ANNUAL REPORT 2014

Year Ended March 31, 2014

TOKYU FUDOSAN HOLDINGS

CONTENTS

Message from the President

Please let me take this opportunity to thank our shareholders for their continued generous support.

In 1918, as housing congestion was emerging as a problem in the course of Japan's modernization, Den-en Toshi Co., the origin of the Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries ("the Group"), was established. Den-en Toshi Co. developed Den-en Chofu, a beautiful and comfortable town having houses and gardens, based on the concept of garden cities in Europe and the United States, and in addition to providing houses, created a new lifestyle of working downtown and living in the suburbs. We, the Group, have inherited this business attitude: displaying initiative in addressing social challenges and solving them through projects based on ideals and philosophies.

Japan is facing a number of challenges stemming from economic maturity, the aging population with a declining birthrate, and the diversification of values and lifestyles, among other factors. In response to these challenges, we have changed our system to a holding company system to flexibly provide diverse solutions that only a comprehensive real estate group like us can provide.

"We will make changes without changing our principles."

As Den-en Toshi Co. responded to the problem of modern Japan through a project based on its ideal and philosophy, the Group will take up challenges in a new era, considering the origins of its projects.

[Business environment in the fiscal year ended March 31, 2014]

Looking at the Japanese economy in the fiscal year ended March 31, 2014, corporate earnings improved on the back of a weaker yen and higher stock prices chiefly due to the government's economic policy and the Bank of Japan's monetary easing policy. Personal spending was strong.

In the real estate industry, the built-for-sale housing market, especially the condominium market, was strong. There were favorable moves in the office building market, including a decline in the vacancy rate and rises in the rents of some properties. In a favorable financing environment for the real estate investment market, acquisitions of properties by J-REITs and private placement funds increased.

In the Group, sales in the Real Estate Sales segment rose, Real-Estate Agents segment was firm, and Community One Co., Ltd., a subsidiary of Tokyu Community Corp., contributed to consolidated results for the first time. Reflecting these, operating revenue, operating income, and ordinary income stood at ¥714,067 million (up 19.8% year on year), ¥61,433 million (up 18.2%), and ¥50,583 million (up 26.8%). Net income was ¥23,712 million (up 7.1%). The Group achieved the targets laid out in Value Innovation 2013, the medium-term management plan for FY2011 to FY2013.

[Initiatives after the start of the holding company system]

The Group has changed its overlapping businesses and functions to make them easy for customers to understand and to make the management more flexible and efficient.

Major organizational changes after the start of the holding company system

(1) Tokyu Hands Inc., which was a subsidiary of Tokyu Land Corporation, has become a subsidiary of Tokyu Fudosan Holdings Corporation.

(2) Tokyu Housing Lease Corporation has been established to engage in the rental housing management business. (The company will start operations in the spring of 2015.)

(3) Operating companies have transferred their real-estate agent operations to Tokyu Livable, Inc.

Initiatives to promote cooperation and synergies among operating companies have started. The Group has strengthened the value chain in the housing sales business by integrating its production and sales and has built a system where Tokyu Livable, Inc. will commercialize real-estate agency information from Tokyu Community Corp.'s property management business, among other initiatives.

[Medium- to long-term outlook]

Our medium- to long-term challenge is that we will increasingly need to provide goods and services that will respond to changes in the social environment, including the shrinking of the market due to the declining and aging population and the falling birthrate and the diversification of needs.

The Group will steadily promote medium- to long-term projects, including the redevelopment project in Shibuya, based on its four core businesses: Urban Development, Residential, Property Management, and Real-Estate Agents. Meanwhile, the Group will benefit from the shift to a holding company system, including the expansion of synergies from the customer-oriented collaboration among Group companies, and will shift to a growth phase for the future.

Based on changes in the business environment currently anticipated, we are developing a long-term vision for the Group's sustainable growth and a medium-term management plan to achieve the long-term vision. We will examine the effects of the organizational change so that a medium-term management plan will incorporate them. We plan to announce a medium-term management plan in the autumn of 2014.

[Outlook for the fiscal year ending March 31, 2015]

Although there is concern over downside risk in overseas economies, the effects of the consumption tax hike, and a rise in building costs, we expect that the Japanese economy will continue to recover, backed by various policies.

In this environment, the Group will strengthen its existing businesses through collaboration among Group companies in the creation of added value, the use of its stock, and the promotion of large-scale redevelopment projects. Meanwhile, the Group will seek to expand into new business fields. We will continue to reorganize overlapping businesses and functions so that our customers can easily understand them. Through this reorganization, we aim also to improve the flexibility and efficiency of our management. By expanding synergies from collaboration within the Group and strengthening our financial base, we will seek to shift from the infrastructure development phase to a full-scale growth phase.

In the fiscal year ending March 31, 2015, we will take steps to record on a consolidated basis operating revenue of ¥735.0 billion (up 2.9% year on year), operating income of ¥63.0 billion (up 2.6%), ordinary income of ¥51.0 billion (up 0.8%), and net income of ¥25.0 billion (up 5.4%).

[Message to the shareholders]

We will seek to boost shareholder value by steadily continuing on our stable growth course and always taking on new businesses and challenges in response to expected substantial changes in the business environment. The key words in our management are continuing and challenges.

To remain a corporate group that is trusted in the community, we will take good care of the earth's environment in our business activities and will fulfill our corporate social responsibility through social action programs and other activities. We will also seek to enhance corporate governance and compliance and develop a risk management system, among other initiatives.

I hope that we can rely on the continued support and cooperation of our shareholders.

June 2014

Kiyoshi Kanazashi,
President & Representative Director

BUSINESS REPORT
Years ended March 31, 2014

I. Outline of business

1. Financial Highlights

(1) Summary of consolidated statements of income

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Operating revenue	¥ 714,067	$ 7,000,657
Ordinary income	50,583	495,912
Net income (loss)	23,712	232,471
Comprehensive income	24,894	244,059
Net assets	369,242	3,620,020
Assets	¥ 1,789,822	$ 17,547,275

(2) Trend of indices

	2014
Equity ratio	20.4%
Net income/shareholder's equity	7.5%
Price earning ratio (times)	18.5

(3) Others

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Net assets per share	¥ 598.73	$ 5.87
Net income per share	¥ 41.61	$ 0.41

Employees	17,594
Temporary employees	8,939

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

(4) Summary of cash flows

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
CF from operating activities	¥ (13,504)	$ (132,392)
CF from investing activities	19,745	193,578
CF from financing activities	3,008	29,490
Cash and cash equivalents at the end of the year	¥ 92,723	$ 909,049

Note: The Company does not have financial data for FY2012 ended March 31, 2013 as it was established on October 1, 2013 through joint share transfers.

2. Major Business

(1) Real Estate Sales

Development, construction and sales of condominiums, detached housings, housing sites, country houses, buildings and others

(2) Contracted Construction

Contracted construction of custom-built houses, house improvement of custom-built houses, condominiums and other buildings, and landscaping

(3) Retail sales

Retail sales of materials and products for living and DIY

(4) Leasing of Real Estate

Development, lease, underlease and management of buildings to be used for offices, stores and shops, and houses; and management of extended stay-hotels

(5) Property Management

Facilities management for buildings, condominiums, and apartments

(6) Facility Operations

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

(7) Real Estate Agents

Real estate agent

(8) Other

Benefit package and appraisal

3. Business policy

Basic Policy

Taking a holistic overview of everything involving people and living from seven business approaches, and based on the philosophy of “Toward a Beautiful Age,” this Corporate Group (Tokyu Land Corporation and its subsidiaries) is a general lifestyle industry that aims to create a beautiful living environment with our customers. As a member of the Group, we are striving to improve the value of the “Tokyu” brand, as a brand associated with “trust and peace of mind”.

Moreover, by taking as our managerial mottoes “continuing” steadily to achieve a stable growth path and “taking on the challenge” of constantly achieving new business projects and accomplishing tasks, while responding to a business environment that seems set to go through some major changes, we are seeking to increase shareholder value.

Meanwhile, the Company plans to establish a holding company on October 1, 2013 (planned date) through a joint share transfer with Tokyu Community Corp. and Tokyu Livable, Inc. For more details on this matter, please refer to “Regarding Business Integration of Tokyu Land Corporation, Tokyu Community Corp. and Tokyu Livable, Inc. through the Establishment of a Holding Company” announced on May 10, 2013.

