



TOKYU FUDOSAN HOLDINGS 2016 Integrated Report

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## 2016 Integrated Report

Tokyu Fudosan Holdings Corporation

Group Finance Department, IR Group  
Group Planning Policy Department, CSR Promotion Group  
<http://www.tokyu-fudosan-hd.co.jp/english/>



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Tokyu Fudosan Holdings Group's Medium- and Long-Term Management Plan Vision  
To Become a Corporate Group that Continues to Create Value  
Value Frontier 2020

■ 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 people.

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

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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.

A Message from the Chairman

Adopting a Medium- to Long-Term View toward the Ongoing Development of the Group's Management; Becoming a Corporate Group that Continues to Create Value

Adapting to changes in each era while grasping the needs of customers, the Tokyu Fudosan Holdings Group is committed to creating new lifestyles and building an affluent society.

Amid changes in the structure of the world's population, globalization, and growing diversity in people's values, today's society is increasingly exhibiting a paradigm shift. Against this backdrop, The Group recognizes the important need to organically integrate the track record and know-how of each Group company while placing considerable emphasis on maximizing Group synergies. Drawing on its inherent capital and intrinsic "challenger's DNA" nurtured since its foundation, the Group will continue to help resolve a broad spectrum of management and social issues while providing value for its customers.

In order to create value through its business activities and contribute to the growth and development of society, the Group is working to increase the transparency and flexibility of its management. In concert with this endeavor, we recognize the critical need to promote the Group's ongoing development from a medium- to long-term perspective.

With the introduction in Japan of a Corporate Governance Code, the approach toward corporate governance by the corporate sector is increasingly drawing scrutiny. Given this current condition, we are taking steps to review our Group management methods from a wide range of perspective and working to strengthen governance.

The Group is also incorporating the feedback gleaned from dialogue with its many stakeholders into its business activities. In this manner, we are working in unison to proactively become a corporate group that continues to create value over the medium to long term.

Kiyoshi Kanazashi

Chairman  
Tokyu Fudosan Holdings Corporation



# At a Glance

(Fiscal year ended March 31, 2016)

Operating revenue

**¥815.5 billion**

Operating revenue increased 5.5% year on year to reach a record high against the backdrop of firm conditions in the office and condominium markets.

Operating income

**¥68.8 billion**

The Company achieved a steady increase in profit with operating income climbing 8.6% year on year. This represents a fourth consecutive year of profit growth.

No. of customers

Approx. **10 million**

The Group's wide-ranging business activities, which include the purchase of condominiums, resort and sports facility management, and Tokyu Hands membership programs, continue to attract a large customer base.

No. of Group employees

**19,230**

A large and diverse pool of employees work vigorously to push the Group forward across broad business domains.

Total office building and commercial facility floor space

**1,580,000 m<sup>2</sup>**

Following an increase in the number of commercial facilities, the Tokyu Fudosan Holdings Group maintains a portfolio of 59 office buildings and 29 commercial facilities. This represents a 2.1% increase year on year.

Cumulative supply no. of condominiums

**88,000 units**

In addition to high-quality condominiums that reflect the needs of each era, the Tokyu Fudosan Holdings Group offers detached houses under the BRANZ brand.

\* Includes certain joint business activities.

Sales agency trading volume

Over **¥1.2 trillion**

The Tokyu Fudosan Holdings Group engages in real-estate agents' activities through a nationwide network of outlets operated by Tokyu Livable, Inc. and overseas bases that attract investors.

No. of condominiums under management

**716,000 units**

The Tokyu Fudosan Holdings Group continues to increase the number of condominiums under management each year focusing mainly on the two major Tokyu Community and Community One brands.

## • Overview of Major Businesses

### Four Core Businesses

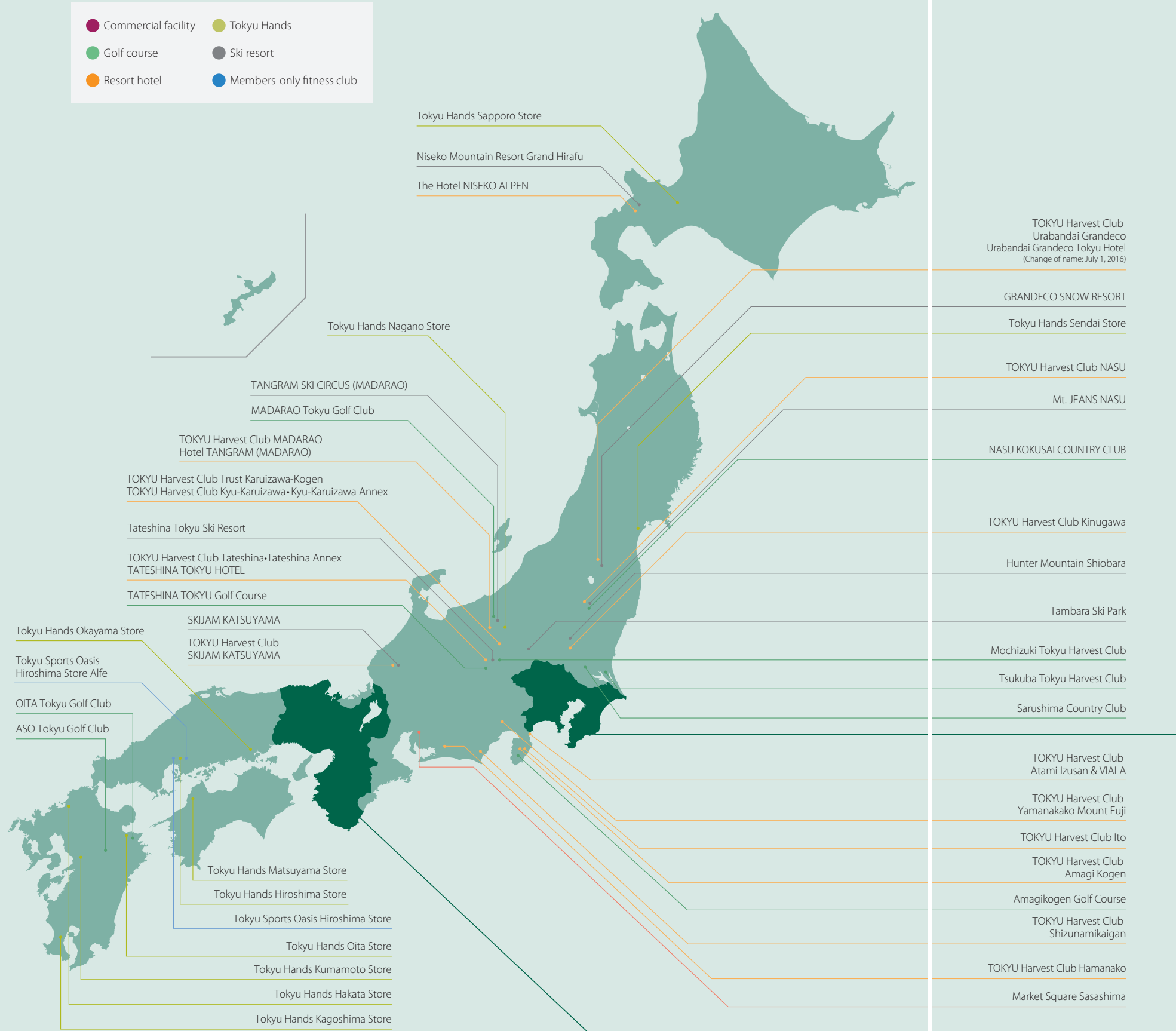


### Three Growth Businesses



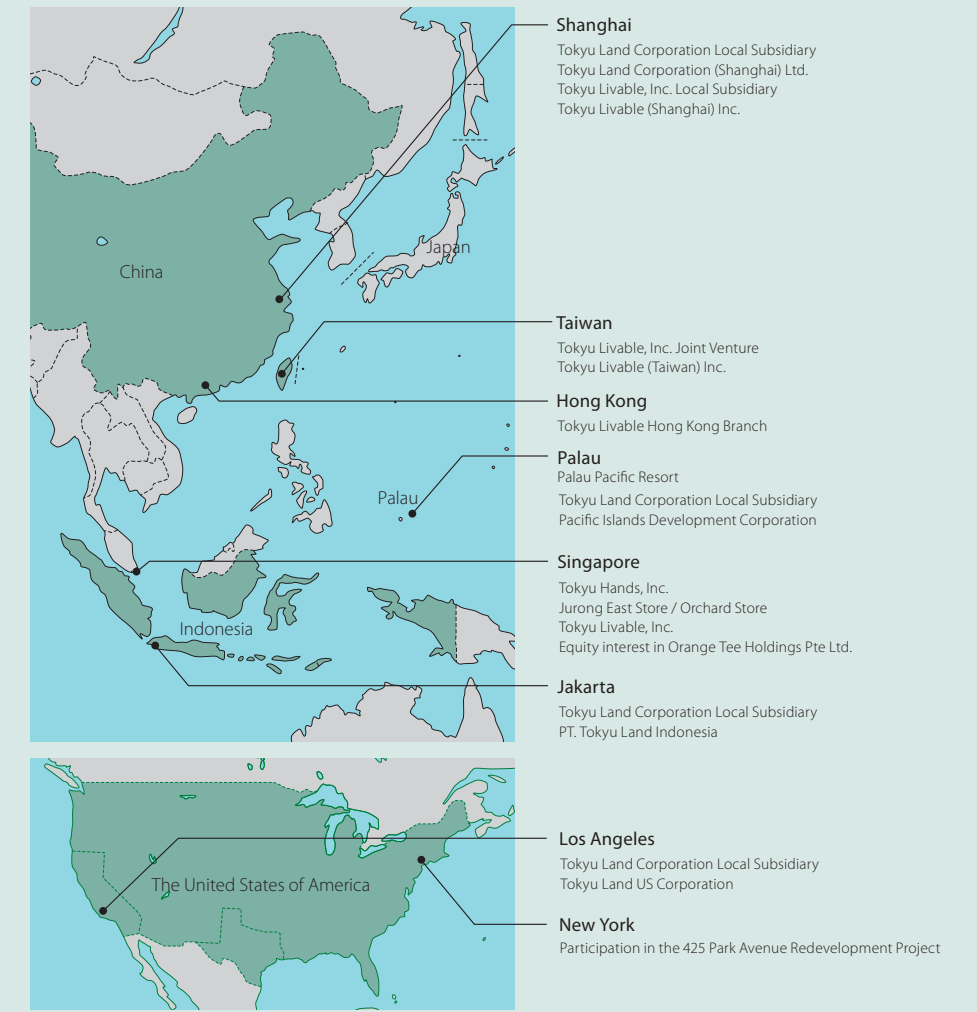
(As of March 31, 2016)

- Commercial facility
- Golf course
- Resort hotel
- Tokyu Hands
- Ski resort
- Members-only fitness club



- TOKYU Harvest Club Urabandai Grandeco
- Urabandai Grandeco Tokyu Hotel (Change of name: July 1, 2016)
- GRANDECO SNOW RESORT
- Tokyu Hands Sendai Store
- TOKYU Harvest Club NASU
- Mt. JEANS NASU
- NASU KOKUSAI COUNTRY CLUB
- TOKYU Harvest Club Kinugawa
- Hunter Mountain Shiobara
- Tambara Ski Park
- Mochizuki Tokyu Harvest Club
- Tsukuba Tokyu Harvest Club
- Sarushima Country Club
- TOKYU Harvest Club Atami Izusan & VIALA
- TOKYU Harvest Club Yamanakako Mount Fuji
- TOKYU Harvest Club Ito
- TOKYU Harvest Club Amagi Kogen
- Amagikogen Golf Course
- TOKYU Harvest Club Shizunamikaigan
- TOKYU Harvest Club Hamanako
- Market Square Sasashima

**Overseas Business of the Tokyu Fudosan Holdings Group**



**Metropolitan Area (Tokyo Metropolitan Area and Three Adjoining Prefectures)**

Office buildings	56	
Commercial facilities	21	
Resort hotels	4	
Golf courses	7	
Senior residences	15	
Tokyu Hands stores	16	
Members-only fitness clubs	19	
Urban type business hotels	17	

**Kansai Area (Six Prefectures)**

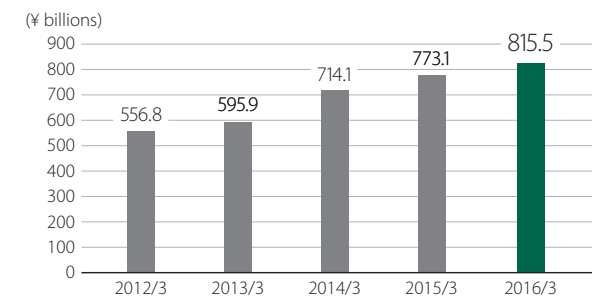
Office buildings	3		Golf courses	4	
Commercial facilities	6		Tokyu Hands stores	7	
Resort hotels	3		Members-only fitness clubs	12	



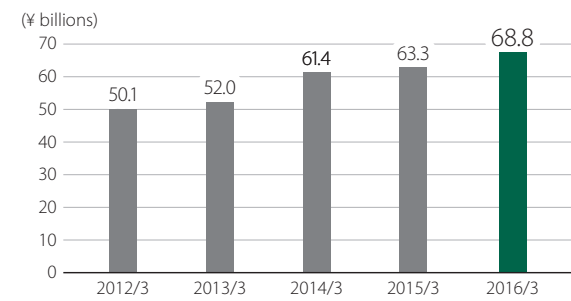
# Financial and Non-Financial Highlights

## Financial Highlights

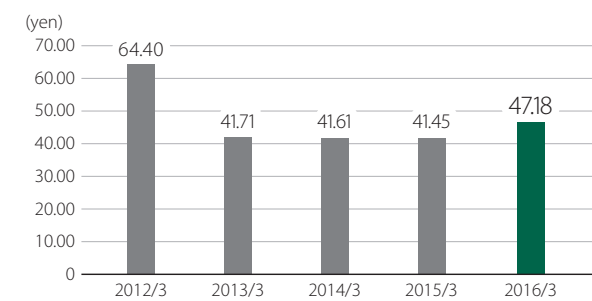
### Operating revenue



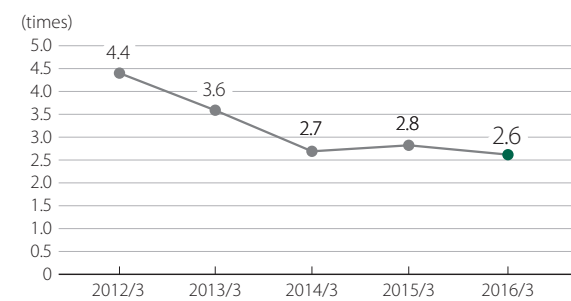
### Operating income



### EPS\*1



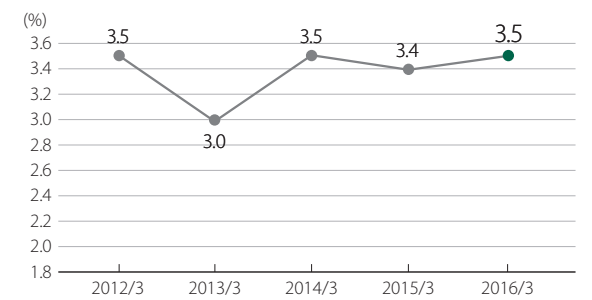
### DE ratio\*2



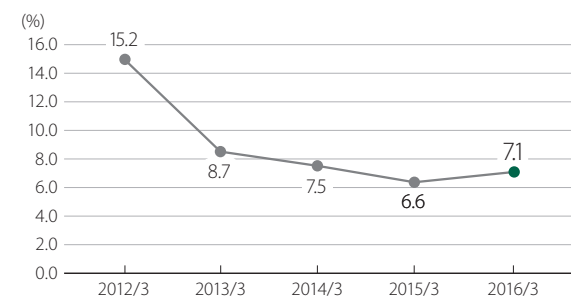
\*1 EPS (Earnings per Share):  
Profit attributable to owners of parent ÷  
No. of shares issued as of the end of the period  
A profit per share indicator.

\*2 DE ratio: Debt equity ratio  
Interest-bearing debt ÷ Equity (period average)  
An indicator that measure financial soundness.

### ROA\*3



### ROE\*4

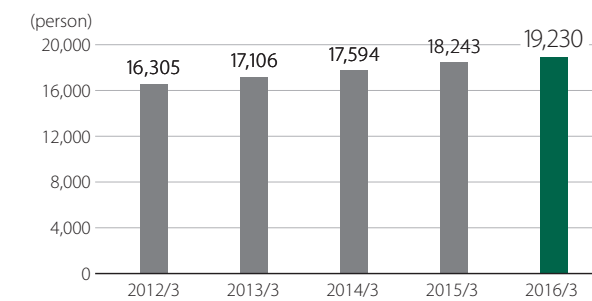


\*3 ROA: Return on Assets  
(Operating income + Interest income + Dividend income) ÷  
Total assets (period average)  
An indicator that measures the profitability of investments in total assets.

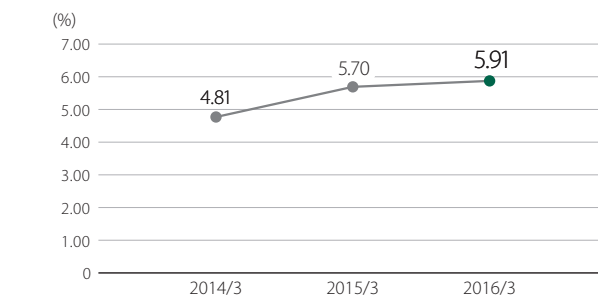
\*4 ROE: Return on Equity  
Profit attributable to owners of parent ÷ Equity  
An indicator that measure the profitability of investments in equity

## Non-Financial Highlights

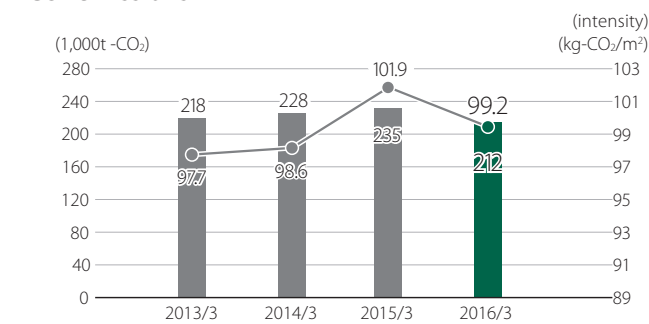
### No. of employees



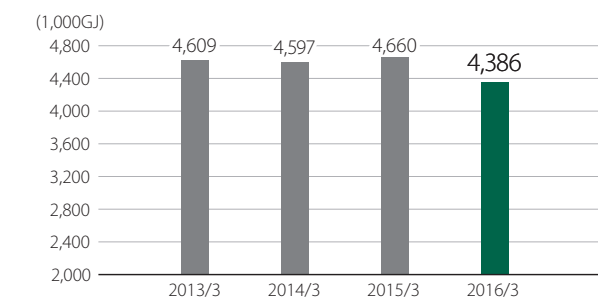
### Ratio of female managers



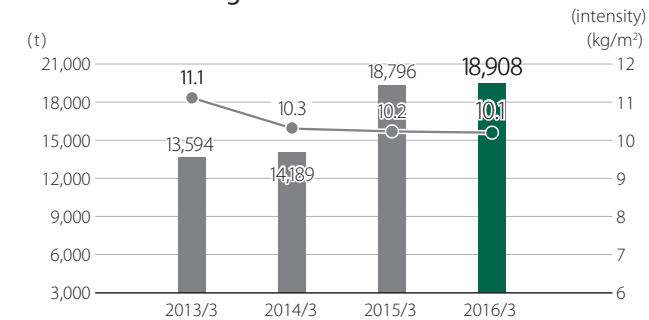
### CO<sub>2</sub> emissions



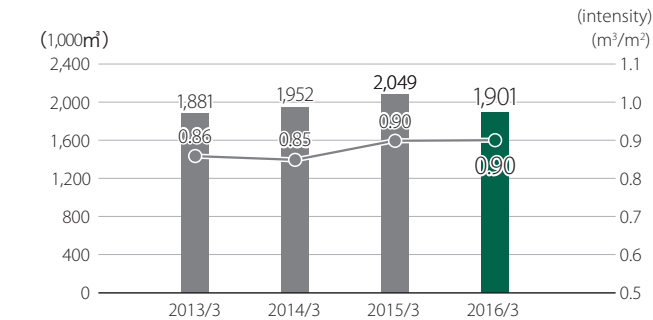
### Energy use



### Volume of waste generated

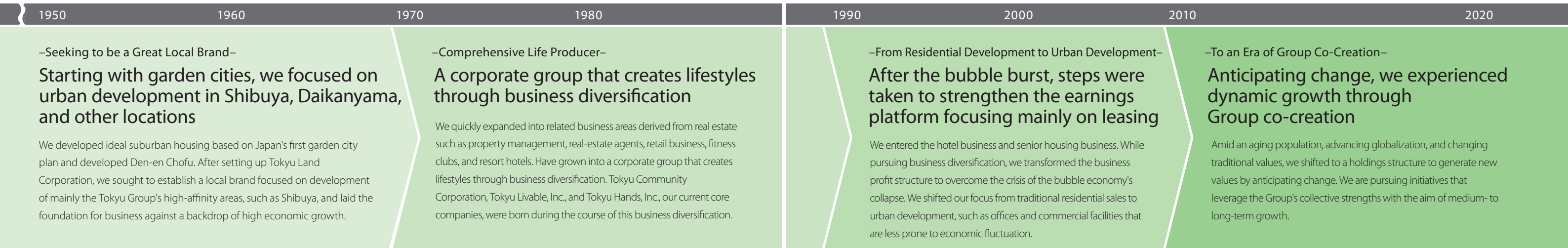


### Water use



# A History of Creating New Value

Established in October 2013, Tokyu Fudosan Holdings Corporation, oversees the operations of the Tokyu Fudosan Holdings Group. The Group is comprised of over 100 affiliated companies and five core operating companies spearheaded by Tokyu Land Corporation. Tracing its history back to 1918 and the establishment of Den-en Toshi Co., the Group has pioneered efforts to develop the ideal community. Carrying forward our challenger's DNA, we continue to grow as a comprehensive real estate group by consistently creating new value that addresses the various needs of society.



**1918 Established Den-en toshi Co.**  
Developed Den-en Chofu with the aim of developing an ideal community



**1953 Established Tokyu Land Corporation**  
Born from the split off of the real estate division of Tokyu Corporation

**1955 Daikanyama Tokyu Apartments**  
Built Japan's first rental residence for foreigners with all western-style rooms, which were rare at that time

**1958 Tokyu Skyline**  
Built the industry's first condominium residence, even though the sectional ownership law had not been enacted.



**1965 Shibuya Tokyu Building**  
Groundbreaking sectional surface rights established and commercial complex opened near Shibuya Station's west exit

**1970 Established Tokyu Community Corporation**  
Expanded business by entering the property management segment to become one of the industry's leading property management companies

**1972 Established Tokyu Livable, Inc.**  
Entered the real-estate agents segment ahead of the industry as an area service company, the predecessor of the Shibuya sales office's that opened in 1956

**1976 Established Tokyu Hands, Inc.**  
Entered the retail business under the banner of "Reinstating work done by hand," becoming a Do-It-Yourself (DIY) cultural leader



**Asumigaoka New Town**  
Started one of Japan's largest urban development projects to create an abundant community that blends nature and history



**1986 Tokyu Sports Oasis**  
Opened the first club of this members-only fitness club that offers a healthy lifestyle



**1988 Tokyu Harvest Club**  
Opened the first facility in Tateshina of this pioneer in membership resort hotels

**–From Residential Development to Urban Development–**  
After the bubble burst, steps were taken to strengthen the earnings platform focusing mainly on leasing

We entered the hotel business and senior housing business. While pursuing business diversification, we transformed the business profit structure to overcome the crisis of the bubble economy's collapse. We shifted our focus from traditional residential sales to urban development, such as offices and commercial facilities that are less prone to economic fluctuation.

**–To an Era of Group Co-Creation–**  
Anticipating change, we experienced dynamic growth through Group co-creation

Amid an aging population, advancing globalization, and changing traditional values, we shifted to a holdings structure to generate new values by anticipating change. We are pursuing initiatives that leverage the Group's collective strengths with the aim of medium- to long-term growth.

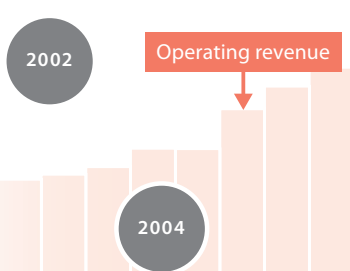
**1993 Setagaya Business Square**  
Opened an office building complex in Yoga directly connected to the train station that integrates business-friendly urban features



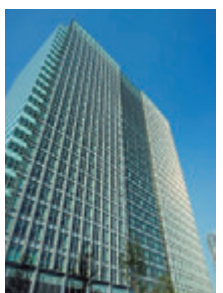
**1993 Tokyu Stay Hotel**  
Entered the medium- and long-term stay hotel business with the opening of our first facility in Kamata

**1999 Real Estate Securitization Business**  
Entered the real-estate fund business securitizing large shopping centers

**Ichiban-cho Tokyu Building**  
Built our first office building project using a development-type securitization technique



**Entered the Senior Housing Business**  
Opened "Grancreeper Azamino" and "Grandcare Azamino," our first facilities.



**Shiodome Building**  
Opened a large office building, meeting the needs of modern business

**2011 Abeno Q's mall**  
Opened a shopping mall that is one of the largest in Osaka Prefecture



**2012 Tokyu Plaza Omotesando Harajuku**  
Opened an environment-friendly commercial facility that has spawned a new culture from the major intersection in Jingumae



**2012 | 2013 Two REITs Listed**  
Activia Properties Inc. Comforia Residential Reit, Inc.

**Established Tokyu Fudosan Holdings Corporation**  
Established Group business infrastructure to maximize synergies



**Established Tokyu Housing Lease Corporation**  
Integrated the Group's rental housing management business and strengthened the real-estate investment and asset management business

**2014 | 2016 Tokyu Plaza Ginza**  
Opened a world-class commercial facility in Ginza Sukiwabashi

1950 1960 1970 1980

**Social Trends**

- 1960 Income doubling plan announced
- 1964 Tokyo Olympics
- 1970 Japan World Exposition held
- 1972 Plan for Remodelling the Japanese Archipelago
- 1973 First oil shock
- 1985 Plaza Accord
- 1989 Consumption tax introduced

1990 2000 2010 2020

- 1991 Bursting of economic bubble
- 1995 Kobe earthquake
- 1998 Nagano Olympics
- 2008 Lehman Brothers' collapse
- 2011 Great East Japan Earthquake
- 2020 Tokyo Olympics and Paralympic Games

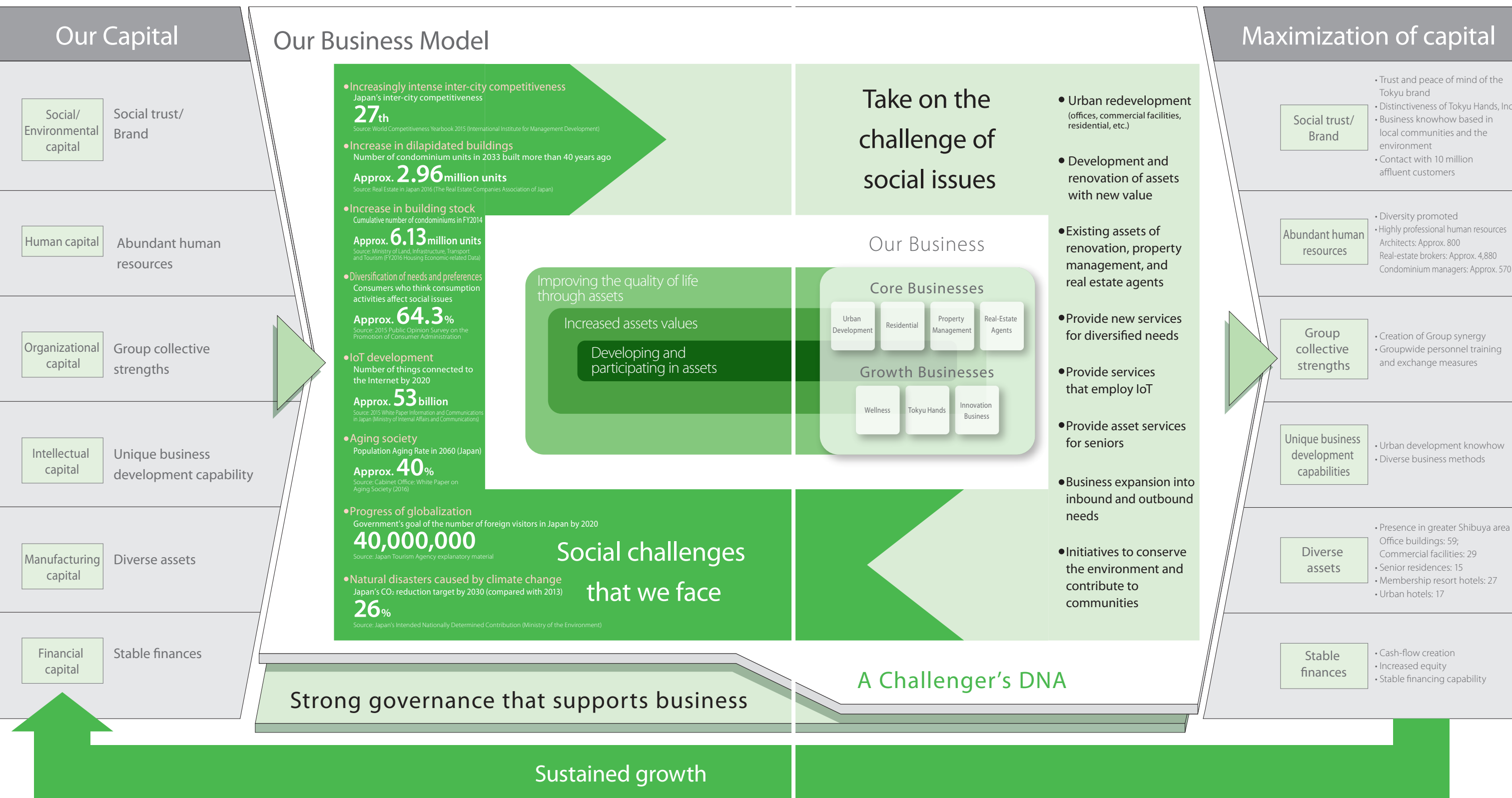


# The Value Creation Process

We will leverage real-estate assets and provide new solutions to social problems.

Tokyu Fudosan Holdings Group is not only involved in the development of assets in its seven segments consisting of core and growth businesses, it is a group that goes beyond the bounds of physical frames and creates lifestyles by raising asset value and the quality of life. We have sought to provide new solutions to social problems through this business.


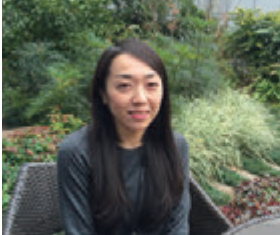










From our founding we have inherited a "challenger's DNA" and having achieved many "firsts," we will continue to provide new value to a wide range of stakeholders by anticipating future social changes and solving a wide range of social issues. As a result, we have been chosen by stakeholders including customers and will continue to expand sustainable business resources and raise corporate value.



# Creating Value for Stakeholders

We are raising the level of satisfaction among stakeholders by finding solutions to social issues through our business activities.

Tokyu Fudosan Holdings Group will create new value for all stakeholders—customers, society/the environment, shareholders/investors, employees/business partners—by finding solutions to social issues through its business activities. Transcending the material, we will continue to pursue new value together with our stakeholders to realize a sustainable society as a Group that create lifestyles.

