

# ANNUAL REPORT 2005

Year Ended March 31, 2005



TOKYU LAND CORPORATION

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# BUSINESS REPORT

## Years ended March 31, 2005

### I. Outline of business

#### 1. Five-Years Financial Highlights

##### (1) Summary of consolidated statements of income

|   | Yen (millions) |           |           |           |           | U.S. dollars<br>(thousands) |
|---|----------------|-----------|-----------|-----------|-----------|-----------------------------|
|   | 2001           | 2002      | 2003      | 2004      | 2005      | 2005                        |
| Revenue from operations                           | ¥ 488,872      | ¥ 494,453 | ¥ 508,625 | ¥ 508,335 | ¥ 540,304 | \$ 5,049,570                |
| Gross profit                                      | 94,184         | 97,426    | 103,984   | 102,076   | 111,874   | 1,045,551                   |
| <i>Gross margin rate</i>                          | 19.3%          | 19.7%     | 20.4%     | 20.1%     | 20.7%     | 20.7%                       |
| Selling, general and administrative expenses      | 68,668         | 71,848    | 72,846    | 69,746    | 71,559    | 668,775                     |
| <i>Sales selling ratio</i>                        | 14.0%          | 14.5%     | 14.3%     | 13.7%     | 13.2%     | 13.2%                       |
| Operating income                                  | 25,516         | 25,578    | 31,138    | 32,330    | 40,315    | 376,776                     |
| Operating income before depreciation              | 38,220         | 38,316    | 43,595    | 44,527    | 52,898    | 494,374                     |
| Other income                                      | 2,878          | 7,085     | 2,387     | 8,298     | 11,590    | 108,318                     |
| Other expenses                                    | 24,066         | 20,073    | 20,817    | 26,535    | 39,089    | 365,318                     |
| Income before income taxes and minority interests | 4,328          | 12,590    | 12,708    | 14,093    | 12,816    | 119,776                     |
| Net income  | ¥ 2,884        | ¥ 7,242   | ¥ 5,145   | ¥ 5,370   | ¥ 7,566   | \$ 70,710                   |

##### (2) Summary of consolidated balance sheets

|                                   | Yen (millions) |           |           |           |           | U.S. dollars<br>(thousands) |
|-----------------------------------|----------------|-----------|-----------|-----------|-----------|-----------------------------|
|                                   | 2001           | 2002      | 2003      | 2004      | 2005      | 2005                        |
| Assets                            | ¥ 890,835      | ¥ 875,909 | ¥ 894,508 | ¥ 893,881 | ¥ 874,942 | \$ 8,177,028                |
| Common stock                      | 32,154         | 32,154    | 32,154    | 32,289    | 32,639    | 305,037                     |
| Shareholders' equity              | 58,377         | 63,389    | 69,905    | 81,987    | 83,978    | 784,841                     |
| <i>Shareholders' equity ratio</i> | 6.6%           | 7.2%      | 7.8%      | 9.2%      | 9.6%      | 9.6%                        |
| Borrowings                        | 504,716        | 472,760   | 461,110   | 440,064   | 418,054   | 3,907,047                   |
| EBITDA-multiple                   | 13.3           | 12.5      | 10.6      | 9.9       | 7.9       | 7.9                         |
| ROA                               | 2.9%           | 3.0%      | 3.6%      | 3.7%      | 4.7%      | 4.7%                        |

##### (3) Others

|                               | Yen (millions) |          |          |          |          | U.S. dollars<br>(thousands) |
|-------------------------------|----------------|----------|----------|----------|----------|-----------------------------|
|                               | 2001           | 2002     | 2003     | 2004     | 2005     | 2005                        |
| Capital expenditure           | ¥ 27,085       | ¥ 14,787 | ¥ 13,601 | ¥ 37,710 | ¥ 33,640 | \$ 314,393                  |
| Payment for equity investment | 5,832          | 11,626   | 25,993   | 19,932   | 31,515   | 294,533                     |
| Depreciation and amortization | 12,704         | 12,738   | 12,457   | 12,197   | 12,583   | 117,598                     |

##### (4) Summary of cash flows

|  | Yen (millions) |          |          |          |          | U.S. dollars<br>(thousands) |
|--|----------------|----------|----------|----------|----------|-----------------------------|
|  | 2001           | 2002     | 2003     | 2004     | 2005     | 2005                        |
| CF from operating activities                     | ¥ 45,867       | ¥ 32,091 | ¥ 39,683 | ¥ 45,146 | ¥ 34,467 | \$ 322,121                  |
| CF from investing activities                     | (21,671)       | 9,968    | (25,689) | (10,986) | 17,571   | 164,215                     |
| CF from financing                                | (34,854)       | (37,121) | (14,225) | (20,837) | (27,622) | (258,150)                   |
| Cash and cash equivalents at the end of the year | ¥ 53,109       | ¥ 59,588 | ¥ 59,495 | ¥ 72,780 | ¥ 97,189 | \$ 908,308                  |

## **2. Major Business**

- (1) Real Estate Sales  
Development and sales of condominiums and houses
- (2) Contracted Construction  
Contracted construction of custom-built houses, and house improvement of custom-built houses and condominiums
- (3) Retail sales  
Retail sales of materials and products for living and DIY in Tokyu Hands shops
- (4) Leasing of Real Estate  
Leasing of buildings to be used for offices, stores and shops, and hotels; and management of shopping centers
- (5) Property Management  
Facilities management for buildings, condominiums, and apartments
- (6) Resorts  
Operation of leisure and sports facilities (golf courses, ski resorts, membership resort hotels, and urban-style sports clubs)
- (7) Real Estate Agent and Other Businesses  
Real estate agent, appraisal, etc.

## **3. Business policy**

### Basic Policy

The Corporate Group (Tokyu Land Corporation and its subsidiaries) is a general life industry aiming to create a beautiful living environment, together with the group's customers, taking a global view of people and living from a business approach based on seven businesses under the Tokyu group's slogan of "Toward a Beautiful Age." As a member of the Tokyu group, the Company will continue its efforts to expand the Company's shareholders' values with a management focus on speedily responding to the rapidly changing business environment of the twenty-first century and achieving corporate evolution in terms of creating customer-oriented new products and services and thereby enhancing the value of the Tokyu brand, representing confidence and reliability. Tokyu Community and Tokyu Livable, the Company's consolidated subsidiaries listed on the Tokyo Stock Exchange, aim at achieving further management innovation with support from their shareholders in the market.

### Basic Policies Regarding Distribution of Profits

It is the Company's policy to determine the dividend payments to shareholders based on a comprehensive review of the results of corporate performance during the fiscal year, the future management environment, and the corporate business development plans and to balance these factors with profit retention. In the deep recession in the wake of the collapse of Japan's bubble economy, the Company was forced to suspend the payment of dividends for seven

years in a row. However, in fiscal 2002 (the business year ending on March 31, 2003), the Company was able to resume dividend payment. This year, too, the Company plans to pay a year-end dividend of ¥2.5 per share. The Company expects that the level of dividend should be reviewed during and after fiscal 2006 to reflect the application of Accounting Standard for Impairment of Property and Equipment.

### Target Management Indices

#### **Old indices**

In the midterm management plan implemented in fiscal 2000, the Company employed the EBITDA multiple, which represents a relationship between operating profits before depreciation and interest-bearing debt to measure the financial health of the Company, and ROA as a measure of asset efficiency as the key management indices. As shown below, the EBITDA multiple improved from 16.5 in fiscal 1999 to 7.9 in fiscal 2004, achieving the target one year earlier than expected. ROA has reached its target of 4.7% in fiscal 2004.

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

FY 2004 target: 10 times or less

| FY 2001    | FY 2002    | FY 2003   | FY 2004   |
|------------|------------|-----------|-----------|
| 12.5 times | 10.6 times | 9.9 times | 7.9 times |

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

FY 2004 target: 4% or more

| FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|---------|---------|---------|---------|
| 3.0%    | 3.6%    | 3.7%    | 4.7%    |

#### **New indices**

The new midterm management plan, Grow Value 2007, set a 2007 consolidated operating income objective of ¥52 billion. To help expand operating income without depending on an increase in assets, the Company continues the use of ROA with a 2007 objective of 6.0%.

|                  | FY 2004 actual   | FY 2007 target   |
|------------------|------------------|------------------|
| Operating Income | 40.3 billion yen | 52.0 billion yen |
| ROA              | 4.7%             | 6.0%             |

### Mid- to Long-Term Management Strategies and Challenges

In coping with the collapse of the real-estate bubble economy, the Company has been making efforts to dispose of overvalued assets to improve its financial health. In fiscal year 1999, for example, the Company re-evaluated its business properties (a write-down of ¥86 billion on a parent company basis) and recorded a re-evaluation loss of ¥26.5 billion on the land held for sale. Subsequently, the Company continued its efforts to maintain and expand profitability appropriate to the size of its assets. Unfortunately, however, with the application of Accounting Standard for Impairment of Property and Equipment, there have emerged cases needing additional disposal, due partly to the expansion of loss reflecting decreasing sales in the golf and ski business, continued land price dropping in suburban areas, and the existence of consolidated subsidiaries' assets that are yet to be reappraised. The Company has been taking a phased approach to cope with the situation over a three-year period until fiscal 2006 when the application of Accounting Standard for Impairment of Property and Equipment will be mandatory: In fiscal 2003 the Company recognized ¥15.7 billion of extraordinary loss including ¥11 billion in revaluation losses on inventories; In fiscal 2004 the Company recognized ¥28.8 billion of loss consisting primarily of the loss on the sale of fixed assets including three golf courses in Hokkaido; In fiscal 2005 the Company plans to recognize ¥29 billion in loss by

applying impairment accounting. In this three-year period, the Company will recognize an accumulated loss of ¥73.5 billion.

The Company's mid-term management plan implemented in fiscal 2000 was intended to return its operating performance to normal from its debt-ridden condition. Specifically, aiming at reducing the level of its interest-bearing debts from 16.5-fold the EBITDA (Earning Before Interest, Taxes, Depreciation, and Amortization) in fiscal 1999 to less than tenfold by fiscal 2004, the Company has been making efforts to reduce its interest-bearing debts and improve profitability. The objective was achieved in fiscal 2003, a year ahead of plan. In fiscal 2004, the Company's operating income was double the level of fiscal 1999 (¥40.3 billion from ¥20.4 billion) with a reduction in the Company's interest-bearing debts by more than 20% from ¥539 billion to ¥418 billion, which translated into 7.9-fold the EBITDA, surpassing the objective by a substantial margin. In the real-estate-leasing segment in particular, the Company has been developing middle-size office buildings aggressively in the downtown area without adding to its own assets by capitalizing on outside money through its SPC(s) while pushing with the sales of existing assets including small buildings. As a result, the segment successfully expanded its operating income by almost three times to ¥25.5 billion in fiscal 2004 from ¥8.9 billion in fiscal 1999.

The Company's new mid-term management plan, Grow Value 2007, which started in fiscal 2005, is a continuation of its efforts to achieve profit growth. Specifically, the Company set its fiscal 2007 operating income objective at ¥52 billion by adding ¥11.7 billion to the fiscal 2004 result. In the real estate industry environment, the role of real estate including cash flows as a financial product has been increasingly expanding because of the spreading use of real estate securitization techniques such as REIT (Real Estate Investment Trust). As a group of businesses that offer total real-estate-related services including the development, maintenance, and sale of real estate, the Company will expand and improve its assets such as office buildings, commercial facilities, and rental housing by making investments through SPCs, raising funds using outside money, providing facility operation and management services, and providing brokerage services. In this way, the Company will provide services to customers by leveraging on its strength through the consolidation of different lines of business and thereby increase its fee income commensurate of the values added. In an effort to respond to the changing market environment reflecting Japan's rapidly aging population, the Company has been doing business targeted at senior people such as selling condominiums and operating resort facilities (e.g., the Harvest Club). The Company will continue its efforts to further expand its business in this area by offering rental accommodations and nursing care facilities.