Mid-Term Management Strategies

Basic principle of corporate management

In FY2013, the final year of the previous medium-term management plan, "Value Innovation 2013" (FY2011 – FY2013), the Company achieved all of the target management indicators with a consolidated operating income of ¥61.4 billion (¥1.4 billion more than the medium-term management plan) and a DE ratio of 2.7 (1.2 points less than the medium-term management plan).

The Company also established a management structure whereby it can respond flexibly and promptly to changes in the business environment and exert the Group's comprehensive capabilities to the maximum extent by adopting a holding company system in October 2013 in its efforts to strengthen the Group's management foundation, which was specified in the previous medium-term management plan. The purposes of adopting a holding company system are as follows:

(i) Improve management flexibility and efficiency through the innovation of the Group's management foundations;
(ii) Enhance inter-business synergies through the Group's alliances;
(iii) Accelerate the growth of the Group's business by strengthening its financial foundations.

Since the launch of the new corporate system in October 2013, the Company has been examining and carrying out a variety of measures to achieve the purposes of adopting a holding company system as described above. First, to consolidate the business segments that share the same customers and improve business management under the consistent structure of each business and the operational organizations, effective from FY2014, the Company has altered the existing eight business segments to seven business segments. It also carried out organizational restructuring, mainly by changing the status of Tokyu Hands, Inc., which is engaged in the Tokyu Hands Business segment, from a subsidiary of Tokyu Land Corporation to the Company's subsidiary (in April 2014).

Second, to strengthen the business that uses real estate stock, which is expected to grow in the future, the Company consolidated the leasing and housing management business and established Tokyu Housing Lease Corporation (in April 2014). It also transferred and consolidated the real estate agent business that was managed by more than one company to Tokyu Livable, Inc. (in April 2014). Mainly through these initiatives, by restructuring and consolidating overlapping businesses, the Company will improve business efficiency and expand business opportunities.

Moreover, the Company has been striving to strengthen the value chain, primarily by integrating development and sales in the real estate sales business (in April 2014) and developing a system in which Tokyu Livable, Inc. commercializes agent information that derives from stock under the management of Tokyu Community Corporation. Through doing so, the Company will also aim to provide clear, high-quality services to customers while realizing inter-business synergies to the maximum extent.

In addition, to ensure that customers are able to clearly understand its operations, the Company will continue to restructure the overlapping businesses and functions, and it will strive to improve its management flexibility and efficiency in the future.

In light of the achievement of the previous medium-term management plan, the Group is currently developing a new medium-term management plan.

Under the new system, based on the four core businesses, the Urban Development Business, the Residential Business, the Property Management Business and the Real-Estate Agent Business, the Company will steadily carry out medium-to long-term projects, such as the Shibuya redevelopment, and materialize the benefits of the adoption of a new management system, including the expansion of synergies through the alliances within the Group with a focus on customers. With these initiatives, the Group will move into a growth phase in the future.

As for a new medium-to long-term management plan, by taking into account the changes in the business environment that are expected to take place in the future, the Group will establish a long-term vision based on which the Group will aim to achieve sustainable growth, and a medium-term management plan to achieve this vision.

Meanwhile, the Company plans to announce target management indicators in the new medium-to long-term management plan in autumn this year after investigating the effects of the management integration under the new management system and other factors and reflecting the results of these investigations in the plan.

* The Company does not guarantee the achievement of any matters related to events in the future.

Basic Policies Regarding Distribution of Profits and Dividends

The Company considers returning profits to its shareholders to be one of its most important policies, and it has adopted a basic policy of distributing profits by taking into account demand for financing medium- to long-term developments and other business developments in the future, as well as giving consideration to its operating performance, the future business environment and other factors in a comprehensive manner.

The Company has also decided that the distribution of retained earnings is made biannually through interim and year-end dividend payments, and the organizations that determine the distribution of retained earnings are the general meetings of shareholders for year-end dividends and the Board of Directors for interim dividends.

As for the year-end dividends for the fiscal year, in light of the achievement of its previous medium-term management plan, "Value Innovation 2013" (FY2011 – FY2013), the Company has decided to increase the dividends by ¥0.5 per share from the existing plan and pay ¥4.5 per share. Based on the full-year dividend payments of ¥8.0 per share, the sum of interim dividends of ¥3.5 that were paid by Tokyu Land Corporation, which has become the Company's wholly owned subsidiary as a result of the joint share transfer, and year-end dividends of ¥4.5 per share that are planned to be paid by the Company, the dividend payout ratio for the fiscal year comes to 19.2%.

Meanwhile, in its efforts to improve its corporate value, the Company will use internal reserves primarily as investment funds that are mainly required for future business development plans.

The Articles of Incorporation of the Company stipulate that it may pay interim dividends on September 30, the record date, every year by resolution of the Board of Directors.

Meanwhile, the distribution of retained earnings for the fiscal year is as follows:

Date of decision:	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of the general shareholders meeting on June 26, 2014	2,752	4.5

Business-related and other risks

Among the items related to such matters as the operating results and financial situation of the Group, the following may have a significant influence on investors' judgment.

The items regarding the future listed below are based on the judgment of the Group as of the end of the consolidated fiscal year.

1) Risks caused by changes in the management environment

The businesses of the Group such as real estate leasing, real estate sales, facility management, and real estate agency are susceptible to business trends, corporate performance, consumer spending, and other factors, which may adversely affect the profitability and earning power of each business and the value of assets held.

2) Risks caused by interest rate fluctuations

To minimize the burden of interest expenses and the effects of interest rate fluctuations, the Group relies mostly on long-term loans for its interest-bearing debts and uses variable rates for some project loans while using fixed rates for most other projects, depending on the financial situations. The effect of any future rise in interest rates on operating results will therefore be relatively limited in the short term, but potentially significant in the medium to long term.

3) Risks caused by changes in laws and regulations, taxation, and other restrictions

The Group's businesses are subject to applicable laws and regulations, taxation, and other restrictions. Any future amendment and/or abolition of such regulations, establishment of new rules, or application of new legal restrictions due to an expansion of the Group's business may have an impact on the operation, performance, and/or financial condition of its business.

4) Risks associated with information systems

The Company has been taking various security measures in the development and use of its information systems, including IT infrastructure enhancement and the maintenance of backup data. Any system risk that has emerged, however, may seriously affect the business operation and process.

5) Risks caused by stock price fluctuations

The Group owns marketable stocks, and any market decline or substantial fall in the stock prices may have an adverse effect on the Group's operating results.

6) Risks caused by natural disasters, man-made disasters, etc.

Any earthquake, rainstorm, flood, other natural disaster, war, riot, terrorism, accident, fire, or other man-made disaster may negatively impact the Group's operating results and financial position.

4. Operating Results and Financial Position

The Company was established on October 1, 2013 through joint share transfers as the wholly-owning parentcompany of Tokyu Land Corporation (hereinafter referred to as “Tokyu Land”), Tokyu Community Corp. (hereinafter referred to as “Tokyu Community”) and Tokyu Livable, Inc. (hereinafter referred to as “Tokyu Livable”). Since, before the integration, Tokyu Community and Tokyu Livable were consolidated subsidiaries of Tokyu Land; and there is no substantial change in the scope of consolidation of the Company from that of Tokyu Land before the integration, regarding the items for which comparisons are made with the previous fiscal year, figures are compared with those of Tokyu Land for the FY2012 (from April 1, 2012 to March 31, 2013).

(1) Current Operating Performance

Results for this fiscal year ended March 31, 2014 showed an increase in revenues and profit with ¥714.1billion in operating revenue (up 19.8% from the previous year), ¥61.4 billion in operating income (up 18.2%) and ¥50.6 billion in ordinary income (up 26.8%), thanks mainly to an increase in sales of condominiums, strong sales in the real-estate sales agent business and the consolidation of United Communities Co., Ltd. as a subsidiary.