Creating value with stakeholders	Evaluations from Stakeholders	
<p><b>Customers</b></p> <p>Providing comfortable and highly satisfying products and services</p>	<p><b>Customers</b> <b>Comfortable Resort Hotels with a Cottage Atmosphere</b>  <b>This is Why We Decided to Choose Tokyu, a Name You Can Trust</b></p> <p>We learned about Harvest Club when a couple we are friends with and who are members took us on a visit of their accommodations. Along with being conveniently located with comfortable rooms, the service provided by employees was appealing. Given the difficulties posed by cottage upkeep, we decided on a resort hotel membership that we could use at our convenience. A big factor in our decision was that the management company is Tokyu, which is well known for being trustworthy. After becoming members, we stayed at Harvest Club during our Kyoto vacation, which allowed us to visit various places at our leisure. With Harvest Club facilities located throughout Japan, we definitely looking forward to experiencing traditional events and visiting beautiful places.</p>  <p>Tokyu Harvest Club Kyoto Takagamine owners Mr. and Mrs. Maruyama</p>	<p><b>Tenants</b> <b>State-of-the-art green offices that are comfortable to work in</b></p> <p>We are working to reduce environmental burdens in our business activities so that customers can enjoy delicious natural coffee anytime. The Shin-Meguro Tokyu Building, in which our headquarters is located, offers a host of environmentally conscious features. These features allow us to work in comfort on a daily basis. For example, there are monitors installed on each floor that display energy usage volume, making it possible to find out exactly how much electricity is being consumed. In addition, the building has a bright atmosphere thanks to large windows that provide a view of trees planted in the rooftop garden terrace on the fourth floor. When the weather is nice, I go out on the terrace to enjoy the greenery while taking a break. We photograph new products using this green space as a backdrop, underscoring the abundantly green and comfortable environment in which I work.</p>  <p>Starbucks Coffee Japan Mamiko Iwasaki (in the rooftop garden terrace) P&amp;AP/C Team General Affairs Department Administrative Division</p>  <p>Upper photograph: Monitor showing electricity consumption</p>  <p>Lower photograph: New products photographed in the rooftop garden terrace</p>
<p><b>Society/ the Environment</b></p> <p>Realizing a better society by taking on social issues</p>	<p><b>Social Contribution Partners</b> <b>Changing the Local Community by Making Shibuya a Campus for Learning</b></p> <p>Established as a non-profit organization (NPO) in 2006 under the concept of making Shibuya a campus for learning and learning from each other, the Shibuya University Network has held over 1,000 seminars to date. While Shibuya University Network currently has numerous partners, it all started with Tokyu Hands. With Tokyu Hands looking to contribute to the local community through its Shibuya outlet, which matches our objectives, we jointly held a bicycle maintenance seminar in 2008. Using store employees as instructors, participants learned how much fun do-it-yourself activities are. Going forward, we will maintain our positive relationship with Tokyu Hands while searching for ways to enrich the lives of people, local communities, and society as a whole.</p>  <p>Yasuaki Sakyō President NPO Shibuya University Network Specified nonprofit organization</p>	<p><b>Environmental Initiative Partners</b> <b>Creating abundant forests and expanding the use of domestic lumber</b></p> <p>Nishiawakura Village in Okayama Prefecture is working to create abundant forests through its "100-Year Forest Concept" based on over 80% of the village being comprised of forest. Nishiawakura Mori no Gakko (Forest School) is raising the value of domestic lumber through its involvement that extends from lumber harvested from Nishiawakura Village forests to end-products used by customers. Through its Midori wo Tsunagu Project, Tokyu Fudosan Holdings Group is using timber from Nishiawakura forest thinning activities in a variety of businesses, such as office building construction materials, playground equipment used at commercial facilities, and Tokyu Hands original stationery supplies. With thinning playing a vital role in cultivating forests, we will work together to create abundant forests in Japan and expand the use of domestic lumber.</p>  <p>Tatsuya Inoue CEO Nishiawakura Forest School</p>  <p>Tokyu Hands original stationery made using sustainably harvested wood.</p>
<p><b>Shareholders/ Investors</b></p> <p>Enhancing Sustainable Growth and Corporate Value</p>	<p><b>Inclusion in the SRI Indices</b> <b>FTSE4Good</b></p> <p>Tokyu Fudosan Holdings Group has been selected for inclusion as a constituent stock in FTSE4Good Japan Index.</p> <p>FTSE4Good is a stock price index provided by FTSE Group, a wholly owned subsidiary of London Stock Exchange Group that selects companies with high rated for corporate social responsibility activities from the perspective of Environmental, Social and Governance (ESG) practices as constituents for the index.</p>  <p>* Social responsibility investment (SRI): An investment method where in addition to financial analytical data, individual and institutional investors consider CSR information such as social, environmental, and corporate governance as investment criteria.</p>	<p><b>Inclusion in the SRI Indices</b> <b>Dow Jones Sustainability Indices</b></p> <p>The Tokyu Fudosan Holdings Group has been selected for inclusion in the Dow Jones Sustainability Asia/Pacific Index (DJSI Asia Pacific), which is the Asia/Pacific edition of the Dow Jones Sustainability Index (DJSI).</p> <p>The DJSI SRI index was jointly developed by U.S. based media firm Dow Jones and Swiss based SRI research and rating firm RobecoSAM. The index rates the sustainability of large enterprises around the globe based on economic, environmental, and social aspects, and selects corporations that it finds to offer overall excellence.</p>  <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>
<p><b>Employees/ Business Partners</b></p> <p>Promoting environments that are easy to work in, motivating, and a source of pride</p>	<p><b>Employees</b> <b>Flexible Work Style Innovations for both Men and Women</b></p> <p>In 2013, Tokyu Livable, Inc. became the first major company in the real estate industry to establish a division specializing in promoting diversity. The number of working parents among our employees has increased fourfold since then. This owes to our efforts to assist sales personnel who work on weekends by providing daycare services at company offices during holidays and introducing a system for assisting with related expenses. To promote highly efficient and flexible work styles, we have introduced staggered working hours and telecommuting (working from home) systems in April 2016 in order to enable diverse employees to display their abilities to the maximum extent possible. We aim to realize working environments that allow both male and female employees to make the most of their talents.</p>  <p>Eriko Nonaka Manager Personnel Development Department Administration Division Tokyu Livable, Inc.</p>	<p><b>Business Partners</b> <b>A New Landmark Imbued with Greenery and Light</b></p> <p>Operated by Tokyu Land Corporation, the urban commercial facility Q Plaza HARAJUKU aims to create a comfortable atmosphere imbued with greenery and light under the concept of being a new landmark that brings together Shibuya and Omotesando. In keeping with the area's fashionable image, this building exudes a myriad of expressions based on a design featuring a collection of fins and being adorned with differing colors on the Shibuya and Omotesando sides. Moreover, the building creates a natural atmosphere in the heart of Tokyo using a property that has depth and features a three-tier terrace with lush greenery situated deep within the building. As a new area landmark, Q Plaza HARAJUKU promises to become a beloved place by all those who visit.</p>  <p>Mark Dytham, Astrid Klein Klein Dytham architecture</p>  <p>Q Plaza HARAJUKU Different expressions on the Shibuya and Omotesando sides</p>



# Medium- and Long-Term Management Plan

The Tokyu Fudosan Holdings Group put in place a new medium- and long-term management plan covering the seven-year period from fiscal 2014 to fiscal 2020. Under the title "Value Frontier 2020: A Corporate Group that Continues to Create Value," this medium- and long-term management plan provides a roadmap to help steer the Group from a period of infrastructure development to a solid growth phase. Given the dramatic changes in the Group's business environment and social climate over an extended period, we decided to adopt a long term approach toward management and to clarify what we believe is the ideal scenario for the Group and its future.

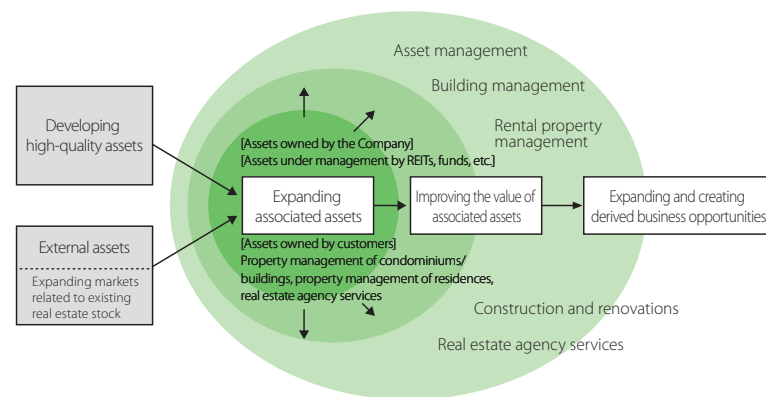
## Medium- and Long-Term Management Plan Value Frontier 2020

—A Corporate Group that Continues to Create Value—

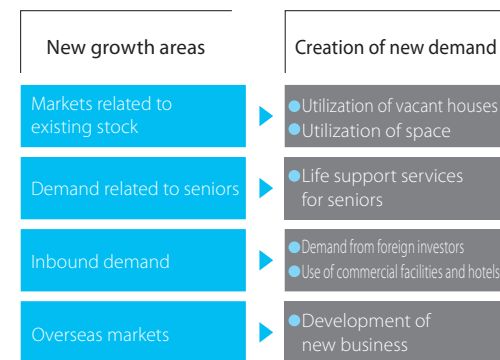
We are working diligently to advance the Medium- and Long-Term Management Plan in an effort to become a corporate group that continues to create value.

### Basic Policy

#### Expansion of associated assets



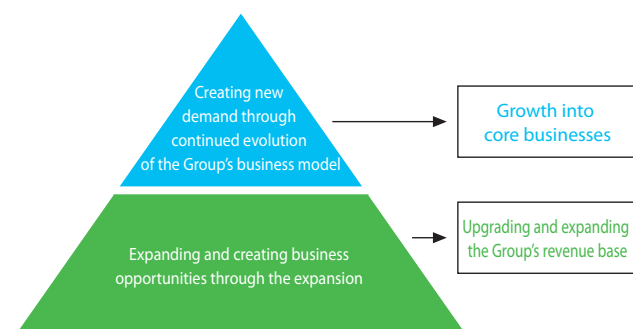
#### Creation of new demand



The Tokyu Fudosan Holdings Group has identified two basic policies under its medium- and long-term management plan. Working to become a corporate group that continues to create value, the Group is committed to the expansion of associated assets and the creation of new demand.

In endeavoring to expand associated assets, the Group will work through its four core Urban Development, Residential, Property Management, and Real Estate Agents business segments. Every effort will be made to develop high-quality assets including the redevelopment of Shibuya and to acquire and become involved in external assets from expanding markets related to existing real estate stock. Through these means, the Group will expand and create derived business opportunities.

The three Wellness, Tokyu Hands, and Overseas growth businesses will spearhead efforts to create new demand. The Group will maximize its unique features and strengths to develop businesses in new growth areas.



#### Core Businesses

### Expansion of Associated Assets

While developing high-quality assets that exhibit market superiority, the Group will ramp up its involvement in real estate owned by customers in markets related to existing stock by acquiring high-quality assets through its Property Management, Real Estate Agents, and other business activities.

At the same time, the Group will increase value and strengthen relationships with customers by providing high value-added services mainly through its Property Management business.

#### Growth Areas

### Creation of New Demand

Making the most of our inherent strengths and a brand name that is synonymous with safety and reliability, we will promote growth in core businesses. To this end, we will draw on our access to approximately 10 million customers in a bid to create demand in new growth areas relating to existing real estate stock, senior consumers, inbound demand, and overseas businesses.

### Group Management Strategies

Working to maximize the benefits of its transition to a holding company structure in 2013, Tokyu Fudosan Holdings has placed considerable emphasis on strengthening its management in its medium- and long-term management plan. In positioning the holding company as a platform from which to allocate management resources and consolidate common functions, Tokyu Fudosan Holdings has put in place a structure that allows operating companies to concentrate on maximizing corporate value.

Moving forward, the Group as a whole will focus on fully harnessing its comprehensive strengths and to enhance efficiency while integrating operations. Complementing these endeavors, the Group will bolster its corporate governance and CSR management capabilities. By building strong ties of mutual trust with all stakeholders including shareholders, investors, financial institutions, customers, employees, and the local community, we will work diligently toward promoting sustainable growth.

#### Making the Most of Group Synergies

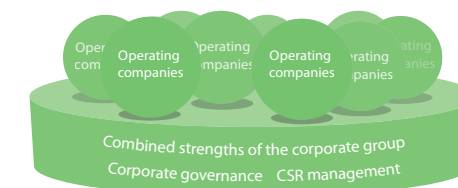
Taking steps to develop human resources and to increase the efficiency of systems in order to enhance efficiencies throughout the Group and integrate operations

#### Corporate Governance

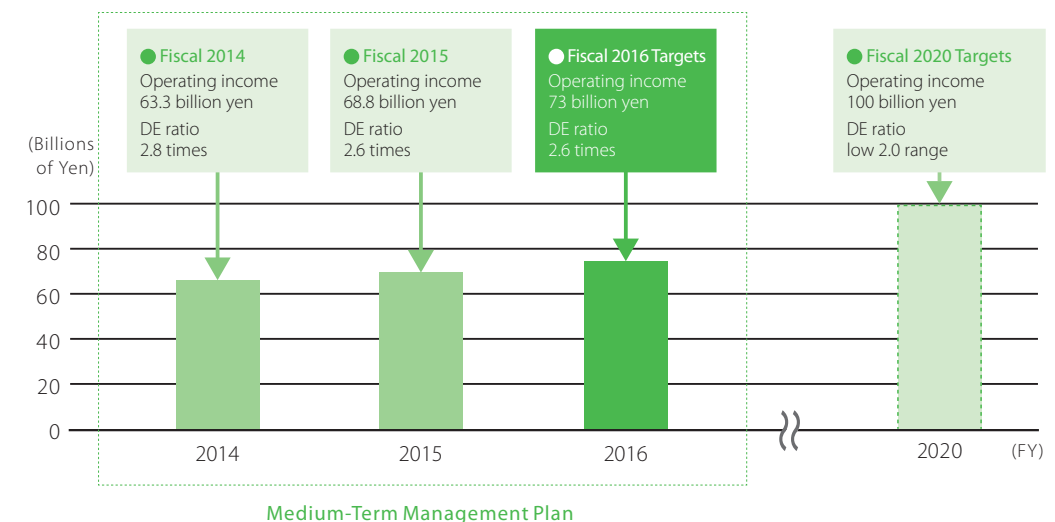
We will upgrade and expand the scope of our corporate governance in order to increase the efficiency of our operations and to ensure a sound and highly transparent management structure.

#### CSR Management

Providing solutions to society's problems in a bid to earn the trust of customers and society



### Targeted Management Indicators





# A Commitment from Top Management

Accelerating the pace of robust growth through co-creation, we are committed to moving beyond the bounds of physical frames to develop lifestyles and enjoy sustainable growth in concert with society.



President and Chief Executive Officer  
Tokyu Fudosan Holdings Corporation

Yuji Okuma

### Our Aspiration

Drawing on the strengths of our challenger's DNA, we are committed to becoming a corporate group that continues to create value.

The Tokyu Fudosan Holdings Group can trace its history back to the pioneering Den-en Chofu project, an attempt to develop the ideal community that began in 1923. The Group has since grown to over 100 companies and engages in a comprehensive range of real estate activities.

Since that beginning, we have engaged in real estate development activities through Tokyu Land Corporation, which was founded in 1953. The Group was then quick to venture into the property management and real estate agents' business fields. Tokyu Community Corporation and Tokyu Livable, Inc., both of which came into existence at the beginning of the 1970s, went on to establish leading positions in their respective industries. In the ensuing period, the Group has continued its ceaseless evolution in response to changes in each subsequent era, and has grown into a corporate group with a strong character and broad operating range.

The environment in which the Group operates is undergoing dramatic and rapid change. In addition to a slowdown in the domestic and oversea economy, Japan is today exhibiting the characteristics of a super-aging society while confronting such wide-ranging trends as increasingly diverse lifestyles. Turning to the real estate industry, we are witnessing a brace of entirely new issues emerge. This reflects a myriad of concerns including intense competition between major metropolitan cities, growth in inbound demand, and the advent of a society that is looking to utilize its real estate stock.

Under these circumstances, the Group is endeavoring to make the most of its comprehensive strengths and to break free from conventional shackles. As a part of these efforts, and in a bid to continuously create value, we transitioned to a holding company structure in October 2013 and announced details of the Group's first medium- and long-term management plan, Value Frontier 2020, in November the following year.

Under its medium- and long-term management plan, the Group has identified the overarching goal of becoming a corporate group that continues to create value by 2020. In order to achieve this goal, the Group has put in place the basic policies of (1) expanding involvement assets by strengthening core businesses, and (2) creating new demand by accelerating growth businesses.

One year has passed since I assumed the position of president. Over this period, I have made every effort to implement and promote growth strategies based on the aforementioned basic policies. Building on the firm foundations laid by the Group, I see it as my mission to reap the rewards of our endeavors one step at a time.

### Progress and Prospects

We will steadfastly achieve our targets in the final year of our medium-term management plan.

Before elaborating on the growth strategies of each Group business, I would first like to report on our most recent financial results. In fiscal 2015, the fiscal year ended March 31, 2016, market conditions were generally firm. In addition to the downturn in office building vacancy rates in urban areas, the real estate market benefited from growing demand for new condominiums, especially by the well-to-do, and an upswing in activity in the market for existing condominiums. Accounting for these and other factors, the Tokyu Fudosan Holdings Group reported an increase in revenue and earnings. Operating revenue came to 815.5 billion yen while operating income totaled 68.8 billion yen. Both of these results were also in excess of plans. Buoyed by this positive performance, the Group's DE ratio\*1 improved to 2.6 times.

Fiscal 2016, the fiscal year ending March 31, 2017, is the final year of the Group's medium-term management plan that began in fiscal 2014. Thanks to a variety of developments including the opening of Tokyu Plaza Ginza, a large-scale commercial facility in March 2016, and the growth in inbound demand that continues to fuel robust results at our chain urban-type Tokyu Stay hotels, we are more than confident of achieving our operating income target of 73.0 billion yen. As far as our DE ratio is concerned, we achieved the target of 2.6 times in fiscal 2015, a year in advance. This ratio is expected to remain unchanged in the current fiscal year.

Tokyu Fudosan Holdings Corporation will celebrate its third anniversary in October 2016. In order to accelerate the pace of growth by promoting Group-wide joint development efforts, we will take steps to formulate a new medium-term management plan that will guide us through to 2020 and beyond during the current fiscal year. While we will continue to follow the broad framework set up under our existing medium- and long-term management plan by pursuing the stable growth of core businesses and sowing the seeds of future growth in other businesses, we will pay particular attention to promoting growth while at the same time increasing efficiency with a view to establishing an optimal business portfolio.

Our mission as a corporate group is grounded in the creation of value. In specific terms, this entails putting forward new lifestyle proposals that move beyond the bounds of physical frameworks. Moving forward, we will make every effort to create beautiful living environments that allow people to enjoy prosperous and healthy lives based on a broad and diverse range of lifestyles. In meeting this objective, we will ultimately fulfill our purpose and become the preferred choice of customers, shareholders, and investors.

\*1 DE ratio: Debt equity ratio Interest-bearing debt ÷ Equity

Medium- and Long-Term Management Plan Value Frontier 2020							
Medium-Term Management Plan							
Fiscal Year	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Operating Income*2	¥63.3 billion	¥68.8 billion	¥73 billion				¥100 billion
Net Income*2,3	¥25.2 billion	¥28.7 billion	¥31.5 billion				
DE ratio*2	2.8 times	2.6 times	2.6 times				Low 2.0 range
Major Topics*2	○ Established Tokyu Housing Lease Corporation	○ Tokyu Plaza Ginza opened ○ Tokyu Stay Ginza opened ○ Dogenzaka 1 chome Shibuya-station front District Urban Redevelopment Project (commencement of work)	○ Takeshiba Urban Redevelopment Project (tentative name) (commencement of work)	● Grancree Setagaya Nakamachi opened	● Tokyu Harvest Club Kanuzawa & WALA opened	● Dogenzaka 1 chome Shibuya-station front District Urban Redevelopment Project completed ● Shibuya Nampaidai Project (tentative name) completed ● Tokaichiba Project (tentative name) opened	● Takeshiba Urban Redevelopment Project (tentative name) completed ● Shibuya Sakuragaka Block Redevelopment Plan completed ● Jingumae 6-chome Block Urban Redevelopment Project (tentative name) completed

\*2 Numerical data and major topics from fiscal 2016 are projections. \*3 Net income has been reclassified as profit attributable to owners of parent from fiscal 2015.



## Expanding Associated Assets (1)

### We are promoting development projects as the new face of Tokyo as an international metropolis.

Each of the Group's businesses has adopted strategies aimed at promoting growth under the medium- and long-term management plan. I would like to provide details of a few select examples.

The inherent strength of an attractive urban environment to attract such wide-ranging resources as people, goods, capital, and information is becoming increasingly important with the growing trend toward globalization. As a result, competition between major metropolitan cities is becoming increasingly fierce. Against this backdrop, Tokyo's ability to compete with other international cities has become an important issue for the nation.

In a bid to play a major role in the government's growth strategy, the Group is undertaking the large-scale development of prime assets spread throughout the Ginza, Hamamatsucho and Takeshiba, and Shibuya areas of Tokyo as a part of efforts to boost the international competitiveness of the nation's capital.

#### ■ Ginza

The Tokyu Fudosan Holdings Group first entered the Ginza market, Japan's leading commercial district, in March 2016. Drawing on the collective strengths of the Group, we have recently opened Tokyu Plaza Ginza, the largest commercial facility in the Ginza area. Located at the Sukiwabashi intersection, this unique facility serves as the western gateway to the Ginza district as well as Tokyo's eastern-most base.

Work on this project extends well beyond the completion of construction. The Group is conscious of the needs to assimilate smoothly into the surrounding environment, contribute to the local community, and fulfill its responsibility to society. Making the most of its inherent DNA as an urban developer, the very lifeblood of the Group since its establishment, Tokyu Fudosan Holdings is working diligently to inject new energy into the Ginza area and invigorate the flow of visitors throughout the district.

#### ■ Hamamatsucho and Takeshiba

The Hamamatsucho and Takeshiba districts serve as air and sea gateways to the nation's capital, Tokyo. The Tokyu Fudosan Holdings Group is working with the Tokyo Metropolitan Government to push forward the Takeshiba District Urban Redevelopment Project (tentative name) with a view to completion in 2020. Facing Tokyo Bay, and with easy access to Haneda Airport, this redevelopment project will serve as an important entranceway to travelers from around the world. As a part of the Tokyo

Metropolitan Government's Urban Regeneration Step Up Project, the Hamamatsucho and Takeshiba districts have been designated as a national strategic economic growth area. In bringing to fruition a number of special zones, the goal is to create an industrial park that leads the world in digital content.

Among a host of distinguishing initiatives, the project will feature a pedestrian walkway that will link the areas surrounding Hamamatsucho Station, which are currently compartmentalized and separated. Moving beyond the tangible aspects of the redevelopment project, particular emphasis will be placed on bolstering area management and to draw our inherent DNA as an urban developer to lift the value of the district as a whole.

#### ■ Project Around Shibuya Station

The areas around Shibuya Station constitute the Tokyu Group's principal home base. These areas are undergoing unprecedented redevelopment.

In addition to a new entranceway at the west exit of Shibuya Station, the Dogenzaka 1 chome Shibuya-station front Direct urban Redevelopment Project entails the construction of high-grade office space across the high-rise floors and commercial space covering the low-rise floors. As a part of first floor bus terminal work, plans call for departure and arrival depots for shuttle buses to the airport.

In a bid to fill a conspicuous void, plans call for the construction of large-scale office buildings under the Nampo-dai Project (tentative name). With a view to address the growing demand for office space, construction work on each of these projects is scheduled to end in fiscal 2019.

Making the most of an open space measuring 2.6 hectares at the south-west section of the station, the Shibuya Sakuragaoka Block Redevelopment Plan calls for the construction of world-class lifestyle support facilities as well as incubation facilities designed to help venture businesses. Addressing both hard and soft business needs, this plan is expected to significantly strengthen the international competitiveness of the area. Completion of construction is currently scheduled for fiscal 2020.

Through each of these projects, the Tokyu Fudosan Holdings Group is endeavoring to improve the flow of foot and other traffic throughout the areas surrounding Shibuya Station. The goal is to create an attractive urban environment from every aspect of life including the cultural, residential, and business perspectives.

Taking into consideration efforts to broaden the scope of urban boundaries and to look beyond the areas around Shibuya Station, we are focusing on the Greater Shibuya Area, which includes Aoyama, Omotesando, Hiroo, Ebisu, and Daikanyama. Ultimately, our mission is to establish Greater Shibuya as a premier office building and commercial facility area by fiscal 2020.



## Expanding Associated Assets (2)

### We are expanding assets under management (AUM) in a bid to address growing market needs.

With the continued easing of monetary conditions, demand for the proper management of real estate assets is growing with each passing year. At the same time, the real estate investment trust (REIT) market is exhibiting signs of robust activity.

Sponsored by Tokyu Land Corporation, the Tokyu Fudosan Holdings Group has established two publicly listed REITs (Activia Properties Inc. and Comforia Residential REIT, Inc.). The Group as a whole has adopted the policy of expanding assets under management (AUM) underpinned by the growth of its asset management business through various vehicles including the aforementioned REITs and private equity funds.

\*4 AUM: Assets under Management

## Expanding Associated Assets (3)

### We are establishing a leading position in markets that utilize real estate stock, where needs continue to increase.

The number of vacant houses in Japan has reached an all-time high. In contrast, new residential construction starts are exhibiting a downward trend. Against this backdrop, the number of households in the Tokyo Metropolitan Area, which is considered key to the supply of new constructed houses is projected to decline after peaking in 2025. Taking these factors into consideration, forecasts indicate a drop in new demand and the transition from an era of development to a period of existing real estate stock utilization in earnest.

With a view to expanding associated assets, the Tokyu Fudosan Holdings Group will look beyond the stock of existing real estate to actively acquire and become involved in external assets. By turning an eye to areas other than the development of the aforementioned prime assets, we will promote other opportunities through our Property Management and Real Estate Agents' businesses and take a leading role in promoting a society that utilizes existing real estate stock.

The Group already boasts a strong share of the property management market mainly through Tokyu Community Corporation. Rather than rest on our laurels, we are looking to dominate the industry by a wide margin, thereby gaining further access to valuable information while securing management resources. Through these and other means, we will adapt to changes in the real estate market from 2020 and beyond.

Drawing on the strengths of Group company, Tokyu Livable, Inc., and its nationwide network of real estate agents, the Group is endeavoring to secure the top position in real estate agents' sales, consignment sales, and real estate sales transactions. At the same time, we are aggressively attracting overseas investors by leveraging the strengths of bases established in Shanghai, Hong Kong, Taiwan, and Singapore.

## Creating New Demand (1)

### We are creating new demand in the wellness domain by making the most of the Group's unique features.

Estimates indicate that people over the age of 65 will comprise more than 40% of Japan's total population by 2050 due to the continued aging of its society. Taking this factor into consideration, we recognize the urgent need to help upgrade and expand the healthcare industry. With a market scale of more than 8 trillion yen, the Tokyu Fudosan Holdings Group has identified the three leisure, seniors, and health fields as a wellness domain. By promoting cross-sectional collaboration across the entire Group, we are working diligently to support a wide spectrum of customers in their efforts to lead rich and fulfilling lives.

The Group has engaged in the development of golf courses, country houses, and other resorts for more than four decades. A prime example of the Group's overseas endeavors in the wellness domain is the Palao Pacific Resort. This resort, which strives to maintain perfect harmony with the natural environment, celebrated its 30th anniversary in 2014. The Group also launched the Tokyu Harvest Club initiative in 1988 to help people find new ways to spend their leisure time. In the ensuing period, the Group has taken positive steps to continuously expand this chain of membership resort hotels. In an effort to cater to the needs of the elderly, the Group introduced a series of high-quality senior housing under the Grancreeper brand name. Coupled with its Tokyu Sports Oasis members-only fitness clubs, urban-type Tokyu Stay hotels that provide accommodation over long periods, and Ewel consignment welfare services, the Group engages in a wide range of activities in the wellness domain.

As a pioneer, we have nurtured a significant number of initiatives over an extended period in this particular business segment. Put another way, our activities in this domain help to distinguish many of the Group's unique features. Recognizing the current need to incorporate medical concerns in urban development activities for example, Tokyu Land Corporation executed an agreement with Juntendo University in 2015. Under this agreement, the company is engaging in joint research and the development of various services. Through the Setagaya Nakamachi Project and the Tokaichiba Project (tentative name), the Group is promoting mixed condominium unit and senior housing use development that help promote interaction between generations and lifestyle continuity from one generation to the next.

As a group that has come to be associated with "comfort and reliability," the Group is making the most of a wide range of assets and its wealth of specialized know-how to forge a strong presence as a comprehensive wellness company.

## Creating New Demand (2)

### The Group is working in unison to capture inbound demand, which continues to enjoy rapid growth.

The number of overseas visitors traveling to Japan is increasing at a faster than expected pace. The government has revised its estimate for the number of inbound tourists visiting Japan each year from 30 million to 40 million by 2020, and has set a target of 8 trillion yen in spending by overseas visitors. Against the backdrop of a shrinking domestic market, the government has also positioned efforts to nurture the tourism industry as a key pillar of its growth strategy. Based on these trends, the Tokyu Fudosan Holdings Group is ramping up efforts to capitalize on this upswing in inbound demand.

As mentioned previously, Tokyu Plaza Ginza was recently unveiled in one of Tokyo's premier upscale shopping districts. This commercial facility boasts one of Japan's largest in-city airport-style duty-free shops, the first such concept by a developer, and caters to the needs of foreign travelers visiting Ginza.

Ideally located in close proximity to the landmark Kabuki Theater, Tokyu Stay Ginza opened in March 2016. As a part of efforts to open facilities in popular inner-city locations, the Tokyu Stay chain of hotels is experiencing an upswing in the number of overseas guests as it helps to fill the considerable void attributable to robust demand. As a chain of urban-type hotels that caters to the needs of businesspersons and tourists, Tokyu Stay will expand its operations into major regional areas where inbound demand is projected to increase.

In this vein, the Group plans to address burgeoning demand across a wide range of regions. In addition to its ski resort in Niseko, Hokkaido, the Group will pursue other developments to meet the needs of overseas visitors including the Seragaki Hotel Project (tentative name) in Okinawa.

As a pioneer in the DIY market, Tokyu Hands, Inc. is also attracting considerable interests from foreign travelers. Working mainly through its flagship stores in Shibuya, Shinjuku, and Ikebukuro, Tokyu Hands is establishing a dominant brand presence through its lineup of unique "Made in Japan" product lineup.

## Creating New Demand (3)

### We are strengthening our overseas business development endeavors in our pursuit of opportunities in new fields.

In its overseas business operations, the Tokyu Fudosan Holdings Group continues to generate stable earnings mainly through its bases in Indonesia, the United States, and China. In Indonesia, the Group maintains a track record that spans over 40 years. Building on its initial overseas project under the BRANZ brand name, we are pushing forward a steady stream of large-scale condominium projects in Jakarta and surrounding areas.

Our operations in the United States began with an investment in real estate and specifically in an urban development project in Houston. Today, we are participating in the 425 Park Avenue Project. This super high-rise office building redevelopment project is located in the world renowned Plaza commercial district of Manhattan in New York. I am confident that our participation in such a rare and high profile undertaking will hold us in good stead as we look for growth

opportunities in the global market. The experience gained will allow us to move forward to the next step.