#### Business-related and other risks

##### (1) Real-estate market conditions and land price fluctuation

The Company is committed to supply, sell, and profit from its house selling business, including detached houses and condominiums, on a stable basis. However, the house selling business is characteristically heavily affected by demand trends reflecting business cycles and interest rate changes as well as supply trends reflecting the volume and prices of houses supplied by the competition. Office space leasing is also susceptible to changes in the unit lease fee and the vacancy factor, both of which reflect such demand/supply trends. Furthermore, land prices may continue to drop, affecting the profitability of the house selling business and the value of assets on hand.

##### (2) Dependence on interest-bearing debts and trends of interest

As a group of businesses, the Company raises funds for marketing and capital investment primarily by borrowing money from financial institutions, as well as by using its own funds and deposits received from its customers. As of the end of this term, the balance of borrowed money was ¥418.1 billion (48% of total assets) with the average procurement ratio of 1.87%. For the Company's long-term borrowing, the average

time until maturity is about two and a half years. Since fixed-interest borrowing accounts for 74% of the Company's total borrowing (parent company basis), the impact of future interest rate increase would be relatively limited in the short term but large in the mid-to-long term.

By aggressively reducing the amount of its interest-bearing debts, the Company successfully achieved its previous mid- to long-term management plan objective of attaining a level less than tenfold the EBTDA (Earning Before Interest, Taxes, Depreciation, and Amortization) in the fiscal year ended in March 2004. Since, however, the ratio of interest-bearing debts to equity (DE ratio) is 5.0, translating into a relatively high financial leverage, the cost of interest financing, if increased, would have a large impact on management performance.

As for investments through SPCs, the leverage of non-recourse loans helps in terms of their dividend. Existing loans were raised principally on a fixed-interest basis and are therefore immune from any future interest rate increase. However, if the cost of fundraising increases in the future, their dividend yield would decrease.

### (3) Legal regulations

As a real-estate company, the Company conducts its operation with a business permit under the Building Lots and Buildings Transaction Business Law and must follow legal regulations associated with real-estate transactions, leasing, management commission, construction, property management, and others. It is also expected that as the scope of its business expands, new legal regulations will be imposed. For example, part of the Company's property investments through SPCs is under the regulation of the Law on the Special Assets Liquidation through Special Purpose Companies and others. The Company's group business would be affected by any future revision or replacement of these regulations.

### (4) Information systems

In an effort to improve and better use its information systems, the Company has been taking various security measures, including IT infrastructure enhancement and the securing of data backup. In the event of facing a system risk, however, the business operation and processing would be seriously affected.

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

The Company implements various measures under its basic corporate governance policy of enhancing management efficiency and building a healthy, transparent business promotion organization. The Company will make good of its accountability to its shareholders and investors through disclosure of quarterly financial results, earlier announcement of financial statements, and other measures.

### •Introduction of operating officers and reinforcement of the functions of board directors

Effective April 2002 the Company introduced operating officers to separate the managerial and operating functions that had previously been assumed by board directors, for the purpose of improving management efficiency and expediting the speed of decision making. The board directors are responsible for making management decisions and supervising the process of business operations, while the operating officers are responsible for performing business operations. In April 2003, to reinforce these functions, the Company reorganized the structure of operating officers by introducing a hierarchy. At the same time, we defined the functions of board directors, making the hierarchy of the board of directors, with the exception of the CEO, flat.

- Corporate auditors

The Company has a auditing system consisting of four auditors including three outside auditors, one of whom is a standing director of Tokyu Corporation, its non-consolidated affiliated company. They are responsible for auditing the work of board directors by attending board meetings and other important meetings, interviewing board directors, examining important documents related to decision making, surveying the status of corporate assets, etc.

- Reinforcement of risk management through management by compliance

Reinforcing management by compliance is one of the Company's major managerial challenges. To this end, the Company has in place the Tokyu Land Corporation Group code of conduct for rigorous execution of risk management in compliance with the code. The Audit Department, which is responsible for internal auditing, brings compliance home to all employees and helps business functions be performed properly by auditing job performance, improving various manuals, and conducting risk management courses.

- Independent Auditors

The Company is under an accounting audit agreement with the ERNST&YOUNG SHINNIHON to conduct auditing under the Commercial Code and the Securities and Exchange Law. And annual audit fee of company and its consolidated subsidiaries amounted to ¥74 million in fiscal 2004.

## **4. Operating Result and Financial Position**

### **1. Current Operating Performance**

The Company ended this year with ¥540.3 billion in operating revenues (up 6.3% from a year earlier), ¥40.3 billion in operating income (up 24.7%), ¥30.8 billion in ordinary income (up 37.5%), and ¥7.6 billion in net income (up 40.9%), achieving increases in both revenues and income compared with a year earlier as well as the performance forecast. Operating income was up ¥8 billion thanks to a substantial increase in income in the real-estate-leasing segment.

The Company recognized ¥11.5 billion in other income including gain on the sale of fixed assets. To cope with the introduction of impairment accounting slated for next year, the Company started disposing, in a planned manner, of low-performing assets whose values show a wide discrepancy from the current values. For this year, the Company recognized a total of ¥39.0 billion in other expenses consisting mainly of loss on the sale of fixed assets, resulting in ¥7.6 billion in current net income.

(Unit: ¥ billion)

|                       | Previous year | Current year | Comparison | Projection<br>(Nov/2004) | Against<br>projection |
|-----------------------|---------------|--------------|------------|--------------------------|-----------------------|
| Sales                 | 508.3         | 540.3        | 32.0       | 530.0                    | 10.3                  |
| Operating income      | 32.3          | 40.3         | 8.0        | 36.0                     | 4.3                   |
| Net income            | 5.4           | 7.6          | 2.2        | 5.0                      | 2.6                   |
| Interest-bearing debt | 440.1         | 418.1        | (22.0)     | 430.0                    | (11.9)                |



## 2. Segment Performance

### Sales (Unit ¥ billion)

|  | Previous year | Current year | Comparison |
|--|---------------|--------------|------------|
| Total                                      | 508.3         | 540.3        | 32.0       |
| Real Estate Sales                          | 139.7         | 151.5        | 11.8       |
| Contracted Construction                    | 64.9          | 69.0         | 4.1        |
| Retail Sales                               | 93.8          | 91.9         | (1.9)      |
| Leasing of Real Estate                     | 79.5          | 88.3         | 8.8        |
| Property Management                        | 68.9          | 71.9         | 3.0        |
| Resorts                                    | 37.9          | 40.2         | 2.3        |
| Real-Estate Agents and Other               | 40.9          | 44.2         | 3.3        |
| Adjustment for Inter- Company Transactions | (17.3)        | (16.7)       | 0.6        |

### Operating income (Unit ¥ billion)

|  | Previous year | Current year | Comparison |
|--|---------------|--------------|------------|
| Total                                      | 32.3          | 40.3         | 8.0        |
| Real Estate Sales                          | 5.0           | 6.6          | 1.6        |
| Contracted Construction                    | (0.2)         | 1.2          | 1.4        |
| Retail Sales                               | 2.4           | 2.1          | (0.3)      |
| Leasing of Real Estate                     | 21.6          | 25.5         | 3.9        |
| Property Management                        | 3.2           | 3.3          | 0.1        |
| Resorts                                    | 0.7           | 1.2          | 0.5        |
| Real Estate Agent and Other                | 4.2           | 4.8          | 0.6        |
| Adjustment for Inter- Company Transactions | (4.6)         | (4.4)        | 0.2        |

#### (1) Real Estate Sales

Sales were ¥151.5 billion (up 8.4% from a year earlier), and operating income was ¥6.6 billion (up 31.7%). These included 3,147 condominiums worth ¥124.7 billion, 577 detached houses worth ¥17.5 billion, and resort houses worth ¥2.8 billion. The Company had an income increase thanks to increased sales and decreased selling expenses. But operating income remained low because the Company accelerated the selling of unprofitable assets and recognized loss on the sale of assets accordingly.

The Company supplied 3,111 new condominiums and won almost as many contracts as originally planned. As a result, the ratio of sold units to the planned sales for next year reached 56% (up 10 percentage points from a year earlier, patent company basis).

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 139.7         | 151.5        | 11.8       |
| Operating income | 5.0           | 6.6          | 1.6        |

| (After conversion for equity holding) | Previous year | Current year |       | Comparison |
|---------------------------------------|---------------|--------------|-------|------------|
| Condominium                           | 111.6         | 3,147 unit   | 124.7 | 13.1       |
| Detached Housing                      | 13.9          | 577 unit     | 17.5  | 3.6        |
| Country houses                        | 7.2           | 89 unit      | 2.8   | (4.4)      |
| Other sales                           | 7.0           | —            | 6.5   | (0.5)      |

| (Before conversion for equity holding) | New supply | Contracted units |
|--|------------|------------------|
| Total                                  | 3,582      | 3,907            |
| Condominiums                           | 3,111      | 3,412            |
| Detached housing                       | 436        | 408              |
| Country houses                         | 35         | 87               |

|                  | End of March 2004 | End of March 2005 |
|------------------|-------------------|-------------------|
| Condominiums     | 363               | 221               |
| Detached housing | 25                | 87                |

(2) Contracted construction

Sales were ¥69 billion (up 6.4% from a year earlier) and operating income was ¥1.2 billion. Improved gross margin rates in the house renovation business and other operations allowed profitability to pick up. The Company secured more orders than the year-earlier level for built-to-order houses, renovation, gardening, and major repair work for common use space of condominiums.

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 64.9          | 69.0         | 4.1        |
| Operating income | (0.2)         | 1.2          | 1.4        |

Sales Breakdown

|                           | Previous year | Current year | Comparison |
|---------------------------|---------------|--------------|------------|
| Custom-made houses        | 23.7          | 24.7         | 1.0        |
| Renovation                | 17.6          | 18.0         | 0.4        |
| Landscape gardening, etc. | 23.6          | 26.3         | 2.7        |

Orders received (sales)

|                           | Previous year | Current year | Comparison |
|---------------------------|---------------|--------------|------------|
| Total sales               | 62.1          | 66.1         | 4.0        |
| Custom-built houses       | 27.5          | 28.7         | 1.2        |
| Renovation                | 16.5          | 17.3         | 0.8        |
| Landscape gardening, etc. | 18.1          | 20.1         | 2.0        |

### (3) Retail Sales

Sales were ¥91.9 billion (down 2.0% from a year earlier) and operating income was ¥2.1 billion (down 103%). The Tokyu Hands Kawasaki Store and Kitasenju Store, both of which opened in 2003, contributed to sales throughout the year. The Company also opened HomeyRoomy Funabashi Store in November 2004. This is a new type of retail store intended for low-cost operation. The declining tendency of revenues at its existing stores could not be reversed due to continuing new home center openings in metropolitan areas and at suburban shopping centers. The revenue shrinkage was 6.3% less than the year-earlier level. It showed a decreasing trend from the first half to the second half.

