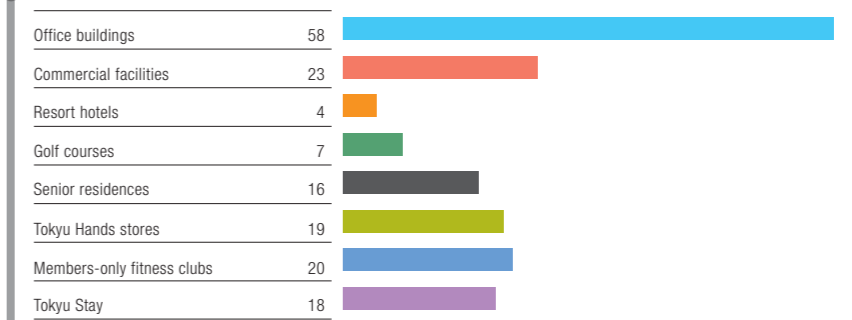
(As of March 31, 2018)



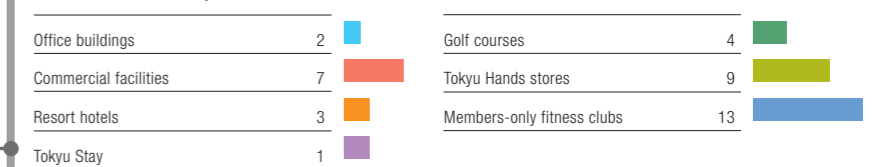
Overseas Business of the Tokyu Fudosan Holdings Group



Tokyo Metropolitan Area (Tokyo and three adjoining prefectures)



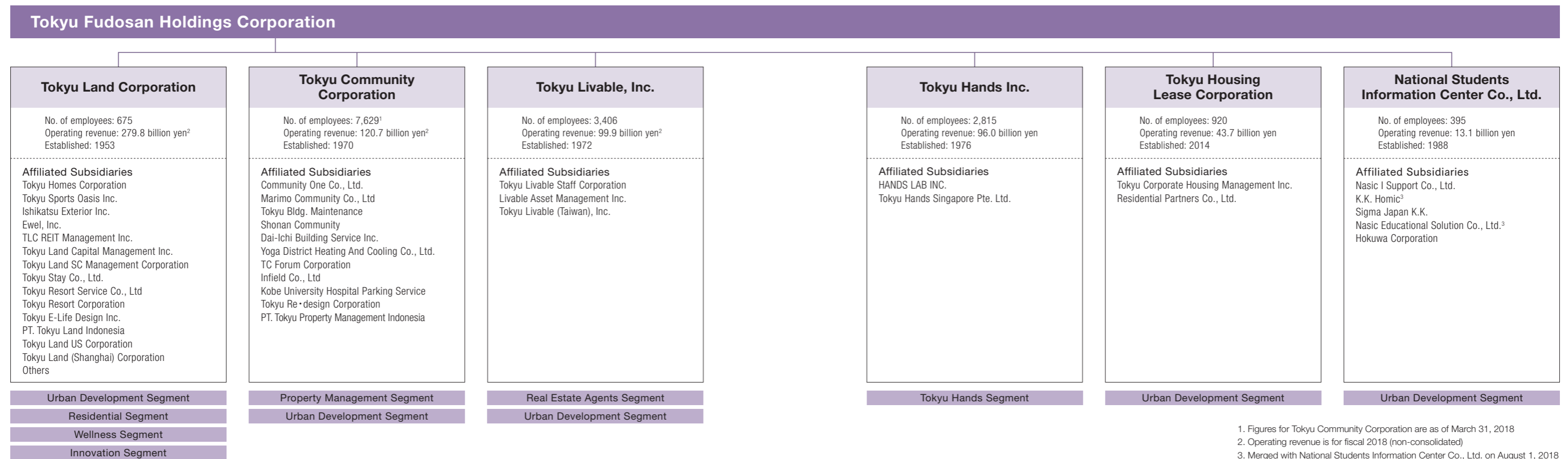
Kansai Area (six prefectures)



Corporate Data/Stock Information

Tokyu Fudosan Holdings Group

(As of April 1, 2018)