In China, our activities involve the contract management of serviced apartments mainly for Japanese businesspersons working in Shanghai. As a massive real estate market that continues to experience growth, we will leverage the experience and know-how gained in Japan to expand our overseas business activities.

## Medium-Term Investment Plan

### We focus on investments that emphasize the quality of returns to increase our corporate value.

Under its medium- and long-term management plan, Value Frontier 2020, the Tokyu Fudosan Holdings Group is transitioning from an infrastructure development to a growth phase. Drawing on its collective strengths, this medium- and long-term management plan is much more than an extension of the Group's existing activities. The plan serves as a roadmap that will allow us to reach a higher plane.

In moving to the next level, we will aggressively undertake new investments in order to definitively push forward the growth strategies of each business.

Driven by the policies of the national government, Japan's interest rates continue to hover at a low level. At the same time, short-term activity in the real estate investment market is higher than expected. Taking the aforementioned into consideration, we are placing increased weight on the quality of each investment as opposed to investment scale. Looking ahead, we will steadily advance existing redevelopment projects in areas around Shibuya Station. At the same time, we will consider a wide variety of asset investments. We also plan to invest in opportunities in each of our hotel and senior housing businesses. We will adopt a stringent approach toward investment placing particular emphasis on the quality of returns in order to increase our corporate value.

## Strengthening Our Financial Position

### We will improve our DE ratio to between low 2.0 range.

Since transitioning to a holding company structure in 2013, we have worked diligently to strengthen our financial position. As a part of these efforts, we have continued to monitor movements in our DE ratio as a measure of our overall standing.

Following SPC consolidation in fiscal 2011, for example, the Company's debt equity ratio surged to 4.4 times. Looking ahead, our goal is to improve our DE ratio to between low 2.0 range by fiscal 2020.

In fiscal 2014, our interest-bearing debt increased due mainly to robust investment activity. Thanks largely to the decrease in interest-bearing debt and successful efforts to bolster our equity, our debt equity ratio improved to 2.6 times in fiscal 2015, our target for fiscal 2016.

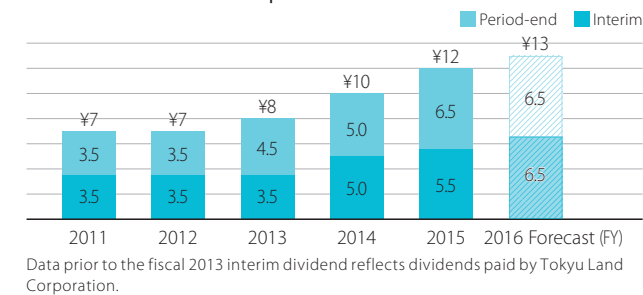
With an eye to stable growth in the future, and in order to secure the flexibility required to make prudent investment decisions, we have positioned efforts to reinforce our financial position as an important management priority. With a strong business base, we are confident in our ability to undertake bold investments when an opportunity arises. We will continue to follow a stringent policy toward forward-looking investments while bolstering our equity through the accumulation of annual profits. In this manner, we will pursue the organic improvement of our DE ratio.

## Increasing Shareholders' Value

### We will foster long-term ties of mutual trust with our shareholders and investors.

The Tokyu Fudosan Holdings Group will continue to actively foster long-term close-knit ties with its shareholders and investors. As a part of efforts to return profit to our shareholders, we will ensure the stable payment of cash dividends. At the same time, we are targeting a dividend payment ratio of at least 25%. Our initial dividend forecast for fiscal 2015 was 11 yen per share. Thanks largely to the increase in profits, we are able to declare an annual dividend of 12 yen per share, up 1 yen per share. In the immediate future, we plan to pay an annual dividend of 13 yen per share for fiscal 2016. This represents a fourth consecutive fiscal year of dividend growth. Moving forward, we will continue to return profits to shareholders through the payment of dividends in line with the growth in earnings.

#### ● Trends in Cash Dividends per Share



Tokyu Fudosan Holdings also places considerable emphasis on upgrading and expanding its shareholders' incentive programs. With the aim of attracting long-term investment, the Company began providing a wide range of Tokyu Hands products as well as vouchers for many of the Group's facilities for the benefit of shareholders.

Tokyu Fudosan Holdings held briefing session in March 2016. This session was an opportunity for the Company to provide individual investors with a deeper understanding of the Group's management strategies and business activities.

In the future, the Group remains committed to engaging in management that fulfills the expectations of shareholders and further enhances stakeholder satisfaction.

## Corporate Governance

### We will increase the transparency and fairness of management while building a reliable and trustworthy brand.

Over the past year, I have paid particular attention to strengthening the necessary framework to further enhance the transparency and fairness of our management. This attention was based on the need to put in place a robust management platform.

Tokyu Fudosan Holdings is a comprehensive lifestyle company that views people and lifestyles as a whole. Our overarching goal is to help create beautiful living environments together with our customers. As a member of the Tokyu Group, we are committed to enhancing the value of the Tokyu brand, which has come to be associated with "comfort and reliability." With this in mind, and in order to further enhance the value that we have nurtured over many years and to

remain a trusted member of society while flexibly adapting to the changes of each era, we recognize the important need to thoroughly promote corporate governance as the foundation of every facet of our business activities.

With the common understanding that governance must remain a core component of management, we adopted the principles of Japan's Corporate Governance Code in November 2015. Based on these principles, Tokyu Fudosan Holdings is dedicated to fulfilling its duty of accountability to stakeholders, clarifying the roles and responsibilities of the Board of Director, Audit & Supervisory Board Member, and the Audit & Supervisory Board, and engaging in constructive dialogue with shareholders.

In June 2016, Tokyu Fudosan Holdings newly appointed two outside director bringing the total number of outside directors to three.

Working to upgrade and expand corporate governance on a continuous basis and to further enhance the transparency and fairness of management, we also established the Nomination and Compensation Advisory Committee. Operating as an advisory body, meetings of the Nomination and Compensation Advisory Committee are scheduled to take place from the second half of 2016.

Moving forward, Tokyu Fudosan Holdings will make every effort to deepen its Group management and to consistently strengthen corporate governance in a bid to ensure bold and timely decisions.

## Compliance and Risk Management

### We will reinforce our sound management structure and systems by upgrading our internal control framework.

In addition to efforts aimed at strengthening corporate governance, the Tokyu Fudosan Holdings Group recognizes that compliance and robust risk management are vital to ensuring a sound business management platform.

With this in mind, we have put in place a Group-wide Code of Conduct in order to ensure that our directors and employees are fully aware of the need to comply with statutory and regulatory requirements. At the same time, we distribute a compliance manual and conduct periodic classroom and online training. Through these means, we are placing the utmost importance on compliance.

As far as each Group company is concerned, steps have been taken to set up individual departments and to designate specific officers to assume responsibility for overseeing compliance. By formulating and promoting action plans (compliance programs) with the aim of ensuring compliance, each Group company is adhering strictly to a policy of compliance.

The Group has established a comprehensive framework to ensure the proper management of risk. In addition to the Group Management Committee and the Board of Directors, efforts are made to address the Group's risk management requirements through the Risk Management Committee and responsible officers at each Group company. We evaluate and analyze the likelihood of a risk occurring as well as the impact of each risk. Based on the results of this analysis, the Risk Management Committee identifies important risks on a continuous basis.



**CSR Management**

**We are promoting a sustainable Group by satisfying customers, building a pleasant workplace, and addressing environmental concerns.**

Sustainable growth stands on the deep trust of society, customers, shareholders, investors, and the employees of the Group.

The Tokyu Fudosan Holdings Group strongly believes that its corporate social responsibility (CSR) activities provide the underlying strength of its business activities as well as a wellspring for corporate growth. Based on this belief, we have placed CSR as an important management priority.

Driven by the Group's CSR vision, the Group works diligently to solve many of society's problems through its business activities. Making the most of our attributes as a comprehensive real estate company, we are endeavoring to increase the satisfaction of all stakeholders. To this end, we strive to create an abundant society through a variety of activities including efforts to build a rich aging society through our senior business and reinvigorating regional areas through the use of real estate stock and vacant housing.

The Group has set realizing customer satisfaction, building a pleasant working environment, and being responsive to environment changes as its three core CSR challenges under its Value Frontier 2020 medium- and long-term management plan "Value Frontier 2020". Furthermore, we have established three councils, namely the Compliance Council, Environment/Social Contribution Council, and Diversity Council as sub-committees of the CSR Promotion Committee that lead management activities across the entire Group in their respective areas of focus.

Here, I would like to pay particular attention to the work of Diversity Council. Since assuming the position of president, I have repeatedly commented on the importance of promoting diversity and ensuring proper work-life balance. It is vital that the Group provides opportunities that allow all staff including female employees to fulfill their potential

and make the most of their diverse attributes. Only in this manner will we be able to generate new innovation and as a result become a group that enjoys sustainable growth through the continuous creation of value.

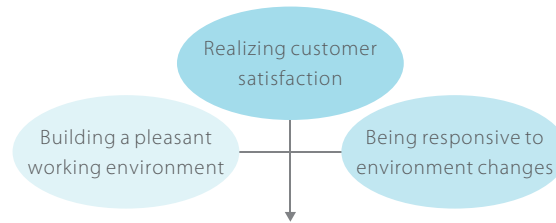
Taking the aforementioned into consideration, we must strive to do much more than just go through the motions. It is imperative that we work hand in hand with employees to maintain and promote good health both in mind and body. Every effort must be made to build a workplace environment in which employees can go about their duties with a sense of energy and enjoyment.

My greatest aspiration is that the 19,000 or so employees who work at more than 100 of the Group's companies come together as one to participate in health and productivity management. Through collaboration and a strong sense of unity, we will be well placed to not only enhance management efficiency, but also to realize a vibrant organization. Playing a robust leadership role, I am committed to the building a pleasant working environment as quickly as possible.

**The Tokyu Fudosan Holdings Group's CSR**

We will work on creating solutions for social issues through our business activities and in the process enhance the satisfaction of stakeholders.

**Value Frontier 2020 Three Priority CSR Issues**



**Promoting a sustainable society and company while enhancing corporate value**

**Aspirations of Group Management**

**We will take anticipatory action before change and continuously seek out new challenges in a flexible and bold manner.**

With the risk of sounding repetitive, the Tokyu Fudosan Holdings Group is dedicated to creating new lifestyles while helping to realize a rich and abundant society. Our goal of becoming a corporate group that continues to create value is grounded in efforts to nurture a close affinity with people at home, at work, and at play, and to become the preferred choice of customers across every aspect of life.

In order to achieve this goal and to ensure that we take a major lead forward over the medium to long term, it is vital that we take anticipatory action before changes occur and to continuously seek our new challenges in a flexible and bold manner. As we work toward this end, I am confident that our diversity and unique attributes will hold us in good stead. Moving forward, we will adopt a comprehensive outlook and accelerate the pace of Group management with the aim of addressing changes in the environment and forging an indispensable position in society.

As we work toward achieving our goals, we kindly request your continued support and understanding.

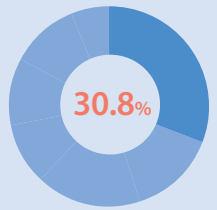


**Yuji Okuma**  
President and Chief Executive Officer  
Tokyu Fudosan Holdings Corporation

# 4th Chapter Value Creation Strategy



% of operating revenue (Fiscal 2015)



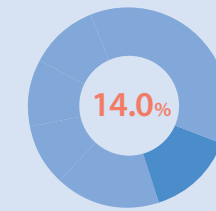
(Excluding Elimination/Headquarters)

**Urban Development Segment —P27**

The Urban Development segment provides optimal solutions for a variety of needs related to urban real estate, such as the development and management of office buildings and commercial facilities, complex redevelopment projects, real estate investment trusts management, and residential leasing and management.



% of operating revenue (Fiscal 2015)



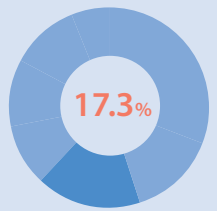
(Excluding Elimination/Headquarters)

**Residential Segment —P31**

The Residential segment offers comprehensive solutions that provide customers with abundance in their lifestyles through the sale of high-quality, comfortable residential properties that include condominiums and detached housing.



% of operating revenue (Fiscal 2015)



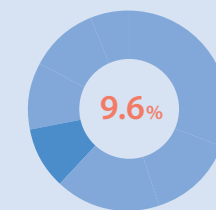
(Excluding Elimination/Headquarters)

**Property Management Segment —P33**

The Property Management segment plays a vital role in the formation of quality social infrastructure through total support in real estate management, including building and equipment maintenance and repairs, for condominiums, office buildings, commercial and public facilities.



% of operating revenue (Fiscal 2015)



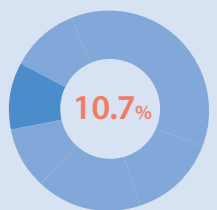
(Excluding Elimination/Headquarters)

**Real-Estate Agents Segment —P35**

The Real-Estate Agents segment offers comprehensive solutions in real estate transactions, including real estate brokerage, consignment sales, and real estate sales, tailored to diverse customer needs.



% of operating revenue (Fiscal 2015)



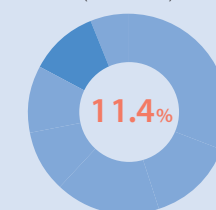
(Excluding Elimination/Headquarters)

**Wellness Segment —P37**

The Wellness segment helps customers create a wealth of high-quality time through cross-business collaboration in the fields of leisure, senior citizens and health, by developing and managing resorts, leisure facilities, sports clubs and senior housing.



% of operating revenue (Fiscal 2015)



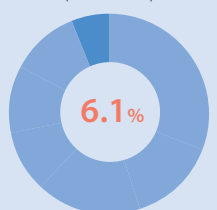
(Excluding Elimination/Headquarters)

**Tokyu Hands Segment —P39**

The Tokyu Hands segment provides people with the excitement of leading creative lifestyles through the sale of hand tools, materials and parts for residences and lifestyles.



% of operating revenue (Fiscal 2015)



(Excluding Elimination/Headquarters)

**Innovation Business Segment —P41**

The Innovation Business segment develops overseas businesses, and creates and promotes new business fields, such as custom-built houses, renovation projects and greenification.



# Making the Most of Group Synergies

We are focusing the Group's resources on Ginza, Japan's leading commercial district.  
Tokyu Plaza Ginza opening



Exterior features an Edo *kiriko* design

## Tokyu Plaza Ginza: A Large New Landmark Commercial Facility in the Heart of Ginza

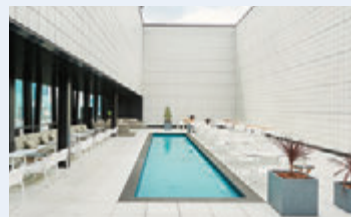
Tokyu Plaza Ginza opened its doors in March 2016 as a commercial facility located in Ginza, Japan's leading shopping and cultural district. Developed under the concept, "Creative Japan: The world becomes exciting from here," Tokyu Plaza Ginza has become a new landmark in Ginza—a place where tradition and innovation harmoniously coexist—with its exterior featuring a traditional Edo *kiriko* motif (type of cut glass that Tokyo is known for) and contains stores that combine high class with the latest trends. As part of our proactive efforts to contribute to the local community and preserve the environment, Tokyu Plaza Ginza is equipped with emergency power generators and storage facilities for disaster relief supplies, maintains a business continuity plan (BCP), and addresses biodiversity by upgrading the adjacent Sukiyabashi Park and installing a rooftop garden.



**KIRIKO LOUNGE**  
Large atrium space with an approximately 27-meter high ceiling



**KIRIKO TERRACE (rooftop)**  
GREEN SIDE features abundantly greenery  
WATER SIDE is characterized by its wide basin



Upgrading of the adjacent **Sukiyabashi Park** coincided with the opening of Tokyu Plaza Ginza

## Focusing Tokyu Group Resources, Generating Synergies

A rallying point for Tokyu Group company resources, Tokyu Plaza Ginza realizes a design that reflects Ginza in both soft and hard aspects while bringing a unique style not seen before there. Operated by commercial facility management specialist Tokyu Land SC Management, Tokyu Plaza Ginza is the culmination of the Group's accumulated expertise and synergies. Consequently, Tokyu Plaza Ginza provides unique, new value and inspiration through Tokyu Department Store's new-concept select boutique HINKA RINKA and Tokyu Hands' culture mall that features a cafe HANDS EXPO.

This facility also offers events in collaboration with Bunkamura, a diversified cultural complex and culture wellspring in Shibuya.

### ● Tokyu Department Store HINKA RINKA

Embodying the Japanese words *hinkaku* (dignity) and *rin* (grace), HINKA RINKA is a new concept in select fashion boutiques that proposes a fashion culture for mature adults who have an entirely new sense of value. HINKA RINKA offers a lineup of the finest items selected both inside and outside Japan by the most discerning buyers in a unique, attractive, culturally rich atmosphere that blends together a wide array of spaces.

### ● Tokyu Hands, Inc. HANDS EXPO

Under the concept of cultivating and connecting culture, HANDS EXPO is divided into five culture zones themed on *wa* (harmony), *miyako* (metropolis), *chi* (knowledge), *bi* (beauty), and *syoku* (food). Beyond featuring a wide array of products, HANDS EXPO brings people together to provide them with an attractive and fun shopping experience.

### ● Holding cultural events in collaboration with Bunkamura

Joining up with Bunkamura, Tokyu Plaza Ginza expresses new forms of culture through collaborations that extend beyond genre by holding cultural events that include music, traditional crafts/entertainment, and art oriented toward adults who gather in Ginza.

### ● Tokyu Land SC Management operations

As a company that specializes in commercial facility management, Tokyu Land SC Management operates facilities that offer comfort and safety to all customers based on its experience accumulated to date from managing facilities developed by the Tokyu Land Corporation.

### ● Tokyu Community Corp management

As a diversified real estate management company, Tokyu Community Corp provides safe and comfortable environments using its high level of expertise and skill mainly in the areas of building management and facility maintenance.

## Developing a large complex that combines condominiums with senior housing facilities Creating communities that offer fulfilling lifestyles to multiple generations

Tokyu Land Corporation is making progress in the Setagaya Nakamachi Project as part of its community develop plan for 2017 involving the construction of a large complex that combines condominiums with senior housing facilities. Beginning in Tokyo in 2014, the first phase of this project involved selecting a business model for maintaining residences that enable senior citizens to live in close proximity to various other residents. The project also has set aside a land area of around 10,000 tsubo, upon which a combined BRANZ condominium and Grancreeper senior housing complex will be built along with a Community Plaza shared facility. In

addition to aiming to facilitate interactions among multiple generations by providing cultural spaces, community salons, and certified daycare centers, this project will create communities where multiple generations can continue living in, which includes a combined regular/on-call visiting nursing care and small-scale/multifunctional home nursing care office, and a comprehensive community care-related system. This complex provides current BRANZ residents with the option of moving into Grancreeper residences on the same property in the future.

Looking ahead, we will undertake a project that offers a model for sustainable residential properties in the Midori Ward, Tokaichibacho area of Yokohama. Through this project, we will promote the building of next-generation suburbs that support diverse lifestyles and interaction among local residents by offering high-quality residences and community spaces that facilitate an atmosphere of prosperity.



Setagaya Nakamachi Project

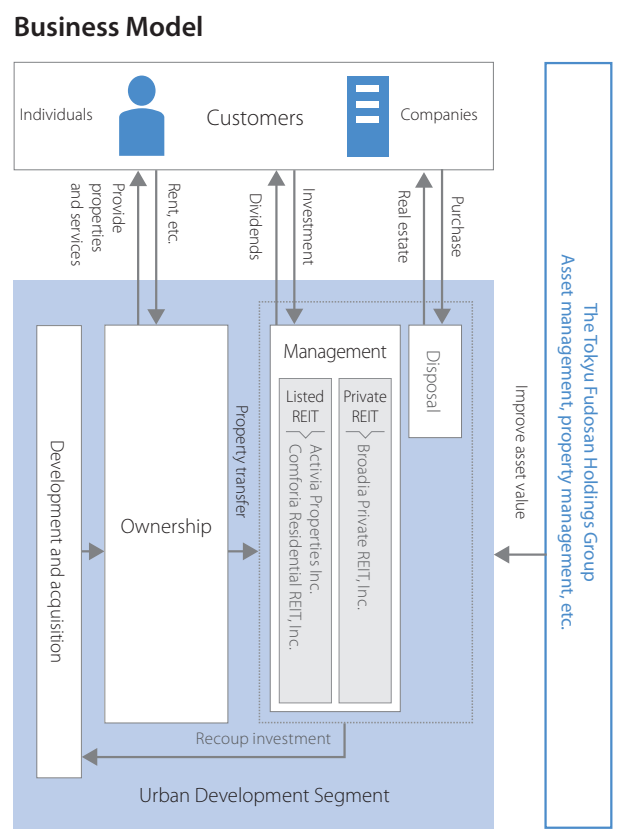
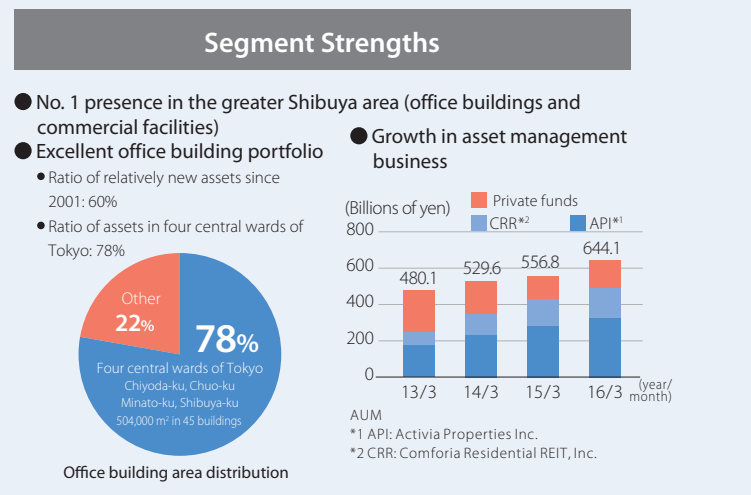
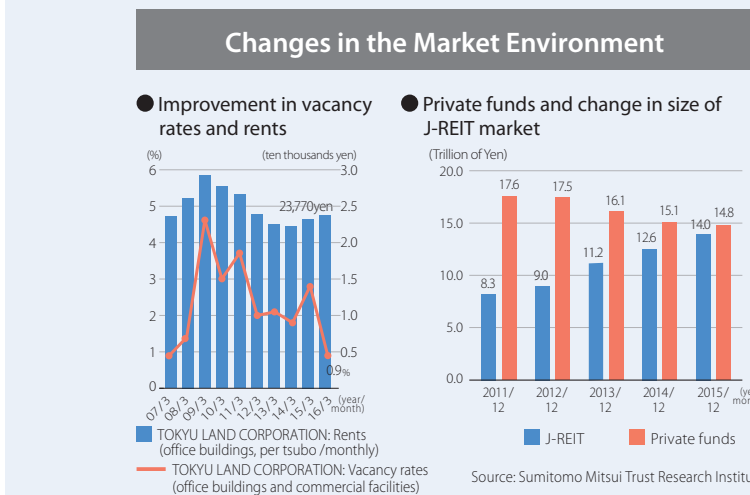
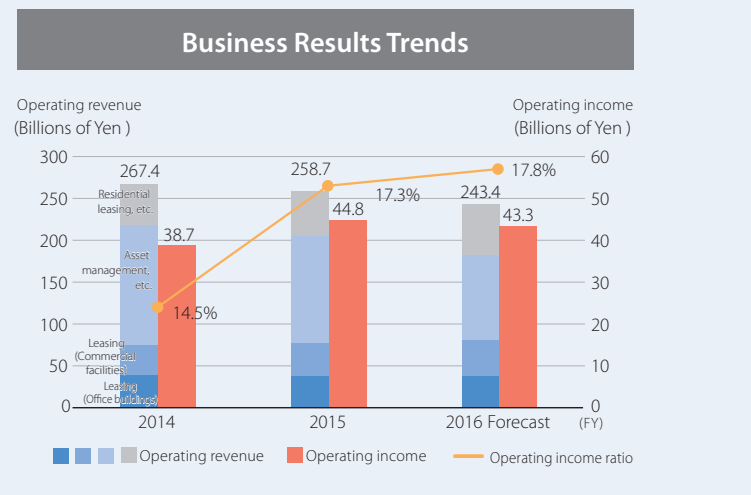
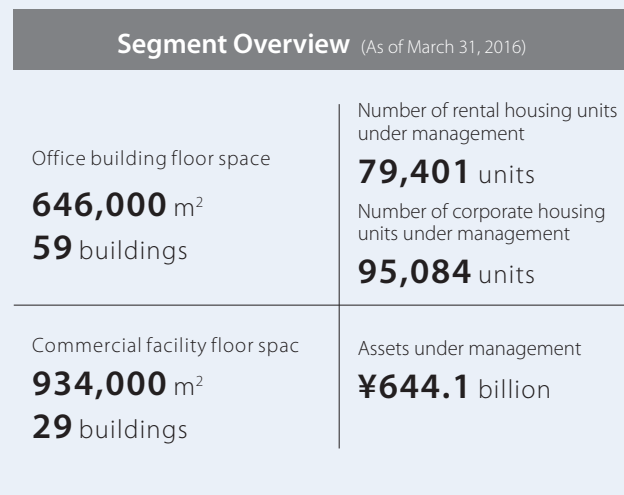
## Tokyu Cosmos Club Group-wide Members' Only Organization

The Tokyu Cosmos Club is an exclusive Groupwide member's only organization run by Tokyu Fudosan Holdings Corporation. Recruiting members among various customers who have used our products or services the Tokyu Cosmos Club aims to enrich the daily lives of our customers by providing various services such as the shopping, sports clubs, and other amenities, invitations to original music, art, and cultural events, and offering information on each Group company via the member newsletter Cosmos. Making available amenities through opportunities to purchase products and use services offered by the Group, Cosmos Club is working

to boost customer satisfaction Groupwide. Growing to over 82,000 members since starting in November 2014, Cosmos Club has forged a new partnership with Group customers.







### Overview of Fiscal 2015 Results and Outlook for Fiscal 2016

In fiscal 2015, the fiscal year ended March 31, 2016, the segment posted operating income of ¥44.8 billion, up 15.8% compared with the previous fiscal year, on operating revenue of ¥258.7 billion, down 3.2% year on year. Although operating revenue increased in the leasing business (office buildings and commercial facilities etc.) as a result of new properties becoming available, revenue from the sale of buildings for investors included in asset management etc. declined. Operating income increased on account of better margins stemming from an increase in prices for buildings sold for investors, in addition to higher profits from new properties coming into operation.

For fiscal 2016, the fiscal year ending March 31, 2017, the Tokyu Fudosan Holdings Group estimates operating revenue of ¥243.4 billion, down 5.9%, and operating income of ¥43.3 billion, down 3.2% on a year-on-year basis in the segment. Although new properties such as the Tokyu Plaza Ginza will boost revenue and profit, the Group anticipates a decline in profit owing to a decline in revenue on the sale of buildings to investors.

Turning to the redevelopment of areas around Shibuya Station and new large-scale redevelopment products, the Group is showing steady progress. Work on the Dogenzaka 1-chome Block Development Project in front of Shibuya Station remains on schedule and construction has newly commenced as a part of the Nampoedai Project (tentative name), which entails the redevelopment of the former office building of Tokyu Fudosan Holdings and Tokyu Land Corporation.

### Medium- and Long-Term Targets and Strategies

#### Becoming the Leader in the Greater Shibuya Area

In the Urban Development segment, the Tokyu Fudosan Holdings Group aims to **improve its earnings potential and presence through large-scale urban developments by 2020**. We also aim to become **the leader in the greater Shibuya area**, a field of strength.

Our business strategy **first entails developing properties and making new investments to establish a firmer position**. Following on the opening of the Tokyu Plaza Ginza in March 2016, we are making steady progress on other large-scale projects, such as the Shibuya Station Redevelopment Project, as well as the Takeshiba Block Development Project (tentative name), which has been designated a National Strategic Economic Growth Area. The Group aims to expand its portfolio based on a cyclical reinvestment model that invests in already operating properties. Next, we aim to improve **the quality of our asset portfolio**. We are reshuffling assets in our portfolio to appropriately manage it with the objective of building a highly profitable asset portfolio. Moreover, we aim to expand fee-based earnings through growth in the asset management business, such as REITs and private funds. In addition, we are working to **develop new types of properties**. We plan to develop new properties and expand into new businesses while monitoring trends in government policy and demand related to infrastructure business and public-private collaboration likely to grow in

the future, such as airport concession areas.

Over the longer term, **the Group plans to expand its assets in the greater Shibuya area** by taking on large-scale redevelopment projects in Shibuya (see page 29 for details).

We also aim to **enhance brand** recognition by improving customer satisfaction, while **moving forward with the development of assets with strong roots in local communities and in harmony with the natural environment**. Based on our branding concepts of "building smiles" for office buildings and "It's Always You" for commercial facilities, we are stepping up operations that center on our customers. Through the development of office buildings and commercial facilities with plenty of greenery and little impact on the environment, thanks to our accumulated environmental technologies, we contribute to the reduction of CO<sub>2</sub> emissions and the preservation of biodiversity. We aim to provide our customers with easy working and living environments.



#### Shin-Meguro Tokyu Building Brings Smiles to Working People

The Shin-Meguro Tokyu Building is our first office building that embodies our "building smiles" concept. It is a new kind of environmentally friendly office building that brings business and nature together in the same space. On the roof of the building, we have created a green paradise that helps preserve biodiversity alongside a "work garden" completed with power outlets and LAN connections, offering employees the stylish option of working outdoors.

## Feature 1

# Securing a Presence in the Greater Shibuya Area

## Advancing Development of the Greater Shibuya Area

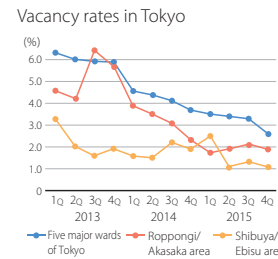
The Tokyu Fudosan Holdings Group defines the greater Shibuya area as the areas including Aoyama, Omotesando, Harajuku, Ebisu and Daikanyama that surround Shibuya, its main base for many years. We have designated the **greater Shibuya area** as a key area for urban development. As one of the central parts of Tokyo, the greater Shibuya area is a major hub of commercial and cultural activity that is always bubbling with new ideas. With a growing number of IT firms locating here in recent years, this extremely attractive region is internationally competitive, drawing in Japanese people and foreign nationals to live, work, and play.

The Group participates in large-scale redevelopment projects around Shibuya Station that aim to create **an entertainment mecca in Shibuya by bringing together workplaces, residences and entertainment venues** that represent the best of the Shibuya region. We aim to create whole communities around the Shibuya Station area.

The Group will continue to develop **the greater Shibuya area with the aim of establishing a No. 1 position** there by creating bustling communities with high-value-added attractions and amenities.

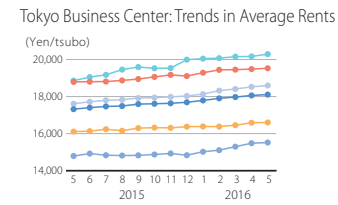
### ● Features of Shibuya

- Major hub of commercial and cultural activity
- Low vacancy rates



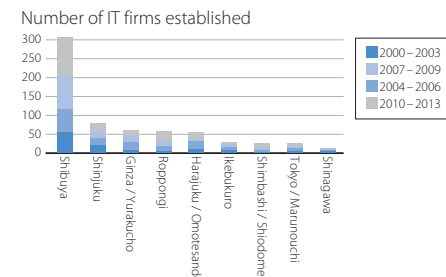
Source: CBRE, Inc.