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 93.8          | 91.9         | (1.9)      |
| Operating income | 2.4           | 2.1          | (0.3)      |

Sales breakdown (Unit: ¥ billion)

| (Current no. of outlets)    | Previous year | Current year | Comparison |
|-----------------------------|---------------|--------------|------------|
| Tokyo metropolitan area (9) | 65.1          | 64.5         | (0.6)      |
| Kansai region (3)           | 18.7          | 17.6         | (1.1)      |
| Local regions (2)           | 7.9           | 7.1          | (0.8)      |
| Small-scale outlets (8)     | 2.1           | 2.7          | (0.6)      |

### (4) Leasing of Real Estate

Sales were ¥88.3 billion (up 11.0% from a year earlier) and operating income was ¥25.5 billion (up 18.2%). In fiscal 2004, the Company opened five office buildings with full tenant occupancy: Shibuya Square, which opened in April, Hamamatsucho Square, which opened in October, Nihonbashi Honcho Tokyu Building, which opened in November, Ichigaya Tokyu Building, which opened in November, and Shibuya Minami Tokyu Building, which opened in February 2005. In addition, the Company opened two commercial facilities: Gento Yokohama, which opened in November and La Vamo Sasashima, which opened in March, 2005.

In June the Company launched a private office building fundraising business. The Company also enlarged the rental housing fund business in terms of assets.

Demand for office space has been picking up. As of the end of March, the vacancy factor of commercial office buildings (unit basis) had improved to 3.2% (down 1.5 percentage points from the year-earlier level).

In terms of new development projects, the Company started its Uchisaiwaicho 1-chome, Nihonbashi 2-chome, and Shiodome projects. The Company also obtained a permit for its establishing Futako Tamagawa City Area Redevelopment Association from the competent authority.

The house leasing business, run by the Company's subsidiaries, carried on successfully: The number of houses assigned to the Company for maintenance increased to as many as 62,000. In the Company's long-stay hotel business (Tokyu Stay hotels), the Company opened Tokyu Stay Gotanda and Tokyu stay Higashi Ginza in March. With these, the Company runs a total of ten hotels (1,195 rooms) in the metropolitan area.

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 79.5          | 88.3         | 8.8        |
| Operating income | 21.6          | 25.5         | 3.9        |

Sales breakdown (Unit: ¥ billion)

|                    | Previous year | Current year | Comparison |
|--------------------|---------------|--------------|------------|
| Owned              | 25.2          | 24.8         | (0.4)      |
| Leased             | 19.2          | 17.5         | (1.7)      |
| SPCs               | 9.0           | 14.6         | 5.6        |
| Subsidiaries total | 26.1          | 31.4         | 5.3        |

Outstanding investments in SPCs (Parent company)

| End of March 2003 | End of March 2004 | End of March 2005 |             |
|-------------------|-------------------|-------------------|-------------|
| 2.6               | 3.5               | 4.0               | (Case)      |
| 38.5              | 52.7              | 68.1              | (¥ billion) |

Office and commercial leasing floor space/Vacancy rate

|                                     | End of March 2003 | End of March 2004 | End of March 2005 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Leasing floor space (square meters) | 695,299           | 767,063           | 803,459           |
| Office/Commercial                   | 574,475           | 593,049           | 588,951           |
| SPCs                                | 120,823           | 174,014           | 214,508           |
| Vacancy rate (consolidated basis)   | 3.6%              | 5.0%              | 3.7%              |
| Vacancy rate (parent company basis) | 3.2%              | 4.7%              | 3.2%              |

Major new opening and plans

|            | Use/Open           |           | Floor space (1,000 m <sup>2</sup> ) |
|------------|--------------------|-----------|-------------------------------------|
| Kudan-kita | Office/residential | Jan. 2006 | 59                                  |

No. of leased houses

(Units)

|                                  | End of March 2003 | End of March 2004 | End of March 2005 |
|----------------------------------|-------------------|-------------------|-------------------|
| Houses for lease                 | 9,062             | 9,805             | 9,486             |
| Lease management service         | 30,325            | 33,069            | 34,538            |
| Company house management service | 20,423            | 21,781            | 27,659            |

(5) Property Management

Sales were ¥71.9 billion (up 4.2% from a year earlier) and operating income was ¥3.3 billion (up 3.2%). Despite the increasingly intensifying competitive environment, Tokyu Community, which provides condominium and building management services, successfully received maintenance and management orders and as of the end of fiscal year 2004, it had 315,000 condominiums (up 17,000 units from a year earlier) and 1,229 buildings (up 25 buildings) for its maintenance and management service.

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 68.9          | 71.9         | 3.0        |
| Operating income | 3.2           | 3.3          | 0.1        |

(Number of sites managed as of year end)

|                              | End of Mar. 2003 | End of Mar. 2004 | End of Mar. 2005 |
|------------------------------|------------------|------------------|------------------|
| Condominiums (Units)         | 278,593          | 297,786          | 315,166          |
| Buildings (no. of contracts) | 1,176            | 1,204            | 1,229            |

## (6) Resorts

Sales were ¥40.2 billion (up 6.2% from a year earlier) and operating income was ¥1.2 billion (up 61.8%), because the successful operations of the Company's membership resort hotel business (the Harvest Club) and an increased fitness club membership more than offset the low profitability of its ski resort business.

Based on a review of the structure of its assets, the Company started disposing of unpromising facilities while developing new facilities by making best use of the existing business infrastructure. In fiscal 2004 the Company sold three golf courses in Hokkaido as well as the Hanazono area of the Niseko ski resort. On the other hand, the Company acquired a ski site adjoining to its existing Niseko Hirafu ski resort in Hokkaido and a golf course in the Nasu area for the purpose of developing a facility complex integrating a Harvest Club and a golf course.

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 37.9          | 40.2         | 2.3        |
| Operating income | 0.7           | 1.2          | 0.5        |

(Unit: ¥ billion)

| (No. of current facilities) | Previous year | Current year | Comparison |
|-----------------------------|---------------|--------------|------------|
| Golf courses (14)           | 5.4           | 5.2          | (0.2)      |
| Harvest (20)                | 6.9           | 7.9          | 1.0        |
| Oasis (22)                  | 8.5           | 9.0          | 0.5        |
| Ski (5)                     | 7.0           | 7.3          | 0.3        |
| Other                       | 10.1          | 10.8         | 0.7        |

(Membership resort hotel)  
(Membership fitness club)

## (7) Real Estate Agent and Other Businesses

Sales were ¥44.2 billion (up 8.3% from the year earlier) and operating income was ¥4.8 billion (up 14.3%). Aiming at attaining the number one position in the Tokyo metropolitan area in terms of the volume of real estate brokerage transactions, Tokyu Livable did well by opening new branches for individual private users in the downtown area and areas along the Chuo Line and by increasing the number of transactions of large-scale buildings for business users or for investment. As a result, its business was up 20.7% from a year earlier, securing increased revenue and increased income as in the previous year.

(Unit: ¥ billion)

|                  | Previous year | Current year | Comparison |
|------------------|---------------|--------------|------------|
| Sales            | 40.9          | 44.2         | 3.3        |
| Operating income | 4.2           | 4.8          | 0.6        |

(Unit: ¥ billion)

|                         | Previous year | Current year | Comparison |
|-------------------------|---------------|--------------|------------|
| Real-estate sales agent | 25.4          | 28.2         | 2.8        |
| Consignment sales       | 7.0           | 7.9          | 0.9        |
| Insurance agency        | 0.9           | 1.2          | 0.3        |
| Other                   | 7.6           | 6.9          | (0.7)      |

### 3. Financial Conditions

| Consolidated          |                  | (Unit: ¥ billion) |                  |  |
|-----------------------|------------------|-------------------|------------------|--|
|                       | End of Mar. 2003 | End of Mar. 2004  | End of Mar. 2005 |  |
| Total assets          | 894.5            | 893.9             | 874.9            |  |
| Total liabilities     | 808.6            | 793.4             | 772.9            |  |
| Shareholder's equity  | 69.9             | 82.0              | 84.0             |  |
| Equity ratio          | 7.8%             | 9.2%              | 9.6%             |  |
| Interest-bearing debt | 461.1            | 440.1             | 418.1            |  |
| EBITDA multiple       | 10.6 x           | 9.9 x             | 7.9 x            |  |
| ROA                   | 3.6%             | 3.7%              | 4.7%             |  |

| Parent company        |                  | (Unit: ¥ billion) |                  |  |
|-----------------------|------------------|-------------------|------------------|--|
|                       | End of Mar. 2003 | End of Mar. 2004  | End of Mar. 2005 |  |
| Total assets          | 720.7            | 717.5             | 682.3            |  |
| Total liabilities     | 639.9            | 627.5             | 594.6            |  |
| Shareholder's equity  | 80.8             | 90.0              | 87.6             |  |
| Equity ratio          | 11.2%            | 12.5%             | 12.8%            |  |
| Interest-bearing debt | 391.0            | 369.0             | 349.5            |  |
| EBITDA multiple       | 13.6 x           | 12.8 x            | 10.5 x           |  |
| ROA                   | 3.0%             | 3.0%              | 3.8%             |  |

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

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

### 4. Cash Flow

As of the end of this year, cash and cash equivalents were at ¥97.2 billion, having increased by ¥24.4 billion from the end of the previous year. The details of cash flows are given below:

#### (Cash Flow from Operations)

Cash flows from operations increased by ¥34.5 billion, notwithstanding a ¥13.9 billion decrease in the purchase debt, thanks to ¥7.6 billion in net income, ¥12.6 billion in depreciation, ¥18.5 billion in loss on the sale of property and equipment.

#### (Cash Flow from Investment)

Cash flows from investment increased by ¥17.6 billion despite the fact that we invested ¥33.6 billion in fixed assets and ¥31.5 billion in equity with ¥60.4 billion in proceeds from the sale of fixed assets and ¥13.3 billion decrease in investment in non-consolidated subsidiaries and affiliates.

#### (Cash Flow from Financing)

Cash flows from financing decreased by ¥27.6 billion despite the fact that the Company borrowed a long-term loan of ¥106.2 billion because of the repayment of a long-term loan of ¥117.9 billion and a decrease in a short-term loan of ¥14.4 billion.

<Trend of indices>

|                                    | Period ending<br>March 2003 | Period ending<br>March 2004 | Period ending<br>March 2005 |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Equity ratio                       | 7.8%                        | 9.2%                        | 9.6%                        |
| Equity ratio on market value basis | 6.2%                        | 17.0%                       | 24.2%                       |
| Debt repayment years               | 11.6 years                  | 9.7 years                   | 12.1 years                  |
| Interest coverage ratio            | 3.6 x                       | 4.5 x                       | 3.9 x                       |

Equity Ratio: Equity/Total Assets

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

Debt Repayment Years: Interest-Bearing Debt/Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow/Interest Payments

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

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

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

\* All figures calculated based on the Consolidated Financial Statements.

## **5. Employees**

(As of March 31, 2005)

| Segment of business         | Number of employees | Number of temporary employees |
|-----------------------------|---------------------|-------------------------------|
| Real Estate Sales           | 254                 | (14)                          |
| Contracted Construction     | 1,103               | (9)                           |
| Retail Sales                | 2,936               | (324)                         |
| Leasing of Real Estate      | 796                 | (29)                          |
| Property Management         | 5,191               | (2,482)                       |
| Resorts                     | 1,543               | (1,461)                       |
| Real Estate Agent and Other | 2,231               | (93)                          |
| Whole Company (Common)      | 285                 | (6)                           |
| Total                       | 14,339              | (4,418)                       |

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

## **6. Purchase of Property and Equipment**

The Corporate Group consolidated financial statement for the current fiscal year shows total capital investments of ¥ 33,640 million; This includes investments made by its leasing of the real-estate business for the purpose of constructing and operating new buildings in addition to acquiring existing buildings.

## II. Outline of the Company

### 1. Distribution of Common Stock of the Company

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

1,000,000,000 shares

(2) Total number of shares issued:

461,876,304 shares

Note: The Company issued 3,337,000 shares of common stock by exercising the common stock preemptive right (stock option) under the old Commercial Law Article 280-19.