Net income increased to ¥23.7 billion (up 7.1%). This was mainly due to an increase in minority interests in income, in spite of the recording of gain on sales of non-current assets of ¥8.4 billion from the transferring of assets to Activia Properties Inc. in the previous year.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	595.9	714.1	118.2
Operating income	52.0	61.4	9.5
Ordinary income	39.9	50.6	10.7
Net income	22.1	23.7	1.6

Interest-bearing debt	974.1	991.0	16.9

(2) Segment Performance

Operating revenue

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	595.9	714.1	118.2
Real Estate Sales	145.1	209.1	64.0
Contracted Construction	70.1	90.7	20.6
Retail Sales	82.8	84.5	1.7
Leasing of Real Estate	128.3	130.9	2.6
Property Management	76.5	96.0	19.5
Facility Operations	59.7	63.8	4.1
Real-Estate Agents	42.3	51.6	9.3
Other	8.8	9.9	1.1
Adjustment for Inter-Company Transactions	(17.8)	(22.3)	(4.5)

Operating income (Unit: ¥ billion)

	Previous year	Current year	Comparison
Total	52.0	61.4	9.5
Real Estate Sales	6.6	12.5	5.9
Contracted Construction	1.6	2.9	1.3
Retail Sales	0.9	1.1	0.2
Leasing of Real Estate	35.0	33.6	(1.4)
Property Management	5.1	6.7	1.5
Facility Operations	3.8	4.3	0.5
Real-Estate Agents	4.8	8.5	3.7
Other	0.0	0.0	(0.0)
Adjustment for Inter-Company Transactions	(5.8)	(8.0)	(2.2)

① Real Estate Sales

In our Real Estate Sales business, we recognized ¥209.1 billion in operating revenue (up 44.1% from the previous year) and ¥12.5 billion in operating income (up 88.6%).

Revenues and profit increased mainly due to the transferring of inventories, including the commercial facilities and office buildings, to Activia Properties Inc., in addition to an increase in sales of condominiums. Profit was less than forecast due to the recording of loss on valuation of inventories of ¥4.8 billion related to country houses, etc.

Sales of condominium units in “Branz Yonbancho” (Chiyoda-ku, Tokyo), “Branz Azabu Mamiana-cho” (Minato-ku, Tokyo), “Branz Tower Bunkyo Kohinata” (Bunkyo-ku, Tokyo), “Branz Tower Minamihorie” (Osaka-shi, Osaka) and others were recorded. Sales continued to perform firmly and the inventory of completed units remained at a low level. The ratio of contracted amount for sale to the planned sales amount for the full year for condominium became 44% (up 6 percentage points from the previous year).

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	145.1	209.1	64.0
Operating income	6.6	12.5	5.9

Breakdown of operating revenue (Before adjustments in ¥ billion)

	Previous year		Current year		Comparison
Condominium	2,571 units	100.9	2,819 units	142.6	41.7
Detached housing	206 units	4.0	357 units	8.3	4.3
Country houses	13 units	0.5	152 units	7.2	6.8
Other sales	–	39.8	–	50.9	11.2

Number of units supplied and sold (Tokyu Land) (Units)

	Previous year		Current year		Inventory of completed units	
	New supply	Contracted units	New supply	Contracted units	As of March 31, 2013	As of March 31, 2014
Condominium	2,381	2,417	2,489	2,540	252	260
Detached housing	99	131	170	171	28	46
Country houses	57	61	88	88	–	–

② Contracted Construction

In our Contracted Construction business, we posted ¥90.7 billion in operating revenue (up 29.3% from the previous year) and ¥2.9 billion in operating income (up 81.7%).

There was an increase in both revenues and profit due to Tokyu Community's acquisition of shares in United Communities Co., Ltd. and making it a consolidated subsidiary in the previous year, and an increase in constructions of common areas of condominiums, etc. Orders received continued to expand mainly for constructions of common areas of condominiums and renovations.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	70.1	90.7	20.6
Operating income	1.6	2.9	1.3

Breakdown of operating revenue (Unit:¥ billion)

	Previous year	Current year	Comparison
Custom-built houses	18.7	18.7	(0.1)
Renovation	20.1	23.7	3.6
Constructions of common areas of condominiums etc.	31.3	48.3	17.0

Orders received (sales from orders) (Before adjustments in ¥ billion)

	Previous year	Current year	Comparison
Total sales from orders	72.3	85.4	13.1
Custom-built houses	19.5	18.3	(1.2)
Renovation	20.0	22.7	2.6
Constructions of common areas of condominiums etc.	32.8	44.5	11.8

③ Retail Sales

In our Retail Sales business, operating revenue amounted to ¥84.5 billion (up 2.0% from the previous year), and we recorded operating income of ¥1.1 billion (up 26.6%).

At Tokyu Hands, Inc., both revenues and profit increased thanks mainly to the opening of new stores, despite an impact from the temporary closing of "Tokyu Hands Yokohama," etc.

The new stores that opened were "Tokyu Hands Himeji" and "hands be Musashi-Kosugi Tokyu Square," both of which started operations in April 2013, and the remodeled "Tokyu Hands Yokohama" reopened at a new location in October 2013. Moreover, "Tokyu Hands Kyoto" is planned to be opened in June 2014. Through such store openings and other factors, Tokyu Hands is steadily expanding its business.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	82.8	84.5	1.7
Operating income	0.9	1.1	0.2

Breakdown of operating revenue

*The figures in brackets indicate the number of outlets at end of fiscal year. (Unit: ¥ billion)

	Previous year		Current year		Comparison
Tokyo metropolitan area	52.4	[14]	51.5	[14]	(0.9)
Kansai region	16.1	[5]	16.6	[6]	0.5
Local regions	9.8	[5]	10.7	[5]	1.0
Small-scale outlets	4.5	[21]	5.6	[20]	1.1

④ Leasing of Real Estate

In our Leasing of Real Estate business, operating revenue amounted to ¥130.9 billion (up 2.0% from the previous year) with operating income at ¥33.6 billion (down 4.1%).

Although the start of new facilities operations, etc. contributed to an increase in revenues, profit decreased mainly due to the impact from transferring of the commercial facilities and office buildings, etc. to Activia Properties Inc. in the previous year.

The vacancy rate (office buildings and commercial facilities) remained at a low level of 1.8%, mainly due to the full occupancy of “Shin-Meguro Tokyu Building” (Shinagawa-ku, Tokyo, office building), which opened in the previous fiscal year, and the improved occupancy at existing office buildings. In addition, “DECKS Tokyo Beach” (Minato-ku, Tokyo, commercial facility) was acquired in September 2013, and “Minami-Aoyama Leica Building” (Minato-ku, Tokyo, commercial facility), “La Porte Shinsaibashi” (Osaka-shi, Osaka, commercial facility) and “Ebisu Prime Square” (Shibuya-ku, Tokyo, office building, commercial facility and housing) were acquired in December 2013.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	128.3	130.9	2.6
Operating income	35.0	33.6	(1.4)

Breakdown of operating revenue (Unit: ¥ billion)

	Previous year	Current year	Comparison
Owned *1	63.9	64.4	0.5
Leased etc.*2	11.9	11.6	(0.4)
Others *3	52.5	54.9	2.4

*1: Owned refers to office buildings and commercial facilities, etc. owned by Tokyu Land and those owned by consolidated silent partnerships, etc.

*2: Leased etc. refers to leases by Tokyu Land, and businesses, etc. of non-consolidated silent partnerships, etc.

*3: Others refers to operating companies other than Tokyu Land and consolidated silent partnerships, etc.

Office buildings and commercial facilities leasing floor space, and vacancy rate

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Leasing floor space (m^2)	1,072,228	994,773	1,026,453
Vacancy rate (consolidated basis)	2.3%	2.7%	2.2%
Vacancy rate (Tokyu Land) *	2.0%	2.1%	1.8%

* Including office buildings and commercial facilities owned by consolidated silent partnerships, etc.

Major new openings

	Use	Open	Floor space (thousand m²)
DECKS Tokyo Beach (completed in 1997) *1	Commercial	September 2013	69
Minami-Aoyama Leica Building (completed in 1998) *2	Commercial	December 2013	2
La Porte Shinsaibashi (completed in 2007)	Commercial	December 2013	4
Ebisu Prime Square (completed in 1997)	Office, commercial and housing	December 2013	69

*1: Building with leasehold right

*2: Building with surface right

Number of leased houses (Units)

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
House for lease	15,674	16,819	17,820
Lease management service	57,823	59,993	60,614
Company house management service	88,181	87,005	84,360

⑤ Property Management

Operating revenue and operating income from our Property Management business were ¥96.0 billion (up 25.5% from the previous year) and ¥6.7 billion (up 30.4%), respectively.