- Approximately 3,000,000 passengers use the station each day
- High rents for office buildings



Source: Miki Shoji Co., Ltd.: Current Office Building Market Conditions in the Five Central Wards of Tokyo

### ● Concentration of growing IT firms



Source: Tokyu Research Institute, Inc.'s Report on Survey of IT Firms in Shibuya (December 2013)

### ● Location of properties in the greater Shibuya area



### ● Future Projects

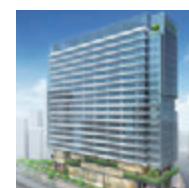
**A Dogenzaka 1-chome Block Development Project**  
 Floor space: About 58,680 m<sup>2</sup>  
 Building size: 18 floors above ground, 4 floors below ground  
 Use: Retail stores, offices, parking, etc.  
 Planned completion date: Fiscal 2019



**B Shibuya Sakuragaoka Block Redevelopment Plan**  
 Floor space: About 252,870 m<sup>2</sup>  
 Building size: A District: 37 floors above ground, 4 floors below ground  
 B District: 32 floors above ground, 2 floors below ground  
 C District: 4 floors above ground  
 Use: Offices, retail stores, residential, churches, parking, etc.  
 Planned completion date: 2020



**C Nampeidai Project (Tentative name)**  
 Floor space: About 46,954 m<sup>2</sup>  
 Building size: 21 floors above ground, 1 floor below ground  
 Use: Offices, assembly halls, parking, etc.  
 Planned completion date: 2019



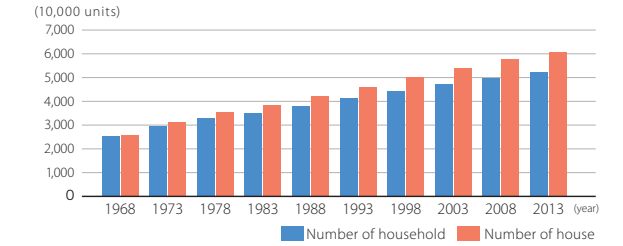
## Feature 2

# Tokyu Housing Lease Corporation's Growth Strategy

## Background to Establishment

The housing market in Japan is projected to grow on the back of new housing starts and improvements in the longevity of housing stock, which remains steady. Against this market backdrop, Tokyu Housing Lease Corporation was established in 2014 and commenced operations in April 2015 with the aim of expanding business further after consolidating the rental housing operations of the Group, while improving efficiency and raising customer satisfaction by providing one-stop services. As of March 31, 2016, rental housing assets under management totaled 79,401 units, one of the largest among major real estate developers.

### ● Trends in Housing Stock and the Number of Households



Source: Japan's Ministry of Internal Affairs and Communications: Housing and Land Survey

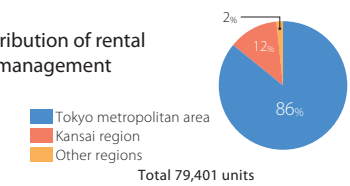
## A Business Model that Leverages Group Strengths

One of Tokyu Housing Lease Corporation's advantages is its ability to propose optimal solutions for customers' needs (i.e., property owners) by leveraging its accumulated know-how. This allows us to build strong relationships based on trust with property owners. Tokyu Housing Lease Corporation's biggest strength is **its leading number of rental housing units under management in central metropolitan areas** where rents are high. With a broad range of properties under management in this high-rent market, we are able to offer tenants a variety of products and services. Another strengths lie in our **"challenger's DNA,"** a spirit that is deeply rooted within the Group, and our willingness try out new ideas without hesitation.

### ● Assets under management

Number of rental housing assets under management	Number of corporate housing units under management
79,401 units	95,084 units

### ● Geographic distribution of rental housing under management



## Pivoting toward Longer-Term Growth

Tokyu Housing Lease Corporation is realizing the **benefits from integration** that leverage the collective strengths of the Group, and is **differentiating itself** from other companies by reforming its business.

Through integration and the use of information collected from within and outside the Group, as a member of the Tokyu Fudosan Holdings Group, Tokyu Housing Lease Corporation will propose solutions to customers that increase the value of their assets and solve their individual problems. We plan to secure business opportunities by expanding the number of units under management while reducing costs through improvements in business efficiency.

First of all, we aim to expand fee-based business in the stable stock housing market by increasing our presence in core business fields. In addition to expanding operations from major metropolitan areas to large outlying cities in Japan, we will address the needs of customers heading overseas or coming to

reside in Japan. We aim to broaden the range of assets handled beyond rental housing, and increase the value-added of assets with IoT while offering better services to tenants. Over the medium and long term, we intend to strengthen collaboration with other industries by leveraging the strong relationships of trust built on managing and operating rental housing assets. Tokyu Housing Lease Corporation is pivoting toward becoming a full service provider that **is able to provide one-stop services** that meet the asset management needs of its customers beyond real estate.

### ● Future Vision for Tokyu Housing Lease Corporation



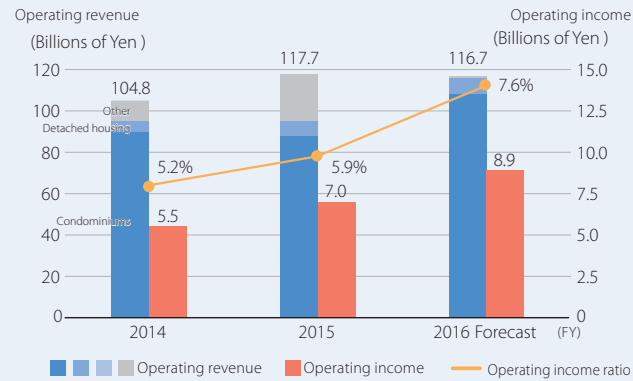


Segment Overview (As of March 31, 2016)

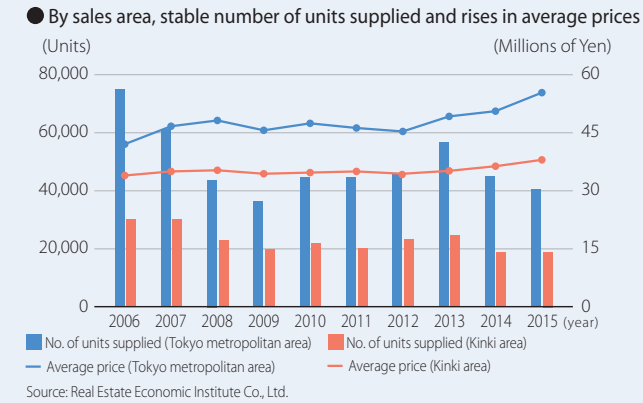
Fiscal 2015  
Number of houses built for sale supplied  
**2,143 units**  
Tokyo metropolitan area  
**1,190 units**  
Kansai and other areas  
**953 units**



Business Results Trends



Changes in the Market Environment

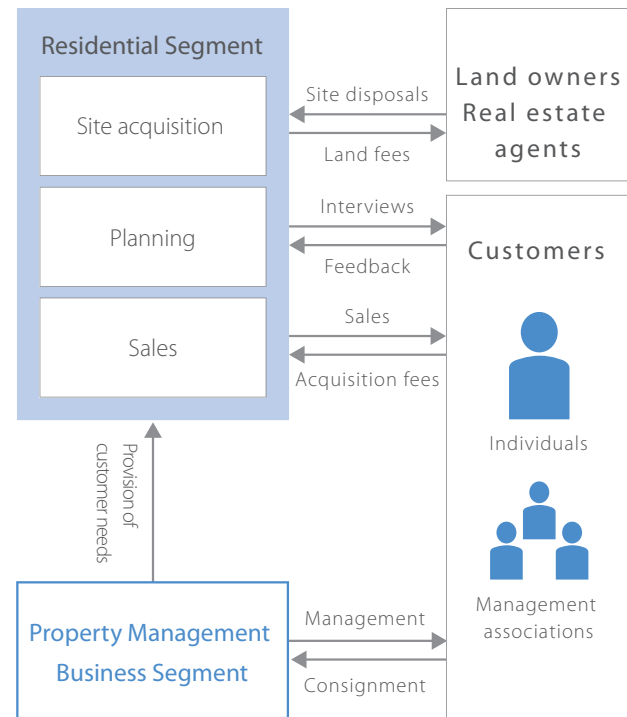


Segment Strengths

- Cumulative Total of the Number of Condominiums Supplied (Total)  
**88,000 units**  
\* Includes certain joint business activities.
- BRANZ CLUB  
Membership-based organization for customers who would like residence information  
Number of members (As of March 31, 2016)  
**Approx. 187,000**
- Services for unified Group subscribers (sales, after-sales services, management)



Business Model



Overview of Fiscal 2015 Results and Outlook for Fiscal 2016

In fiscal 2015, the fiscal year ended March 31, 2016, our Residential business recorded increases in both revenue and income; operating revenue increased 12.3% year on year to ¥117.7 billion, and operating income jumped 26.0% to ¥7.0 billion. Despite recording sales of condominium units at Branz City Shinagawa Katsushima, Branz Totsuka, and Branz Tower-Wellith Shinsaibashi North, revenue declined due to the year-on-year downturn in the number of condominium units sold and other factors. However, an increase in the bulk sale of land included under "Other" in the breakdown of sales contributed to growth in revenue and income.

For fiscal 2016, the fiscal year ending March 31, 2017, revenue is expected to decline while earnings are forecast to increase. In specific terms, operating revenue is projected to decrease 0.9% year on year, to ¥116.7 billion, and operating income is anticipated to grow 27.3% year on year, to ¥8.9 billion. Despite a fall in revenue due primarily to a reduction in the bulk sale of land, operating income is forecast to increase. Although the number of condominium unit sales is estimated to decline, growth in revenue is expected on the back of higher average selling prices and gross margins as a result of increased sales of high-end property units. Looking at conditions for the sale of condominiums, trends are expected to remain firm mainly for inner city properties as well as high-end and other units. The contract ratio as of the beginning of the period compared with forecasts for condominium sales in fiscal 2016 came in at 57%.

Medium- and Long-Term Targets and Strategies

Provision of Products of Choice for Customers by Creating Added Value Integrating "Acquisition, Planning, Sales, After-Sales Services and Management"

As stated as its business strategy under Value Frontier 2020, the Residential business is aiming for the "construction of a framework able to create stable income" and the "establishment of a presence" that comes first to the minds of customers considering the purchase of a residence. At the same time, the Residential business will provide products of choice for customers by creating added value integrating acquisition, planning, sales, after-sales services and management.

The Residential business is thus firstly addressing the strengthening of its site acquisition capabilities and the enhancement of business opportunities, while participating in complex redevelopment projects and continuing to promote the development of its large-scale flagship properties of the future. In addition, the Residential business will further entrench its presence by strengthening its stronghold areas along Tokyo railway lines and elsewhere by means of its area-dominant strategies, while continuing to purchase stock in existence, such as for reconstruction projects and property renovations that leverage the Group's capabilities.

In addition, having declared "residences that master life" as its brand concept, the Residential business will aim to improve its brand power in a comprehensive manner and sustainably raise its appeal and product development capabilities of choice with the aim of building a foundation for

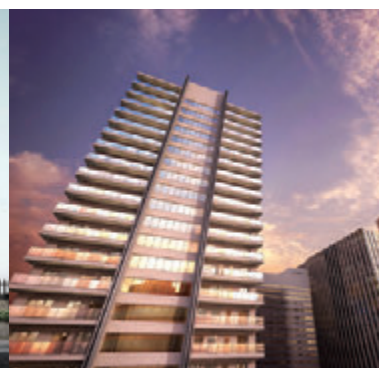
growth over the medium to long term.

Aiming to supply "residences that excite once again after 30 years" by providing peerless design, quality, services and value as well as by undertaking quality control to its own criteria, the Residential business is also tapping into the preferences gleaned from its BRANZ VOICE activities, which in a variety of forms listen to what customers are saying. The plan is to focus on the creation of value-added by product development in response to diverse needs. Based on the needs of the market, the Residential business will promote the planning of products that realize high value-added. At the same time, the company will work to enhance the satisfaction of customers while expanding business opportunities by providing a diverse range of housing and services.

Regarding collaboration with Group companies in such areas as property management and brokerage as one of its strengths, the Residential business will devise ways to improve customer satisfaction by upgrading and expanding its BRANZ Support subscriber service that realizes high-quality daily lifestyles for customers at each stage of their lives. Also focusing on environmental efforts, such as the preservation of existing trees, the promotion of rooftop greening and design criteria in compliance with energy conservation standards, the Residential business will raise value for the benefit of its customers.



Branz The House Ichibancho  
(Sales commenced December 2015)



Branz Tower Minatomirai  
(Sales commenced June 2015)



Branz Tower-Wellith Shinsaibashi North  
(Sales commenced September 2014)



High-spec renovated condominiums "Majes Tower Roppongi"  
(Sales commenced October 2015)

Project Registered as CO<sub>2</sub> Emission Reduction Initiative

Including the world's first Ene-Farm home fuel cell for condominiums, advanced energy-saving equipment has been installed at Branz City Shinagawa Katsushima. In July 2015, the project to reduce CO<sub>2</sub> emissions by installing fuel cells at the same property became the first of its kind in the private sector in Japan to be registered as a program-type emission reduction project on the basis of Ministry of Land, Infrastructure, Transport and Tourism systems.





# Property Management Segment

## Segment Overview (As of March 31, 2016)

Number of condominium units under management

**715,660 units**

(Of which number of condominium units under comprehensive management)

**504,442 units**

\* Number of units under comprehensive management: The number of under contract management from condominium management associations

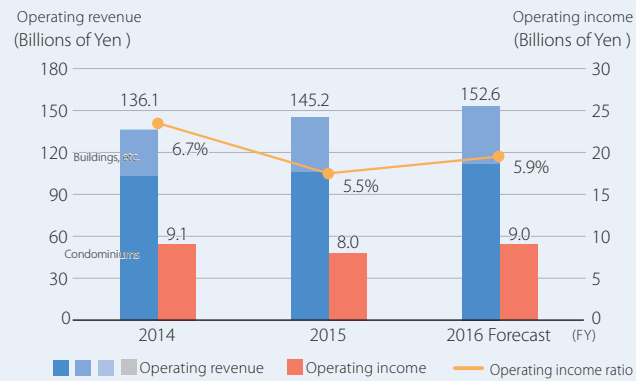
Number of residential properties under designated management

**93,245 units**

Number of buildings and other properties under management (including designated management properties and PFI properties)

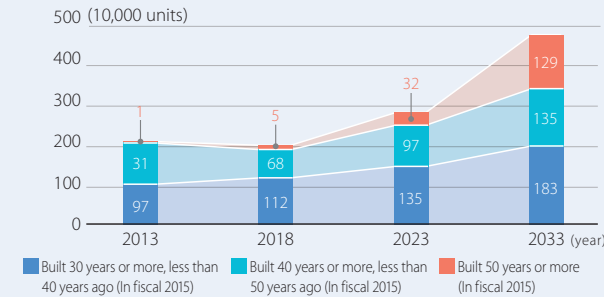
**1,453 properties**

## Business Results Trends



## Changes in the Market Environment

● Increased demand for improvements and renovations due to condominium aging



Numbers of condominium units built more than 30, 40, 50 years ago  
Source: Promotion of Rebuilding Aging Condominiums (Ministry of Land, Infrastructure, Transport and Tourism)

## Segment Strengths

- Top-class in its industry for the number of properties under management
- Comprehensive property management business that manages a wide variety of properties
- Technologies and human resources capable of examining, understanding and proposing solutions

\* Figures are for Tokyu Community Corporation on a non-consolidated basis.

Number of people responsible for management administration (As of March 31, 2016)

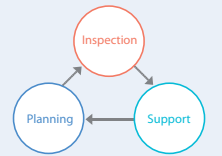
**1,853**

Percentage of certified Tokyu Community Corporation employees: **93.5%**

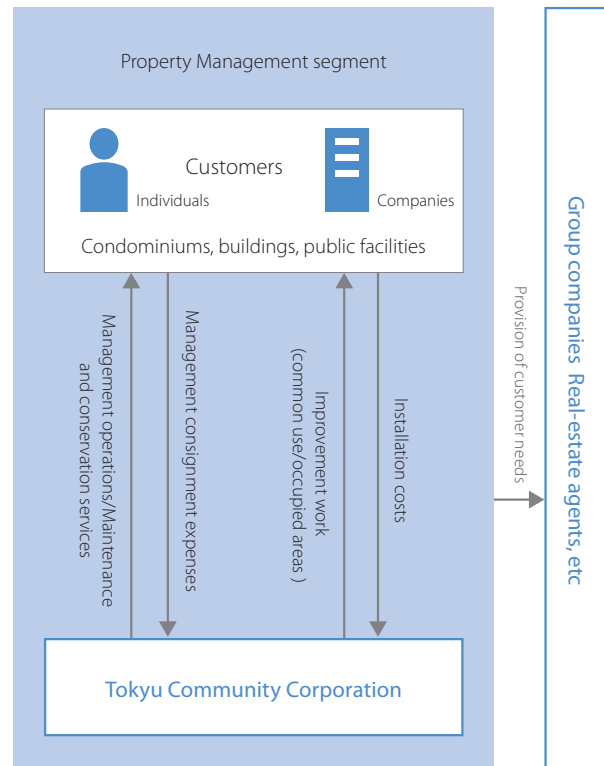
Number of condominium repair technicians (As of March 31, 2016)

**467 (No. 1 in industry)**

Providing one-stop services that help maintain asset values



## Business Model



## Overview of Fiscal 2015 Results and Outlook for Fiscal 2016

In fiscal 2015, the fiscal year ended March 31, 2016, our Property Management business achieved operating revenue of ¥145.2 billion, a year-on-year increase of 6.7%, and operating income of ¥8.0 billion, a year-on-year decline of 11.7%. While revenue grew based on increased stock of both condominiums and buildings under management, income decreased owing to an increase in expenses for strategic investments aimed at maintaining and strengthening management systems in a bid to put in place a robust platform for the future. In addition to the newly contracted Futako Tamagawa Rise, we commenced management of such large-scale complex facilities as JP Tower Nagoya and the PFI-operated Clinical Research Center at The University of Tokyo (Hongo).

Leveraging its high-value-added management know-how, our Property Management business expanded its outsourcing management of office buildings and commercial facilities as well as of public facilities.

For fiscal 2016, the fiscal year ending March 31, 2017, the segment is expecting its operating revenue to increase 5.1% year on year to ¥152.6 billion, and its operating revenue to climb 11.8% to ¥9.0 billion. We plan to continue adding stock of both condominiums and buildings under management while expanding earnings related to improvements and renovations. Moving forward, we are anticipating steady growth with the stock of management service sites to improve to roughly 780,000 (of which the number of units under comprehensive management is expected to reach 520,000) and the number of buildings and other properties under management to total approximately 1,500 as of March 31, 2017.

## Medium- and Long-Term Targets and Strategies

### Overwhelming No. 1 Comprehensive Property Management Company

The Property Management business aims to be the **overwhelming No. 1 comprehensive property management company** by strengthening its business base, multifaceted development in growth fields and expansion of related revenues. As a result, the Property Management business will **establish a position enabling the acquisition of superior information and management resources** and build a management structure that is capable of responding to the changes coming to the property market from 2020.

Consequently, the Property Management business is **expanding its management stock** and meeting wide-ranging customer needs by leveraging its two-brand system relating to condominium and building management, namely Tokyu Community and Community One, respectively. The Property Management business will also proactively engage in the growth field of private sector opening of public facilities, for example by PPP (civil partnerships). Also leveraging the strengths of a comprehensive property group, the Property Management business will work to expand its customer segments by strengthening Group collaborations.

To bring about the **expansion of related revenues** from property management, the Property Management business will deploy initiatives to tap demand for improvements, repairs and renovations that is especially expected to increase.

In the meantime, to become **No. 1 in customer satisfaction and confidence**, technical capabilities and working environment as well as in the busi-

ness area and productivity, the Property Management business will build a strengthened business base to enable sustainable growth from 2020 onward.

With regard to customer satisfaction and confidence, the Property Management business will set key performance indicators (KPIs) compiled from the results of surveys and set up customer centers as a system for constantly acquiring customer feedback. In the area of technical capabilities, a system will be built to record a building's repair management to enhance asset value maintenance and conservation services. In the manner of family doctors, technicians will develop health check capabilities and services for the purposes of screening buildings and diagnosing any faults. Working environments conducive to fruitful labor will be developed to help maintain and retain specialist human resources, and a particular emphasis will be placed on utilizing the capabilities of women and senior-ranking employees to the fullest extent. With regard to business areas and productivity, the Property Management business will accumulate a variety of expertise in facility management operations by making inroads into new fields through, for example, M&A and PFI business concession initiatives. In addition, the utilization of IT will be encouraged to promote business and improve productivity. The Property Management business will also support the recovery of disaster-affected areas and create facilities that lead to the revitalization of local communities in support of Tohoku reconstruction at properties under its management, such as the House of Councilors Members' Building. In specific terms, steps were taken to hold a local food fair.



From left: Futako Tamagawa Rise (Condominium and commercial facility)  
Marinart, Shimizu Culture Hall, Shizuoka City (Office and Cultural facility)  
JP Tower Nagoya (Office and Commercial facility)  
Planetarium (inside Gotanda Cultural Center)  
(Educational facility)

From left: Abeno Q's Mall (Commercial facility)  
UR rental housing Comfor Kasumigaoka (Multi-unit apartment)  
Kita-Kyushu Airport terminal (Airport facility)  
Ogasayama Nature and Sports Park/ECOPA Stadium (Sports facility)  
House of Councilors Members' Building (Facility used by Diet upper house members)

### No. 1 in Real Estate Industry in "Companies That Utilize People" Survey

Tokyu Community Corporation was ranked 44th overall and top in the real estate industry in the 2015 "Companies That Utilize People" survey.\* The survey examines companies in respect to four such aspects: hiring and human resource development; diversity management; childcare and nursing care; and workplace environments and communications. The company was highly rated for its diverse work systems, mental healthcare policies as well as its human resource policies for employees to meet their childcare or nursing care obligations.

\* Conducted jointly by Nikkei Inc., Nikkei Human Resources, Inc. and Nikkei Research Inc., the survey targeted around 1,700 major corporations in Japan and ranked the 454 companies that responded.



**Segment Overview** (As of March 31, 2016)

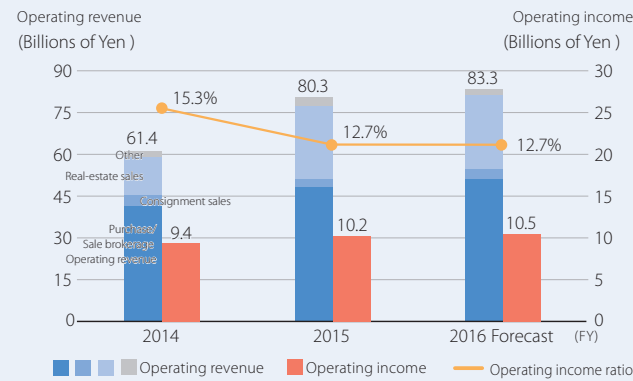
Tokyu Livable, Inc. network  
**167** locations  
 (4 overseas locations)



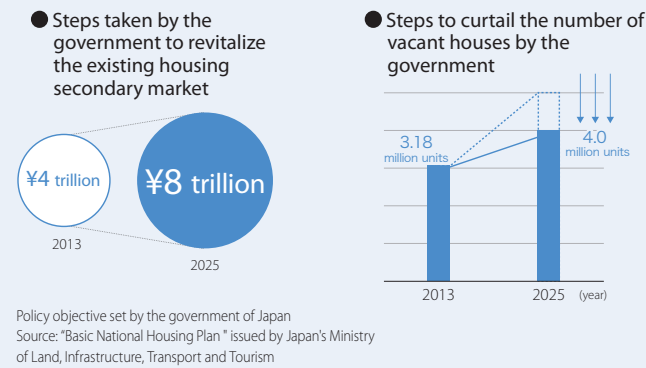
Fiscal 2015  
 No. of real-estate agents' transactions  
**21,939**

No. of real-estate agents' sales staff  
**1,310**

**Business Results Trends**



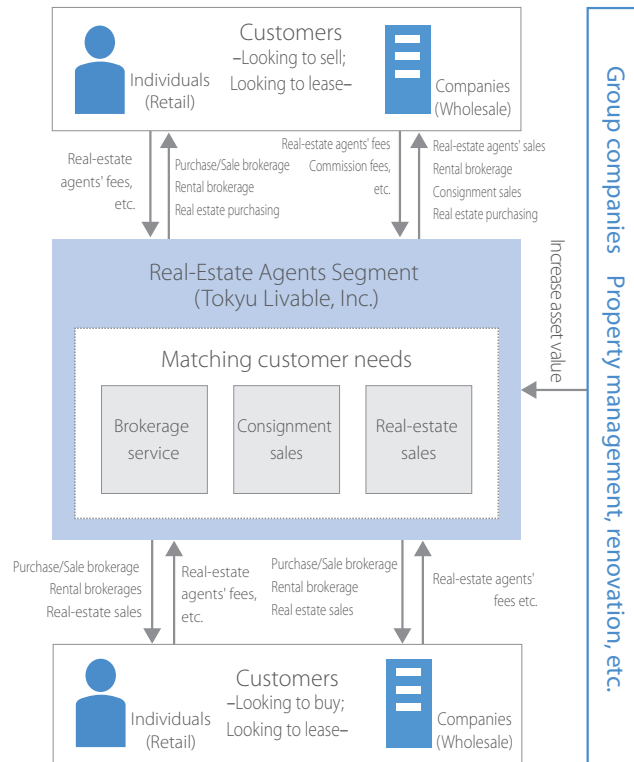
**Changes in the Market Environment**



**Segment Strengths**

- Comprehensive strengths across a balanced range of real estate secondary market activities including the purchase and sale, leasing, and management of properties for individuals and the corporate sector
  - A high level of customer satisfaction
  - Highly professional staff
- Ratio of certified real estate transaction specialists among real estate agents (including managers) : **approximately 97%**  
 (As of December 31, 2015)
- Groundbreaking services that address customers' need  
 Highly acclaimed innovative services
- The Livable Intermediary Guarantee Service received the fiscal 2014 Good Design Award.

**Business Model**



**Overview of Fiscal 2015 Results and Outlook for Fiscal 2016**

In fiscal 2015, the fiscal year ended March 31, 2016, revenue and profit increased compared with the previous fiscal year. In specific terms, operating revenue climbed 30.9% to ¥80.3 billion and operating income increased 9.0% to ¥10.2 billion on a year-on-year basis. Against the backdrop of a strong performance in the real estate transaction market, the number of transactions and contract prices increased for both retail and wholesale real-estate agents' sales. In terms of their value, retail and wholesale transactions grew 15.1% and 28.6%, respectively, to reach an aggregate total of approximately ¥1,200 billion. This was roughly 20% higher compared with the previous fiscal year. In addition, real-estate sales were up reflecting robust trends in the purchase and resale of properties. During the fiscal year under review, Group company Tokyu Livable, Inc. opened 12 new outlets as a part of its retail activities. The company continued to promote services in an effort to provide individual customers with a greater sense of security and peace of mind. This included steps to upgrade and expand the company's Intermediary Guarantee and other services. Tokyu Livable, Inc. also commissioned television commercials using popular artists and personalities. In its wholesale activities, Tokyu Livable, Inc. continued to reinforce its existing investment and commercial real estate transactions with the corporate sector. The company also began entering new fields including logistics facilities and hotels.

In fiscal 2016, the fiscal year ending March 31, 2017, Real-Estate Agent Segment is expected to again experience an increase in revenue and profit. Operating revenue is projected to reach ¥83.3 billion, up 3.7%, and operating income is forecast to grow 3.1% to ¥10.5 billion on a year-on-year basis. In its retail activities, plans are in place for the Group to open roughly the same number of new outlets as the fiscal year under review. Results are expected to be strong on the back of an increase in the number of transactions and other factors. Taking into consideration the upswing in demand in connection with the purchase and resale of properties, the Group will strengthen its housing renovation business.

**Medium- and Long-Term Targets and Strategies**

**Becoming the Number One in Each and Every Real Estate Dealing Segment –Real-Estate Agents' Sales, Consignment Sales, and Real-Estate Sales Businesses–**

In the Real-Estate Agents Segment, the Group is endeavoring to secure **the top position in real estate transactions in each of its businesses.**

To this end, the Group is working to expand the scale of its existing businesses and to improve profitability. At the same time, Tokyu Livable, Inc. is undertaking a wide range of measures to bolster its sales and marketing structure. This includes opening new outlets and increasing the number of staff. Drawing on the know-how gained through its activities in the Tokyo Metropolitan area, the company is expanding its coverage while increasing profitability by continuously differentiating its products and services. In order to **capture new opportunities** in priority fields, the Group is placing considerable weight on efforts that target a wide range of operational assets including logistics facilities and hotels. Furthermore, we are actively pursuing opportunities that allow us to secure real-estate agents' sales and address overseas investor inbound demand. Striving to extend our customer base, we are channeling our energies toward strengthening services that reflect the needs of individuals while sharing customer information within the Group as a whole.

Tokyu Livable, Inc. is also looking to secure **a top position within its industry across a broad spectrum of fields. In addition to putting in place a business platform that will attract the acclaim of customers, we are endeavoring to improve productivity and to establish an appealing environment** in a bid to ensure medium- to long-term growth. Working to develop value-added services,

we are reinforcing our branding activities. In this manner, we are endeavoring to increase points of customer contact. Moreover, we are introducing systems that will allow us to better visualize customers' needs and are pushing forward a raft of measures including consultation services that cover such wide-ranging areas as vacant housing and inheritance on a free-of-charge basis.

Tokyu Livable, Inc is strengthening its expertise as well as its human resource development capabilities with the aim of increasing the satisfaction of customers. We are conducting a wide range of educational programs in order to ramp up the speed at which we address customers' needs, increase the level of our expertise, and raise the quality and depth of our service menu. We are endeavoring to reform the manner in which work is undertaken in an effort to secure the highest quality staff. Recognizing that women are a core source of innovation, we are paying particular attention on initiatives that will allow our female employees to excel. Group company, Tokyu Livable, Inc., has established the Diversity Promotion Section and is working to upgrade and expand its training and support structure and systems. With the aim of promoting women to management positions, the goal is to lift the ratio of female managers and section chiefs above 5% and 15%, respectively, by 2020.

**New Outlet Opening Plan**



**Received an Award for Promoting Gender Equality and Work-Life Balance**

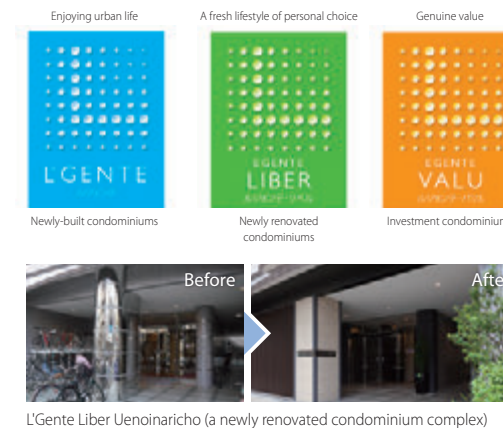
Tokyu Livable, Inc. is actively engaged in promoting diversity. The company has established the Diversity Promotion Section and continues to provide career support to all of its employees. In addition to introducing a mentor program, the company works diligently to create a workplace environment that allows women to excel. The company is promoting diversity across a wide range of areas including efforts to increase the ratio of female employees to marketing personnel in the real-estate agents' sales business. Tokyu Livable, Inc. was the first major real estate sales company to receive an award for excellence in the category of equal opportunity promotion at the Equal Opportunity and Work-Life Balance Promotion Awards organized by Japan's Ministry of Health, Labour and Welfare in fiscal 2015.