(3) Number of shareholders: (51,269)

(4) Principal shareholders:

| Name of Shareholder   | Investment by each principal shareholder in the Company |                                | Investment by the Company in each principal shareholder |                                |
|---|---|--------------------------------|---|--------------------------------|
|   | Number of shares held                                   | Percent of total shares issued | Number of shares held                                   | Percent of total shares issued |
|   | (thousand shares)                                       | (%)                            | (thousand shares)                                       | (%)                            |
| Tokyu Corporation   | 76,880  | 16.7                           | 1,119   | 0.1                            |
| The Master Trust Bank of Japan Ltd.<br>(Trust Account)  | 31,875  | 6.9                            | -   | -                              |
| Japan Trustee Services Bank Ltd.<br>(The Chuo Mitsui Trust and Banking Company, Limited Retirement Benefit Trust Account) | 22,508  | 4.9                            | -   | -                              |
| The Dai-ichi Mutual Life Insurance Company  | 20,383  | 4.4                            | -   | -                              |
| Japan Trustee Services Bank Ltd.<br>(Trust Account)   | 18,877  | 4.1                            | -   | -                              |
| Nippon Life Insurance Company   | 16,855  | 3.7                            | -   | -                              |
| Trust & Custody Service Bank Ltd.<br>(Trust Account B)  | 8,715   | 1.9                            | -   | -                              |



## **2. Information on Major Subsidiaries**

| Name                               | Paid-in capital | Percentage of shares owned by the Company | Principal business  |
|------------------------------------|-----------------|---|---|
|                                    | Yen (million)   | (%)                                       |   |
| Tokyu Community Co., Ltd.          | 1,653           | *49.86                                    | Management of buildings and condominium apartments                        |
| Tokyu Livable, Inc.                | 1,396           | *52.81                                    | Intermediary and sales agency for land and buildings                      |
| Tokyu Home Co., Ltd.               | 400             | 100.00                                    | Housing construction  |
| Tokyu Hands Inc.                   | 400             | 72.92                                     | Retail Sales of D-I-Y goods   |
| Tokyu Amenix Corporation           | 100             | 100.00                                    | Remodeling and rebuilding   |
| Tokyu Loan & Guarantee Corporation | 100             | 100.00                                    | Guarantees for home loans and loan business                               |
| Ishikatsu Exterior, Inc            | 199             | 100.00                                    | Design, execution, and management of landscape gardening and construction |
| Tokyu Resort Corporation           | 480             | 100.00                                    | Sales, commission sales, and agent for villas                             |
| Tokyu Relocation Co., Ltd.         | 100             | 100.00                                    | Real Estate management, leasing, sales and agency                         |
| EWEL Inc.                          | 150             | 65.00                                     | Welfare facilities outsourcing business                                   |

Note: 1. Shares marked with \* include indirect ownership, through the Company's subsidiaries.

2. Tokyu Community Co., Ltd. and Tokyu Livable, Inc. are listed on the Tokyo Stock Exchange.

## **3. Principal lenders**

| Lender   | Amount of borrowing | Shares of the Company held by lender |                                      |
|--|---------------------|--------------------------------------|--------------------------------------|
|  |                     | Number of shares held by lender      | Percentage of shares owned by lender |
|  | Yen (million)       | (thousand shares)                    | (%)                                  |
| The Chuo Mitsui Trust and Banking Company, Limited | 59,101              | 10                                   | 0.0                                  |
| Mizuho Corporate Bank Ltd.                         | 45,585              | 2,165                                | 0.5                                  |
| The Sumitomo Trust and Banking Company, Limited    | 41,849              | 3,127                                | 0.7                                  |
| The Mitsubishi Trust and Banking Corporation       | 39,078              | 4,080                                | 0.9                                  |
| The Bank of Tokyo-Mitsubishi, Ltd.                 | 37,370              | 4,019                                | 0.9                                  |

#### **4. Directors and Statutory Auditors**

Name and Position

President and Director

Masatake Ueki\*

Directors:

Kiyoshi Kanazashi

Yoshiaki Maeda

Yoshihiro Nakajima

Motonobu Nakamura

Mitsuru Uchiyama

Ushio Okamoto

Tetsuro Aki

Kiyofumi Kamijo

Takahiko Dobashi

Yasuo Sodeyama

Corporate Auditors:

Nobuo Kinya

Seimei Saitoh

Koichi Iki

Isao Adachi

(as of June 25, 2004)

Note:

1. Directors marked with \* are Representative Directors.

## Report of Independent Auditors

The Board of Directors  
Tokyu Land Corporation

We have audited the accompanying consolidated balance sheets of Tokyu Land Corporation and consolidated subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyu Land Corporation and consolidated subsidiaries at March 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.



June 28, 2005

**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
As of March 31, 2004 and 2005

| <u>Assets</u>  | Yen (millions) |           | U.S. dollars<br>(thousands)<br>(Note 2) |
|--|----------------|-----------|---|
|  | 2004           | 2005      | 2005                                    |
| <b>Current assets:</b>   |                |           |   |
| Cash and cash equivalents (Note 6)                             | ¥ 72,780       | ¥ 97,189  | \$ 908,308                              |
| Short-term investments   | 309            | 192       | 1,794                                   |
| Trade receivables  | 14,097         | 25,012    | 233,757                                 |
| Inventories (Notes 3 and 6)                                    | 167,711        | 159,173   | 1,487,598                               |
| Short-term loans   | 753            | 430       | 4,019                                   |
| Deferred tax assets (Note 8)                                   | 10,197         | 10,404    | 97,234                                  |
| Other current assets   | 12,484         | 18,790    | 175,608                                 |
| Allowance for doubtful accounts                                | (124)          | (390)     | (3,645)                                 |
| Total current assets   | 278,207        | 310,800   | 2,904,673                               |
| <b>Investments and guarantee deposits:</b>                     |                |           |   |
| Investments in non-consolidated subsidiaries<br>and affiliates | 2,587          | 660       | 6,168                                   |
| Investments in Special Purpose Companies                       | 51,467         | 68,331    | 638,607                                 |
| Investments in other securities (Note 6)                       | 26,702         | 17,991    | 168,140                                 |
| Guarantee and lease deposits (Note 6)                          | 62,724         | 59,051    | 551,879                                 |
| Deferred tax assets (Note 8)                                   | 4,716          | 5,350     | 50,000                                  |
| Other investments  | 15,279         | 13,743    | 128,439                                 |
| Allowance for doubtful accounts                                | (5,585)        | (4,714)   | (44,056)                                |
| Total investments and guarantee deposits                       | 157,890        | 160,412   | 1,499,177                               |
| <b>Property and equipment (Notes 6 and 12):</b>                |                |           |   |
| Land   | 260,816        | 212,524   | 1,986,206                               |
| Buildings and structures                                       | 282,014        | 271,536   | 2,537,720                               |
| Machinery and equipment  | 34,637         | 32,835    | 306,869                                 |
| Construction in progress                                       | 3,782          | 4,662     | 43,570                                  |
|  | 581,249        | 521,557   | 4,874,365                               |
| Less accumulated depreciation                                  | (146,641)      | (142,581) | (1,332,533)                             |
| Net property and equipment                                     | 434,608        | 378,976   | 3,541,832                               |
| Intangible assets (Note 6)                                     | 23,176         | 24,754    | 231,346                                 |
|  | ¥ 893,881      | ¥ 874,942 | \$ 8,177,028                            |

See accompanying notes to the consolidated financial statements.

|  | Yen (millions)   |                  | U.S. dollars<br>(thousands)<br>(Note 2) |
|--|------------------|------------------|---|
| <u>Liabilities, Minority interest and Shareholders' Equity</u>                   | 2004             | 2005             | 2005                                    |
| <b>Current liabilities:</b>  |                  |                  |   |
| Short-term borrowings (Notes 4, 5 and 6)   | ¥ 89,176         | ¥ 74,751         | \$ 698,607                              |
| Current portion of long-term debt (Notes 4 and 6)                                | 95,573           | 98,724           | 922,654                                 |
| Trade payables   | 63,884           | 50,029           | 467,561                                 |
| Other payables   | 16,057           | 17,880           | 167,103                                 |
| Accrued expenses   | 10,093           | 10,019           | 93,635                                  |
| Accrued income taxes   | 3,563            | 1,569            | 14,664                                  |
| Advances and deposits received   | 55,996           | 68,745           | 642,477                                 |
| Deposit received for special joint ventures                                      | 35,458           | 24,897           | 232,682                                 |
| Other current liabilities(Note 8)  | 2,868            | 3,686            | 34,449                                  |
| Total current liabilities  | <u>372,668</u>   | <u>350,300</u>   | <u>3,273,832</u>                        |
| Long-term debt (Notes 4 and 6)   | 255,315          | 244,578          | 2,285,776                               |
| Guarantee and lease deposits received (Notes 6 and 7)                            | 131,934          | 131,648          | 1,230,355                               |
| Employees' retirement and severance benefits (Note 9)                            | 12,807           | 14,254           | 133,215                                 |
| Deferred tax liabilities (Note 8)  | 2,335            | 1,334            | 12,467                                  |
| Other liabilities  | 18,378           | 30,836           | 288,187                                 |
| Total liabilities  | <u>793,437</u>   | <u>772,950</u>   | <u>7,223,832</u>                        |
| Minority interests   | 18,457           | 18,014           | 168,355                                 |
| <b>Shareholders' equity (Note 10):</b>   |                  |                  |   |
| Common stock-  |                  |                  |   |
| Authorized 1,000,000,000 shares  |                  |                  |   |
| Issued 458,539,304 shares in 2004 and 461,876,304 shares in 2005                 | 32,289           | 32,639           | 305,037                                 |
| Additional paid-in capital   | 13,734           | 14,089           | 131,673                                 |
| Land revaluation difference (Note 12)  | 33,427           | 14,916           | 139,402                                 |
| Retained earnings (deficit)  | (3,183)          | 21,687           | 202,682                                 |
| Unrealized gain on investment securities   | 7,067            | 1,980            | 18,505                                  |
| Foreign currency translation adjustments   | (1,209)          | (1,077)          | (10,065)                                |
|  | 82,125           | 84,234           | 787,234                                 |
| Less treasury stock at cost, 868,698 shares in 2004,<br>1,178,375 shares in 2005 | (138)            | (256)            | (2,393)                                 |
| Net shareholders' equity   | <u>81,987</u>    | <u>83,978</u>    | <u>784,841</u>                          |
| Contingent liabilities (Note 13)   | <u>¥ 893,881</u> | <u>¥ 874,942</u> | <u>\$ 8,177,028</u>                     |

See accompanying notes to the consolidated financial statements.