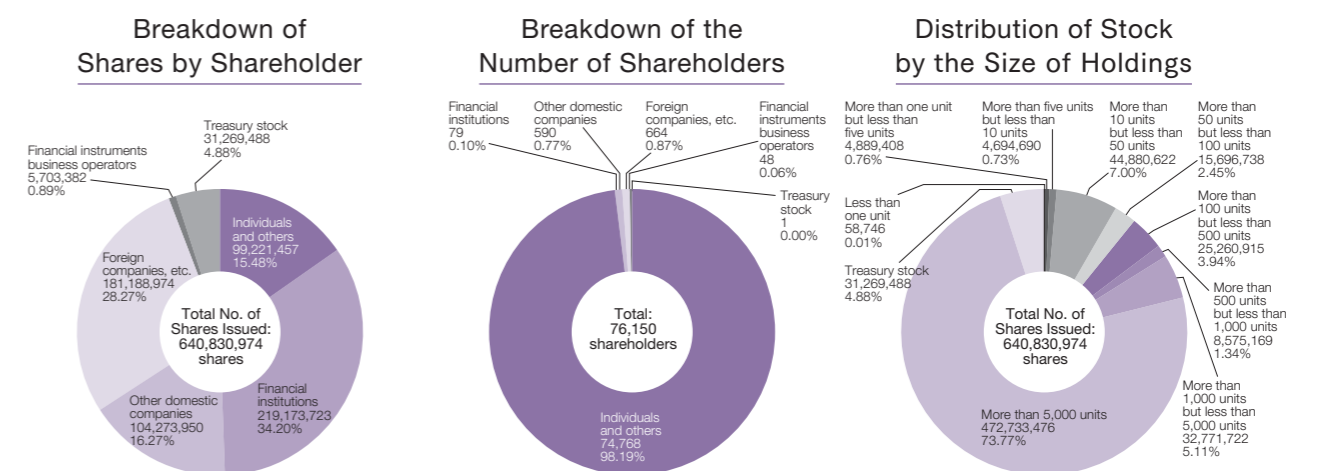
Corporate Data/Stock Information

(As of March 31, 2018)

Corporate name: Tokyu Fudosan Holdings Corporation
Address: TK Minami Aoyama Building, 2-6-21 Minami Aoyama, Minato-ku, Tokyo 107-0062
Representative: Yuji Okuma, President and Representative Director
Capital: 60 billion yen
Business activities: Management and administration of the Tokyu Fudosan Holdings Group
Established: October 1, 2013
No. of employees: 56
21,091 (consolidated)

Listed stock market: Tokyo Stock Exchange
Securities code: 3289
Share trading unit: 100 shares
Number of shares authorized to be issued by the Company: 2,400,000,000 shares
Number of shares issued: 640,830,974 shares
Fiscal year: April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders: June each year
Shareholders' record date:
Ordinary General Meeting of Shareholders: March 31
Profit distribution: March 31
Interim dividend: September 30
Other: Certain days for which prior notice is provided. The method of public notice is by electronic means.

Shareholder registry administrator: Sumitomo Mitsui Trust Bank, Limited
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Handling office of shareholder registry administrator: Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Contact: Sumitomo Mitsui Trust Bank, Limited
Network of nationwide branches
Mailing address: Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency
2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063
Telephone inquiries: 120-782-031 (toll free in Japan)



Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Shares Held
Tokyu Corporation	96,879	15.89%
Japan Trustee Services Bank Ltd. (Trust Account)	40,152	6.59%
The Master Trust Bank of Japan Ltd. (Trust Account)	39,751	6.52%
Sumitomo Mitsui Trust Bank, Limited	16,008	2.63%
The Dai-ichi Life Insurance Company, Limited	14,918	2.45%
Japan Trustee Services Bank Ltd. (Trust Account 9)	11,775	1.93%
State Street Bank West Client-Treaty 505234	9,221	1.51%
Japan Trustee Services Bank Ltd. (Trust Account 5)	9,123	1.50%
Nippon Life Insurance Company	8,107	1.33%
Japan Trustee Services Bank Ltd. (Trust Account 7)	7,591	1.25%

(Notes)
1. Tokyu Fudosan Holdings Corporation has 31,269,488 shares of treasury stock, which are excluded from the above breakdown of major shareholders.
2. The percentage of shares held is calculated after deducting treasury stock.