Working to strengthen branding with the aim of increasing recall rate. Leveraging the popularity of well-known personalities through TV commercials and other advertising.

Real estate solutions. Embarking on hotel development activities including project management in Okinawa Prefecture.

Overseas business development by Tokyu Livable, Inc. Establishing bases in the four locations of Shanghai, Taiwan, Singapore, and Hong Kong.



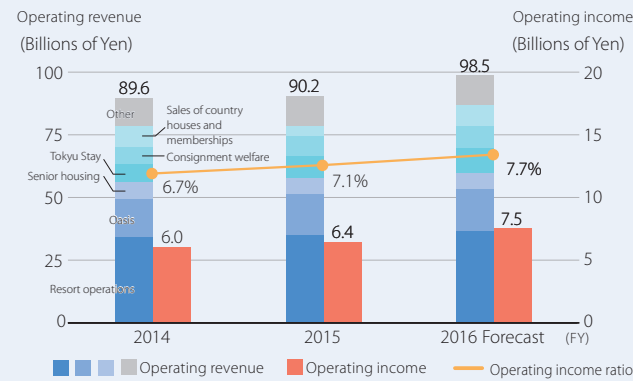
L'Gente Liber Uenoinaricho (a newly renovated condominium complex)

# Wellness Segment

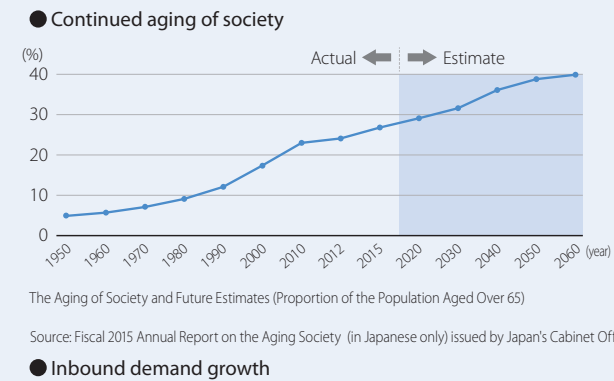
## Segment Overview (As of March 31, 2016)

Membership resort hotels <b>24</b> hotels <b>2,659</b> rooms	Senior residences <b>15</b> facilities <b>1,080</b> residences
No. of public hotel rooms <b>22</b> hotels <b>3,164</b> rooms	<b>34</b> Members-only fitness clubs
<b>20</b> Golf courses	No. of WELBOX members Approximately <b>1,210,000</b>
<b>8</b> Ski resorts	

## Business Results Trends



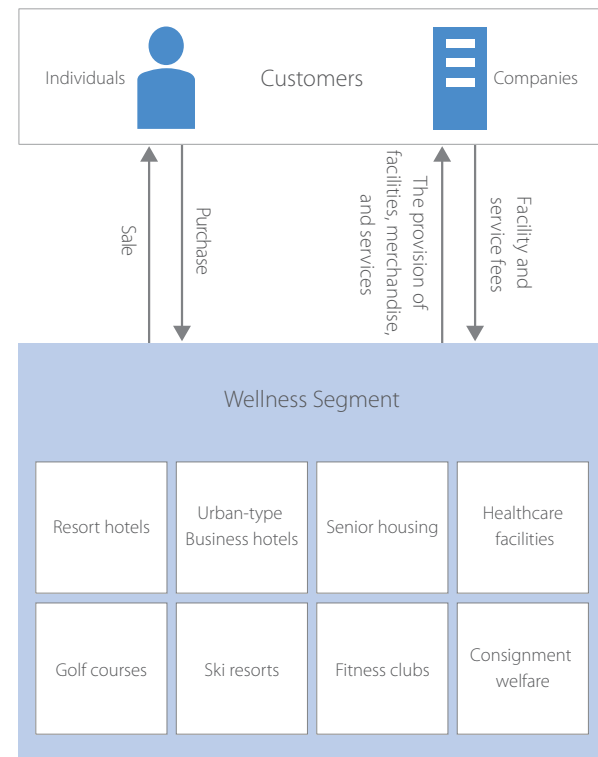
## Changes in the Market Environment



## Segment Strengths

- **Contact with affluent customers**  
Members of Tokyu Harvest Club, golf course and Oasis, as well as country house and villa owners  
**Approximately 160,000**  
No. of facility users (on an annual cumulative basis)  
**Approximately 14,000,000**
- **Varied asset portfolio and a strong brand presence**  
TOKYU Harvest Club  
TOKYU STAY  
東急不動産が贈るシニアの住まい  
グランクレール  
OASIS
- **Human resources with the ability to fully utilize a broad range of know-how**  
No. of employees (As of March 2016)  
**3,568**

## Business Model



## Overview of Fiscal 2015 Results and Outlook for Fiscal 2016

In fiscal 2015, the fiscal year ended March 31, 2016, revenue and profit increased compared with the previous fiscal year. In specific terms, operating revenue grew 0.7% to ¥90.2 billion and operating income climbed 7.1% to ¥6.4 billion. This increase in revenue and earnings reflected a variety of factors including the increase in occupancy and room rates on the back of such factors as the upswing in inbound demand at Tokyu Stay medium- and long-term stay hotels as well as contributions from the start of operations at new Harvest Club, Fitness club, and Tokyu Stay facilities.

For fiscal 2016, the fiscal year ending March 31, 2017, the Tokyu Fudosan Holdings Group is expected to again experience an increase in revenue and profit. Operating revenue is forecast to reach ¥98.5 billion, up 9.1% compared with the previous fiscal year. Operating income is projected to total ¥7.5 billion, an increase of 17.7% year on year. This forecast increase in revenue and earnings reflects a wide range of factors. In addition to the positive flow-on effects from improvements in Harvest Club, ski resort, and other existing facilities, the Group's results are expected to benefit from contributions from operations at new Tokyu Stay hotels.

Turning to new development projects, the supply of new memberships at the Tokyu Harvest Club Karuizawa & VIALA, which is scheduled to open in fiscal 2018, have commenced. The Group is also advancing several projects including Grancreeper Setagaya Nakamachi as a part of its senior-citizen housing project activities. In other business activities, steps are being taken to develop new Tokyu Stay facilities in the Group's hotel operations. Moving forward, the Group will promote Seragaki Hotel operations (tentative name) in Okinawa Prefecture.

## Medium- and Long-Term Targets and Strategies

### Establishing a Presence as a Comprehensive Wellness Company in Each of the Leisure, Senior-Citizen, and Healthcare Domains

The scale of the wellness market, which includes the leisure-, senior-citizen-, and healthcare-related sectors, is estimated to exceed ¥8 trillion. In this segment, the Group works diligently to provide a broad spectrum of customers with a rich and enjoyable lifestyle in an effort to **establish a presence as a comprehensive wellness company**.

Moving forward, the Group is placing considerable emphasis on accelerating the pace at which it puts forward and carries out strategic proposals that are **designed to capture growing inbound demand**. In its Tokyu Stay accommodation-type hotel operations, which continues to attract robust demand, the Group is building on its activities inner-city district, a traditional mainstay area, and expanding activities into other principal regional cities. In response to steady growth in inbound demand, energies are being channeled toward the development of the Niseko and other condominium-type hotels while at the same time beefing up sales activities targeting travelers visiting Japan.

The Group is also **upgrading and expanding its Tokyu Harvest Club membership resort hotel operations** as well as its healthcare business activities. In addition to promoting new developments projects, every effort is being made to expand the Group's customer base and network. Over and above its traditional Grancreeper series of senior housing facilities, a longstanding component of its healthcare business activities, the Group is bolstering

its menu of services that address the residential needs of the elderly, promoting new development projects, and taking strategic steps to strengthen its dominant presence in those areas in which it excels in order to take advantage of any and all scale merits.

Meanwhile, The Group is taking great pains to promote increased collaboration throughout the Group as a part of efforts to enhance **customer satisfaction and to push forward a variety of initiatives including human resource education and training**. The Group is especially focusing on building a robust business platform over the medium to long term, as a core strength of the segment.

Cutting across every division and department, the Group is strengthening its marketing capabilities in order to nurture long-term relationships. In this manner, every effort is being made to enhance customer satisfaction and to develop a growing pool of loyal customers. Complementing these endeavors, the Group is actively developing new products and services.

From a human resource education and training perspective, the Group is focusing on securing personnel while lifting the skills of its staff. By bolstering Group-wide collaboration, steps are being taken to offset labor shortfalls in the Group's management and operating activities. Through various measures including an award program as well as efforts aimed at sharing services that are in high demand, the Group is working to lift the skills of its employees.



Tokyu Harvest Club Karuizawa & VIALA (scheduled to open in fiscal 2018)



Grancreeper Setagaya Nakamachi  
A mixed-use senior-citizen housing facility that provides nursing, medical, and lifestyle services and condominium facility (scheduled to open in fiscal 2017)



The number of facilities in the Tokyo Metropolitan area has reached 17 following the opening of Tokyu Stay Ginza.

### Tokyu Stay Hotel Newly Opened

Tokyu Stay Service Co., Ltd. opened Tokyu Stay Ginza, an urban-type hotel, in the heart of the Ginza district, which attracts large numbers of domestic and overseas commercial and leisure-seeking visitors. Tokyu Stay Ginza represents the 17th hotel in the company's network. Looking ahead, the company will expand its operations in order to meet burgeoning demand.





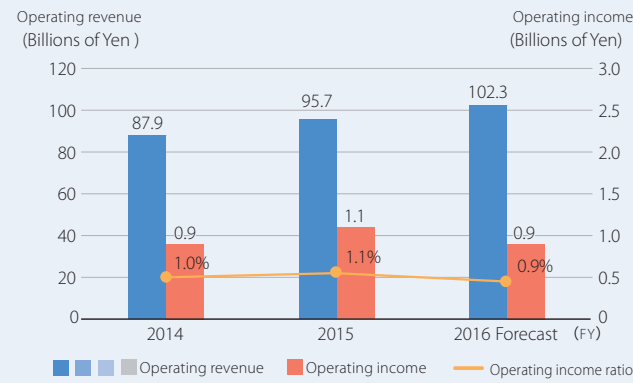
Segment Overview (As of March 31, 2016)



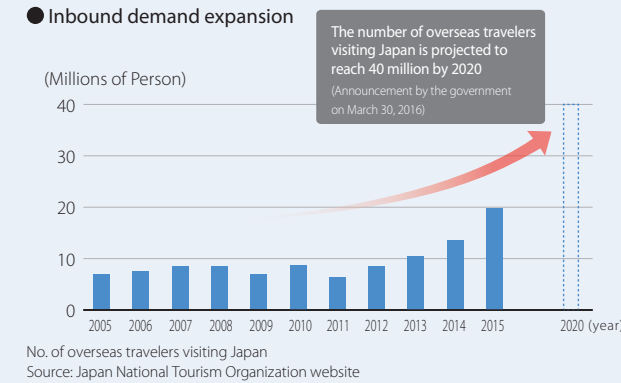
No. of stores	Tokyu Hands	hands be	Other specialty stores
Domestic retail stores	33	24	14
Franchised stores	6	1	1
Overseas stores	2	0	0
<b>Total</b>	<b>41</b>	<b>25</b>	<b>15</b>

\* Other: hands cafe, Picaro, WORK HANDS, HANDS EXPO

Business Results Trends



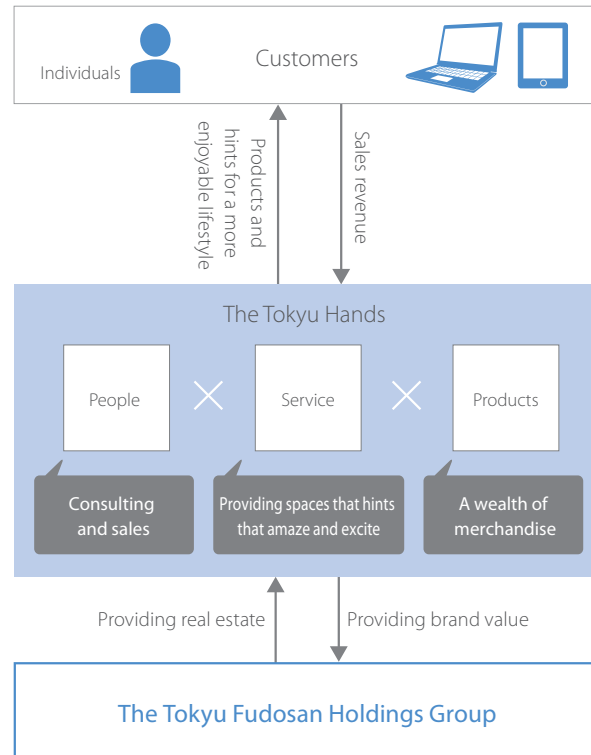
Changes in the Market Environment



Segment Strengths

- **Highly unique brand**  
6th in a store strategy survey conducted by Nikkei Research Inc.
- **Yomiuri advertising awards**  
Received the 30th Readers Award
- **Numerous points of contact with customers and the creative power of employees**  
No. of Hands Club members  
Approximately 5,600,000
- **Pursuing new businesses driven by our challenger's DNA**  
**HANDS EXPO**  
CULTURE MALL

Business Model



Overview of Fiscal 2015 Results and Outlook for Fiscal 2016

In fiscal 2015, the fiscal year ended March 31, 2016, revenue and profit increased compared with the previous fiscal year. In specific terms, operating revenue climbed 8.9% to ¥95.7 billion and operating income increased 19.8% to ¥1.1 billion on a year-on-year basis. Building on the opening of Tokyu HANDS Inc., LaLaport Fujimi Store and the Tokyu Hands Oita Store, the Tokyu Fudosan is working to bolster its nationwide Tokyu Hands network. Marking its initial foray into the Shikoku and Tohoku regions, Tokyu Hands opened the Tokyu Hands Matsuyama Store and Tokyu Hands Sendai Store, respectively. In addition, Tokyu Hands took steps to expand its business operations by bolstering its network of Picaro specialty bag and miscellaneous merchandise stores. The company also launched the new HANDS EXPO business format within Tokyu Plaza Ginza. Taking into consideration each of these factors, the strong performance at the annual Hands Messe sale, and other positive trends including the upswing in inbound demand, the Group reported an increase in revenue and earnings in the fiscal year under review.

For fiscal 2016, the fiscal year ending March 31, 2017, revenue is again expected to climb. Profit, on the hand, is anticipate to decline. Operating revenue is projected to reach ¥102.3 billion, up 6.9%, and operating income is forecast to fall 18.9% to ¥0.9 billion on a year-on-year basis. While operating revenue is projected to exceed ¥100.0 billion owing mainly to contributions from the opening of new stores in major regional cities including Nagasaki and Kanazawa, profit is forecast to decline due largely to the increase in advertising and other expenses associated with the opening of new stores.

Medium- and Long-Term Targets and Strategies

Establishing a Reputable HANDS Brand that Continues to Evolve with the Times

Through its Tokyu Hands business segment, the Tokyu Fudosan Holdings Group is working diligently to evolve with the changing times and landscape and to consistently earn the acclaim of customers.

To this end, every effort is being made to maximize the strengths of the Tokyu Hands brand while expanding its business activities in a bid to create new value.

In addition to maximizing the value of its existing business, energies are being channeled toward enhancing the value of stores utilizing proprietary service content including hint shows. TOKYU HANDS INC. is also endeavoring to capture inbound demand by strengthening its customer service targeting overseas visitors.

With the continued development of its business model, the Group is planning to expand its operating area. In addition to standardizing its store opening model, the Group is also moving to review its distribution procedures in an effort to increase the efficiency of its operating systems. At the same time, expansion will be extended to regional core cities as well as such offshore locations as Singapore.

The Group is distinguished by its challenger's DNA. Building on its inherent attributes, the Group will look to further diversify its contact points with customers by creating new value through such business formats as HANDS EXPO and promoting various measures that cover a wide range of areas including the transmission of information by adopting an omni-channel approach and developing innovative applications. Under the banner of its "hint market" brand

slogan, the Group is working to seamlessly link "people," "service," and "products" while helping to enhance customers' lifestyles as the source of its brand power. As a result, the Group has positioned its human resources at the heart of efforts to provide a product lineup that is consistently in tune with the times and to create attractive shopping spaces that enhance the Group's customer service capabilities.

Taking each of the aforementioned into consideration, the Group is placing significant weight on developing its personnel. The goal of this development is to provide employees with a wealth of knowledge as well as the ability to engage in meticulous customer service. In undertaking the education and training of its employees, the Group is placing particular emphasis on strengthening its practical education and training programs conducted through hint house.

In order to secure the necessary staff to push forward the Tokyu Hands brand, steps are also being taken to put in place a variety of workstyles that cater to the needs of a wide range of employees.

Meanwhile, the Group recognizes the importance of fostering strong ties of mutual trust with customers and society at large. With this in mind, the Group is helping children responsible for the next generation understand the joys associated with the art of making things through such initiatives as the hands Hint Club. By participating in the NPO Shibuya University initiative, the HANDS GREEN BRANCH PROJECT, and other endeavors, the Group is working through its products and services to engage in social and environmental contribution activities.



Tokyu Hands Sendai Store, the company's first store in the Tohoku region



hands be & cafe ETOMO Chuurinkan  
Launching a new cafe format that is typical of the Tokyu Hands brand

Hint House

Removed from the confines of the workplace, TOKYU HANDS INC., Inc. conducts group training to increase the knowledge and customer service skills of its employees. At the Hint House training facility, employees are provided with detailed information regarding the company's product lineup. Based on first-hand experience, employees are better placed to convey the features of each product, which in turn helps to improve sales.



Employee training session

Hands Hint Club

The Hands Hint mobile classroom, organized by Tokyu Hands, Inc., gives children in nearby areas the opportunity to experience the joy of making things for themselves in various handicrafts. Run by company employees, Tokyu Hands, Inc. holds workshops for elementary school children in after-school children's clubs and children's activity centers. To date, workshops have been conducted on 252 locations throughout Japan and attended by 9,091 children. These events shine a light on the creativity of young children.



Children participating in a workshop



# Innovation Segment

## Segment Overview (As of March 31, 2016)

Global Expansion of the Real Estate Business

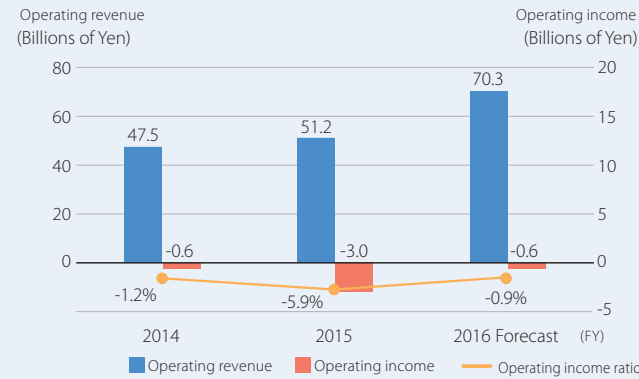
**Indonesia, China, the U.S.**

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

**Approx. 4,000 units**

\* Includes certain joint business activities.

## Business Results Trends



## Segment Overview

The Tokyu Fudosan Holdings Group's innovation business is made up of its overseas and related company operations. In this segment, the Group is channeling its energies toward creating new demand in line with the evolution of its business model. Leveraging the unique strengths of the

Group, every effort is being made to generate future growth opportunities. Furthermore, the Group is actively engaged in the sale of custom-built houses, renovation work, and landscaping as a part of strategic endeavors related to its core activities.

## Feature

### Overseas Business Strategies

Putting in place a structure that is capable of generating profit (2016)

Establishing a platform that is centered mainly on short-term earnings businesses (2020)

The Tokyu Fudosan Holdings Group is expanding its business activities in Asia and especially Indonesia, which is experiencing marked growth, as well as the United States as a part of its overseas endeavors.

Since entering Indonesia in 1975, the Group has established a strong reputation and presence. The Group has to date developed a cumulative total of roughly 4,500 detached housing residences. Currently, energies are being channeled toward the development and sale of high-end condominiums. Drawing on its know-how nurtured in Japan, the Group has commenced sales of BRANZ BSD and BRANZ Simatupang, two large-scale

condominium projects. Marking another milestone in its overseas operations, BRANZ Simatupang is the first project undertaken in Indonesia to employ Japanese companies for every facet of project operations including development, design, and construction. Based primarily on the BRANZ brand, the Group is promoting and expanding its condominium business.

In the United States, the world's largest market, the Group is putting in place a structure that is capable of securing stable profit through the purchase and sale of properties. In addition to pursuing investments in such cities as Los Angeles and Houston, the Group is participating in various redevelopment projects including 425 Park Avenue in Manhattan, New York. Building on its sound track record, the Group is working to lift its ratio of prime asset investment by harnessing its know-how.

In China, the Group is engaged in the management of the Towakogu serviced apartments that are mainly for Japanese expatriate use. Making the most of real estate business experience and know-how in Japan, the Group is taking steps to push forward this business.



425 Park Avenue, New York

BRANZ BSD in suburban Jakarta

BRANZ Simatupang in Jakarta

# Attributes that Underpin the Group's Efforts to Create Value

Tokyu Fudosan Holdings works diligently to make the most of synergies throughout the Group while strengthening corporate governance and engaging in CSR management as a part of efforts to create value through its business activities.



## Corporate Governance

- Corporate Governance — P43
- Executive Board — P47
- Risk Management — P51

## CSR Management

- Approach and Structure regarding CSR Management — P53
- Initiatives Aimed at Increasing Customer Satisfaction — P54
- Initiatives Aimed at Creating a Pleasant Workplace Environment — P55
- Environmental Measures — P56



# Corporate Governance

The Tokyu Fudosan Holdings Group places the utmost emphasis on fulfilling its corporate social responsibility (CSR) while complying strictly to all statutory and regulatory requirements as well socially accepted norms. 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.

## Corporate Governance

### Basic Stance on Corporate Governance

Taking into consideration people's needs and lifestyles, Tokyu Fudosan Holdings 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 Group, the Company is committed to enhancing the value of the Tokyu brand, which has come to be associated with "comfort and reliability." It will continue to faithfully pursue a stable growth path and respond to the drastically changing

operating environment. At the same time, the Company strives to improve corporate value by placing "challenge" as the key word for its management strategy—constantly taking on the challenges of new businesses and tackling new issues. As such, the Company sees improving management efficiency, as well as building a healthy and transparent management structure as important issues, and is putting its best efforts into the area of corporate governance.

### The 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, the Board of Directors conducts decision-making on important matters related to the Group's management, such as the management policies, business plans, and large-scale investment plans. Authority for 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 Management Committee and other subordinate meeting bodies, and officers and so forth in charge of business operations. Meanwhile, the Board of Directors monitors the performance of duties of the meeting bodies as well as officers and so forth. In principle, the Board of Directors meets once a month. Extraordinary meetings are held as and when deemed 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.

### Appointment of Directors

In appointing directors, the Company nominates personnel who are considered to have the appropriate character and knowledge, as well as no health issues that would impede them from executing their duties. The nominated candidates are also deemed to have insight and appropriate judgment capabilities with a view to achieving the management indicators and other objectives set out in the medium- and long-term management plan.

Furthermore, the Company has set up a voluntary advisory committee with an independent outside director serving as chairperson in a bid to increase the objectivity and transparency of the selection and appointment process. Meetings of the advisory committee are scheduled to take place from the second half of 2016 to advise on the selection of directors. When deciding on candidates for the position of director, the Company strives to maintain a balance between personnel, who are able to exercise their management strengths in each of the fields within the Group's wide-ranging business domain in the general lifestyle industry, and personnel, who are suited for corporate management and so forth. In this manner, the Company seeks to secure a balance while maintaining diversity with respect to the overall knowledge, experience, and capabilities of the Board of Directors.

### The Audit & Supervisory Board

Tokyu Fudosan Holdings 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 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 mobility and flexibility of the Audit & Supervisory system.

### Outside Directors and External Audit & Supervisory Board Members

For the Company's corporate governance, independent outside directors are to 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 three independent outside directors.

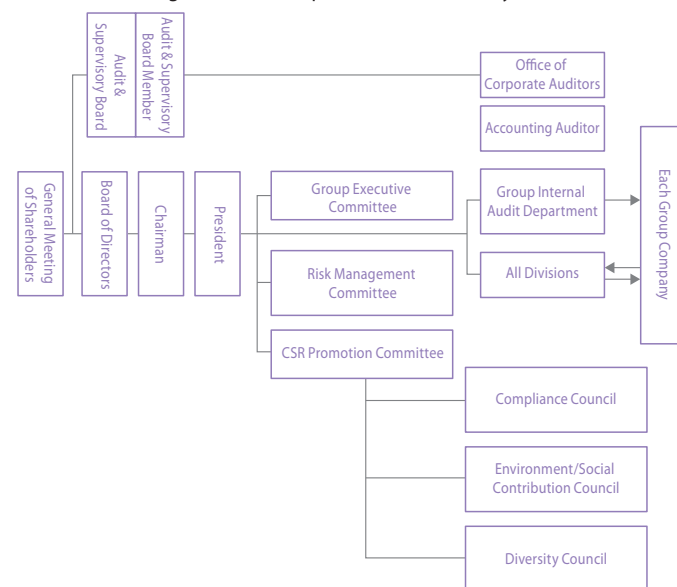
To enable appropriate and flexible decision-making on business activities and the supervision of execution, the Company considers it advantageous for the Board of Directors to be composed of directors from inside the Company, who have specialist capabilities and insight into business fields, management 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 outside directors to be independent when, in addition to meeting the independence standards for independent officers stipulated by the Tokyo Stock Exchange, none of the following have applied for any of the previous three fiscal years.

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

### Schematic Diagram of the Corporate Governance System

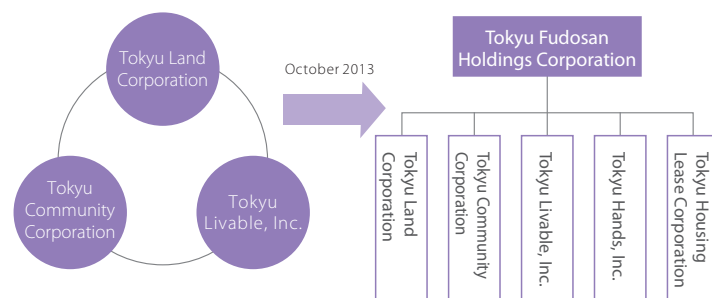


### Basic Policies

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 management oversight function of the Board of Directors and the management monitoring and auditing functions of Audit & Supervisory Board Member and Audit & Supervisory Board adequately.
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.

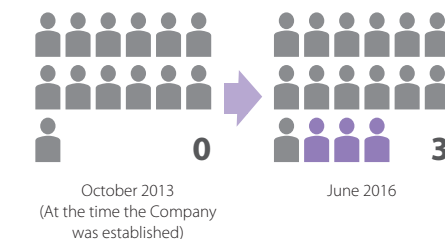
### Corporate Governance Reforms Undertaken by the Tokyu Fudosan Holdings Group

#### Transition to a Holding Company Structure



#### Putting in Place the Risk Management Committee (August 2015)

#### Increase in the Number of Outside Directors



#### The establishment of a Nomination and Compensation Advisory Committee (Second half of 2016)

# Corporate Governance

## ● Activities of Outside Directors and External Audit & Supervisory Board Members in fiscal 2015

Title	Name	Attendance		Major Activity Details
		The Board of Directors	The Audit & Supervisory Board	
Director	Koichi Iki	12/12	—	Attended all 12 meetings of the Board of Directors held during the fiscal year under review. Provided his insight on matters subject to deliberation.
Audit & Supervisory Board Member	Tomoyasu Asano	10/12	11/12	Attended 10 of the 12 Board of Directors' meetings held during the fiscal year under review. Attended 11 of the 12 Audit & Supervisory Board meetings held during the fiscal year under review.
Audit & Supervisory Board Member	Toshio Imamura	12/12	12/12	Attended all 12 meetings of the Board of Directors held during the fiscal year under review. Attended all 12 meetings of the Audit & Supervisory Board held during the fiscal year under review.

## Policy regarding the Determination of Remuneration and Details

Concerning the amount of remuneration for directors and Audit & Supervisory Board Members, at a General Meeting of Shareholders it was decided that the annual total amount of remuneration for directors shall not exceed ¥600 million, and that for Audit & Supervisory Board Members shall not exceed ¥120 million. Within those ranges, the individual remunerations for directors and Audit & Supervisory Board Members shall be decided, respectively, at a meeting of the Board of Directors and through discussions at the Audit & Supervisory Board. Moreover, the Company seeks to maintain a remuneration system that will emphasize links with the performance targets in the medium- and long-term management plan to further increase the motivation of officers to increase corporate value.

Specifically, the system ensures a certain ratio for the portion of variable remuneration within total remuneration, and the remuneration is decided by resolution of the Board of Directors having set an amount in consideration of the achievement level of key performance indicators (KPIs) in the medium- and long-term management plan, the contribution to achievement of the plan, and other factors. The level is decided in consideration of the balance with the level for other companies in the same industry, employees, and so forth, in order to secure excellent human resources. Plans are in place to establish an advisory council. Compensation from fiscal 2017 will be determined after taking into consideration input from this advisory council.

## ● Total amount of compensation paid to directors and Audit & Supervisory Board Members in fiscal 2015

Category	No. of person	Total amount of compensation (Millions of yen)
Directors	10	171
(of which, outside director)	(1)	(3)
Audit & Supervisory Board Members	5	62
(of which, EXternal Audit & Supervisory Board Members)	(3)	(11)
Total	15	233
(of which, outside officers)	(4)	(15)

## Group Management 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, president, the following directors as well as operating officers, the Group Executive Committee convenes, in principle, once a month.

## Internal Control

The Tokyu Fudosan 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.

## Messages from Outside Directors

### Kouichi Iki Outside Director

## Conducting management from varied perspectives but with an eye to the future

Compared with 2001, when I served as Audit & Supervisory Board Member for Tokyu Land Corporation, I have the feeling that the measures to enhance corporate governance, such as in the forming of a holding company, have resulted in discussions at Board of Directors' meetings becoming quite lively. On the other hand, when it comes to creating new value that breaks the real estate industry mold, I feel that there is a need for further reform.

There are the examples of the organization of directors and operational reforms. Rather than being centered on the operating officers of each group company, companies are increasing the number of board members who have varied perspectives and demanding the implementation of PDCA cycles that are based on a clear vision of the future for the entire group. Since on this occasion the long-awaited three people have been made outside directors, I think that we will be able to deepen our close collaboration with the outside directors of other companies and enliven discussion. I would also like efforts to be made in the diversity of our customer contact staff. While increasing the opportunities given to employees for interaction outside the Company, I am expecting Tokyu Fudosan to utilize personnel from outside the Company and for there to be an increase in the number of young people who possess an awareness of the problems that lie ahead and who are capable of coming up with new ideas.

In an era beset with many challenges, such as the coming of the aging society, I expect that the Tokyu Fudosan Holdings Group will continue to draw on its strengths to create new value.

### Noboru Tsuda Outside Director

## Ensuring transparency and accountability based on clearly defined policies and standards

As an outside director, it is my responsibility to help ensure that the Tokyu Fudosan Holdings Group continues to enjoy sustainable growth while contributing to efforts aimed at increasing the Group's overall value. My role, therefore, is to oversee the Group's activities as a whole, and to check that the Group is functioning properly while meeting the requirements of society. Ultimately, my goal is to support the Group's efforts to build a rich and healthy society.