**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
Years ended March 31, 2004 and 2005

|  | Yen (millions) |           | U.S. dollars<br>(thousands)<br>(Note 2) |
|--|----------------|-----------|---|
|  | 2004           | 2005      | 2005                                    |
| Revenue from operations                              | ¥ 508,335      | ¥ 540,304 | \$ 5,049,570                            |
| Cost of revenue from operations                      | 406,259        | 428,430   | 4,004,019                               |
| Gross profit   | 102,076        | 111,874   | 1,045,551                               |
| Selling, general and administrative expenses         | 69,746         | 71,559    | 668,775                                 |
| Operating income                                     | 32,330         | 40,315    | 376,776                                 |
| Other income:  |                |           |   |
| Interest   | 215            | 170       | 1,589                                   |
| Dividends  | 360            | 294       | 2,748                                   |
| Gains on sales of property and equipment             | 6,281          | 7,364     | 68,822                                  |
| Gains on sales of marketable securities              | 477            | 2,214     | 20,692                                  |
| Gains on sales of investment in affiliates           | 449            | 1,046     | 9,775                                   |
| Other  | 516            | 502       | 4,692                                   |
|  | 8,298          | 11,590    | 108,318                                 |
| Other expenses:                                      |                |           |   |
| Interest   | 10,198         | 8,998     | 84,093                                  |
| Provision for bad debts                              | 96             | 102       | 953                                     |
| Revaluation losses of inventories                    | 10,975         | 2,436     | 22,766                                  |
| Revaluation losses of marketable securities          | 404            | 43        | 402                                     |
| Loss on investment in subsidiaries                   | -              | 1,095     | 10,234                                  |
| Loss on sales of property and equipment              | 1,095          | 24,963    | 233,299                                 |
| Foreign exchange loss                                | 130            | 149       | 1,393                                   |
| Equity in loss (gain) of affiliates                  | (427)          | 432       | 4,037                                   |
| Provision of reserve for loss in loans guarantee     | 1,731          | -         | -                                       |
| Other  | 2,333          | 871       | 8,141                                   |
|  | 26,535         | 39,089    | 365,318                                 |
| Income before income taxes<br>and minority interests | 14,093         | 12,816    | 119,776                                 |
| Income taxes (Note 8):                               |                |           |   |
| Current  | 5,243          | 2,409     | 22,514                                  |
| Deferred   | 1,265          | 2,145     | 20,047                                  |
| Income before minority interests                     | 7,585          | 8,262     | 77,215                                  |
| Minority interests                                   | (2,215)        | (696)     | (6,505)                                 |
| Net income   | ¥ 5,370        | ¥ 7,566   | \$ 70,710                               |
|  |                |           |   |
|  | Yen            |           | U.S. dollars<br>(Note 2)                |
| Net income per share of common stock:                |                |           |   |
| Basic  | ¥ 11.50        | ¥ 16.17   | \$ 0.15                                 |
| Diluted  | -              | 16.09     | 0.15                                    |

See accompanying notes to the consolidated financial statements.

**TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
Years ended March 31, 2004 and 2005

|  | Yen (millions)   |                  | U.S. dollars<br>(thousands)<br>(Note 2) |
|--|------------------|------------------|---|
|  | 2004             | 2005             | 2005                                    |
| <b>Common stock :</b>                                      |                  |                  |   |
| Balance at beginning of year                               | ¥ 32,154         | ¥ 32,289         | \$ 301,766                              |
| Issuance of common shares under stock option plan (Note11) | 135              | 350              | 3,271                                   |
| Balance at end of year                                     | <u>¥ 32,289</u>  | <u>¥ 32,639</u>  | <u>\$ 305,037</u>                       |
| <b>Additional paid-in capital :</b>                        |                  |                  |   |
| Balance at beginning of year                               | ¥ 13,600         | ¥ 13,734         | \$ 128,355                              |
| Issuance of common shares under stock option plan (Note11) | 134              | 350              | 3,271                                   |
| Gain on sale of treasury stock                             | -                | 5                | 47                                      |
| Balance at end of year                                     | <u>¥ 13,734</u>  | <u>¥ 14,089</u>  | <u>\$ 131,673</u>                       |
| <b>Land revaluation difference:</b>                        |                  |                  |   |
| Balance at beginning of year                               | ¥ 33,631         | ¥ 33,427         | \$ 312,402                              |
| Reversal   | (204)            | (18,511)         | (173,000)                               |
| Balance at end of year                                     | <u>¥ 33,427</u>  | <u>¥ 14,916</u>  | <u>\$ 139,402</u>                       |
| <b>Retained earnings (deficit) :</b>                       |                  |                  |   |
| Balance at beginning of year                               | ¥ (7,560)        | ¥ (3,183)        | \$ (29,748)                             |
| Net income   | 5,370            | 7,566            | 70,710                                  |
| Reversal of land revaluation difference                    | 204              | 18,511           | 173,000                                 |
| Cash dividend  | (1,142)          | (1,144)          | (10,691)                                |
| Bonuses to directors and corporate auditors                | (55)             | (63)             | (589)                                   |
| Balance at end of year                                     | <u>¥ (3,183)</u> | <u>¥ 21,687</u>  | <u>\$ 202,682</u>                       |
| <b>Unrealized gain (loss) on investment securities</b>     |                  |                  |   |
| Balance at beginning of year                               | ¥ (752)          | ¥ 7,067          | \$ 66,047                               |
| Net change during year                                     | 7,819            | (5,087)          | (47,542)                                |
| Balance at end of year                                     | <u>¥ 7,067</u>   | <u>¥ 1,980</u>   | <u>\$ 18,505</u>                        |
| <b>Foreign currency translation adjustment:</b>            |                  |                  |   |
| Balance at beginning of year                               | ¥ (1,069)        | ¥ (1,209)        | \$ (11,299)                             |
| Net change during year                                     | (140)            | 132              | 1,234                                   |
| Balance at end of year                                     | <u>¥ (1,209)</u> | <u>¥ (1,077)</u> | <u>\$ (10,065)</u>                      |

See accompanying notes to the consolidated financial statements.

**TOKYU LAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended March 31 , 2004 and 2005

|   | Yen (millions) |          | U.S. dollars<br>(thousands)<br>(Note 2) |
|---|----------------|----------|---|
|   | 2004           | 2005     | 2005                                    |
| Cash flows from operating activities:   |                |          |   |
| Net income  | ¥ 5,370        | ¥ 7,566  | \$ 70,710                               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                |          |   |
| Depreciation and amortization   | 12,197         | 12,583   | 117,598                                 |
| Equity in income of affiliates  | (427)          | 432      | 4,037                                   |
| Minority interests  | 2,215          | 696      | 6,505                                   |
| Loss (gain) on sales and disposal of property and equipment                       | (4,650)        | 18,516   | 173,047                                 |
| Revaluation losses of marketable securities                                       | 404            | 43       | 402                                     |
| Revaluation losses on inventories   | 10,975         | 2,437    | 22,776                                  |
| Decrease (increase) in assets:  |                |          |   |
| Trade receivables   | 1,127          | (11,030) | (103,084)                               |
| Allowance for doubtful accounts   | (9,658)        | (612)    | (5,720)                                 |
| Inventories   | 14,094         | 6,168    | 57,645                                  |
| Other current assets  | (320)          | (6,148)  | (57,458)                                |
| Other assets  | 10,083         | 6,499    | 60,738                                  |
| Increase (decrease) in liabilities:   |                |          |   |
| Trade payables  | (1,386)        | (13,855) | (129,486)                               |
| Other payables  | (973)          | 1,822    | 17,028                                  |
| Accrued expenses  | 1,225          | (71)     | (664)                                   |
| Accrued income taxes  | 103            | (2,528)  | (23,626)                                |
| Advances and deposits received  | 2,940          | (11,424) | (106,766)                               |
| Deposits received for special joint ventures                                      | 4,986          | 2,439    | 22,794                                  |
| Other current liabilities   | (794)          | 292      | 2,729                                   |
| Employees' retirement and severance benefits                                      | 1,591          | 1,440    | 13,458                                  |
| Other liabilities   | (4,625)        | 6,360    | 59,439                                  |
| Bonuses to directors and corporate auditors                                       | (104)          | (121)    | (1,131)                                 |
| Other, net  | 773            | 12,963   | 121,150                                 |
| Net cash provided by operating activities   | ¥ 45,146       | ¥ 34,467 | \$ 322,121                              |

See accompanying notes to the consolidated financial statements.



|  | Yen (millions)  |                 | U.S. dollars<br>(thousands)<br>(Note 2) |
|--|-----------------|-----------------|---|
|  | 2004            | 2005            | 2005                                    |
| Cash flows from investing activities:  |                 |                 |   |
| Proceeds from sales of property and equipment                                    | ¥ 34,957        | ¥ 60,361        | \$ 564,121                              |
| Purchase of property and equipment   | (37,710)        | (33,640)        | (314,392)                               |
| Proceeds from sales of investment securities                                     | 5,586           | 5,946           | 55,570                                  |
| Purchase of investment securities  | (2,836)         | (857)           | (8,009)                                 |
| Proceeds from sales of shares of consolidated subsidiaries                       | 664             | -               | -                                       |
| Additional acquisition of shares of consolidated subsidiaries                    | -               | (628)           | (5,869)                                 |
| Cash and cash equivalents acquired<br>from changes in the scope of consolidation | 232             | 910             | 8,505                                   |
| Investments in Special Purpose Companies-net                                     | (12,965)        | (17,586)        | (164,355)                               |
| Decrease in short-term investments-net   | 162             | 117             | 1,093                                   |
| Decrease in short-term loans receivables-net                                     | 472             | 1               | 9                                       |
| Decrease in guarantee and lease deposits-net                                     | 427             | 2,454           | 22,935                                  |
| Other, net   | 25              | 493             | 4,607                                   |
| Net cash provided (used) in investing activities                                 | <u>(10,986)</u> | <u>17,571</u>   | <u>164,215</u>                          |
| Cash flows from financing activities :   |                 |                 |   |
| Decrease in short-term borrowings  | (15,890)        | (14,370)        | (134,299)                               |
| Proceeds from long-term debt   | 123,827         | 106,242         | 992,916                                 |
| Repayment of long-term debt  | (128,552)       | (117,904)       | (1,101,907)                             |
| Increase (decrease) in guarantee and lease deposits received                     | 986             | (604)           | (5,645)                                 |
| Proceeds from issuance of common shares under stock option plan                  | 269             | 701             | 6,551                                   |
| Cash dividend  | (1,142)         | (1,144)         | (10,692)                                |
| Cash dividend paid to minority interests   | (296)           | ( 429 )         | (4,009)                                 |
| Purchase of treasury stock   | (39)            | (114)           | (1,065)                                 |
| Net cash used in financing activities  | <u>(20,837)</u> | <u>(27,622)</u> | <u>(258,150)</u>                        |
| Translation difference in cash and cash equivalents                              | <u>(38)</u>     | <u>(7)</u>      | <u>(65)</u>                             |
| Net increase in cash and cash equivalents  | 13,285          | 24,409          | 228,121                                 |
| Cash and cash equivalents at the beginning of year                               | <u>59,495</u>   | <u>72,780</u>   | <u>680,187</u>                          |
| Cash and cash equivalents at the end of year                                     | <u>¥ 72,780</u> | <u>¥ 97,189</u> | <u>\$ 908,308</u>                       |

Supplementary Cash flow Information:

|                                | Yen (millions) |         | U.S. dollars<br>(thousands) |
|--------------------------------|----------------|---------|-----------------------------|
|                                | 2004           | 2005    | 2005                        |
| Cash paid during the year for: |                |         |                             |
| Interest                       | ¥ 10,129       | ¥ 8,904 | \$ 83,215                   |
| Income taxes                   | 5,140          | 4,936   | 46,131                      |

See accompanying notes to the consolidated financial statements.

# TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### (a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Tokyu Land Corporation (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 Securities and Exchange Law of Japan.

In preparing the accompanying financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

#### (b) 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 on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or 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.

#### (c) Cash and Cash Equivalents

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

#### (d) Investments in Special Purpose Companies (SPC)

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

#### (e) Short-term Investments and Investments in Other Securities

The Company classifies its securities into one of the following three categories; trading, held-to-maturity, or other securities. Based on this classification system, all of the Company’s securities are classified as held-to-maturity and other securities.

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

Other securities with a determinable market value are carried principally at market value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in “Unrealized gain on investment securities” in “Shareholders’ equity”. Other securities without a

determinable market value are carried principally at cost. The cost of other securities sold is principally computed by the moving average-method.

(f) Inventories

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

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

(g) Property and Equipment

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

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

Estimated useful lives are as follows:

|                          |               |
|--------------------------|---------------|
| Buildings and structures | 3 to 65 years |
| Machinery and equipment  | 2 to 17 years |

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

(h) Recognition of Revenue

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

(i) Leases

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

(j) Income Taxes

The Company has adopted the Consolidated Taxation System. Deferred tax assets and liabilities have been recognized in the consolidated financial statements for the years ended March 31, 2004 and 2005 with respect to the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) Employees' Retirement and Severance Benefits

Allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized transition differences, unrecognized actuarial gain or loss and unrecognized prior service cost.