Regarding our Property Management business, both revenues and profit increased thanks to an expansion in the stock of condominium management service sites. This was a result of Tokyu Community's acquisition of shares in United Communities Co., Ltd. and making it a consolidated subsidiary in the previous fiscal year. The stock of condominium management service sites continued to expand steadily in this fiscal year to 641 thousand units (of which the number of units under comprehensive management was 478 thousand units) as of March 31, 2014.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	76.5	96.0	19.5
Operating income	5.1	6.7	1.5

Number of sites managed as of year end

	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Condominiums (units)	405,911	617,687	641,591
Buildings (no. of contracts)	1,356	1,330	1,305

⑥ Facility Operations

Our Facility Operations business generated ¥63.8 billion in operating revenue (up 6.8% from the previous year) and ¥4.3 billion of operating income (up 13.5%).

Both revenues and profit increased mainly due to an increase in registration fee income from the strong sales of membership for the Harvest Club membership resort hotels and golf clubs as well as due to the openings of new Harvest Club facilities “Atami Izusan” and “VIALA annex Atami Izusan” (Atami-shi, Shizuoka) in August 2013, and a new senior housing facility “Grancreer Aobadai 2-chome” (Yokohama-shi, Kanagawa) in September.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	59.7	63.8	4.1
Operating income	3.8	4.3	0.5

Breakdown of operating revenue

*The figures in brackets indicate the number of facilities at end of fiscal year. (Unit:¥ billion)

	Previous year		Current year		Comparison	
Golf course	8.6	[20]	8.4	[20]	(0.2)	
Harvest Club	12.2	[24]	13.5	[26]	1.2	(Membership resort hotel)
Oasis	14.5	[33]	15.0	[33]	0.5	(Fitness club, etc.)
Ski resort	10.7	[8]	10.5	[8]	(0.2)	
Senior housing	5.7	[10]	6.3	[11]	0.6	
Other	8.1		10.2		2.1	

⑦ Real-Estate Agents

In our Real-Estate Agents businesses, operating revenue was ¥51.6 billion (up 21.9% from the previous year) and operating income amounted to ¥8.5 billion (up 77.0%).

Regarding our real-estate sales agent business, in retail sales, we opened twelve new stores, as well as focused our efforts on expanding transactions, for example by aggressively marketing new services including “Livable Anshin Agent Guarantee,” while in wholesale sales, efforts were made to strengthen the ability to respond to changing needs in the real-estate investment market, and to improve the services provided to domestic and international investors. As a result, there was a rise in the number of transactions and contracted prices both in retail sales and wholesale sales. There was also an increase in the number of deliveries for consignment sales business, which lead to an increase in revenues and profit.

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	42.3	51.6	9.3
Operating income	4.8	8.5	3.7

Breakdown of operating revenue (Unit: ¥ billion)

	Previous year	Current year	Comparison
Real-estate sales agent	35.1	41.6	6.5
Consignment sales	4.4	6.5	2.1
Other	2.8	3.5	0.7

⑧ Other

(Unit: ¥ billion)

	Previous year	Current year	Comparison
Operating revenue	8.8	9.9	1.1
Operating income	0.0	0.0	(0.0)

Breakdown of operating revenue (Unit: ¥ billion)

	Previous year	Current year	Comparison
Consignment welfare	5.8	6.7	0.9
Other	3.0	3.2	0.2

(3) Analysis of Financial Conditions

① Assets, Liabilities, and Net Assets

The Company was established on October 1, 2013 through joint share transfers as the wholly-owning parent company of Tokyu Land, Tokyu Community and Tokyu Livable (hereinafter referred to as the “Share Transfers”). As a result of the Share Transfers, among net assets, shareholders’ equity increased by ¥81.8 billion and minority interests decreased by ¥35.2 billion, while, among assets, goodwill increased by ¥46.9 billion.

As of March 31, 2014, total assets increased by ¥71.4 billion compared to the end of the previous fiscal year due to an increase in goodwill resulting from the Share Transfers, in addition to other factors such as an increase in real estate for sale. Total liabilities also increased by ¥9.2 billion due mainly to an increase in interest-bearing debt, compared to the end of the previous fiscal year. Net assets increased by ¥62.3 billion resulting from the Share Transfers, etc.

Of interest-bearing debt, ¥403.3 billion is loans payable of silent partnerships, etc.

(Unit: ¥ billion)

	As of March 31, 2013	As of March 31, 2014
Total assets	1,718.4	1,789.8
Total liabilities	1,411.4	1,420.6
Net assets	307.0	369.2
Equity	268.7	364.5
Equity ratio	15.6%	20.4%
Interest-bearing debt	974.1	991.0
EBITDA multiple	13.5×	11.7×
DE ratio	3.6×	2.7×
ROA	3.0%	3.5%

EBITDA Multiple: Interest-Bearing Debt/EBITDA (Operating Income Before Depreciation)
DE Ratio: Interest-Bearing Debt/Equity
ROA: (Operating Income + Interest Income + Dividends Income)/Total Assets (Yearly Average)

② Cash flow position

As of the end of fiscal 2013, cash and cash equivalents were ¥92.7 billion, representing a ¥8.7 billion increase from the previous fiscal year end.

Cash flows from operating activities

Net cash used in operating activities was ¥13.5 billion mainly due to an increase of ¥64.7 billion in inventories, an decrease of ¥26.2 billion in deposits received for consignment sales and ¥14.2 billion in income taxes paid, notwithstanding ¥43.7 billion in income before income taxes and minority interests, an increase of ¥23.0 billion in notes and accounts payable - trade, ¥20.0 billion in depreciation, among others.

Cash flows from investing activities

Net cash provided by investing activities was ¥19.7 billion mainly due to ¥111.5 billion in proceeds from sales of non-current assets, notwithstanding ¥75.8 billion for purchase of non-current assets, ¥10.2 billion for purchase of short-term and long-term investment securities, among others.

Cash flows from financing activities

Net cash provided by financing activities was ¥3.0 billion thanks mainly to ¥167.6 billion in proceeds from long-term loans payable, ¥27.9 billion in proceeds from long-term lease and guarantee deposited and ¥20.0 billion in proceeds from issuance of bonds, notwithstanding ¥209.0 billion in repayments of long-term loans payable, ¥37.2 billion in repayments of long-term lease and guarantee deposited, among others.

Trend of indices

	As of March 31, 2013	As of March 31, 2014
Equity ratio	15.6%	20.4%
Equity ratio on market value basis	25.8%	26.3%
Ratio of interest-bearing debt to cash flows	13.9 years	–
Interest coverage ratio	6.1	–

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

Notes:

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

5. Employees

(As of March 31, 2014)

Segment of business	Number of employees	Number of temporary employees
Real Estate Sales	242	105
Contracted Construction	1,377	17
Retail Sales	2,607	704
Leasing of Real Estate	1,648	130
Property Management	5,801	5,812
Facility Operations	2,628	1,766
Real Estate Agents	2,518	43
Other	393	329
Whole Company (Common)	380	35
Total	17,594	8,939

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

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

6. Purchase of Property and Equipment

The Company made a capital investment of ¥77,539 million in the consolidated fiscal year, mainly in the new construction, acquisition and renovation works of buildings in the Leasing of Real Estate segment.
(Figures include the amounts of property and equipment, intangible fixed assets, and long-term prepaid expenses, but do not include consumption tax.)

Segment	Capital investment (Unit: ¥ million)	Composition
Real estate sales	423	0.55%
Contracted construction	418	0.54%
Retail sales	1,104	1.42%
Leasing of Real Estate	64,241	82.85%
Property Management	556	0.72%
Facility Operations	6,855	8.84%
Real Estate Agents	1,441	1.86%
Other	1,000	1.29%
Subtotal	76,041	98.07%
Adjustment or Whole Company	1,498	1.93%
Total	77,539	100.00%

II. Outline of the Company

1. Distribution of Common Stock of the Company

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

(2) Total number of shares issued: 640,830,974 shares

(3) Number of shareholders: 58,876

(4) Principal shareholders:

Name of Shareholder	Investment by each principal shareholder in the Company	
	Number of shares held	Percent of total shares issued
	(thousand shares)	(%)
Tokyu Corporation	96,879	15.84
The Master Trust Bank of Japan Ltd. (Trust Account)	33,751	5.52
Japan Trustee Services Bank Ltd. (Trust Account)	32,654	5.34
Sumitomo Mitsui Trust Bank, Limited.	21,008	3.43
The Dai-ichi Life Insurance Company, Limited	14,918	2.44
Nippon Life Insurance Co.	9,783	1.60
State Street Bank and Trust Company	7,027	1.15
Japan Trustee Services Bank Ltd. (Trust Account 4)	6,985	1.14
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	6,240	1.02
State Street Bank West Client Treaty	6,064	0.99

Notes: Percentages of total shares issued are calculated by deducting treasury stock of 29,117,492 shares.