Maintaining smooth lines of communication while at the same time ensuring accountability is vital to the effective and efficient operation of a holding company structure. It is equally important to put in place a clear set of principles based on vigorous deliberation, and to clarify operating policies and standards, which in turn flow seamlessly through to acceptable assessment.

The Group's success in meeting the requirements of society rests on the ability of top management to lead by example and to adhere rigorously to a policy of strict compliance. With this as its platform, it is critical that senior executive and employees share a common awareness toward how the Group should support society and how each business can play a role in resolving issues that confront the community. As an outside director, I would like to assist the Group in bolstering both its economic and social output.

### Takashi Enomoto Outside Director

## Utilizing views from outside the Company to boost growth

I feel that the Tokyu brand is extremely highly regarded by society and think that, as a company with a wealth of variety, Tokyu has potential. As an outside director, I hope to be able to assist in raising the corporate value of the Tokyu Group.

In addition to taking part in company discussions from an external point of view, my primary role is to bring about improvements in management transparency and trustworthiness. I believe this needs the management decision-making process to be made transparent and raising the levels of trust stakeholders, including shareholders, have in the Company.

Another role is to once again draw on my knowledge of overseas business and IT utilization. I believe that utilizing my experience of overseas business will assist in bringing about overseas business growth from a long-term perspective. Drawing on my IT utilization experience will enhance the customer relationships that are one of the Group's strengths, and I believe in the need to develop comprehensive services in which the whole Group has a hand. It is my belief that creating an organization capable of responding to society's requirements, coupled with strengthening a business model that is not transient but rather supports the Group's customers throughout their lives, will lead to improvements in corporate value.



# Corporate Governance

## Executive Board



Back row from left  
**Masatake Ueki**  
 Director and Executive Advisor  
**Toshihiko Kitagawa**  
 Senior Managing Director  
**Yoshihiro Nakajima**  
 Director  
**Hitoshi Uemura**  
 Director  
 Executive Vice President  
**Shinji Sakaki**  
 Director  
 Executive Vice President

Front row from left  
**Hirofumi Nomoto**  
 Director  
**Kiyoshi Kanazashi**  
 Chairman



**Katsuhide Saiga**  
 Director  
 Executive Vice President  
**Hironori Nishikawa**  
 Senior Managing Director  
**Noboru Tsuda**  
 Outside Director  
**Takashi Enomoto**  
 Outside Director

**Yuji Okuma**  
 President  
**Koichi Iki**  
 Outside Director



# Corporate Governance

## Director System

### Kiyoshi Kanazashi

Chairman

April 1968 Joins Tokyu Land Corporation  
 April 2008 President, Tokyu Land Corporation  
 October 2013 President, Tokyu Fudosan Holdings Corporation  
 April 2015 Chairman, Tokyu Fudosan Holdings Corporation (current)  
 April 2015 Chairman, Tokyu Hands, Inc. (current)  
 June 2015 Chairman, Tokyu Land Corporation (current)

### Yuji Okuma

President

April 1982 Joins Tokyu Land Corporation  
 April 2008 Operating Officer, Tokyu Land Corporation  
 June 2011 Director, Operating Officer, Tokyu Land Corporation  
 October 2013 Director, Tokyu Fudosan Holdings Corporation  
 April 2014 Senior Managing Director, Tokyu Fudosan Holdings Corporation  
 April 2015 President, Tokyu Fudosan Holdings Corporation (current)

### Shinji Sakaki

Director

April 1980 Joins Tokyu Land Corporation  
 February 2007 Managing Officer, Tokyu Hands, Inc.  
 April 2011 President, Tokyu Hands, Inc.  
 June 2014 Senior Managing Director, Tokyu Fudosan Holdings Corporation  
 April 2015 Director Executive Vice President, Tokyu Fudosan Holdings Corporation (current)  
 April 2015 President, Tokyu Livable, Inc. (current)

### Hitoshi Uemura

Director

April 1982 Joins Tokyu Land Corporation  
 June 2011 Managing Director, Tokyu Land Corporation  
 October 2013 Director, Tokyu Fudosan Holdings Corporation  
 April 2014 Director Executive Vice President, Tokyu Land Corporation  
 April 2015 President, Tokyu Land Corporation (current)  
 June 2015 Director Executive Vice President, Tokyu Fudosan Holdings Corporation (current)

### Katsuhide Saiga

Director

April 1980 Joins Tokyu Land Corporation  
 April 2006 Operating Officer, Tokyu Land Corporation  
 April 2011 Operating Officer, Tokyu Community Corporation  
 April 2014 Senior Managing Director, Tokyu Community Corporation  
 April 2016 President, Tokyu Community Corporation (current)  
 June 2016 Director Executive Vice President, Tokyu Fudosan Holdings Corporation (current)

### Toshihiko Kitagawa

Director

December 1982 Joins Tokyu Livable, Inc.  
 June 2003 Director, Tokyu Livable, Inc.  
 April 2014 Director Executive Vice President, Tokyu Livable, Inc.  
 October 2014 President, Tokyu Housing Lease Corporation (current)  
 June 2015 Senior Managing Director, Tokyu Fudosan Holdings Corporation (current)

### Hironori Nishikawa

Director

April 1982 Joins Tokyu Land Corporation  
 April 2010 Operating Officer, Tokyu Land Corporation  
 October 2013 Operating Officer, Tokyu Fudosan Holdings Corporation  
 April 2014 Senior Managing Director, Tokyu Land Corporation (current)  
 April 2015 Operating Officer, Tokyu Fudosan Holdings Corporation  
 June 2016 Senior Managing Director, Tokyu Fudosan Holdings Corporation (current)

### Masatake Ueki

Director and Executive Advisor

April 1965 Joins Tokyu Land Corporation  
 April 2004 President, Tokyu Land Corporation  
 April 2008 Chairman, Tokyu Land Corporation  
 October 2013 Chairman, Tokyu Fudosan Holdings Corporation  
 April 2014 Director and Executive Advisor, Tokyu Land Corporation (current)  
 April 2015 Director and Executive Advisor, Tokyu Fudosan Holdings Corporation (current)

### Yoshihiro Nakajima

Director

April 1971 Joins Tokyu Land Corporation  
 June 2011 President, Tokyu Livable, Inc.  
 October 2013 Director, Tokyu Fudosan Holdings Corporation (current)  
 April 2014 President, Tokyu Housing Lease Corporation  
 October 2014 Chairman, Tokyu Housing Lease Corporation (current)  
 April 2015 Chairman, Tokyu Livable, Inc. (current)

### Hirofumi Nomoto

Director

April 1971 Joins Tokyu Corporation  
 June 2007 Director, Tokyu Corporation  
 April 2011 President, Tokyu Corporation (current)  
 June 2011 Director, Tokyu Land Corporation  
 October 2013 Director, Tokyu Fudosan Holdings Corporation (current)

### Koichi Iki

Outside Director

April 1970 Joins 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, THE DAI-ICHI BUILDING CO., LTD.  
 June 2009 Chairman, 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 proposes that Mr. Koichi Iki be elected as an Outside Director in the hope that he will continue to utilize his extensive operational experience as the former executive officer at The Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited) and broad discernment of corporate management in general for the management of the Company.

### Noboru Tsuda

Outside Director

April 1973 Joins Mitsubishi Kasei Industries Corporation (currently Mitsubishi Chemical Corporation)  
 October 2005 Operating Officer, Mitsubishi Chemical Holdings Corporation  
 April 2014 Director Executive Vice President, Mitsubishi Chemical Holdings Corporation  
 June 2015 Advisor, Mitsubishi Chemical Holdings Corporation  
 June 2016 Outside Director, NTN Corporation (current)  
 Outside Director, Tokyu Fudosan Holdings Corporation (current)

**[Reasons for nomination]**  
 The Company proposes that Mr. Noboru Tsuda be elected as an Outside Director in the hope that he will utilize his extensive business experience as a former executive officer at Mitsubishi Chemical Holdings Corporation and broad knowledge of holding company management for the management of the Company.

### Takashi Enomoto

Outside Director

April 1975 Joins Nippon Telegraph and Telephone Public Corporation (currently NIPPON TELEGRAPH AND TELEPHONE CORPORATION)  
 June 2003 Director, NTT DATA Corporation  
 June 2008 Director Executive Vice President, NTT DATA Corporation  
 June 2012 Advisor, NTT DATA Corporation  
 June 2013 Outside Director, Konica Minolta, Inc. (current)  
 June 2016 Outside Director, Tokyu Fudosan Holdings Corporation (current)

**[Reasons for nomination]**  
 The Company proposes that Mr. Takashi Enomoto be elected as an Outside Director in the hope that he will utilize his extensive business experience as a former executive officer at NTT DATA Corporation and broad knowledge of overseas business and IT utilization for the management of the Company.

## Audit & Supervisory Board Member



### Ken Sumida

Audit & Supervisory Board Member

(Left)

April 1973 Joins Mitsui Trust Bank, Limited  
 June 1999 Director, Mitsui Trust Bank, Limited  
 June 2006 Senior Managing Director, Mitsui Trust Holdings, Inc.  
 June 2010 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

External Audit & Supervisory Board Member

(Center left)

April 1978 Joins The Dai-ichi Life Insurance Company  
 June 2009 Managing Director, The Dai-ichi Life Insurance Company  
 April 2010 Managing Director, The Dai-ichi Life Insurance Company, Limited  
 June 2011 External Audit & Supervisory Board Member, Tokyu Land Corporation (current)  
 October 2013 External Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)  
 April 2014 Senior Managing Director, The Dai-ichi Life Insurance Company, Limited (current)

### Toshio Imamura

External Audit & Supervisory Board Member

(Center right)

April 1974 Joins Tokyu Corporation  
 June 2007 Director, Tokyu Corporation  
 June 2008 Managing Director, Tokyu Corporation  
 April 2011 Senior Managing Director, Tokyu Corporation  
 April 2014 Director Executive Vice President, Tokyu Corporation (current)  
 June 2014 External Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)

### Kazuto Nakajima

Audit & Supervisory Board Member

(Right)

April 1976 Joins Tokyu Land Corporation  
 September 2007 General Manager, Appraisal Department, Asset Management Division, Tokyu Land Corporation  
 June 2011 Audit & Supervisory Board Member, Tokyu Community Corporation (current)  
 April 2014 Audit & Supervisory Board Member, Tokyu Land Corporation (current)  
 April 2014 Audit & Supervisory Board Member, Tokyu Livable, Inc. (current)  
 April 2014 Audit & Supervisory Board Member, Tokyu Hands, Inc. (current)  
 June 2014 Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)  
 April 2015 Audit & Supervisory Board Member, Tokyu Housing Lease Corporation (current)

## Executive Officer System

President **Yuji Okuma**

Executive Vice President **Shinji Sakaki**

Executive Vice President **Hitoshi Uemura**

Executive Vice President **Katsuhide Saiga**

Senior Managing Director **Toshihiko Kitagawa**

Senior Managing Director **Hironori Nishikawa**

Senior Managing Officer **Katsuhiko Yoshiura**

Operating Officer **Kazuo Konno**

Operating Officer **Shigeyuki Furusawa**

Operating Officer **Masashi Okada**

Operating Officer **Shouhei Kimura**

Operating Officer **Kazuo Mochida**

Operating Officer **Kensaku Kuno**

Operating Officer **Masaoki Kanematsu**



# Corporate Governance

## Risk Management

### Basic Stance on Risk Management

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

ue to run smoothly, Tokyu Fudosan Holdings evaluates, analyzes, and manages all of these risks as they apply to 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 Group manages each risk on an individual basis as follows.

#### Basic Risk Management Policy

Tokyu Fudosan Holdings 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.

#### <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  |   |

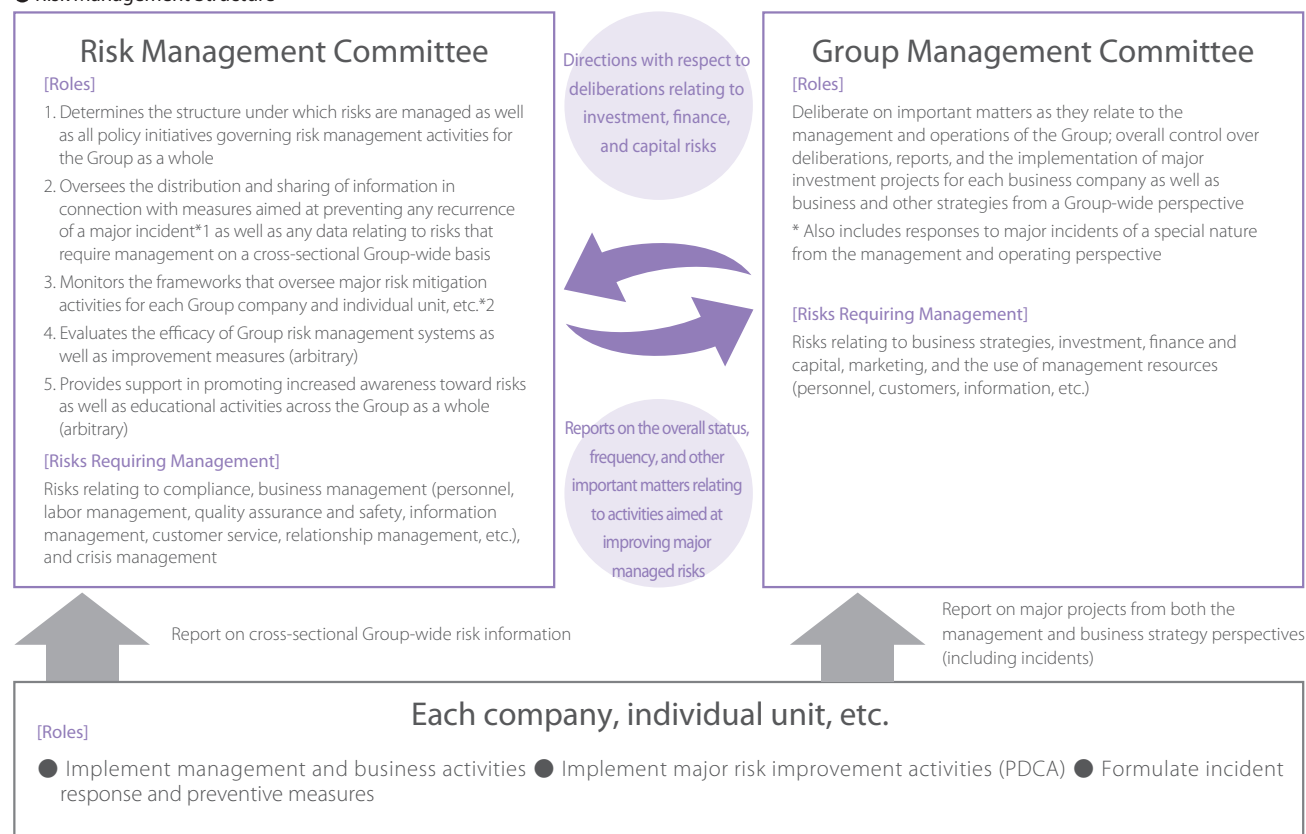
### Risk Management System

In addition to the Group Management Committee and Board of Directors, Tokyu Fudosan Holdings has established a committee to ensure the proper management of risks on a comprehensive Group-wide basis. A department has also been put in place 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, Tokyu Fudosan Holdings 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 Tokyu Fudosan Holdings Group takes appropriate steps in line with its Emergency Response Provisions. This includes the distribution of information and decisive action as necessary to minimize damage.

#### ● Risk Management Structure



\*1 Incident: Incidents, accidents, or disaster that have occurred or are likely to occur  
 \*2 Each company, individual unit, etc.: Tokyu Fudosan Holdings Corporation, each unit of Tokyu Land Corporation (the Urban Development, Residential, and Wellness segments), other businesses (overseas businesses, Tokyu Homes Corporation, Ishikatsu Exterior, Inc.), Tokyu Community Corporation, Tokyu Livable, Inc., Tokyu Hands, Inc., Tokyu Housing Lease Corporation

### Risk Management Process

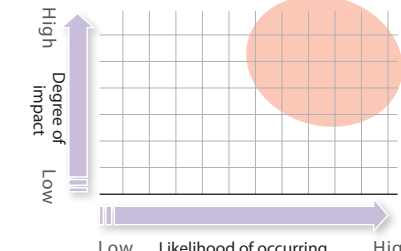
Tokyu Fudosan Holdings takes steps to identify the wide variety of risks to which the Group is susceptible. At the same time, the Company undertakes an evaluation and analysis of risks in line with the degree of impact

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

#### ● Risk Management Process



#### ● Risk Evaluation Method



### Important Risks

- Incidence of an accident that negatively impacts the safety of customers, business partners, and 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) and compliance
- Inadequate crisis management structure and systems
- Drop in workplace productivity as a result of harassment
- Improper or illegal behavior by executive officers or employees (including any financial incident)
- Improper behavior by business partners; inappropriate business partner selection
- Deterioration or shortfall in awareness toward compliance by executive officers and employees

Furthermore, certain risks that require ongoing deliberation and management by the Risk Management Committee have been identified in such important areas as investment, finance, and capital. Brief details are presented as follows.

- 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, and 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

# CSR Management

The changes surrounding us have sped up and now we face a variety of challenges. From environmental issues including climate change to human rights and labor issues—there are truly a mountain of social issues facing modern society. We are deeply aware that such global social issues share a direct correlation to our business activities. With this in mind, we have put in place policies aimed at addressing each concern and are pushing forward Group-wide measures.

Taking the aforementioned into consideration, the Group is committed to solving many of society's problems while raising the level of its stakeholders' satisfaction by making the most of its resources and know-how. In addition to positioning CSR as an important management priority, steps are being taken to share its CSR vision across the Group as a whole and to engage in business activities that help fulfill its responsibilities.

## Approach and Structure regarding CSR Management

### CSR Vision

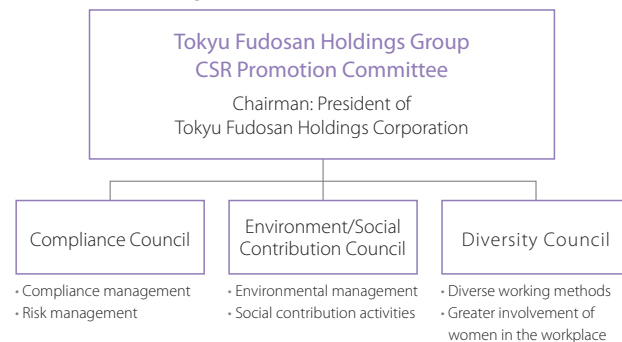
We will work on creating solutions for social issues through our business activities and in the process enhance the satisfaction of stakeholders.

### CSR Promotion Structure

The Group has established the CSR Promotion Committee headed by the President in order to implement initiatives aimed at addressing various CSR issues. We have established three councils, namely the Compliance Council, Environment/Social Contribution Council, and

Diversity Council, as subcommittees of the CSR Promotion Committee, that lead management activities across the entire Group in their respective areas of focus.

#### ● CSR Promotion Organization Chart



### Compliance Structure

The Group has put in place a compliance structure that includes the CSR Promotion Committee. Moreover, the Group is committed to engaging in thoroughgoing CSR management in line with the Group Code of Conduct. Working to ensure that compliance is deeply entrenched in

the mindsets of all executive officers and employees, the Group is upgrading and expanding its structure and systems while promoting education and awareness activities.

#### ● The Tokyu Fudosan Holdings Group Code of Conduct

1. Compliance with Laws and Regulations and Fair Trading	2. Ensuring Customer-Oriented Awareness	3. Suitable Execution of Duties	4. Proper Management of Information	5. Ensuring Good Faith in Business Conduct
<ul style="list-style-type: none"> <li>Ensure compliance with applicable laws and regulations.</li> <li>Ensure best practice in material procurement and fair trade.</li> <li>Ensure compliance with fiduciary responsibility in the execution of duties.</li> <li>Never connect with antisocial forces.</li> </ul>	<ul style="list-style-type: none"> <li>Identify customer needs and develop products to meet their needs.</li> <li>Prompt and dedicated response to customers' comments and requests.</li> <li>Customers' safety and security comes first when providing products and services.</li> <li>Provide a suitable and appropriate explanation and marketing of our products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Responsible execution of duties, keeping concepts of "speed" and "evolution" in mind.</li> <li>Nurture organization culture of placing emphasis on "collective wisdom."</li> <li>Take advantage of combined strength of the corporate group.</li> <li>Ensure proper decision making process.</li> <li>Proper management of rules.</li> <li>Proper negotiations with business associates.</li> </ul>	<ul style="list-style-type: none"> <li>Operate appropriate document and information management systems.</li> <li>Proper management of confidential information and compliance with confidentiality obligation.</li> <li>Prohibit insider trading.</li> <li>Timely and appropriate information disclosure and PR activities.</li> <li>Internal control to ensure proper accounting and financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Preserve corporate assets.</li> <li>Ensure a robust, safe, and comfortable working environment.</li> <li>Respect human rights.</li> <li>Contribution to society and consideration of the environment.</li> <li>Reasonable business entertaining and gift-giving.</li> <li>Clear distinction between business and personal matters.</li> </ul>

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

## Initiatives Aimed at Increasing Customer Satisfaction

### Approach

The Tokyu Fudosan Holdings Group works diligently to grasp changes within its operating environment against the backdrop of an ever-evolving society as well as the needs of each era. Building on these efforts, the

Group takes every opportunity to further increase its customers' satisfaction by providing products and services that deliver value tailored to individual needs.

### Topics

#### Group-wide Efforts for Customer Satisfaction

The Group has for some time engaged in a wide range of activities aimed at improving the quality of its products and services. Each Group company and department, for example, has conducted surveys to ascertain the level of customer satisfaction. In order to improve customer satisfaction, steps were taken to put in place a policy that governs the Group's CS activities in fiscal 2016. This policy clarifies the link between increasing customer satisfaction and generating sustainable company growth as well as steps and methods to ensure that its activities are effective. As a part of efforts to further standardize CS promotion endeavors across the Group, Tokyu Fudosan Holdings also identified common CS-related indicators. Guided by this policy, the Group is now well positioned to pursue customer satisfaction based on a common approach. Moving forward, we will strive to provide ever-better products and services that harness collaborative efforts throughout the Group.

In this manner, the Group will focus on increasing customer satisfaction and generate mutual growth.



#### Building Homes that Take Customers Views into Account

Tokyu Land Corporation's "BRANZ" condominium brand has been using the "BRANZ VOICE" activity to canvas customers' views using surveys and interviews.

The opinions expressed by customers are used to identify customer needs; BRANZ then leverages its know-how and integration capability to transform these into a physical form. Based around the concept of "functional beauty that enhances your living experience," BRANZ has developed the "MEUP" original product plan. To date, surveys conducted regarding the issue of water circulation—an issue that many customers had expressed opinions about—have resulted in the planning and commercial launch of new products including kitchens, powder rooms and bathrooms.



Group interview

#### Service-Way Forum

The Group continues to push forward the Service-Way Forum (SWF). The goal of this initiative is to enhance the level of customer satisfaction by sharing know-how and information between Group member companies, and in particular the five companies\* that are most likely to have direct contact with customers through the operation of facilities and other activities. For example, one SWF activity is the implementation of the Hospitality Enhancement Program, a training program conducted by Tokyu Harvest Club, a membership resort hotel chain. Through the Hospitality Enhancement Program, the Group strives to provide Tokyu Harvest Club employees with the necessary skills to instill a higher level of guest satisfaction.



\*Tokyu Resort Service Co., Ltd., Tokyu Sports Oasis, Inc., Tokyu Stay Service Co., Ltd., Tokyu E-LIFE DESIGN, Inc., and TOKYU LAND SC MANAGEMENT CORPORATION

#### Striving to be No. 1 in Customer Satisfaction

Tokyu Community Corporation launched a customer center in fiscal 2016 as a part of efforts to secure the number one position in customer satisfaction and reliability as a comprehensive real estate management company. The company is working diligently to raise the quality of its management and to address its customers' needs in a more detailed manner. Through activities aimed at improving customer satisfaction, Tokyu Community is also taking steps to put in place a new management service model. The company will deepen its lines of communication with customers while putting this model into practice and channel every ounce of its energy into ascertaining its customers' expectations. In this manner, Tokyu Community Corporation will look to provide services with the necessary value to meet these expectations.



## Efforts for Employee Satisfaction

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

### Approach

Recognizing that its employees are the heart and soul of its operations, the Tokyu Fudosan Holdings Group is dedicated to creating and maintaining energetic workplaces that allow each and every employee to perform to the best of their ability and work in a lively manner in order

to improve customer satisfaction and corporate value. In order to achieve this goal, the Group has put in place policies that cover such wide-ranging fields as health and safety as well as labor standards including human and labor rights.

### Topics

#### Launching the Diversity Council

The Tokyu Fudosan Holdings Group launched the Diversity Council in fiscal 2015. Established under the umbrella of the CSR Promotion Committee, which is headed by the President, the Diversity Council oversees workstyles and the application of a diverse pool of human resources across the Group as a whole.

#### Holding Seminars for Executive Officers

The Group held a seminar for executive officers as a part of efforts to promote diversity in October 2015. The guest lecturer was Yoshie Komuro, President of Work Life Balance Co., Ltd. Ms. Komuro spoke about various management methods and how to maximize the skills of a diverse range of employees while engaging in the lively exchange of opinions with executive officers.

The director and president of Tokyu Land Corporation also participated in a discussion with Ms. Komuro in May 2016. Details of the discussion, which focused mainly on ways to reform and innovate workstyles was distributed to all management personnel. Through these and other initiatives, efforts are being made to clarify the president's commitment to promoting a diverse range of workstyles.



Yoshie Komuro  
President of Work Life  
Balance Co., Ltd.

#### Conducting Employee Satisfaction Surveys

Tokyu Fudosan Holdings conducted workstyle awareness surveys at each Group company in February 2016. The results of these surveys identified a number of workstyle issues particularly with respect to discrepancies between companies. Drawing on the results of the surveys, discussions by the Diversity Council regarding future activities are underway.

#### Putting in Place a Pleasant Workplace Environment

As a part of efforts to put in place a pleasant workplace environment, Tokyu Hands, Inc. established a working group to support the needs of all employees. Comprised of members qualified in such wide-ranging fields as career consulting, the working group strives to educate the organization from a specialized standpoint while also conducting individual interviews. Moving forward, the Tokyu Fudosan Holdings Group is committed to creating a workplace environment that continues to motivate employees irrespective of any change in conditions. The goal is to establish an environment that caters to various employee needs including the birth of a child, nursing care, health care, relocation, and transfer.

#### Support Employees' Health

The Group is actively engaged in health management as a part of efforts to help employees maintain and improve their physical and mental condition. Group company, Tokyu Land Corporation, has adopted the KENPOS health support site and program operated by Ewel, Inc. Through the use of designated applications that can be easily accessed via mobile phones, Tokyu Land Corporation is helping employees gain valuable information on everyday activities that can help maintain and improve health.

#### Acquired the Highest "A" DBJ Employee's Health Management Rating

Group Company, Ewel, Inc., received the highest "A" DBJ Employee's Health Management Rating from the Development Bank of Japan Inc., which awards ratings to companies with excellent health management practices, in 2015. In addition, the Group was recognized on two fronts receiving the East Japan Grand Prize and the East Japan Prize in the Work-Life Balance category at the first White Company Awards in 2016.



#### Measures Aimed at Developing and Strengthening Human Resources

The Group recognizes the importance of its employees as critical "human assets." Each Group company therefore conducts training as well as e-learning programs in lines with individual requirements as a part of efforts to improve the skills of each and every employee. Tokyu Land Corporation systematically rotates its employees in an effort to ensure that personnel obtain a broad understanding of the company's operations and foster the necessary human resources to manage the company going forward. At the same time, Tokyu Land Corporation implements training programs to provide employees with the necessary skills at each stage of their career.

In addition, self-development programs have also been actively introduced that allow each employee to select programs that would be useful for their own career development. These programs complement other initiatives that support employees in their bid to acquire qualifications. Furthermore, programs such as English training are available for employees, who want to brush up their skills in these areas, in line with the Group's focus on the expansion of its business overseas.

## Environmental Measures

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

### Approach

Based on its Environmental Vision, the Tokyu Fudosan Holdings Group is implementing measures to address five environmental issues (climate change, biodiversity conservation, pollution and resources, water usage, and the supply chain) from three viewpoints.



● **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.

**Five environmental issues**

- Climate Change
- Biodiversity Conservation
- Pollution and Resources
- Water Use
- Supply Chain

**Three viewpoints**

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

### Topics

#### The Environment/Social Contribution Council

The Tokyu Fudosan Holdings Group established the CSR Promotion Committee, headed by the President, to address environmental issues. The Group then set up the Environment/Social Contribution Council as a subcommittee and is working to manage activities across the entire Group.

The Environment/Social Contribution Council is comprised of environmental managers from each Group company. Among its many activities, the Council sets targets for each fiscal year, manages results, and shares information based on a common policy.

#### Targets and Results

The Group recognizes the importance of reducing CO<sub>2</sub> emissions as well as waste and water consumption. The Group has identified the following targets and openly discloses results. (See page 58 for performance trends.)

##### ● CO<sub>2</sub> emissions and energy-derived emissions

FY	2005	2015	2020 (Target Value)	2030 (Target Value)
CO <sub>2</sub> emissions (Unit: t-CO <sub>2</sub> )	65,540	212,475	-	-
CO <sub>2</sub> emissions (intensity)	133	99.23	100	93
Achievement rate	(Base year)	-25%	-25%	-30%

##### ● Waste volume

FY	2005	2015	2020 (Target Value)
Waste emissions (Unit: t)	-	18,908	-
Waste emissions (intensity: kg/m <sup>2</sup> )	13.23	10.06	100
Achievement rate	(Base year)	-24%	-25%

##### ● Water use

FY	2005	2015	2020 (Target Value)
Water use (Unit: 1,000m <sup>3</sup> )	-	1,901	-
Water use (intensity: m <sup>3</sup> /m <sup>2</sup> )	1.12	0.90	0.84
Achievement rate	(Base year)	-20%	-25%

#### The Futako Tamagawa Rise Acquires the Top AAA Rank for JHEP Certification

The Futako Tamagawa Rise integrated commercial and residential complex, a joint venture between Tokyu Land Corporation and Tokyu Corporation, acquired the top AAA rank JHEP certification from the Ecosystem Conservation Society – Japan, an entity that undertakes the certification of biodiversity assessments. Steps are being taken to develop the property's roof garden into an open space containing water and greenery as a large-scale area that comprises such features as a vegetable garden and a killifish pond. The goal is to create a community that is in harmony with the abundant natural environment of the property's surroundings.



The Futako Tamagawa Rise

#### Abeno Q's Mall Certified as an Urban Oasis under the Social and Environmental Green Evaluation System in 2015

Abeno Q's Mall, a commercial facility owned and operated by Tokyu Land Corporation, was certified as an urban oasis under the Social and Environmental Green Evaluation System (SEGES) in 2015. Certification was in recognition of efforts to blend restaurant facilities with the green spaces of the rooftop garden area and the refined use of trees and greenery to create a pleasant and relaxing ambience.