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

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

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

(l) Foreign Currency Translation

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 dates, and the unrealized gain or loss is reflected in other income (expenses).

The balance sheet accounts of foreign subsidiaries are translated into yen at the year end rates. Gains and losses resulting from translation are generally excluded from the statements of income and are accumulated under the balance sheet caption "Foreign currency translation adjustments" in "Shareholders' equity".

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at annual average exchange rate.

(m) Net Income Per Share

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, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock option plan.

(n) Reclassification

Certain reclassifications have been made to the previous year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2005.

## **2. Basis of Financial Statements Translation**

The accompanying consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of readers, have been translated into United States dollars at the rate of 107=U.S. \$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2005. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that or any other rate.

## **3. Inventories**

Inventories at March 31, 2004 and 2005 are summarized as follows:

|                        | Yen (millions) |           | U.S. dollars<br>(thousands) |
|------------------------|----------------|-----------|-----------------------------|
|                        | 2004           | 2005      | 2005                        |
| Land                   | ¥ 127,813      | ¥ 118,984 | \$ 1,112,000                |
| Residential housing    | 31,284         | 30,992    | 289,645                     |
|                        | 159,097        | 149,976   | 1,401,645                   |
| Merchandise            | 7,517          | 8,046     | 75,196                      |
| Materials and supplies | 1,097          | 1,151     | 10,757                      |
|                        | ¥ 167,711      | ¥ 159,173 | \$ 1,487,598                |

## **4. Short-term Borrowings and Long-term Debt**

Short-term borrowings at March 31, 2004 and 2005 consist of loans principally from banks with weighted average interest rates of 1.54% and 1.45% in 2004 and 2005, respectively.

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

Long-term debt at March 31, 2004 and 2005 are summarized as follows:

|  | Yen (millions) |           | U.S. dollars<br>(thousands) |
|--|----------------|-----------|-----------------------------|
|  | 2004           | 2005      | 2005                        |
| Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2004 to 2030, weighted average 1.99% in 2004, 1.96% in 2005. |                |           |                             |
| Secured  | ¥ 45,187       | ¥ 23,201  | \$ 216,832                  |
| Unsecured  | 305,701        | 320,101   | 2,991,598                   |
|  | 350,888        | 343,302   | 3,208,430                   |
| Less current portion   | (95,573)       | (98,724)  | (922,654)                   |
|  | ¥ 255,315      | ¥ 244,578 | \$ 2,285,776                |

The aggregate annual maturates of long-term debt after March 31, 2006 are as follows:

| <u>Year ending March 31,</u> | <u>Yen<br/>(millions)</u> | <u>U.S. dollars<br/>(thousands)</u> |
|------------------------------|---------------------------|-------------------------------------|
| 2007                         | ¥ 95,622                  | \$ 893,663                          |
| 2008                         | 73,948                    | 691,103                             |
| 2009                         | 40,816                    | 381,458                             |
| 2010                         | 17,793                    | 166,290                             |
| 2011 and thereafter          | 16,399                    | 153,262                             |
|                              | <u>¥ 244,578</u>          | <u>\$ 2,285,776</u>                 |

## **5. Commitment Line**

The Company and its consolidated subsidiaries entered into contracts for overdraft with 25 banks at March 31,2004, 26 banks at March 31,2005,and commitment lines with 5 banks at March 31,2004 and 2005. These contracts at March 31, 2004 and 2005 are summarized as follows:

|  | <u>Yen (millions)</u> |                  | <u>U.S. dollars<br/>(thousands)</u> |
|--|-----------------------|------------------|-------------------------------------|
|  | <u>2004</u>           | <u>2005</u>      | <u>2005</u>                         |
| Limit of overdraft                         | ¥ 132,731             | ¥ 126,855        | \$ 1,185,561                        |
| Loan ceiling amount for<br>commitment line | 20,000                | 20,000           | 186,916                             |
| Borrowing outstanding                      | (56,043)              | (41,790)         | (390,561)                           |
| Available commitment lines                 | <u>¥ 96,688</u>       | <u>¥ 105,065</u> | <u>\$ 981,916</u>                   |

## **6. Pledged Assets and Secured Liabilities**

Pledged assets and secured liabilities at March 31, 2004 and 2005 are summarized as follows:

### (1) Pledged assets

|  | <u>Yen (millions)</u> |                 | <u>U.S. dollars<br/>(thousands)</u> |
|--|-----------------------|-----------------|-------------------------------------|
|  | <u>2004</u>           | <u>2005</u>     | <u>2005</u>                         |
| Land for sale                                      | ¥ 7,970               | ¥ 1,401         | \$ 13,094                           |
| Land   | 73,470                | 39,358          | 367,832                             |
| Buildings  | 34,556                | 34,140          | 319,065                             |
| Land lease rights included<br>in intangible assets | 709                   | 709             | 6,626                               |
| Investment in other securities                     | 2,612                 | 690             | 6,449                               |
| Guarantee and lease deposits                       | 388                   | 310             | 2,897                               |
|  | <u>¥ 119,705</u>      | <u>¥ 76,608</u> | <u>\$ 715,963</u>                   |

In addition to the above, cash of ¥31 million(U.S.\$290 thousand), ¥79 million(U.S.\$738 thousand) and investments in other securities ¥1,050 million(U.S.\$9,813 thousand), ¥1,037 million(U.S.\$9,692 thousand) were pledged as collateral for guarantee of the real estate trading business, at March 31,2004 and 2005, respectively.

(2) Secured liabilities

|                                       | Yen (millions)  |                 | U.S. dollars<br>(thousands) |
|---------------------------------------|-----------------|-----------------|-----------------------------|
|                                       | 2004            | 2005            | 2005                        |
| Long-term debt                        | ¥ 34,542        | ¥ 19,172        | \$ 179,178                  |
| Current portion of long-term debt     | 10,644          | 4,028           | 37,645                      |
| Short-term borrowings                 | 1,509           | 360             | 3,364                       |
| Guarantee and lease deposits received | 4,200           | 7,306           | 68,280                      |
| Affiliated company's borrowings       | 1,566           | -               | -                           |
|                                       | <u>¥ 52,461</u> | <u>¥ 30,866</u> | <u>\$ 288,467</u>           |

**7. Guarantee and Lease Deposits Received**

Guarantee and lease deposits received at March 31, 2004 and 2005 are summarized as follows:

|  | Yen (millions)   |                  | U.S. dollars<br>(thousands) |
|--|------------------|------------------|-----------------------------|
|  | 2004             | 2005             | 2005                        |
| Guarantee deposits from tenants, non-interest-bearing  | ¥ 62,205         | ¥ 65,977         | \$ 616,608                  |
| Guarantee deposits primarily from members of golf clubs and leisure facilities, non-interest-bearing | 63,940           | 59,536           | 556,411                     |
| Guarantee deposits from others, principally non-interest-bearing                                     | 5,789            | 6,135            | 57,336                      |
|  | <u>¥ 131,934</u> | <u>¥ 131,648</u> | <u>\$ 1,230,355</u>         |

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

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

## 8. Income Taxes

The significant component of the deferred tax assets and deferred tax liabilities at March 31, 2004 and 2005 are as follows:

|  | Yen(millions) |          | U.S. dollars<br>(thousands) |
|--|---------------|----------|-----------------------------|
|  | 2004          | 2005     | 2005                        |
| Deferred tax assets:                     |               |          |                             |
| Valuation loss on inventories            | ¥ 10,085      | ¥ 8,128  | \$ 75,963                   |
| Valuation loss on securities             | 3,735         | 2,427    | 22,682                      |
| Amortization of intangible assets        | 619           | 730      | 6,822                       |
| Allowance for doubtful accounts          | 1,338         | 1,813    | 16,944                      |
| Accrued expenses                         | 304           | 336      | 3,140                       |
| Accrued bonuses to employees             | 2,975         | 3,120    | 29,159                      |
| Retirement and severance benefits        | 4,704         | 5,486    | 51,271                      |
| Net operating loss carryforwards         | 3,244         | 1,935    | 18,084                      |
| Unrealized inter-company transactions    | 513           | 2,296    | 21,458                      |
| Other                                    | 2,349         | 2,114    | 19,758                      |
| Gross deferred tax assets                | 29,866        | 28,385   | 265,281                     |
| Less: valuation allowance                | (11,611)      | (11,561) | (108,047)                   |
| Total deferred tax assets                | ¥ 18,255      | ¥ 16,824 | \$ 157,234                  |
| Deferred tax liabilities:                |               |          |                             |
| Unrealized gain on investment securities | ¥ 4,699       | ¥ 1,419  | \$ 13,262                   |
| Other                                    | 982           | 993      | 9,280                       |
| Total deferred tax liabilities           | 5,681         | 2,412    | 22,542                      |
| Net deferred tax assets                  | ¥ 12,574      | ¥ 14,412 | \$ 134,692                  |

|   | Yen(millions) |          | U.S. dollars<br>(thousands) |
|---|---------------|----------|-----------------------------|
|   | 2004          | 2005     | 2005                        |
| Deferred tax assets – current   | ¥ 10,197      | ¥ 10,404 | \$ 97,234                   |
| Deferred tax assets – non current   | 4,716         | 5,350    | 50,000                      |
| Deferred tax liabilities – current<br>(included in other current liabilities) | (4)           | (8)      | (75)                        |
| Deferred tax liabilities – non current  | (2,335)       | (1,334)  | (12,467)                    |
|   | 12,574        | 14,412   | 134,692                     |

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2004 and 2005 differ from the statutory tax rate for the following reasons:

|  | 2004  | 2005   |
|--|-------|--------|
| Statutory tax rate   | 41.8% | 40.5%  |
| Increase (reduction) in income taxes resulting from:             |       |        |
| Entertainment expenses not deductible for tax purposes           | 2.1   | 2.5    |
| Non-taxable dividends income                                     | (0.6) | (0.9)  |
| Equity in income of non-consolidated subsidiaries and affiliates | 1.3   | 1.4    |
| Per capita inhabitant tax  | 1.0   | 1.2    |
| Realization of unrealized gain on the intercompany transaction   | -     | (10.1) |
| Other  | 0.6   | 0.9    |
| Effective tax rate   | 46.2% | 35.5%  |



## **9. Employees' Retirement and Severance Benefits**

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

|   | Yen (millions) |          | U.S. dollars<br>(thousands) |
|---|----------------|----------|-----------------------------|
|   | 2004           | 2005     | 2005                        |
| Projected benefit obligation  | ¥ 38,289       | ¥ 38,921 | \$ 363,748                  |
| Plan assets at fair value   | (15,973)       | (17,418) | 162,785                     |
| Funded status   | 22,316         | 21,503   | 200,963                     |
| Unrecognized transition differences resulting<br>from changes in accounting standards | (6,331)        | (5,752)  | (53,757)                    |
| Unrecognized plan assets  | 136            | 326      | 3,047                       |
| Unrecognized actuarial loss   | (4,049)        | (2,469)  | (23,075)                    |
| Unrecognized prior service cost   | 735            | 609      | 5,692                       |
| Net retirement benefit obligation   | 12,807         | 14,290   | 133,551                     |
| Prepaid pension cost  | -              | (36)     | (336)                       |
| Employees' retirement and severance benefits  | ¥ 12,807       | ¥ 14,254 | \$ 133,215                  |

Net periodic pension cost for the years ended March 31, 2004 and 2005 consisted of the following:

|  |         |         |           |
|--|---------|---------|-----------|
| Service cost   | ¥ 2,314 | ¥ 2,297 | \$ 21,467 |
| Interest cost on projected benefit obligation  | 861     | 867     | 8,103     |
| Expected return on plan assets   | (322)   | (369)   | (3,449)   |
| Amortization of unrecognized prior<br>service cost                                       | (110)   | (103)   | (963)     |
| Amortization of actuarial loss   | 877     | 777     | 7,262     |
| Amortization of transition differences resulting from<br>changes in accounting standards | 569     | 578     | 5,402     |
| Net periodic pension cost  | ¥ 4,189 | ¥ 4,047 | \$ 37,822 |

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

|  | 2004      | 2005      |
|--|-----------|-----------|
| Discount rate                          | 2.0%–2.5% | 2.0%–2.5% |
| Expected rate of return on plan assets | 2.0%–2.5% | 2.0%–3.0% |

## **10. Shareholders' Equity**

The Japanese Commercial Code provides that an amount equal to at least 10 percent of appropriations paid in cash be appropriated as the legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25 percent of common stock. Amount of the legal reserve was not included in the retained earnings at March 31, 2004 and 2005. The portion of such aggregated amount in excess of 25 percent of common stock may become available for dividends subsequent to release to retained earnings.