2. Information on Major Subsidiaries

(As of March 31, 2014)

Name	Paid-in capital	Percentage of shares owned by the Company	Principal business
	(million yen)	(%)	
Tokyu Land Corp.	57,551	100.0	Development, sales and leasing of real estate
Tokyu Community Corp.	1,653	100.0	Management of buildings and condominium apartments
Tokyu Livable, Inc.	1,396	100.0	Intermediary and sales agency for land and buildings

Notes: 1. On April 1, 2014, Tokyu Hands, Inc. became the Company's wholly owned subsidiary.

2. On April 1, 2014, Tokyu Housing Lease Corporation, the Company's wholly owned subsidiary, was established.

3. Principal lenders

(As of March 31, 2014)

Lender	Amount of borrowing
	(million yen)
Sumitomo Mitsui Trust Bank, Limited.	190,885
Mitsubishi UFJ Trust and Banking Corporation	184,121
Mizuho Corporate Bank Ltd.	146,390
The Bank of Tokyo-Mitsubishi UFJ Ltd	66,784

4. Directors and Statutory Auditors

Position and Name

Chairman	Masatake Ueki*
President and Director	Kiyoshi Kanazashi*
Directors	Yoshihiro Nakajima
	Ushio Okamoto
	Toshiyuki Saegusa
	Shinji Sakaki
	Yuji Ohkuma
	Hirofumi Nomoto
	Kouichi Iki
Statutory Auditors	Tadashi Kawai
	Kazuto Nakajima
	Toshio Imamura
	Tomoyasu Asano

(As of June 26, 2014)

Note: Directors marked with * are Representative Directors.

Building a better working world

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Independent Auditor's Report

The Board of Directors
Tokyu Fudosan Holdings Corporation

We have audited the accompanying consolidated financial statements of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyu Fudosan Holdings Corporation and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 13, 2014
Tokyo, Japan

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2014	U.S. dollars (thousands) (Note 2) As of March 31, 2014
Assets		
Current assets		
Cash and deposits (Note 8)	¥ 93,070	$ 912,451
Notes and accounts receivable - trade	24,712	242,275
Securities (Note 4)	653	6,402
Merchandise	8,736	85,647
Real estate for sale (Note 8, 11)	122,899	1,204,892
Real estate for sale in process	116,974	1,146,804
Costs on uncompleted construction contracts	5,988	58,706
Supplies	749	7,343
Deferred tax assets (Note 20)	7,532	73,843
Other	34,902	342,176
Allowance for doubtful accounts	(194)	(1,902)
Total current assets	416,024	4,078,667
Non-current assets		
Property, plant and equipment		
Buildings and structures	387,258	3,796,647
Accumulated depreciation	(161,378)	(1,582,137)
Buildings and structures, net (Note 8)	225,880	2,214,510
Land (Note 7, 8)	858,604	8,417,686
Construction in progress	19,644	192,588
Other	49,060	480,980
Accumulated depreciation	(33,046)	(323,980)
Other, net	16,014	157,000
Total property, plant and equipment (Note 11)	1,120,143	10,981,794
Intangible assets		
Leasehold right (Note 8)	19,697	193,108
Goodwill	82,866	812,412
Other	12,410	121,667
Total intangible assets	114,974	1,127,196
Investments and other assets		
Investment securities (Note 5, 8)	56,691	555,794
Long-term loans receivable (Note 8)	3,554	34,843
Lease and guarantee deposits	58,099	569,598
Deferred tax assets (Note 20)	11,164	109,451
Other	10,386	101,824
Allowance for doubtful accounts	(1,216)	(11,922)
Total investments and other assets	138,680	1,359,608
Total non-current assets	1,373,797	13,468,598
Total assets	¥ 1,789,822	$ 17,547,275

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) As of March 31, 2014	U.S. dollars (thousands) (Note 2) As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	¥ 62,135	$ 609,167
Short-term loans payable (Note 8, 9)	180,579	1,770,382
Current portion of bonds (Note 8)	200	1,961
Accounts payable-other	21,747	213,206
Income taxes payable	9,801	96,088
Deferred tax liabilities (Note 20)	1,329	13,029
Advances received	26,572	260,510
Deposits received from consignment sales	10,881	106,676
Deposits received	20,555	201,520
Deposits received for special joint ventures	5,300	51,961
Provision for bonuses	8,722	85,510
Provision for directors' bonuses	188	1,843
Provision for warranties for completed construction	408	4,000
Other provision	731	7,167
Other	12,696	124,471
Total current liabilities	361,850	3,547,549
Non-current liabilities		
Bonds payable (Note 9)	70,000	686,275
Long-term loans payable (Note 8, 9)	740,235	7,257,206
Deferred tax liabilities (Note 20)	32,490	318,529
Deferred tax liabilities for land revaluation	9,777	95,853
Long-term lease and guarantee deposited	167,971	1,646,775
Retirement benefit liability (Note 19)	25,722	252,176
Provision for loss on guarantees	239	2,343
Provision for directors' retirement benefits	38	373
Other provision	190	1,863
Other (Note 8)	12,060	118,235
Total non-current liabilities	1,058,728	10,379,686
Total liabilities	¥ 1,420,579	$ 13,927,245
Net assets		
Shareholders' equity (Note 25)		
Capital stock	60,000	588,235
Capital surplus	118,639	1,163,127
Retained earnings	173,275	1,698,775
Treasury shares	(1,781)	(17,461)
Total shareholders' equity	350,134	3,432,686
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,340	71,961
Deferred gains or losses on hedges	(21)	(206)
Revaluation reserve for land (Note 7)	11,701	114,716
Foreign currency translation adjustment	(1,590)	(15,588)
Remeasurements of retirement benefits (Note 19)	(3,072)	(30,118)
Total accumulated other comprehensive income	14,357	140,755
Minority interests	4,751	46,578
Total net assets	369,242	3,620,020
Total liabilities and net assets	¥ 1,789,822	$ 17,547,275

See accompanying notes to the consolidated financial statements.

Consolidated Statement of (Comprehensive) Income

(Consolidated Statement of Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	U.S. dollars (thousands) (Note 2) FY2013 (From April 1, 2013 to March 31, 2014)
Operating revenue	¥ 714,067	$ 7,000,657
Operating cost (Note 12)	568,769	5,576,167
Operating gross profit	145,297	1,424,480
Selling, general and administrative expenses	83,864	822,196
Operating income	61,433	602,284
Non-operating income		
Interest income	124	1,216
Dividend income	203	1,990
Foreign exchange gains	178	1,745
Share of profit of entities accounted for using equity method	143	1,402
Subsidy income	193	1,892
Other	495	4,853
Total non-operating income	1,338	13,118
Non-operating expenses		
Interest expenses	10,203	100,029
Other	1,984	19,451
Total non-operating expenses	12,188	119,490
Ordinary income	50,583	495,912
Extraordinary income		
Gain on sales of non-current assets	99	971
Gain on sales of investment securities	41	402
Other	38	373
Total extraordinary income	179	1,755
Extraordinary losses		
Impairment loss (Note 13)	6,767	66,343
Other	253	2,480
Total extraordinary losses	7,021	68,833
Income before income taxes and minority interests	43,741	428,833
Income taxes - current	17,585	172,402
Income taxes - deferred (Note 20)	(456)	(4,471)
Total income taxes (Note 20)	17,128	167,922
Income before minority interests	26,612	260,902
Minority interests in income	2,900	28,431
Net income	¥ 23,712	$ 232,471

See accompanying notes to the consolidated financial statements.