Abeno Q's Mall

# Major Financial / Non-Financial Data

Financial Data	(Unit)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenue	Billions of yen	558.6	573.5	633.4	574.4	552.1	571.4	556.8	595.9	714.1	773.1	815.5
Operating gross profit	Billions of yen	132.1	136.4	159.9	114.3	106.5	131.7	123.3	126.8	145.3	148.8	163.8
Operating income	Billions of yen	64.9	65.9	82.1	35.0	35.5	62.5	50.1	52.0	61.4	63.3	68.8
Ordinary income	Billions of yen	56.8	60.4	75.4	27.7	28.2	54.9	34.9	39.9	50.6	51.7	56.4
Net income* <sup>1</sup>	Billions of yen	10.1	31.4	28.7	10.2	11.1	11.6	34.2	22.1	23.7	25.2	28.7
<b>Total assets</b>	<b>Billions of yen</b>	<b>885.7</b>	<b>954.1</b>	<b>1,013.9</b>	<b>1,035.7</b>	<b>1,055.4</b>	<b>1,161.4</b>	<b>1,744.8</b>	<b>1,718.4</b>	<b>1,789.8</b>	<b>1,973.8</b>	<b>1,984.4</b>
Current assets	Billions of yen	342.7	310.0	302.1	289.0	283.5	274.9	300.7	324.0	416.0	572.6	491.9
Cash and deposits	Billions of yen	119.9	51.7	33.5	30.3	46.6	44.0	64.2	84.1	92.7	93.9	39.9
Real estate for sale* <sup>2</sup>	Billions of yen	165.0	185.2	202.4	200.0	172.2	155.7	172.7	175.3	245.9	394.7	364.4
Non-current assets	Billions of yen	543.0	644.0	711.8	746.7	771.9	886.5	1,444.1	1,394.4	1,373.8	1,401.2	1,492.4
Net assets	Billions of yen	-	196.3	218.2	222.5	231.0	239.8	275.3	307.0	369.2	398.3	422.4
Shareholders' equity	Billions of yen	145.5	173.7	192.8	195.7	203.1	208.6	240.8	268.7	364.5	395.3	418.8
Interest-bearing debt	Billions of yen	344.1	370.5	411.5	477.0	478.9	559.8	1,064.0	974.1	991.0	1,125.4	1,106.1
<b>Cash flows from operating activities</b>	<b>Billions of yen</b>	<b>54.2</b>	<b>13.8</b>	<b>24.9</b>	<b>13.4</b>	<b>72.5</b>	<b>66.2</b>	<b>44.9</b>	<b>70.2</b>	<b>(13.5)</b>	<b>(38.5)</b>	<b>87.9</b>
Cash flows from investing activities	Billions of yen	(2.0)	(106.4)	(79.9)	(83.0)	(26.7)	(146.2)	(28.8)	42.5	19.7	(100.3)	(112.4)
Cash flows from financing activities	Billions of yen	(29.5)	24.2	36.9	68.0	(30.9)	79.0	(16.4)	(90.5)	3.0	139.2	(30.5)
Capital investment	Billions of yen	14.4	42.5	52.9	40.0	46.9	199.5	41.6	43.8	77.5	126.7	78.8
Depreciation and amortization	Billions of yen	11.7	11.3	12.3	13.3	13.2	14.9	20.8	20.2	20.0	20.2	21.0
EPS (Net income per share of common stock)	Yen	20.25	59.00	54.00	19.18	20.82	21.84	64.40	41.71	41.61	41.45	47.18
BPS (Net assets per share of common stock)	Yen	273.47	326.74	362.88	368.39	382.43	392.87	453.46	505.99	598.73	649.40	687.92
Cash dividends per share	Yen	5.00	7.00	8.00	8.00	7.00	7.00	7.00	7.00	8.00	10.00	12.00
ROA	%	7.4	7.3	8.4	3.5	3.4	5.7	3.5	3.0	3.5	3.4	3.5
ROE	%	8.8	19.7	15.7	5.2	5.5	5.6	15.2	8.7	7.5	6.6	7.1
Equity ratio	%	16.4	18.2	19.0	18.9	19.2	18.0	13.8	15.6	20.4	20.0	21.1
Debt equity ratio	Times	2.4	2.1	2.1	2.4	2.4	2.7	4.4	3.6	2.7	2.8	2.6
Dividend payout ratio	%	24.7	11.9	14.8	41.7	33.6	32.1	10.9	16.8	19.2	24.1	25.4
EBITDA* <sup>3</sup>	Billions of yen	76.5	77.2	94.4	48.3	48.7	77.4	71.0	72.4	84.6	88.0	94.3
EBITDA ratio* <sup>4</sup>	Times	4.5	4.8	4.4	9.9	9.8	7.2	15.0	13.5	11.7	12.8	11.7

\*1 Net income has been reclassified as profit attributable to owners of parent from fiscal 2015.

\*2 Real estate for sale: includes real estate for sale in process and costs of uncompleted construction contracts

\*3 EBITDA: Operating income before depreciation = Operating income + Depreciation and amortization + Amortization of goodwill

\*4 EBITDA ratio: Interest bearing debt ÷ EBITDA

Non-Financial Data	(Unit)	2013	2014	2015
Number of employees	person	17,594	18,243	19,230
Ratio of female managers *	%	4.81	5.70	5.91
Female directors	person	0	0	0
Female audit & supervisory board member	person	0	0	0
Female operating officer	person	2	2	2
Average years of service (male employees) *	year	13.23	13.21	13.01
Average years of service (female employees) *	year	8.79	8.96	8.71
Ratio of full-time employees (female employees) *	%	23.66	24.22	25.26
Ratio of new female employee hires to total hires *	%	31.47	33.00	35.37

\* Numerical data for companies that fall within the scope of disclosure based on the Law on Promoting Women in the Workforce (Ministry of Health, Labour and Welfare): Tokyu Community Corporation, Tokyu Livable, Inc., Tokyu hands, Inc., and Tokyu Housing Lease Corporation

Non-Financial Data	(Unit)	2013	2014	2015
Energy consumption	GJ	4,596,778 <sup>*1</sup>	4,659,689 <sup>*2</sup>	4,385,565 <sup>*3</sup>
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	228,233 <sup>*1</sup>	234,772 <sup>*2</sup>	212,475 <sup>*3</sup>
Basic unit	kg-CO <sub>2</sub> /m <sup>3</sup>	98.6	101.9	99.2
Water use	m <sup>3</sup>	1,952,237 <sup>*1</sup>	2,049,037 <sup>*2</sup>	1,901,236 <sup>*3</sup>
Basic unit	m <sup>3</sup> /m <sup>2</sup>	0.85	0.90	0.90
Waste emissions	t	14,189 <sup>*4</sup>	18,796 <sup>*5</sup>	18,908 <sup>*6</sup>
Basic unit	kg/m <sup>2</sup>	10.32	10.23	10.06

\*1 Number of target facilities 213 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)

\*2 Number of target facilities 226 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)

\*3 Number of target facilities 210 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)

\*4 Number of target facilities 124 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)

\*5 Number of target facilities 152 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)

\*6 Number of target facilities 161 (Office buildings, Commercial facilities, Resort facilities, Other, Overseas)



# Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits (Note 8)	¥ 94,275	¥ 40,230	\$ 359,196
Notes and accounts receivable-trade	25,462	24,217	216,223
Securities (Note 4)	1,735	1,272	11,357
Merchandise	10,254	11,620	103,750
Real estate for sale (Note 8, 11)	246,761	199,285	1,779,330
Real estate for sale in process	142,087	159,337	1,422,652
Costs on uncompleted construction contracts	5,823	5,751	51,348
Supplies	723	823	7,348
Deferred tax assets (Note 21)	7,011	9,818	87,661
Other	38,692	39,752	354,929
Allowance for doubtful accounts	(191)	(165)	(1,473)
Total current assets	572,635	491,942	4,392,339
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	370,560	398,216	3,555,500
Accumulated depreciation	(153,178)	(159,028)	(1,419,893)
Buildings and structures, net (Note 8)	217,381	239,187	2,135,598
Land (Note 7, 8)	866,836	857,528	7,656,500
Construction in progress	26,055	56,887	507,920
Other	51,277	58,961	526,438
Accumulated depreciation	(34,305)	(35,588)	(317,750)
Other, net	16,972	23,373	208,688
Total property, plant and equipment (Note 11)	1,127,244	1,176,976	10,508,714
<b>Intangible assets</b>			
Leasehold right	18,687	16,796	149,964
Goodwill	79,930	75,873	677,438
Other	14,281	13,933	124,402
Total intangible assets	112,898	106,603	951,813
<b>Investments and other assets</b>			
Investment securities (Note 5, 8)	80,202	110,757	988,902
Long-term loans receivable (Note 8)	1,288	2,211	19,741
Lease and guarantee deposits	62,208	63,405	566,116
Net defined benefit liability (Note 20)	377	642	5,732
Deferred tax assets (Note 21)	7,919	6,489	57,938
Other	10,031	26,230	234,196
Allowance for doubtful accounts	(1,006)	(877)	(7,830)
Total investments and other assets	161,021	208,858	1,864,804
Total non-current assets	1,401,165	1,492,439	13,325,348
<b>Total assets</b>	¥1,973,801	¥1,984,382	\$17,717,696

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	As of March 31, 2015	As of March 31, 2016	As of March 31, 2016
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	¥ 51,641	¥ 37,281	\$ 332,866
Short-term loans payable (Note 8, 9, 10)	203,717	215,450	1,923,661
Commercial papers	73,000	58,000	517,857
Current portion of bonds	10,000	20,000	178,571
Accounts payable-other	26,846	27,565	246,116
Income taxes payable	10,382	9,355	83,527
Deferred tax liabilities (Note 21)	1,728	1,668	14,893
Advances received	26,260	33,031	294,920
Deposits received from consignment sales	10,009	10,252	91,536
Deposits received	20,953	23,552	210,286
Deposits received for special joint ventures	11,500	11,500	102,679
Provision for bonuses	8,280	9,100	81,250
Provision for directors' bonuses	193	191	1,705
Provision for warranties for completed construction	421	244	2,179
Other provision	713	1,186	10,589
Other	15,268	17,579	156,955
Total current liabilities	470,918	475,960	4,249,643
<b>Non-current liabilities</b>			
Bonds payable (Note 9)	80,000	80,000	714,286
Long-term loans payable (Note 8, 9)	758,661	732,664	6,541,643
Deferred tax liabilities (Note 21)	30,164	30,630	273,482
Deferred tax liabilities for land revaluation (Note 7, 21)	7,289	4,981	44,473
Long-term lease and guarantee deposited	176,248	174,058	1,554,089
Deposits received for special joint ventures	11,500	9,000	80,357
Net defined benefit liabilities (Note 20)	26,751	28,473	254,223
Provision for loss on guarantees	181	123	1,098
Provision for directors' retirement benefits	49	56	500
Other provision	198	-	-
Other (Note 8)	13,555	26,052	232,607
Total non-current liabilities	1,104,600	1,086,039	9,696,777
<b>Total liabilities</b>	¥1,575,518	¥1,562,000	\$13,946,429
<b>Net assets</b>			
Shareholders' equity (Note 25)			
Capital stock	60,000	60,000	535,714
Capital surplus	118,638	118,638	1,059,268
Retained earnings	195,774	219,855	1,962,991
Treasury shares	(1,785)	(1,789)	(15,973)
Total shareholders' equity	372,628	396,704	3,542,000
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 21)	15,143	16,713	149,223
Deferred gains or losses on hedges (Note 21)	(73)	-	-
Revaluation reserve for land (Note 7, 21)	9,222	7,741	69,116
Foreign currency translation adjustment	1,466	990	8,839
Remeasurements of defined benefits (Note 20, 21)	(3,052)	(3,364)	(30,036)
Total accumulated other comprehensive income	22,705	22,080	197,143
Non-controlling interests	2,948	3,596	32,107
<b>Total net assets</b>	398,282	422,381	3,771,259
<b>Total liabilities and net assets</b>	¥1,973,801	¥1,984,382	\$17,717,696

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of (Comprehensive) Income (Consolidated Statement of Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016) (Note 3)
Operating revenue	¥773,149	¥815,479	\$7,281,063
Operating cost (Note 12)	624,337	651,714	5,818,875
Operating gross profit	148,812	163,765	1,462,188
Selling, general and administrative expenses	85,511	95,014	848,339
Operating income	63,300	68,750	613,839
Non-operating income			
Interest income	144	121	1,080
Dividend income	329	749	6,688
Subsidy income	44	145	1,295
Other	587	232	2,071
Total non-operating income	1,106	1,249	11,152
Non-operating expenses			
Interest expenses	9,962	9,609	85,795
Foreign exchange losses	706	1,396	12,464
Other	2,062	2,614	23,339
Total non-operating expenses	12,731	13,620	121,607
Ordinary income	51,675	56,379	503,384
Extraordinary income			
Gain on sales of non-current assets	1,211	214	1,911
Other	0	62	554
Total extraordinary income	1,211	277	2,473
Extraordinary losses			
Impairment loss (Note 13)	7,974	9,567	85,420
Loss on building reconstruction	2,039	-	-
Loss on sales of investments in silent partnership of subsidiaries and associates	1,585	-	-
Other	1,324	314	2,804
Total extraordinary losses	12,924	9,882	88,232
Profit before income taxes	39,963	46,774	417,625
Income taxes-current	17,651	21,023	187,705
Income taxes-deferred (Note 21)	(3,519)	(3,200)	(28,571)
Total income taxes (Note 21)	14,132	17,823	159,134
Profit	25,830	28,950	258,482
Profit attributable to non-controlling interests	599	231	2,063
Profit attributable to owners of parent	¥ 25,230	¥ 28,718	\$ 256,411

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of (Comprehensive) Income (Consolidated Statement of Comprehensive Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016) (Note 3)
Profit	¥25,830	¥28,950	\$258,482
Other comprehensive income			
Valuation difference on available-for-sale securities (Note 14)	7,803	1,569	14,009
Deferred gains or losses on hedges (Note 14)	(52)	73	652
Revaluation reserve for land (Note 14)	717	277	2,473
Foreign currency translation adjustment (Note 14)	2,356	(245)	(2,188)
Remeasurements of defined benefits (Note 14)	19	(311)	(2,777)
Share of other comprehensive income of entities accounted for using equity method (Note 14)	745	(233)	(2,080)
Total other comprehensive income (Note 14)	11,590	1,130	10,089
Comprehensive income	37,420	30,081	268,580
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	36,776	29,851	266,527
Comprehensive income attributable to non-controlling interests	¥ 644	¥ 230	\$ 2,054

See accompanying notes to the consolidated financial statements.



## Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

2015 (from April 1, 2014 to March 31, 2015)

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	118,639	173,275	(1,781)	350,134
Cumulative effect of change in accounting policies			(145)		(145)
Restated balance	60,000	118,639	173,130	(1,781)	349,989
Changes of items during period					
Dividends of surplus			(5,783)		(5,783)
Profit attributable to owners of parent			25,230		25,230
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		(0)		2	1
Reversal of revaluation reserve for land			3,196		3,196
Change of scope of consolidation					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(0)	22,644	(4)	22,638
Balance at end of current period	60,000	118,638	195,774	(1,785)	372,628

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 benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Balance at beginning of current period	7,340	(21)	11,701	(1,590)	(3,072)	14,357	4,751
Cumulative effect of change in accounting policies								(145)
Restated balance	7,340	(21)	11,701	(1,590)	(3,072)	14,357	4,751	369,097
Changes of items during period								
Dividends of surplus								(5,783)
Profit attributable to owners of parent								25,230
Purchase of treasury shares								(6)
Disposal of treasury shares								1
Reversal of revaluation reserve for land								3,196
Change of scope of consolidation								-
Net changes of items other than shareholders' equity	7,803	(52)	(2,479)	3,057	19	8,348	(1,802)	6,545
Total changes of items during period	7,803	(52)	(2,479)	3,057	19	8,348	(1,802)	29,184
Balance at end of current period	15,143	(73)	9,222	1,466	(3,052)	22,705	2,948	398,282

2016 (from April 1, 2015 to March 31, 2016)

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	195,774	(1,785)	372,628
Cumulative effect of change in accounting policy					-
Restated balance	60,000	118,638	195,774	(1,785)	372,628
Changes of items during period					
Dividends of surplus			(6,392)		(6,392)
Profit attributable to owners of parent			28,718		28,718
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		(0)		0	0
Reversal of revaluation reserve for land			1,757		1,757
Change of scope of consolidation			(4)		(4)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(0)	24,080	(3)	24,076
Balance at end of current period	60,000	118,638	219,855	(1,789)	396,704

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 benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Balance at beginning of current period	15,143	(73)	9,222	1,466	(3,052)	22,705	2,948
Cumulative effect of change in accounting policy								-
Restated balance	15,143	(73)	9,222	1,466	(3,052)	22,705	2,948	398,282
Changes of items during period								
Dividends of surplus								(6,392)
Profit attributable to owners of parent								28,718
Purchase of treasury shares								(4)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								1,757
Change of scope of consolidation								(4)
Net changes of items other than shareholders' equity	1,569	73	(1,480)	(476)	(311)	(625)	648	23
Total changes of items during period	1,569	73	(1,480)	(476)	(311)	(625)	648	24,099
Balance at end of current period	16,713	-	7,741	990	(3,364)	22,080	3,596	422,381

## Consolidated Statement of Changes in Equity

Tokyu Fudosan Holdings Corporation

2016 (from April 1, 2015 to March 31, 2016)

Account title	U.S. dollars (thousands) (Note 3)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	535,714	1,059,268	1,747,982	(15,938)	3,327,036
Cumulative effect of change in accounting policy					-
Restated balance	535,714	1,059,268	1,747,982	(15,938)	3,327,036
Changes of items during period					
Dividends of surplus			(57,071)		(57,071)
Profit attributable to owners of parent			256,411		256,411
Purchase of treasury shares				(36)	(36)
Disposal of treasury shares		(0)		0	0
Reversal of revaluation reserve for land			15,688		15,688
Change of scope of consolidation			(36)		(36)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(0)	215,000	(27)	214,964
Balance at end of current period	535,714	1,059,268	1,962,991	(15,973)	3,542,000

Account title	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefits	Total accumulated other comprehensive income	Non-controlling interests	
Balance at beginning of current period	135,205	(652)	82,339	13,089	(27,250)	202,723	26,321	3,556,089
Cumulative effects of changes in accounting policies								-
Restated balance	135,205	(652)	82,339	13,089	(27,250)	202,723	26,321	3,556,089
Changes of items during period								
Dividends of surplus								(57,071)
Profit attributable to owners of parent								256,411
Purchase of treasury shares								(36)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								15,688
Change of scope of consolidation								(36)
Net changes of items other than shareholders' equity	14,009	652	(13,214)	(4,250)	(2,777)	(5,580)	5,786	205
Total changes of items during period	14,009	652	(13,214)	(4,250)	(2,777)	(5,580)	5,786	215,170
Balance at end of current period	149,223	-	69,116	8,839	(30,036)	197,143	32,107	3,771,259

## Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 3)
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities			
Profit before income taxes	¥ 39,963	¥ 46,774	\$ 417,625
Depreciation	20,188	21,008	187,571
Amortization of goodwill	4,514	4,548	40,607
Share of (profit) loss of entities accounted for using equity method	185	792	7,071
Increase (decrease) in net defined benefit liability	1,426	1,695	15,134
Increase (decrease) in other provision	(458)	836	7,464
Impairment loss	7,974	9,567	85,420
Loss on valuation of inventories	1,892	3,635	32,455
Loss on retirement of non-current assets	750	1,121	10,009
Interest and dividend income	(473)	(657)	(5,866)
Interest expenses	9,962	9,609	85,795
Decrease (increase) in notes and accounts receivable-trade	(306)	1,231	10,991
Decrease (increase) in inventories	(108,461)	19,428	173,464
Increase (decrease) in notes and accounts payable-trade	(10,549)	(14,325)	(127,902)
Increase (decrease) in deposits received for consignment sales	(872)	243	2,170
Increase (decrease) in deposits received for special joint ventures	17,700	(2,500)	(22,321)
Other, net	5,090	15,610	139,375
Subtotal	(11,473)	118,621	1,059,116
Interest and dividend income received	613	825	7,366
Interest expenses paid	(9,972)	(9,787)	(87,384)
Income taxes paid	(17,655)	(21,736)	(194,071)
Net cash provided by (used in) operating activities	¥ (38,488)	¥ 87,922	\$ 785,018
Cash flows from investing activities			
Payments of loans receivable	(636)	(2,444)	(21,821)
Collection of loans receivable	1,125	48	429
Purchase of short-term and long-term investment securities	(14,768)	(35,115)	(313,527)
Proceeds from sales and redemption of short-term and long-term investment securities	2,887	4,700	41,964
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,768)	-	-
Payments for lease and guarantee deposits	(9,741)	(6,278)	(56,054)
Proceeds from collection of lease and guarantee deposits	4,622	6,468	57,750
Purchase of non-current assets	(99,422)	(85,045)	(759,330)
Proceeds from sales of non-current assets	17,440	6,432	57,429
Other, net	(3)	(1,138)	(10,161)
Net cash provided by (used in) investing activities	¥(100,263)	¥(112,372)	\$ (1,003,321)



## Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2015 (From April 1, 2014 to March 31, 2015)	2016 (From April 1, 2015 to March 31, 2016)	2016 (From April 1, 2015 to March 31, 2016)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ (36,248)	¥ 18,280	\$ 163,214
Net increase (decrease) in commercial papers	73,000	(15,000)	(133,929)
Proceeds from long-term loans payable	210,672	287,387	2,565,955
Repayments of long-term loans payable	(127,926)	(323,705)	(2,890,223)
Proceeds from long-term lease and guarantee deposited	28,333	25,970	231,875
Repayments of long-term lease and guarantee deposited	(18,971)	(25,871)	(230,991)
Proceeds from issuance of bonds	20,000	20,000	178,571
Redemption of bonds	(200)	(10,000)	(89,286)
Cash dividends paid	(5,783)	(6,392)	(57,071)
Proceeds from share issuance to non-controlling shareholders	257	669	5,973
Repayments to non-controlling shareholders	(2,533)	-	-
Dividends paid to non-controlling interests	(186)	(234)	(2,089)
Repayments of finance lease obligations	(1,222)	(1,617)	(14,438)
Net decrease (increase) in treasury shares	(5)	(3)	(27)
Net cash provided by (used in) financing activities	¥ 139,186	¥ (30,518)	\$ (272,482)
Effect of exchange rate change on cash and cash equivalents	747	883	7,884
Net increase (decrease) in cash and cash equivalents	¥ 1,182	¥ (54,084)	\$ (482,893)
Cash and cash equivalents at beginning of period	92,723	93,949	838,830
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	43	0	0
Cash and cash equivalents at end of period (Note 15)	¥ 93,949	¥ 39,864	\$ 355,929

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 109 consolidated subsidiaries as of March 31, 2016. During the year ended March 31, 2016, the following companies have become consolidated subsidiaries, for the following reasons, respectively:

Silent Partnership ORION, Silent Partnership BRICK, Silent Partnership CASSIOPEIA, Silent Partnership COMFORIA VIRGO and Silent Partnership GEMINI because of new investments made; Tokyu Corporate Housing Management Inc. because of the new establishment thereof; and Life & Work Design Co., Ltd. because of an increase in its importance.

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

Livable PA Co., Ltd. and Tokyu Relocation Service Co., Ltd. because of their absorption in an absorption-type merger, with Tokyu Housing Lease Corporation as the surviving company; Kansai TOKYU BLDG.

MAINTENANCE because of its absorption in an absorption-type merger, with TOKYU BLDG. MAINTENANCE as the surviving company; TLC Resort Management Co., Ltd. because of its liquidation; and Silent Partnership ARCADIA 2, Silent Partnership OB-1, Silent Partnership KTMO and Silent Partnership GOODFIELD INVESTMENT because of their loss of importance due to the sales of their properties.

#### (c) Securities

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

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

Other 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." Other securities without determinable market values are carried principally at cost. The cost of other 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 is computed by the straight-line method.

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) Retirement benefit liability

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

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

Prior service cost is amortized by the straight-line method over the period of principally from 5 to 12 years, which is shorter than the average remaining years of service of the employees.

#### (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, 2016.

## 2. Change in Accounting Policy

Effective from April 1, 2015, the Company has applied the Accounting standard for Business Combinations (Accounting Standards Board of Japan "ASBJ" Statement No. 21, issued on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013). In line with the application of these standards, the Company included the difference resulting from the changes in a parent's ownership interest in a subsidiary, in which the parent retains control, as capital surplus, and included the costs related to the acquisition of additional ownership interests in the operating costs of the fiscal period in which the relevant costs were incurred. In regard to the business combinations executed after April 1, 2015, the Company has revised the timing of adjustments of the tentative accounting treatments to reflect this to the financial statements for the fiscal year in which the relevant business combinations were executed. The Company has also changed the method of disclosing profit, etc., and the method of disclosing minority interests to non-controlling interests. In order to reflect these changes, the finan-

cial statements of the previous fiscal year have been restated.

The accounting standards for business combinations have been applied prospectively from April 1, 2015, in accordance with the transitional treatment provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, there is no impact to the consolidated financial statements for the fiscal year ended March 31, 2016.

## 3. 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 112=U.S. \$1, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2016. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

## 4. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships holding properties for sale and operational investment securities included in securities at March 31, 2015 and 2016 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Securities	¥1,585	¥1,272	\$11,357

## 5. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2015 and 2016 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Investment securities	¥12,964	¥40,141	\$358,402



## 6. Contingent Liabilities

At March 31, 2015 and 2016 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 8,776	¥ 6,878	\$ 61,411
Employees for their purchase of residential houses	44	24	214
PT. TTL Residences	273	216	1,929
425 Park Owner LLC	–	10,457	93,366
Tokyu Land US Corporation*1	–	28,091	250,813
	¥10,134	¥45,667	\$407,741

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

## 7. 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 land revaluated was higher than the book value after revaluation at March 31, 2015 and 2016, respectively. As such, the difference is not stated.

## 8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2015 and 2016 are summarized as follows:

### (1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Inventories (Real estate for sale)	¥100,984	¥ 55,628	\$ 496,679
Buildings and structures	86,209	103,438	923,554
Land	594,770	588,364	5,253,250
Investment securities	125	153	1,366
Long-term loans receivable	251	237	2,116
	¥782,342	¥747,822	\$6,676,982

## (2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Short-term loans payable	¥ 83,228	¥ 39,664	\$ 354,143
Long-term loans payable	342,341	354,072	3,161,357
Other noncurrent liabilities	–	2,261	20,188
	¥425,569	¥395,997	\$3,535,688

In addition to the above, cash of ¥907 million at March 31 2015, and Investment securities of ¥1,218 million and ¥983 million (U.S. \$8,777 thousand) at March 31 2015 and 2016 were pledged as collateral for guarantee of the real estate trading 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)
	2015	2016	2016
Real estate for sale	¥ –	¥2,261	\$20,188
Other noncurrent liabilities	¥ –	¥2,261	\$20,188

Of the long-term loans payable, the following are in the form of non-recourse loans whereby the allowances for the payment of such debt are limited to certain specified assets.

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Short-term loans payable (Current portion of long-term loans payable)	¥ 83,014	¥ 30,681	\$ 273,938
Long-term loans payable	¥381,962	¥362,676	\$3,238,179

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

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Real estate for sale	¥100,984	¥ 52,216	\$ 466,214
Land	591,943	585,538	5,228,018
Buildings and structures	¥ 83,781	¥100,981	\$ 901,616

In addition to the above, certain consolidated subsidiaries as borrowers have the right to demand additional investment from the Tokyu Land Corporation of ¥63,029 million at March 31, 2015 (excluding those that arise as a result of convulsion of nature or other events in case of development type silent partnerships, etc.).

## 9. Short-term Loans Payable and Long-term Debt

Short-term loans payable at March 31, 2015 and 2016 consist of loans principally from banks with weighted average interest rates of 0.32% in 2016.

Long-term debt at March 31, 2015 and 2016 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
0.78% unsecured corporate bond, maturing 2016	¥ 10,000	¥ –	\$ –
0.70% unsecured corporate bond, maturing 2017	10,000	10,000	89,286
0.81% unsecured corporate bond, maturing 2017	10,000	10,000	89,286
0.63% unsecured corporate bond, maturing 2018	10,000	10,000	89,286
0.56% unsecured corporate bond, maturing 2018	10,000	10,000	89,286
0.39% unsecured corporate bond, maturing 2019	10,000	10,000	89,286
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	89,286
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	89,286
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	89,286
0.968% unsecured corporate bond, maturing 2026	–	10,000	89,286
0.371% unsecured corporate bond, maturing 2021	–	10,000	89,286
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2017 to 2026 with weighted average interest rates of 0.72% in 2016.			
Secured	425,569	395,997	3,535,688
Unsecured	493,592	490,619	4,380,527
	1,009,162	986,617	8,809,080
Less current portion	(170,500)	(173,953)	(1,553,152)
	¥ 838,661	¥ 812,664	\$ 7,255,929

The aggregate annual maturates of long-term debt after March 31, 2017 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2018	¥202,239	\$1,805,705
2019	104,897	936,580
2020	76,987	687,384
2021	86,897	775,866
2022 and thereafter	341,643	3,050,384
	¥812,664	\$7,255,929

## 10. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 21 banks at March 31, 2015 and 2016, and commitment lines with 4 banks at March 31, 2015 and 2016, respectively these contracts at March 31, 2015 and 2016 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Limit of overdraft	¥229,769	¥229,469	\$2,048,830
Line of credit	54,000	54,000	482,143
Borrowing outstanding	(43,217)	(61,497)	(549,080)
Available commitment lines	¥240,552	¥221,972	\$1,981,893

## 11. Change in Purpose of Possession

The following amount was transferred from property, plant, and equipment to real estate for sale due to a change in the purpose of possession.

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
From property, plant and equipment to real estate for sale	¥39,376	¥23,089	\$206,152
From real estate for sale to property, plant and equipment	¥ –	¥26,763	\$238,955

## 12. 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)
	2015	2016	2016
Loss on valuation of inventories	¥1,892	¥3,635	\$32,455

## 13. Impairment Loss on Fixed Assets

### 2015

For the year ended March 31, 2015, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	
Leased assets	Land, buildings and structures, other fixed assets	Sendai-shi, Miyagi-ken	¥3,279	
Assets used by the Company	Leased assets	Land, buildings and structures, other fixed assets	Shibuya-ku, Tokyo	¥2,017
Assets used by the Company	Land, buildings and structures, other fixed assets	Machida-shi, Tokyo-to	¥ 919	
Others (28 assets)	Land, buildings and structures, other fixed assets	Other area	¥1,758	

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 41 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 ¥7,974 million under extraordinary losses.

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.

### 2016

For the year ended March 31, 2016, 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)
Leased assets	Land, buildings and structures, other fixed assets	Toyohashi-shi, Aichi-ken	¥3,674	\$32,804
Leased assets	Land, buildings and structures, other fixed assets	Chuo-ku, Tokyo-to	¥2,580	\$23,036
Leased assets	Land, buildings and structures, other fixed assets	Osaka-shi, Osaka-fu	¥1,203	\$10,741
Others (7 assets)	Land, buildings and structures, other fixed assets	Other area	¥2,108	\$18,821

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 ¥9,567 million (\$85,420 thousand) under extraordinary losses.

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.