## **11. Stock Option Plan**

In accordance with the Commercial Code of Japan, a stock option for directors (except outside directors), all employees of the Company as of June 27, 2001 was approved at the annual general meeting of the shareholders held on June 27, 2001. Under the terms of this plan, the issuance of 8,397,000 shares of common stock has been authorized. The eligible participants may purchase these stock options at ¥210. The options become exercisable on July 1, 2003 and are scheduled to expire on June 30, 2006.

A summary of changes in granted stock options are as follows:

|                              |                  |        |
|------------------------------|------------------|--------|
| Granted                      | 8,397,000        | shares |
| Exercised in 2004            | (1,283,000)      |        |
| Cancelled in 2004            | <u>(290,000)</u> |        |
| Outstanding at March 31,2004 | 6,824,000        |        |
| Exercised in 2005            | (3,337,000)      |        |
| Cancelled in 2005            | <u>(8,000)</u>   |        |
| Outstanding at March 31,2005 | <u>3,479,000</u> | shares |

## **12. Revaluation of Land**

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

### Method of revaluation

Value of land is determined based on the price which is described in Article 2, Item 5 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998). Value of certain sections of the land is determined based on Articles 2, 3, and 4 of the government ordinance.

Date of revaluation

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

Book value after revaluation exceeded the market value by ¥12,215 million (US\$114.159 thousand) at March 31,2004 and ¥14,158 million (US\$132.318 thousand) at March 31, 2005.

## **13. Contingent Liabilities**

At March 31, 2004 and 2005 the Company and consolidated subsidiaries had the following contingent liabilities:

|  | Yen (millions)  |                 | U.S. dollars      |
|--|-----------------|-----------------|-------------------|
|  | 2004            | 2005            | (thousands)       |
| Guarantee of loans on behalf of:                   |                 |                 | 2005              |
| Individual customers for principally housing loans | ¥ 63,287        | ¥ 48,517        | \$ 453,430        |
| Landowner's union for development cost of land     | 2,323           | 3,745           | 35,000            |
| Employees for their purchase of residential houses | 890             | 749             | 7,000             |
| Affiliate company                                  | -               | 51              | 477               |
| Endorsed notes                                     | 60              | 27              | 252               |
|  | <u>¥ 66,560</u> | <u>¥ 53,089</u> | <u>\$ 496,159</u> |

## **14. Information Regarding Certain Leases**

*(Items Pertaining to Finance Lease Transactions as lessee)*

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

- (1) Acquisition cost equivalents, accumulated depreciation equivalents and book value equivalents of leased properties (mainly office equipment) at March 31, 2004 and 2005 if they were capitalized are as follows:

|                                      | Yen (millions) |         | U.S. dollars<br>(thousands) |
|--------------------------------------|----------------|---------|-----------------------------|
|                                      | 2004           | 2005    | 2005                        |
| Acquisition cost equivalents         | ¥ 8,061        | ¥ 7,649 | \$ 71,486                   |
| Accumulated depreciation equivalents | 4,186          | 3,445   | 32,196                      |
| Book value equivalents               | ¥ 3,875        | ¥ 4,204 | \$ 39,290                   |

- (2) Future lease payments at March 31, 2004 and 2005 are as follows:

|                     | Yen (millions) |         | U.S. dollars<br>(thousands) |
|---------------------|----------------|---------|-----------------------------|
|                     | 2004           | 2005    | 2005                        |
| Due within one year | ¥ 1,303        | ¥ 1,409 | \$ 13,168                   |
| Due after one year  | 2,744          | 2,909   | 27,187                      |
| Total               | ¥ 4,047        | ¥ 4,318 | \$ 40,355                   |

- (3) The equivalent amount of lease payments and depreciation expense and interest expenses there of at March 31, 2004 and 2005 are as follows:

|                      | Yen (millions) |         | U.S. dollars<br>(thousands) |
|----------------------|----------------|---------|-----------------------------|
|                      | 2004           | 2005    | 2005                        |
| Lease payments       | ¥ 1,418        | ¥ 1,540 | \$ 14,393                   |
| Depreciation expense | 1,343          | 1,467   | 13,710                      |
| Interest expenses    | 52             | 66      | 617                         |

*(Items Pertaining to Operating Lease Transactions as lessee)*

Lessee side

Future lease payments:

|                     | Yen (millions) |          | U.S. dollars<br>(thousands) |
|---------------------|----------------|----------|-----------------------------|
|                     | 2004           | 2005     | 2005                        |
| Due within one year | ¥ 3,108        | ¥ 3,542  | \$ 33,103                   |
| Due after one year  | 24,501         | 24,985   | 233,504                     |
| Total               | ¥ 27,609       | ¥ 28,527 | \$ 266,607                  |

Lessor side

Future lease payments:

|                     | Yen (millions) |          | U.S. dollars<br>(thousands) |
|---------------------|----------------|----------|-----------------------------|
|                     | 2004           | 2005     | 2005                        |
| Due within one year | ¥ 1,869        | ¥ 2,726  | \$ 25,477                   |
| Due after one year  | 16,488         | 20,939   | 195,691                     |
| Total               | ¥ 18,357       | ¥ 23,665 | \$ 221,168                  |

## **15. Related Party Transactions**

Tokyu Corporation holds 18.67 percent of the Company's issued shares and some board members are concurrently working for both companies. As a result, the Company is deemed as affiliate company of Tokyu Corporation.

TC Properties, which is a consolidated subsidiary of Tokyu Corporation, constructed some real estate for sale or lease of the Company in the amount of ¥3,924 million in the year ended March 31, 2004, and sold some land and buildings in the amount of ¥2,759 million (US\$25,785 thousand) to the Company and purchased some land in the amount of ¥875 million (US\$8,178 thousand) from the Company in the year ended March 31, 2005.

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

## **16. Segment Information**

The Company's business is composed primarily of seven segments: (1) Real Estate Sales, including the development and sales of condominiums and houses; (2) Contracted Construction, including the construction of custom-built houses, and house improvement of custom-built houses and condominiums; (3) Retail Sales, retail sales of materials and products for living and D-I-Y; (4) Leasing of Real Estate, including leasing of buildings to be used for offices, stores and shops, and hotels, and management of shopping centers; (5) Property Management, principally including facilities management for buildings, condominiums and apartments; (6) Resorts, principally including operations of leisure and sports facilities (golf courses, membership resort hotels, and urban-style sports clubs); and (7) Real Estate Agent and Other Businesses, principally including real estate agency, and insurance agency, etc.

Information by geographic areas is omitted as overseas sales of the Company for the years ended March 31, 2004 and 2005 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the years ended March 31, 2004 and 2005 are as follows:

| Yen (millions)               |                      |                            |              |                           |                        |         |                                   |         |                              |              |
|------------------------------|----------------------|----------------------------|--------------|---------------------------|------------------------|---------|-----------------------------------|---------|------------------------------|--------------|
| Year ended<br>March 31, 2004 | Real Estate<br>Sales | Contracted<br>Construction | Retail sales | Leasing of<br>Real Estate | Property<br>Management | Resorts | Real Estate<br>Agent and<br>Other | Total   | Elimination/<br>Headquarters | Consolidated |
| Revenues:                    |                      |                            |              |                           |                        |         |                                   |         |                              |              |
| Outside customers            | 139,525              | 61,413                     | 93,582       | 77,513                    | 61,901                 | 37,853  | 36,545                            | 508,335 | -                            | 508,335      |
| Inter-segment                | 164                  | 3,475                      | 225          | 2,015                     | 7,046                  | 6       | 4,329                             | 17,263  | (17,263)                     | -            |
| Total                        | 139,690              | 64,888                     | 93,807       | 79,528                    | 68,948                 | 37,859  | 40,874                            | 525,598 | (17,263)                     | 508,335      |
| Costs and expenses           | 134,669              | 65,117                     | 91,453       | 57,971                    | 65,778                 | 37,111  | 36,655                            | 488,758 | (12,753)                     | 476,005      |
| Operating income             | 5,021                | (229)                      | 2,354        | 21,556                    | 3,169                  | 748     | 4,219                             | 36,840  | (4,510)                      | 32,330       |
| Total assets                 | 167,465              | 20,699                     | 44,017       | 386,565                   | 11,557                 | 162,827 | 42,599                            | 835,731 | 58,149                       | 893,881      |
| Depreciation expenses        | 94                   | 361                        | 702          | 5,476                     | 316                    | 4,152   | 645                               | 11,748  | 448                          | 12,197       |
| Capital expenditures         | 133                  | 295                        | 978          | 29,365                    | 180                    | 5,533   | 490                               | 36,978  | 794                          | 37,773       |

| Yen (millions)               |                      |                            |              |                           |                        |         |                                   |         |                              |              |
|------------------------------|----------------------|----------------------------|--------------|---------------------------|------------------------|---------|-----------------------------------|---------|------------------------------|--------------|
| Year ended<br>March 31, 2005 | Real Estate<br>Sales | Contracted<br>Construction | Retail sales | Leasing of<br>Real Estate | Property<br>Management | Resorts | Real Estate<br>Agent and<br>Other | Total   | Elimination/<br>Headquarters | Consolidated |
| Revenues:                    |                      |                            |              |                           |                        |         |                                   |         |                              |              |
| Outside customers            | 151,328              | 65,831                     | 91,758       | 86,265                    | 65,127                 | 40,210  | 39,785                            | 540,304 | -                            | 540,304      |
| Inter-segment                | 126                  | 3,190                      | 177          | 2,027                     | 6,745                  | 10      | 4,463                             | 16,738  | (16,738)                     | -            |
| Total                        | 151,454              | 69,021                     | 91,935       | 88,292                    | 71,872                 | 40,220  | 44,248                            | 557,042 | (16,738)                     | 540,304      |
| Costs and expenses           | 144,840              | 67,822                     | 89,824       | 62,817                    | 68,600                 | 39,009  | 39,427                            | 512,339 | (12,350)                     | 499,989      |
| Operating income             | 6,614                | 1,199                      | 2,111        | 25,475                    | 3,272                  | 1,211   | 4,821                             | 44,703  | (4,388)                      | 40,315       |
| Total assets                 | 167,875              | 21,591                     | 45,016       | 359,730                   | 12,103                 | 147,857 | 60,775                            | 814,947 | 59,995                       | 874,942      |
| Depreciation expenses        | 59                   | 366                        | 764          | 5,657                     | 317                    | 4,278   | 762                               | 12,203  | 380                          | 12,583       |
| Capital expenditures         | 163                  | 360                        | 675          | 25,459                    | 996                    | 3,985   | 1,815                             | 33,453  | 1,231                        | 34,684       |