(Consolidated Statement of Comprehensive Income)

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)		U.S. dollars (thousands) (Note 2) FY2013 (From April 1, 2013 to March 31, 2014)	
Income before minority interests	¥	26,612	$	260,902
Other comprehensive income				
Valuation difference on available-for-sale securities (Note 14)		(1,717)		(16,833)
Deferred gains or losses on hedges (Note 14)		4		39
Foreign currency translation adjustment (Note 14)		(286)		(2,804)
Share of other comprehensive income of entities accounted for using equity method (Note 14)		281		2,755
Total other comprehensive income (Note 14)		(1,718)		(16,843)
Comprehensive income		24,894		244,059
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		21,978		215,471
Comprehensive income attributable to minority interests	¥	2,915	$	28,578

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

FY2013 (from April 1, 2013 to March 31, 2014)
Tokyu Fudosan Holdings Corporation

Yen (millions)

Account title	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	57,551	39,288	153,888	(1,217)	249,511
Changes of items during period					
Dividends of surplus			(4,326)		(4,326)
Net income			23,712		23,712
Purchase of treasury shares				(545)	(545)
Disposal of treasury shares		0		5	5
Retirement of treasury shares		(4,791)		4,791	-
Reversal of revaluation reserve for land			0		0
Increase by share transfers	2,448	84,141		(4,814)	81,775
Net changes of items other than shareholders' equity					
Total changes of items during period	2,448	79,351	19,386	(563)	100,622
Balance at end of current period	60,000	118,639	173,275	(1,781)	350,134

Account title	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	9,067	(25)	11,702	(1,579)	-	19,164	38,306	306,982
Changes of items during period								
Dividends of surplus								(4,326)
Net income								23,712
Purchase of treasury shares								(545)
Disposal of treasury shares								5
Retirement of treasury shares								-
Reversal of revaluation reserve for land								0
Increase by share transfers								81,775
Net changes of items other than shareholders' equity	(1,727)	4	(0)	(10)	(3,072)	(4,806)	(33,555)	(38,362)
Total changes of items during period	(1,727)	4	(0)	(10)	(3,072)	(4,806)	(33,555)	62,260
Balance at end of current period	7,340	(21)	11,701	(1,590)	(3,072)	14,357	4,751	369,242

Consolidated Statement of Changes in Equity

FY2013 (from April 1, 2013 to March 31, 2014)
Tokyu Fudosan Holdings Corporation

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

Account title	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	564,225	385,176	1,508,706	(11,931)	2,446,186
Changes of items during period					
Dividends of surplus			(42,412)		(42,412)
Net income			232,471		232,471
Purchase of treasury shares				(5,343)	(5,343)
Disposal of treasury shares		0		49	49
Retirement of treasury shares		(46,971)		46,971	-
Reversal of revaluation reserve for land			0		0
Increase by share transfers	24,000	824,912		(47,196)	801,716
Net changes of items other than shareholders' equity					
Total changes of items during period	24,000	777,951	190,059	(5,520)	986,490
Balance at end of current period	588,235	1,163,127	1,698,775	(17,461)	3,432,686

Account title	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	88,892	(245)	114,725	(15,480)	-	187,882	375,549	3,009,627
Changes of items during period								
Dividends of surplus								(42,412)
Net income								232,471
Purchase of treasury shares								(5,343)
Disposal of treasury shares								49
Retirement of treasury shares								-
Reversal of revaluation reserve for land								0
Increase by share transfers								801,716
Net changes of items other than shareholders' equity	(16,931)	39	(0)	(98)	(30,118)	(47,118)	(328,971)	(376,098)
Total changes of items during period	(16,931)	39	(0)	(98)	(30,118)	(47,118)	(328,971)	610,392
Balance at end of current period	71,961	(206)	114,716	(15,588)	(30,118)	140,755	46,578	3,620,020

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)	U.S. dollars (thousands) (Note 2) FY2013 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 43,741	$ 428,833
Depreciation	19,959	195,676
Amortization of goodwill	3,210	31,471
Share of (profit) loss of entities accounted for using equity method	(143)	(1,402)
Increase (decrease) in net defined benefit liability	1,693	16,598
Increase (decrease) in other provision	1,124	11,020
Impairment loss	6,767	66,343
Loss on valuation of inventories	5,523	54,147
Loss on retirement of non-current assets	1,185	11,618
Interest and dividend income	(327)	(3,206)
Interest expenses	10,203	100,029
Decrease (increase) in notes and accounts receivable-trade	(5,795)	(56,814)
Decrease (increase) in inventories	(64,744)	(634,745)
Increase (decrease) in notes and accounts payable-trade	22,973	225,225
Increase (decrease) in deposits received for consignment sales	(26,163)	(256,500)
Increase (decrease) in deposits received for special joint ventures	(4,750)	(46,569)
Other, net	(3,807)	(37,324)
Subtotal	10,650	104,412
Interest and dividend income received	320	3,137
Interest expenses paid	(10,299)	(100,971)
Income taxes paid	(14,176)	(138,980)
Net cash provided by (used in) operating activities	¥ (13,504)	$ (132,392)

Tokyu Fudosan Holdings Corporation

Account title		Yen (millions) FY2013 (From April 1, 2013 to March 31, 2014)		U.S. dollars (thousands) (Note 2) FY2013 (From April 1, 2013 to March 31, 2014)
Cash flows from investing activities				
Payments of loans receivable	¥	(2,218)	$	(21,745)
Collection of loans receivable		136		1,333
Purchase of short-term and long-term investment securities		(10,214)		(100,137)
Proceeds from sales and redemption of short-term and long-term investment securities		2,294		22,490
Purchase of shares of subsidiaries		(4,775)		(46,814)
Payments for lease and guarantee deposits		(7,640)		(74,902)
Proceeds from collection of lease and guarantee deposits		6,234		61,118
Purchase of non-current assets		(75,819)		(743,324)
Proceeds from sales of non-current assets		111,478		1,092,922
Other, net		269		2,637
Net cash provided by (used in) investing activities	¥	19,745	$	193,578
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable		37,854		371,118
Proceeds from long-term loans payable		167,604		1,643,176
Repayments of long-term loans payable		(209,036)		(2,049,373)
Proceeds from long-term lease and guarantee deposited		27,945		273,971
Repayments of long-term lease and guarantee deposited		(37,158)		(364,294)
Proceeds from issuance of bonds		20,000		196,078
Cash dividends paid		(4,326)		(42,412)
Proceeds from share issuance to minority shareholders		2,581		25,304
Cash dividends paid to minority shareholders		(865)		(8,480)
Repayments of finance lease obligations		(1,509)		(14,794)
Net decrease (increase) in treasury shares		(80)		(784)
Net cash provided by (used in) financing activities	¥	3,008	$	29,490
Effect of exchange rate change on cash and cash equivalents		(443)		(4,343)
Net increase (decrease) in cash and cash equivalents		8,806		86,333
Cash and cash equivalents at beginning of period		84,070		824,216
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		(153)		(1,500)
Cash and cash equivalents at end of period (Note 15)	¥	92,723	$	909,049

See accompanying notes to the consolidated financial statements.

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

1. Summary of Significant Accounting Policies

Tokyu Fudosan Holdings Corporation (“the Company”) was established on October 1, 2013 through joint share transfers as the wholly-owning parent company of Tokyu Land Corporation, Tokyu Community Corp. and Tokyu Livable, Inc.

The Company, the wholly-owning parent company incorporated through the share transfers, has taken over the compilation of the consolidated financial statements of Tokyu Land Corporation, the former parent company that has become a wholly-owned subsidiary following the share transfers.

(a) Basis of Presenting Consolidated Financial Statements

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

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

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

(b) Consolidation Policy

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

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

There were 98 consolidated subsidiaries as of March 31, 2014. During the year ended March 31, 2014, the following companies have become consolidated subsidiaries, for the following reasons, respectively: Tokyu Land Corporation because of the joint share transfers; Silent Partnership OB-1, Silent Partnership RB-4 and Silent Partnership PIONELO because of new investments made; HANDS LAB INC. and Albero Grande Co., Ltd. because of new establishments thereof; and TLC US Corporation because of its increased importance.

On the other hand, the following companies were excluded from the scope of consolidation due to the following reasons, respectively: Dougashima Marine Co., Ltd. because of the sales of its shares; TH Sales Corporation because of the liquidation of the company; Silent Partnership MOMO HOLDINGS because of the loss of importance due to the sales of their properties. Furthermore, Silent Partnership SSG9 was excluded from the scope of consolidation because of its loss of importance due to the sales of their properties after it became a consolidated subsidiary by the new investment made during the consolidated fiscal year.

(c) Securities

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

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

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

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

(d) Inventories

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

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

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

Depreciation for buildings acquired after April 1, 1998 is computed by the straight-line method.

Estimated useful lives are as follows:

Buildings and structures	3 to 65 years

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

(f) Intangible Assets (except for leased assets)

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

(g) Leases

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

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

(h) Allowance for Doubtful Accounts

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

(i) Provision for Bonuses

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

(j) Provision for Warranties for Completed Construction

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

(k) Retirement benefit liability

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

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

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

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

(l) Recognition of Revenue

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

(m) Foreign Currency Translation

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

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

(n) Derivative Financial Instruments

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

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

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

(o) Amortization of Goodwill

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

(p) Cash and Cash Equivalents

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

(q) Income Taxes

The Group has not adopted the Consolidated Taxation System from October 1, 2013.