## 14. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2016:

### (1) Recycling associated with other comprehensive income

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥10,982	¥1,728	\$15,429
Recycling	–	(18)	(161)
Total valuation difference on available-for-sale securities	¥10,982	¥1,709	\$15,259
Deferred gains or losses on hedges:			
Amount arising during the year	(75)	110	982
Recycling	–	–	–
Total deferred gains or losses on hedges	¥ (75)	¥ 110	\$ 982
Foreign currency translation adjustment:			
Amount arising during the year	2,356	(245)	(2,188)
Recycling	–	–	–
Total foreign currency translation adjustment	¥ 2,356	¥ (245)	\$ (2,188)
Remeasurements of defined benefits:			
Amount arising during the year	(884)	(953)	(8,509)
Recycling	1,047	925	8,259
Total remeasurements of defined benefits	¥ 163	¥ (28)	\$ (250)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	745	(233)	(2,080)
Recycling	–	–	–
Total share of other comprehensive income of entities accounted for using equity method	¥ 745	¥ (233)	\$ (2,080)
Amount before tax effect	14,172	1,313	11,723
Tax effect	(2,582)	(182)	(1,625)
Total accumulated other comprehensive income	¥11,590	¥1,130	\$10,089

### (2) Tax effect associated with other comprehensive income

	Yen (millions)		
	2015	2016	2016
Valuation difference on available-for-sale securities	¥10,982	¥(3,178)	¥ 7,803
Deferred gains or losses on hedges	(75)	22	(52)
Revaluation reserve for land	–	717	717
Foreign currency translation adjustment	2,356	–	2,356
Remeasurements of defined benefits	163	(143)	19
Share of other comprehensive income of entities accounted for using equity method	745	–	745
Total accumulated other comprehensive income	¥14,172	¥(2,582)	¥11,590

Yen (millions)

	2016		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥1,709	¥(140)	¥1,569
Deferred gains or losses on hedges	110	(36)	73
Revaluation reserve for land	–	277	277
Foreign currency translation adjustment	(245)	–	(245)
Remeasurements of defined benefits	(28)	(283)	(311)
Share of other comprehensive income of entities accounted for using equity method	(233)	–	(233)
Total accumulated other comprehensive income	¥1,313	¥(182)	¥1,130

U.S. dollars (thousands)

	2016		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$15,259	\$(1,250)	\$14,009
Deferred gains or losses on hedges	982	(321)	652
Revaluation reserve for land	–	2,473	2,473
Foreign currency translation adjustment	(2,188)	–	(2,188)
Remeasurements of defined benefits	(250)	(2,527)	(2,777)
Share of other comprehensive income of entities accounted using equity method	(2,080)	–	(2,080)
Total accumulated other comprehensive income	\$11,723	\$(1,625)	\$10,089

## 15. 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, 2015 and 2016 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Cash and deposits	¥94,275	¥40,230	\$359,196
Time deposits with maturity over three Months	(466)	(366)	(3,268)
Short-term investment securities	139	–	–
Cash and cash equivalents	¥93,949	¥39,864	\$355,929

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate.	¥39,376	¥23,089	\$206,152
The amount transferred from real estate for sale to property, plant and equipment due to change in purpose of holding the real estate.	¥ –	¥26,763	\$238,955

## 16. 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, 2015 and 2016 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2015 and 2016 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Acquisition cost	¥7,330	¥7,252	\$64,750
Accumulated depreciation	2,858	3,152	28,143
Carrying amount	¥4,472	¥4,099	\$36,598

(2) Future lease payments at March 31, 2015 and 2016

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Due within one year	¥ 606	¥ 602	\$ 5,375
Due after one year	6,726	6,124	54,679
Total	¥7,333	¥6,726	\$60,054

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2015 and 2016

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Lease payments	¥ 613	¥ 607	\$ 5,420
Reversal of impairment loss account on leased assets	–	–	–
Depreciation expense	378	372	3,321
Interest expenses	¥ 295	¥ 278	\$ 2,482

#### (Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2015 and 2016 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Due within one year	¥ 21,733	¥ 20,567	\$ 183,634
Due after one year	138,520	189,965	1,696,116
Total	¥160,254	¥210,533	\$1,879,759

#### (Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2015 and 2016 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Due within one year	¥ 26,985	¥ 30,200	\$ 269,643
Due after one year	169,938	186,880	1,668,571
Total	¥196,923	¥217,080	\$1,938,214

## 17. Financial Instruments

Financial instruments at March 31, 2015 and 2016 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, 2016 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)		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	¥ 40,230	¥ 40,230	¥ -
(2) Securities and investment securities			
Held-to-maturity securities	922	938	15
Other securities	61,657	61,657	-
Total assets	¥ 102,810	¥ 102,826	¥ 15
(1) Short-term loans payable	61,497	61,497	-
(2) Commercial papers	58,000	58,000	-
(3) Bonds payable	100,000	101,099	(1,099)
(4) Long-term loans payable	886,617	895,080	(8,463)
Total liabilities	¥1,106,114	¥1,115,676	¥ (9,562)
Derivatives	¥ (49)	¥ (49)	¥ -

	U.S. dollars (thousands)		
	Carrying value	Estimated fair value	Difference
(1) Cash and deposits	\$ 359,196	\$ 359,196	\$ -
(2) Securities and investment securities			
Held-to-maturity securities	8,232	8,375	134
Other securities	550,509	550,509	-
Total assets	\$ 917,946	\$ 918,089	\$ 134
(1) Short-term loans payable	549,080	549,080	-
(2) Commercial papers	517,857	517,857	-
(3) Bonds payable	892,857	902,670	(9,813)
(4) Long-term loans payable	7,916,223	7,991,786	(75,563)
Total liabilities	\$9,876,018	\$9,961,393	\$ 85,375
Derivatives	\$ (438)	\$ (438)	\$ -

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 other 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 19. Derivative Financial Instrument for information on derivative transactions.

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 1,272	\$ 11,357
Unlisted stocks	45,930	410,089
Investments in silent partnerships—noncurrent	¥ 2,247	\$ 20,063

Because no quoted market price is available and future cash flows cannot be estimated, it is extremely difficult to determine the fair value.

Therefore, the above financial instruments are not included in the table of financial instruments with estimated fair values.

	Yen (millions)	U.S. dollars (thousands)
Lease and guarantee deposits	¥ 63,405	\$ 566,116
Long-term lease and guarantee deposited	¥174,058	\$1,554,089

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, 2016

	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	¥40,230	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	76	845	-	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	25	46	-	-
(2) Corporate bonds	-	-	-	-
Total	¥40,332	¥ 891	¥ -	¥ -

	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	\$359,196	\$ -	\$ -	\$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	679	7,545	-	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	223	411	-	-
(2) Corporate bonds	-	-	-	-
Total	\$360,107	\$7,955	\$ -	\$ -

## 18. Securities

Securities held by the Company as of March 31, 2015 and 2016 are summarized as follows:

### (1) Held-to-maturity Securities

2015	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥ 898	¥ 909	¥ 10
Subtotal	898	909	10
Securities whose fair value does not exceed book value:			
National and local government bonds	247	247	(0)
Subtotal	247	247	(0)
Total	¥ 1,146	¥ 1,157	¥ 10

2016	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥ 922	¥ 938	¥ 15
Subtotal	922	938	15
Securities whose fair value does not exceed book value:			
National and local government bonds	–	–	–
Subtotal	–	–	–
Total	¥ 922	¥ 938	¥ 15

2016	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$8,232	\$8,375	\$134
Subtotal	8,232	8,375	134
Securities whose fair value does not exceed book value:			
National and local government bonds	–	–	–
Subtotal	–	–	–
Total	\$8,232	\$8,375	\$134

### (2) Other Securities

2015	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 54,958	¥ 32,439	¥ 22,519
National and local government bonds	20	20	0
Subtotal	54,979	32,460	22,519
Securities whose book value does not exceed acquisition cost:			
Stocks	0	0	(0)
National and local government bonds	59	59	(0)
Other	64	64	–
Subtotal	125	125	(0)
Total	¥ 55,105	¥ 32,585	¥ 22,519

2016	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 61,375	¥ 37,121	¥ 24,253
National and local government bonds	71	70	0
Subtotal	61,446	37,192	24,254
Securities whose book value does not exceed acquisition cost:			
Stocks	210	228	(17)
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	210	228	(17)
Total	¥ 61,657	¥ 37,420	¥ 24,236

2016	U.S. dollars (thousands)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$547,991	\$331,438	\$216,545
National and local government bonds	634	625	0
Subtotal	548,625	332,071	216,554
Securities whose book value does not exceed acquisition cost:			
Stocks	1,875	2,036	(152)
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	1,875	2,036	(152)
Total	\$550,509	\$334,107	\$216,393

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

Other Securities	Yen (millions)		U.S. dollars (thousands)
	2015	Book value 2016	2016
Operational investment securities	¥ –	¥1,272	\$11,357
Unlisted stocks, etc	9,587	6,545	58,438
Investments in silent partnerships	¥1,548	¥2,247	\$20,063

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 "Other securities" in the table above.

### (3) Sales of Other Securities

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2015: Not applicable.

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2016: Not applicable.

## 19. Derivatives

Contract/notional amount and the estimated fair value of the derivative instruments as of March 31, 2015 and 2016 are summarized as follows:

### (1) Derivatives to which hedge accounting is not applied : Currency-related transactions

2015	Type of derivatives	Yen (millions)			Unrealized gain (loss)
		Contract/notional amount	Amount due after one year	Fair value	
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥ 11,079	¥ 4,171	¥ (36)	¥ (36)



2016	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	¥ 8,415	¥ 5,950	¥ (49)	¥ (49)
Non-market transaction	Interest rate cap transactions	¥ 9,467	¥ –	¥ (0)	¥ (0)

2016	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	\$75,134	\$53,125	\$(438)	\$(438)
Non-market transaction	Interest rate cap transactions	\$84,527	\$ –	\$ (0)	\$ (0)

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 : Interest rate-related transactions

2015	Hedge accounting method	Type of derivatives	Major hedged items	Yen (millions)		
				Contract/ notional amount	Amount due after one year	Fair value
	Deferred hedge accounting	Interest rate swaps				
		Receive/floating Pay/fixed	Long-term debt	¥ 2,170	¥ 2,170	¥ (27)
	Special treatment for interest rate swaps	Interest rate swaps				
		Receive/floating Pay/fixed	Long-term debt	¥ 388,445	¥ 287,982	¥ (Notes)

2016	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	¥ 430,681	¥ 355,151	¥(Notes)

2016	Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands)		
				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	\$3,845,366	\$3,170,991	\$(Notes)

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.

## 20. 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, retirement 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)
	2015	2016	2016
Retirement benefit obligations at beginning of year	¥29,448	¥31,120	\$277,857
Cumulative effects of changes in accounting policies	(148)	–	–
Restated balance	29,299	31,120	277,857
Service cost	1,763	1,853	16,545
Interest cost	276	269	2,402
Actuarial loss	1,053	681	6,080
Retirement benefits paid	(1,327)	(1,469)	(13,116)
The amount of transfer in association with changing from the simplified method to the principle method.	55	252	2,250
Retirement benefit obligations at end of year	¥31,120	¥32,708	\$292,036

#### 2. Simplified method

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Retirement benefit obligations at beginning of year	1,709	1,825	16,295
Retirement benefit cost	269	191	1,705
Retirement benefits paid	(97)	(177)	(1,580)
The amount of transfer in association with changing from the simplified method to the principle method.	(55)	(159)	(1,420)
Retirement benefit obligations at end of year	¥ 1,825	¥ 1,679	\$ 14,991

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

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Pension assets at beginning of year	¥6,044	¥6,571	\$ 58,670
Expected return on plan assets	260	200	1,786
Actuarial loss	168	(271)	(2,420)
Contributions from employer	460	463	4,134
Retirement benefits paid	(361)	(406)	(3,625)
Pension assets at end of year	¥6,571	¥6,557	\$ 58,545

### III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2015 and 2016 and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Retirement benefit obligations under the savings-type plan	¥ 7,189	¥ 7,332	\$ 65,464
Plan assets at fair value	(6,571)	(6,557)	(58,545)
	618	774	6,911
Retirement benefit obligations under the non-savings-type plan	25,756	27,056	241,571
Net amount of liability and asset recorded in the consolidated balance sheet	¥26,374	¥27,830	\$248,482
Retirement benefit liability	26,751	28,473	254,223
Retirement benefit asset	(377)	(642)	(5,732)
Net amount of liability and asset recorded in the consolidated balance sheet	¥26,374	¥27,830	\$248,482

#### IV. Components of retirement benefit cost for the year ended March 31, 2015 and 2016

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Service cost	¥1,763	¥1,853	\$16,545
Interest cost	276	269	2,402
Expected return on plan assets	(260)	(200)	(1,786)
Amount expensed associated with the change from the simplified method to the principle method	–	92	821
Amortization of transition difference resulting from change in accounting standard	351	–	–
Amortization of actuarial loss	650	890	7,946
Amortization of prior service cost	36	34	304
Retirement benefit cost calculated using the simplified method	269	191	1,705
Retirement benefit cost for the defined benefit plan	¥3,087	¥3,131	\$27,955

#### V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Transition difference resulting from change in accounting standard	¥ 360	¥ –	\$ –
Prior service cost	36	(34)	\$(304)
Actuarial loss	(234)	62	554
Total	¥ 163	¥ 28	\$ 250

#### VI. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the year ended March 31, 2016.

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Unrecognized prior service cost	(203)	(168)	(1,500)
Unrecognized actuarial loss	(4,072)	(4,135)	(36,920)
Total	¥(4,275)	¥(4,303)	\$ 38,420

#### VII. Pension assets

##### 1. The ratio by major category of the total pension assets as of March 31, 2015 and 2016 are set forth below.

	2015	2016
	Bonds	38%
Stocks	27%	23%
General account	28%	29%
Others	7%	8%
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, 2015 and 2016

	2015	2016
	Discount rate	0.41%–1.20%
Long-term expected rate of return on pension assets	0.75%–5.00%	0.75%–5.00%
Expected rate of salary increase	1.22%–6.72%	1.22%–7.47%

#### Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,238 million and ¥1,219 million (\$10,884 thousand ) for the year ended March 31, 2015 and 2016.

## 21. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2015 and 2016 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Deferred tax assets:			
Valuation loss on inventories	¥ 343	¥ 548	\$ 4,893
Valuation loss on securities	2,742	2,115	18,884
Amortization of intangible assets	3,724	3,561	31,795
Allowance for doubtful accounts	212	190	1,696
Accrued expenses	80	200	1,786
Accrued bonuses to employees	3,400	3,579	31,955
Retirement benefit liability	8,052	7,789	69,545
Net operating loss carry forwards	732	1,445	12,902
Unrealized inter-company profits	441	369	3,295
Impairment losses on fixed assets	3,189	2,088	18,643
Loss of investments in silent partnerships	277	372	3,321
Valuation difference on consolidated subsidiaries	1,359	1,977	17,652
Undistributed loss from consolidated subsidiaries	797	636	5,679
Accrued enterprise tax/business office tax	1,082	1,087	9,705
Revaluation of assets for merger	7	7	63
Asset retirement obligations	1,365	1,363	12,170
Other	4,287	6,679	59,634
Gross deferred tax assets	32,097	34,014	303,696
Less: valuation allowance	(6,920)	(8,321)	(74,295)
Total deferred tax assets	¥ 25,176	¥ 25,692	\$229,393
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 7,203	¥ 7,343	\$ 65,563
Allowance for doubtful accounts	8	6	54
Valuation difference on consolidated subsidiaries	29,726	28,139	251,241
Reserve for advanced depreciation of noncurrent assets	2,621	2,950	26,339
Loss on approval for exchange of land rights	811	206	1,839
Property, plant and equipment corresponding to asset retirement obligations	850	907	8,098
Other	917	2,129	19,009
Total deferred tax liabilities	42,139	41,684	372,179
Net deferred tax assets	¥(16,962)	¥(15,991)	\$(142,777)

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
Deferred tax assets-current	¥ 7,011	¥ 9,818	\$ 87,661
Deferred tax assets-non current	7,919	6,489	57,938
Deferred tax liabilities-current	(1,728)	(1,668)	(14,893)
Deferred tax liabilities-non current	(30,164)	(30,630)	(273,482)
	¥(16,962)	¥(15,991)	\$(142,777)



Breakdown by major items that caused a significant difference between the effective statutory tax rate and the burden ratio of corporate taxes after applying tax effect accounting is as follows:

	2015	2016
Effective statutory tax rate (Adjustments)	Since the difference between the effective statutory tax rate and the burden ratio of corporate taxes after applying tax effect accounting is less than five hundredths of the effective statutory tax rate, the note is omitted.	33.1%
Items not included in tax deductions permanently, such as entertainment expenses		0.8%
Items not included in taxable income permanently, such as dividend income		(0.3)%
Inhabitant tax on a per capita basis		0.6%
Increase/decrease in the amount of valuation reserve		3.0%
Amortization of goodwill		3.3%
Tax breaks to expand income and tax breaks to promote capital investment to improve productivity		(1.4)%
Elimination of inter-company transactions for gain on sales of investment securities		0.0%
Equity in earnings of entities accounted for by the equity method		0.6%
Reduction of deferred tax assets at year end due to changes in tax rates		(1.6)%
Others		0.1%
Burden ratio of corporate taxes after applying tax effect accounting		38.1%

The Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016, and corporate tax rates, etc. will be reduced from the consolidated fiscal year beginning on April 1, 2016. As a result, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities will be changed from 33.1% (the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities that will be realized on or after April 1, 2016 was 32.3%) to 30.9%, pertaining to temporary differences that are expected to be realized in the consolidated fiscal year beginning on April 1, 2016 and the consolidated fiscal year beginning on April 1, 2017, and to 30.6%, pertaining to temporary

differences that are expected to be realized in the consolidated fiscal year beginning on April 1, 2018, respectively.

As a result of the change in tax rates, deferred tax assets (the amount after deducting deferred tax liabilities) and remeasurements of defined benefits have decreased by ¥786 million (\$7,018 thousand) and ¥58 million (\$518 thousand), respectively, while income taxes-deferred and valuation difference on available-for-sale securities have increased by ¥725 million (\$6,473 thousand) and ¥395 million (\$3,527 thousand), respectively.

In addition, deferred tax liabilities for land revaluation has decreased by ¥275 million (\$2,455 thousand), and revaluation reserve for land has increased by the same amount.

## 22. 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 are as follows:

Yen (millions)			
Carrying value		Fair value	
As of April 1, 2015	Net change	As of March 31, 2016	As of March 31, 2016
¥705,660	¥161,258	¥866,918	¥967,743

U.S. dollars (thousands)			
Carrying value		Fair value	
As of April 1, 2015	Net change	As of March 31, 2016	As of March 31, 2016
\$6,300,536	\$1,439,804	\$7,740,339	\$8,640,563

Notes:

- The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
- Of the changes during the fiscal year under review, increases were mainly attributable to the acquisition of properties of ¥176,109 million (\$1,572,401 thousand) and transfers to leased properties of ¥12,827 million (\$114,527 thousand), and decreases were chiefly due to the sales of properties of ¥38 million (\$339 thousand) and transfers to real estate for sale of ¥15,796 million (\$141,036 thousand).
- The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.
- Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥107,724 million (\$961,821 thousand) as of March 31, 2016) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

## 23. 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
	2015	2016	2016
Net asset per share of common stock as of March 31	¥649.40	¥687.92	\$6.14
Net income per share of common stock for the year ended March 31	¥41.45	¥47.18	\$0.42

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

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
For the year ended March 31			
Profit attributable to owners of parent	¥25,230	¥28,718	\$256,411
Profit attributable to owners of parent of common stock	¥25,230	¥28,718	\$256,411
Weighted average number of shares of common stock (thousands)	608,775	608,769	

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

	Yen (millions)		U.S. dollars (thousands)
	2015	2016	2016
As of March 31			
Total net assets	¥398,282	¥422,381	\$3,771,259
Non-controlling interests	(2,948)	(3,596)	(32,107)
Net assets of common stock at March 31	¥395,333	¥418,785	\$3,739,152
Number of shares of common stock at March 31 (thousands)	608,771	608,767	

## 24. 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.

## 25. Segment Information

The Group reorganized its structure and some reportable segments effective April 1, 2015. The segment information of the previous fiscal year have been reclassified in accordance with the new segment structure.

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

- Urban Development; (i) development, leasing, and operation of office buildings, retail facilities, rental residences and other properties and, (ii) sales of properties for investors,
- Residential; development and sales of condominiums and detached housing,
- Property Management; (i) property management of condominiums, buildings and retail facilities and, (ii) construction of common areas of condominiums,
- Real-Estate

- Agents; real estate brokerage and property sales,
- Wellness; (i) development and sales of membership resort hotels and country houses and, (ii) ownership and management of resort facilities, hotels for medium- to long-term stays, senior housing and membership sports clubs,
- Tokyo Hands; retail sales of materials and products for living and D-I-Y, and
- 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, 2016 are less than 10 percent of consolidated revenue.

## Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

### 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, 2016, 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, 2016, 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 3.

*Ernst & Young ShinNihon LLC*

June 17, 2016  
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Summarized information by business segment for the year ended March 31, 2015 and 2016 are as follows:

Year ended March 31, 2015	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	Consolidated
Revenues:									
Third party customers	264,568	104,823	128,320	58,923	88,895	87,478	40,135	-	773,149
Inter-segment	2,821	18	7,771	2,444	701	451	7,412	(21,617)	-
Total	267,390	104,841	136,091	61,368	89,597	87,930	47,547	(21,617)	773,149
Operating income	38,670	5,524	9,097	9,381	5,983	894	(557)	(5,694)	63,300
Total assets	1,354,197	146,548	89,584	57,141	231,081	36,054	61,039	(1,837)	1,973,801
Depreciation expenses	10,098	156	770	1,203	6,419	1,151	300	87	20,188
Amortization of goodwill	129	-	1,897	-	(3)	-	1	2,488	4,514
Investment in equity-method affiliates	-	-	-	589	-	-	4,289	609	5,488
Capital expenditures	82,573	613	1,764	1,619	11,074	3,535	434	581	102,198

Year ended March 31, 2016	Yen (millions)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	Consolidated
Revenues:									
Third party customers	255,924	117,674	136,559	78,821	89,676	95,392	41,429	-	815,479
Inter-segment	2,819	40	8,670	1,499	529	355	9,795	(23,710)	-
Total	258,744	117,714	145,230	80,321	90,205	95,748	51,225	(23,710)	815,479
Operating income	44,791	6,962	8,031	10,226	6,412	1,071	(3,041)	(5,703)	68,750
Total assets	1,377,662	148,644	91,855	59,782	240,247	38,444	56,282	(28,536)	1,984,382
Depreciation expenses	10,285	289	652	1,224	6,752	1,337	281	183	21,008
Amortization of goodwill	-	-	2,080	-	(22)	-	1	2,488	4,548
Investment in equity-method affiliates	-	-	-	47	-	-	37,229	673	37,950
Capital expenditures	60,267	8,367	2,264	1,924	13,999	3,216	349	324	90,713

Year ended March 31, 2016	U.S. dollars (thousands)								
	Urban Development	Residential	Property Management	Real-Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/Headquarters	Consolidated
Revenues:									
Third party customers	2,285,036	1,050,661	1,219,277	703,759	800,679	851,714	369,902	-	7,281,063
Inter-segment	25,170	357	77,411	13,384	4,723	3,170	87,455	(211,696)	-
Total	2,310,214	1,051,018	1,296,696	717,152	805,402	854,893	457,366	(211,696)	7,281,063
Operating income	399,920	62,161	71,705	91,304	57,250	9,563	(27,152)	(50,920)	613,839
Total assets	12,300,554	1,327,179	820,134	533,768	2,145,063	343,250	502,518	(254,786)	17,717,696
Depreciation expenses	91,830	2,580	5,821	10,929	60,286	11,938	2,509	1,634	187,571
Amortization of goodwill	-	-	18,571	-	(196)	-	9	22,214	40,607
Investment in equity-method affiliates	-	-	-	420	-	-	332,402	6,009	338,839
Capital expenditures	538,098	74,705	20,214	17,179	124,991	28,714	3,116	2,893	809,938

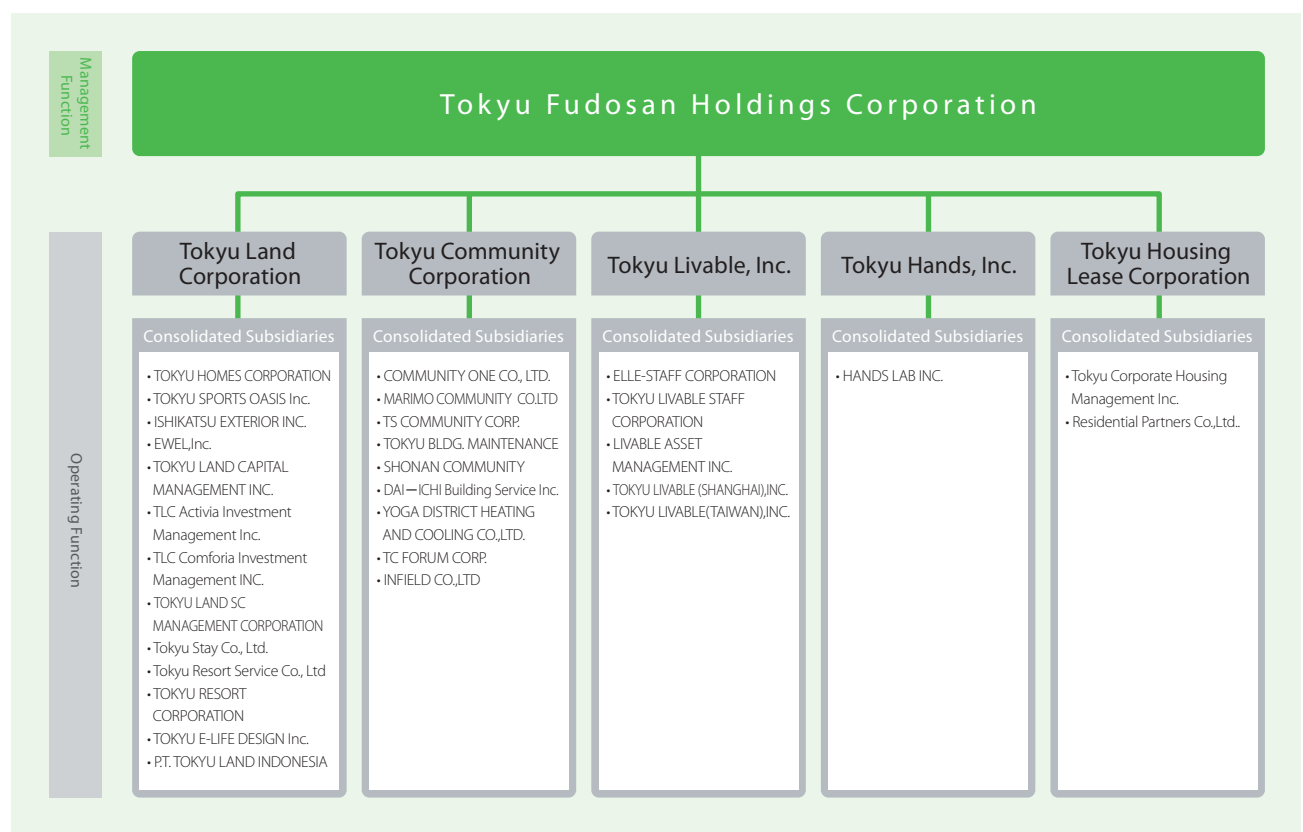


# Corporate Data/Stock Information

## Company Profile As of March 31, 2016

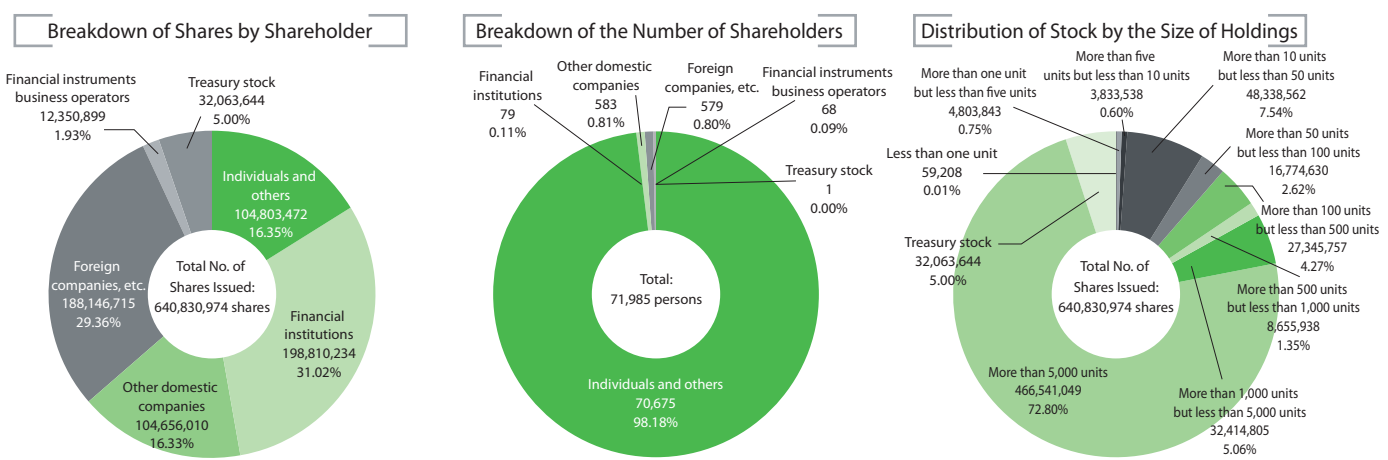
Corporate Name:	Tokyu Fudosan Holdings Corporation	
Address:	TK Minami Aoyama Building, 2-6-21 Minami Aoyama, Minato-ku, Tokyo 107-0062	
Telephone No.:	+81-3-5414-1199	
Representative:	Yuji Okuma, President	
Capital:	60 billion yen	
Business Activities:	Management and administration of the Tokyu Fudosan Holdings Group	
Established:	October 1, 2013	
No. of Employees:	55	
(Consolidated)	19,230	
No. of Employees by Business Segment:	Urban Development Segment	1,746
	Residential Segment	210
	Property Management Segment	6,769
	Real-Estate Agents Segment	2,651
	Wellness Segment	3,568
	Tokyu Hands Segment	2,809
	Innovation Business Segment	988
	Corporate	489

## Tokyu Fudosan Holdings Group As of April 1, 2016



## Stock Information As of March 31, 2016

Stock Exchange:	Tokyo Stock Exchange	Shareholder Registry Administrator:	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Securities Code:	3289	Handling Office of Shareholder Registry Administrator:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Share Trading Unit:	100 shares	Contact:	Sumitomo Mitsui Trust Bank, Limited Network of nationwide branches
Number of shares authorized to be issued by the Company:	2,400,000,000 shares	Mailing Address:	2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063
Total No. of Shares Issued:	640,830,974 shares	Telephone Inquiries:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency +0120-782-031 (free dial)
Fiscal Year:	April 1 to March 31 of the following year		
Annual General Meeting of Shareholders:	June each year		
Shareholders' Record Date:	<ul style="list-style-type: none"> <li>Annual General Meeting of Shareholders March 31</li> <li>Profit Distribution March 31</li> <li>Interim Dividend September 30</li> <li>Other Public notification of certain dates in advance</li> </ul>		



Major Shareholders	Number of Shares Held (Thousand Shares)	Percentage of Shares Held
Tokyu Corporation	96,879	15.91%
Japan Trustee Services Bank Ltd. (Trust Account)	35,888	5.90%
The Master Trust Bank of Japan Ltd. (Trust Account)	31,250	5.13%
Sumitomo Mitsui Trust Bank, Limited	21,008	3.45%
The Dai-ichi Life Insurance Company, Limited	14,918	2.45%
State Street Bank and Trust Company 505223	8,127	1.34%
Nippon Life Insurance Company	8,107	1.33%
Japan Trustee Services Bank Ltd. (Trust Account 4)	7,387	1.21%
State Street Bank West Client-Treaty 505234	7,127	1.17%
Japan Trustee Services Bank Ltd. (Trust Account 7)	6,647	1.09%

(Notes)  
 1. Tokyu Fudosan Holdings Corporation has 32,063,644 share 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.

**Editorial Policy**

The Tokyu Fudosan Holdings Group has decided to produce an integrated report from the fiscal year ended March 31, 2016 to provide all stakeholders with a better understanding of the Group's past, present, and future endeavors to create value. This report contains information on 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. For more detailed financial and CSR information, we ask that you refer to the Company's website.

**Financial information:**

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

**CSR information:**

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