| U.S. dollars (thousands)     |                      |                            |              |                           |                        |           |                                   |           |                              |              |
|------------------------------|----------------------|----------------------------|--------------|---------------------------|------------------------|-----------|-----------------------------------|-----------|------------------------------|--------------|
| Year ended<br>March 31, 2005 | Real Estate<br>Sales | Contracted<br>Construction | Retail sales | Leasing of<br>Real Estate | Property<br>Management | Resorts   | Real Estate<br>Agent and<br>Other | Total     | Elimination/<br>Headquarters | Consolidated |
| Revenues:                    |                      |                            |              |                           |                        |           |                                   |           |                              |              |
| Outside customers            | 1,414,280            | 615,243                    | 857,551      | 806,215                   | 608,664                | 375,794   | 371,823                           | 5,049,570 | -                            | 5,049,570    |
| Inter-segment                | 1,178                | 29,813                     | 1,654        | 18,944                    | 63,037                 | 94        | 41,710                            | 156,430   | (156,430)                    | -            |
| Total                        | 1,415,458            | 645,056                    | 859,205      | 825,159                   | 671,701                | 375,888   | 413,533                           | 5,206,000 | (156,430)                    | 5,049,570    |
| Costs and expenses           | 1,353,645            | 633,850                    | 839,476      | 587,075                   | 641,122                | 364,570   | 368,477                           | 4,788,215 | (115,421)                    | 4,672,794    |
| Operating income             | 61,813               | 11,206                     | 19,729       | 238,084                   | 30,579                 | 11,318    | 45,056                            | 417,785   | (41,009)                     | 376,776      |
| Total assets                 | 1,568,925            | 201,785                    | 420,710      | 3,361,963                 | 113,112                | 1,381,841 | 567,991                           | 7,616,327 | 560,701                      | 8,177,028    |
| Depreciation expenses        | 551                  | 3,421                      | 7,140        | 52,869                    | 2,963                  | 39,981    | 7,122                             | 114,047   | 3,551                        | 117,598      |
| Capital expenditures         | 1,523                | 3,365                      | 6,308        | 237,935                   | 9,308                  | 37,243    | 16,963                            | 312,645   | 11,505                       | 324,150      |

## TOKYU LAND CORPORATION AND CONSOLIDATED SUBSIDIARIES

## Segment Information (Unaudited)

|  | Yen (millions) |           |           |           |           | U.S. dollars<br>(thousands) |
|--|----------------|-----------|-----------|-----------|-----------|-----------------------------|
|  | 2001           | 2002      | 2003      | 2004      | 2005      | 2005                        |
| Revenue from operations                        |                |           |           |           |           |                             |
| Real Estate Sales                              | ¥ 207,489      | ¥ 200,458 | ¥ 151,369 | ¥ 139,690 | ¥ 151,454 | \$ 1,415,458                |
| Tokyu Land Corporation                         | 143,758        | 137,162   | 144,239   | 133,986   | 144,602   | 1,351,421                   |
| Tokyu Livable, Inc.                            | —              | —         | 7,035     | 5,267     | 7,044     | 65,832                      |
| Tokyu Home Corporation                         | 33,063         | 30,241    | —         | —         | —         | —                           |
| Tokyu Amenix Corporation                       | 18,323         | 18,838    | —         | —         | —         | —                           |
| Tokyu Community Corporation                    | 12,708         | 12,782    | —         | —         | —         | —                           |
| Ishikatsu Exterior, Inc.                       | 6,302          | 5,450     | —         | —         | —         | —                           |
| Eliminations                                   | (6,687)        | (4,026)   | (0)       | (15)      | (10,033)  | (93,766)                    |
| Contracted Construction                        | ¥ —            | ¥ —       | ¥ 61,529  | ¥ 64,888  | ¥ 69,021  | \$ 645,056                  |
| Tokyu Home Corporation                         | —              | —         | 26,115    | 28,849    | 30,451    | 284,589                     |
| Tokyu Amenix Corporation                       | —              | —         | 17,709    | 17,608    | 17,982    | 168,056                     |
| Tokyu Community Corporation                    | —              | —         | 12,475    | 13,291    | 15,172    | 141,794                     |
| Ishikatsu Exterior, Inc.                       | —              | —         | 5,420     | 5,312     | 5,602     | 52,355                      |
| Eliminations                                   | —              | —         | (190)     | (172)     | (187)     | (1,748)                     |
| Retail Sales                                   | ¥ 96,763       | ¥ 100,164 | ¥ 98,630  | ¥ 93,807  | ¥ 91,935  | \$ 859,206                  |
| Tokyu Hands, Inc.                              | 96,763         | 100,164   | 98,630    | 93,807    | 91,935    | 859,206                     |
| Leasing of Real Estate                         | ¥ 70,713       | ¥ 74,290  | ¥ 77,390  | ¥ 79,528  | ¥ 88,292  | \$ 825,159                  |
| Tokyu Land Corporation                         | 49,748         | 52,241    | 52,695    | 53,357    | 56,871    | 531,505                     |
| Tokyu Community Corporation                    | 11,632         | 12,224    | 12,778    | 13,389    | 13,370    | 124,953                     |
| Tokyu Relocation Corporation<br>(consolidated) | 6,271          | 7,143     | 8,832     | 9,369     | 10,852    | 101,421                     |
| Tokyu Livable, Inc.                            | 2,532          | 2,843     | 3,387     | 4,095     | 4,301     | 40,196                      |
| Eliminations                                   | (2,481)        | (516)     | (450)     | (1,496)   | (88)      | (822)                       |
| Property Management                            | ¥ 59,136       | ¥ 62,139  | ¥ 64,738  | ¥ 68,948  | ¥ 71,872  | \$ 671,701                  |
| Tokyu Community Corporation                    | 55,791         | 58,465    | 61,070    | 65,064    | 68,009    | 635,598                     |
| Subsidiaries of Tokyu                          |                |           |           |           |           |                             |
| Community Corporation                          | 10,660         | 11,734    | 12,965    | 14,431    | 15,413    | 144,047                     |
| Eliminations                                   | (7,315)        | (8,060)   | (9,297)   | (10,547)  | (11,551)  | (107,953)                   |
| Resorts  | ¥ 35,188       | ¥ 34,677  | ¥ 35,338  | ¥ 37,859  | ¥ 40,220  | \$ 375,888                  |
| Tokyu Land Corporation                         | 28,055         | 28,388    | 28,577    | 30,932    | 33,009    | 308,495                     |
| Tokyu Resort Service Corporation               | —              | 7,457     | 14,566    | 18,063    | 19,495    | 182,196                     |
| Tokyu Sports Oasis Inc.                        | —              | 5,489     | 5,838     | 6,158     | 6,413     | 59,935                      |
| Izu Kankoukaihatsu Co., Ltd.                   | 1,843          | 1,592     | 1,532     | 1,490     | 1,462     | 13,664                      |
| Tanbara Tokyu Resort Co., Ltd.                 | 1,707          | 1,531     | 1,543     | 1,294     | 1,376     | 12,860                      |
| Pacific Islands Development Corp.              | 1,135          | 1,222     | 1,177     | 1,017     | 1,193     | 11,150                      |
| Niseko Kougen Kankou Co., Ltd.                 | 1,536          | 1,387     | 1,385     | 1,069     | 1,942     | 18,150                      |
| Eliminations                                   | (916)          | (14,352)  | (21,210)  | (24,005)  | (26,412)  | (246,841)                   |
| Real Estate Agent and Other                    | ¥ 36,181       | ¥ 39,144  | ¥ 37,795  | ¥ 40,874  | ¥ 44,248  | \$ 413,533                  |
| Tokyu Livable, Inc.                            | 28,788         | 30,195    | 29,152    | 32,323    | 36,097    | 337,355                     |
| Tokyu Resort Corporation                       | 2,567          | 2,768     | 2,857     | 2,530     | 2,278     | 21,290                      |
| Tokyu Land Corporation                         | 1,826          | 2,219     | 951       | 862       | 638       | 5,963                       |
| Eliminations                                   | (28)           | (401)     | (582)     | (547)     | (511)     | (4,776)                     |
| Total  | 505,470        | 510,872   | 526,791   | 525,598   | 557,042   | 5,206,000                   |
| Eliminations                                   | (16,598)       | (16,419)  | (18,166)  | (17,263)  | (16,738)  | (156,430)                   |
| Revenue from operations<br>(Consolidated)      | ¥ 488,872      | ¥ 494,453 | ¥ 508,625 | ¥ 508,335 | ¥ 540,304 | \$ 5,049,570                |

|                             |   |         |   |         |   |         |   |         |   |         |    |          |
|-----------------------------|---|---------|---|---------|---|---------|---|---------|---|---------|----|----------|
| Operating income            | ¥ | 25,516  | ¥ | 25,578  | ¥ | 31,138  | ¥ | 32,330  | ¥ | 40,315  | \$ | 376,776  |
| Real Estate Sales           |   | 8,928   |   | 5,262   |   | 8,378   |   | 5,021   |   | 6,614   |    | 61,813   |
| Contracted Construction     |   | —       |   | —       |   | (195)   |   | (229)   |   | 1,199   |    | 11,206   |
| Retail Sales                |   | 2,343   |   | 3,184   |   | 3,016   |   | 2,354   |   | 2,111   |    | 19,729   |
| Leasing of Real Estate      |   | 11,505  |   | 14,158  |   | 18,104  |   | 21,556  |   | 25,475  |    | 238,084  |
| Property Management         |   | 2,269   |   | 2,537   |   | 2,609   |   | 3,169   |   | 3,272   |    | 30,579   |
| Resorts                     |   | 661     |   | 815     |   | 460     |   | 748     |   | 1,211   |    | 11,318   |
| Real Estate Agent and Other |   | 3,372   |   | 3,338   |   | 2,638   |   | 4,219   |   | 4,821   |    | 45,056   |
| Elimination / Headquarters  |   | (3,562) |   | (3,716) |   | (3,875) |   | (4,510) |   | (4,388) |    | (41,009) |
| Operating income on Sales   |   | 5.2%    |   | 5.2%    |   | 6.1%    |   | 6.4%    |   | 7.5%    |    |          |
| Real Estate Sales           |   | 4.3%    |   | 2.6%    |   | 5.5%    |   | 3.6%    |   | 4.4%    |    |          |
| Contracted Construction     |   | —       |   | —       |   | (0.3%)  |   | (0.4%)  |   | 1.7%    |    |          |
| Retail Sales                |   | 2.4%    |   | 3.2%    |   | 3.1%    |   | 2.5%    |   | 2.3%    |    |          |
| Leasing of Real Estate      |   | 16.3%   |   | 19.1%   |   | 23.4%   |   | 27.1%   |   | 28.9%   |    |          |
| Property Management         |   | 3.8%    |   | 4.1%    |   | 4.0%    |   | 4.6%    |   | 4.6%    |    |          |
| Resorts                     |   | 1.9%    |   | 2.4%    |   | 1.3%    |   | 2.0%    |   | 3.0%    |    |          |
| Real Estate Agent and Other |   | 9.3%    |   | 8.5%    |   | 7.0%    |   | 10.3%   |   | 10.9%   |    |          |

\* From the year ended March 31, 2003, Contracted Construction segment is separated from Real Estate Sales segment.

### **Company Profile (parent company)**

|              |   |
|--------------|---|
| Established  | December 17, 1953   |
| Headquarters | Shin-nampeidai Tokyu Building., Dogenzaka 1-21-2, Shibuya-ku, Tokyo                     |
| Capital      | ¥32,639 million (as of March 31, 2005)  |
| URL          | <a href="http://www.tokyu-land.co.jp/english/">http://www.tokyu-land.co.jp/english/</a> |