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

2. Change in Accounting Policy

The Group has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012)and the “Application Guidelines for the Accounting Standard for Retirement Benefits” (ASBJ Statement No. 25, May17, 2012) as of the end of the fiscal year ended March 31, 2014 (excluding the main provision of Paragraph 35 of the Accounting Standard for Retirement Benefits and of Paragraph 67 of the Application Guidelines for the Accounting Standard for Retirement Benefits),and changed the method of accounting for the retirement benefit liability by deducting the amount of pension assets from defined benefit obligation. Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as retirement benefit liability.

Concerning the application of the standard, based on the transitional provisions in Paragraph 37 of the Accounting Standard for Retirement Benefits amounts resulting from this change are recorded through the Remeasurements of retirement benefits in accumulated other comprehensive income.

As a result, at consolidated fiscal year end, retirement benefit liability of ¥25,722 million was recorded and accumulated other comprehensive income decreased by ¥3,072 million. Note that net assets per share decreased by ¥5.05.

3. Basis of Financial Statements Translation

The accompanying consolidated financial statements presented herein are expressed in Japanese yen, and solely for the convenience of readers, have been translated into United States dollars at the rate of 102=U.S. $1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2014. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

4. Investments in Silent Partnerships

Investments in silent partnerships holding properties for sale included in securities were ¥184 million (U.S. $1,804 thousand) at March 31, 2014.

5. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2014 consisted of the following:

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Investment securities	¥ 6,332	$ 62,078

6. Contingent Liabilities

At March 31, 2014 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Guarantee of loans on behalf of:		
Individual customers for principally housing loans	¥ 10,712	$ 105,020
Employees for their purchase of residential houses	66	647
Others	860	8,431
	¥ 11,639	$ 114,108

7. Revaluation of Land

Land owned by Tokyu Land Corporation and one consolidated subsidiary was revalued pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998).

Method of revaluation

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

Date of revaluation

Tokyu Land Corporation	March 31, 2000
（Revaluation on merger of subsidiaries）	March 31, 2001
Consolidated subsidiary	January 31, 2001

The market value exceeded the carrying amount of land after revaluation at March 31, 2014.

8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2014 are summarized as follows:

(1) Pledged assets

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Inventories (Real estate for sale)	¥ 25,866	$ 253,588
Buildings and structures	82,796	811,725
Land	552,382	5,415,510
Leasehold right	705	6,912
Investment securities	125	1,225
Long-term loans receivable	264	2,588
	¥ 662,141	$ 6,491,578

(2) Secured liabilities

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Short-term loans payable	¥ 7,066	$ 69,275
Long-term loans payable	349,073	3,422,284
Other noncurrent liabilities	569	5,578
	¥ 356,709	$ 3,497,147

In addition to the above, cash of ¥542 million (U.S. $5,314 thousand), and Investment securities of ¥1,456 million (U.S. $14,275 thousand) were pledged as collateral for guarantee of the real estate trading business, at March 31,2014.

One special purpose company, which is a consolidated subsidiary, offer its assets (including land of ¥2,998 million and buildings and structures of ¥1,057 million in (1) above) as general security against specified bonds of ¥200 million under Article 128 of the Act on Securitization of Assets (Act No. 105 of 1998). Payments of such debt are limited to the amount of the general security.

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

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Short-term loans payable		
(Current portion of long-term loans payable)	¥ 5,866	$ 57,510
Long-term loans payable	¥ 397,239	$ 3,894,500

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

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Real estate for sale	¥ 23,246	$ 227,902
Land	551,236	5,404,275
Leasehold right	705	6,912
Buildings and structures	¥ 76,533	$ 750,324

In addition to the above, certain consolidated subsidiaries as borrowers have the right to demand additional investment from the Tokyu Land Corporation of ¥63,573 million (U.S.$623,265 thousand) at March 31, 2014 (excluding those that arise as a result of convulsion of nature or other events in case of development type silent partnerships, etc.).

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

Short-term loans payable at March 31, 2014 consist of loans principally from banks with weighted average interest rates of 0.40% in 2014.

Long-term debt at March 31, 2014 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
0.78% unsecured corporate bond, maturing 2016	¥ 10,000	$ 98,039
0.70% unsecured corporate bond, maturing 2017	10,000	98,039
0.81% unsecured corporate bond, maturing 2017	10,000	98,039
0.63%unsecured corporate bond, maturing 2018	10,000	98,039
0.56%unsecured corporate bond, maturing 2018	10,000	98,039
0.39%unsecured corporate bond, maturing 2019	10,000	98,039
0.639%unsecured corporate bond, maturing 2021	10,000	98,039
1.35% specified corporate bond issued by special purpose companies, maturing 2015	200	1,961
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2016 to 2023 with weighted average interest rates of 0.98% in 2014.		
Secured	356,140	3,491,569
Unsecured	485,234	4,757,196
	911,574	8,937,000
Less current portion	(101,338)	(993,510)
	¥ 810,235	$ 7,943,480

The aggregate annual maturates of long-term debt after March 31, 2015 are as follows:

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2016	¥ 180,446	$ 1,769,078
2017	277,007	2,715,755
2018	186,441	1,827,853
2019	95,653	937,775
2020 and thereafter	70,688	693,020
	¥ 810,235	$ 7,943,480

10. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 21 banks at March 31, 2014, and commitment lines with 4 banks at March 31, 2014. These contracts at March 31, 2014 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Limit of overdraft	¥ 165,669	$ 1,624,206
Line of credit	54,000	529,412
Borrowing outstanding	(41,217)	(404,088)
Available commitment lines	¥ 178,452	$ 1,749,529

11. Change in Purpose of Possession

Among the balance of total property, plant and equipment as of the end of the fiscal year, ¥11,118 million ($ 109,000 thousand) was transferred to real estate for sale upon change in the purpose of possession of property, plant and equipment during the consolidated fiscal year.

12. Loss on Valuation of Inventories

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

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Loss on valuation of inventories	¥ 5,523	$ 54,147

13. Impairment Loss on Fixed Assets

For the year ended March 31, 2014, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)
Leased assets, and Resort Facilities, etc.	Land, buildings and structures, other fixed assets	Shibuya-ku, Tokyo and other places	¥ 6,767

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 12 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded as impairment loss (¥6,767 million) under extraordinary losses.

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

14. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2014:

(1) Recycling associated with other comprehensive income

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Valuation difference on available-for-sale securities:		
Amount arising during the year	¥ (2,664)	$ (26,118)
Total valuation difference on available-for-sale securities	¥ (2,664)	$ (26,118)
Deferred gains or losses on hedges:		
Amount arising during the year	6	59
Total deferred gains or losses on hedges	¥ 6	$ 59
Foreign currency translation adjustment:		
Amount arising during the year	(286)	(2,804)
Total foreign currency translation adjustment	¥ (286)	$ (2,804)
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount arising during the year	281	2,755
Total share of other comprehensive income of affiliates accounted for using equity method	¥ 281	$ 2,755
Amount before tax effect	(2,662)	(26,098)
Tax effect	944	9,255
Total accumulated other comprehensive income	¥ (1,718)	$ (16,843)

(2) Tax effect associated with other comprehensive income

	Yen (millions)		
	2014		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥ (2,664)	¥ 946	¥ (1,717)
Deferred gains or losses on hedges	6	(2)	4
Foreign currency translation adjustment	(286)	-	(286)
Share of other comprehensive income of affiliates accounted for using equity method	281	-	281
Total accumulated other comprehensive income	¥ (2,662)	¥ 944	¥ (1,718)

	U.S. dollars (thousands)		
	2014		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	$ (26,118)	$ 9,275	$ (16,833)
Deferred gains or losses on hedges	59	(20)	39
Foreign currency translation adjustment	(2,804)	-	(2,804)
Share of other comprehensive income of affiliates accounted using equity method	2,755	-	2,755
Total accumulated other comprehensive income	$ (26,098)	$ 9,255	$ (16,843)

15. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2014 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Cash and deposits	¥	93,070	$	912,451
Time deposits with maturity over three months		(446)		(4,373)
Short-term investment securities		110		1,078
Short-term loans payable		(10)		(98)
Cash and cash equivalents	¥	92,723	$	909,049

The details of significant non-cash transactions

(1) The Company was incorporated on October 1, 2013 through joint share transfers as the wholly-owning parent company of Tokyu Land Corporation, Tokyu Community Corp. and Tokyu Livable, Inc. (hereinafter referred to as the “Share Transfers”). As a result of the Share Transfers, Goodwill increased by ¥46,934 million ($460,137 thousand), Capital stock increased by ¥2,448 million ($24,000 thousand), Capital surplus increased by ¥84,141 million ($824,912 thousand) and Treasury stock increased by ¥4,814 million（$47,196 thousand), while, minority interests decreased by ¥35,206 million ($345,157 thousand).

(2) Among the balance of total property, plant and equipment as of the end of the fiscal year, ¥11,118 million ($ 109,000 thousand) was transferred to real estate for sale upon change in the purpose of possession of property, plant and equipment during the consolidated fiscal year.

16. Information Regarding Certain Leases

(Finance Lease Transactions as lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2014 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2014 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Acquisition cost	¥	7,.354	$	72,098
Accumulated depreciation		2,501		24,520
Carrying amount	¥	4,852	$	47,569

(2) Future lease payments at March 31, 2014

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Due within one year	¥	613	$	6,010
Due after one year		7,333		71,892
Total	¥	7,946	$	77,902

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2014

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Lease payments	¥	632	$	6,196
Reversal of impairment loss account on leased assets		-		-
Depreciation expense		396		3,882
Interest expenses	¥	310	$	3,039

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2014 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Due within one year	¥	17,122	$	167,863
Due after one year		124,056		1,216,235
Total	¥	141,179	$	1,384,108

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2014 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
Due within one year	¥	22,947	$	224,971
Due after one year		167,626		1,643,392
Total	¥	190,573	$	1,868,363

17. Financial Instruments

Financial instruments at March 31, 2014 are summarized as follows:

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

Most notes and accounts payable-trade, are payable within one year.

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

(3) Risk management for financial instruments

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

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

(b) Monitoring of market risks

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

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

(c) Monitoring of liquidity risk

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2014 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

	Yen (millions)					
	Carrying value		Estimated fair value		Difference	
(1) Cash and deposits	¥	93,070	¥	93,070	¥	-
(2) Investment securities						
Held-to-maturity securities		1,450		1,460		10
Other securities		35,821		35,821		-
Total assets	¥	130,341	¥	130,352	¥	10
(1) Short-term loans payable		79,441		79,441		-
(2) Bonds payable		70,200		70,600		400
(3) Long-term loans payable		841,374		846,144		4,770
Total liabilities	¥	991,015	¥	996,186	¥	5,171
Derivatives	¥	(381)	¥	(381)	¥	-

	U.S. dollars (thousands)					
	Carrying value		Estimated fair value		Difference	
(1) Cash and deposits	$	912,451	$	912,451	$	-
(2) Investment securities						
Held-to-maturity securities		14,216		14,314		98
Other securities		351,186		351,186		-
Total assets	$	1,277,853	$	1,277,961	$	98
(1) Short-term loans payable		778,833		778,833		-
(2) Bonds payable		688,235		692,157		3,922
(3) Long-term loans payable		8,248,765		8,295,529		46,765
Total liabilities	$	9,715,833	$	9,766,529	$	50,696
Derivatives	$	(3,735)	$	(3,735)	$	-

Notes:

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

Assets

Cash and deposits

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

Securities and Investment securities

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

Liabilities

Short-term loans payable

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

Bonds payable (Including current portion of bonds)

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

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

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

Derivatives

Please see Note 19.Derivative Financial Instrument for information on derivative transactions.

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

	Yen (millions)	U.S. dollars (thousands)
Preferred equity securities of special purpose companies	¥ 717	$ 7,029
Unlisted stocks	17,358	170,176
Investments in silent partnerships – current	184	1,804
Investments in silent partnerships – noncurrent	¥ 1,812	$ 17,765

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

	Yen (millions)	U.S. dollars (thousands)
Lease and guarantee deposits	¥ 58,099	$ 569,598
Long-term lease and guarantee deposited	¥ 167,971	$ 1,646,775

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

3. Redemption schedule for receivables and marketable securities with maturities at March 31, 2014

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 91,026	¥ -	¥ -	¥ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	441	818	189	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	49	30	-	-
(2) Corporate bonds	-	-	-	-
Total	¥ 91,517	¥ 849	¥ 189	¥ -

	U.S. dollars (thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 892,412	$ -	$ -	$ -
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	4,324	8,020	1,853	-
(2) Corporate bonds	-	-	-	-
Other securities with maturities				
(1) National and local government bonds	480	294	-	-
(2) Corporate bonds	-	-	-	-
Total	$ 897,225	$ 8,324	$ 1,853	$ -

18. Securities

Securities held by the Company as of March 31, 2014 is summarized as follows:

(1) Held-to-maturity Securities

	Yen (millions)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥ 851	¥ 864	¥ 12
Subtotal	851	864	12
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	598	596	(2)
Subtotal	598	596	(2)
Total	¥ 1,450	¥ 1,460	¥ 10

	U.S. dollars (thousands)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	$ 8,343	$ 8,471	$ 118
Subtotal	8,343	8,471	118
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	5,863	5,843	(20)
Subtotal	5,863	5,843	(20)
Total	$ 14,216	$ 14,314	$ 98

(2) Other Securities

	Yen (millions)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 35,624	¥ 24,070	¥ 11,554
Government and municipal bonds, etc.	70	70	0
Subtotal	35,695	24,140	11,555
Securities whose book value does not exceed acquisition cost:			
Stocks	115	123	(8)
Government and municipal bonds, etc.	9	9	(0)
Subtotal	125	133	(8)
Total	¥ 35,821	¥ 24,274	¥ 11,547

	U.S. dollars (thousands)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	$ 349,255	$ 235,980	$ 113,275
Government and municipal bonds, etc.	686	686	0
Subtotal	349,951	236,667	113,284
Securities whose book value does not exceed acquisition cost:			
Stocks	1,127	1,206	(78)
Government and municipal bonds, etc.	88	88	(0)
Subtotal	1,225	1,304	(78)
Total	$ 351,186	$ 237,980	$ 113,206

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

	Yen (millions)	U.S. dollars (thousands)
Other Securities	Book value	
	2014	2014
Preferred securities of special purpose companies	¥ 143	$ 1,402
Unlisted stocks, etc	11,823	115,912
Investments in silent partnerships	¥ 1,588	$ 15,569

Because these instruments do not have quoted market prices and is considered to be extremely difficult to determine their fair values, they are not included in “Other securities” in the table above.

(3) Sales of Other Securities

Sales of other securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2014 are summarized as follows:

	Yen (millions)		
Type	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥ 61	¥ 41	¥ -
Other	6	-	-
Total	¥ 67	¥ 41	¥ -

	U.S. dollars (thousands)		
Type	Sales amount	Aggregate gains	Aggregate losses
Stocks	$ 598	$ 402	$ -
Other	59	-	-
Total	$ 657	$ 402	$ -

19. Derivatives

Contract / notional amount and the estimated fair value of the derivative instruments as of March 31, 2014 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

		Yen (millions)			
	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain(loss)
Non-market transaction	NDF To buy foreign currency: Indonesian rupiah	¥ 6,453	¥ -	¥ (347)	¥ (347)

		U.S. dollars (thousands)			
	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain(loss)
Non-market transaction	NDF To buy foreign currency: Indonesian rupiah	$ 63,265	$ -	$ (3,402)	$ (3,402)

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

(2) Derivatives to which hedge accounting is applied

Interest rate-related transactions

			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	¥ 2,170	¥ 2,170	¥ (34)
Special treatment for interest rate swaps	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	¥ 367,132	¥ 296,245	¥ -

Hedge accounting method	Type of derivatives	Major hedged items	U.S. dollars (thousands) Contract/ notional amount	Amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	$ 21,275	$ 21,275	$ (333)
Special treatment for interest rate swaps	Interest rate swaps Receive / floating Pay / fixed	Long-term debt	$ 3,599,333	$ 2,904,363	$ Note 1

Notes:

1.Interest rate swaps which qualify for the special treatment for interest swaps is treated together with the hedged long-term debt. Accordingly, the fair value of those interest rate swaps are included in the fair value of the long-term debt.

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

20. Employees' Retirement and Severance Benefits

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

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

Defined benefit plan

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

1. Principle method

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Retirement benefit obligations at April 1,2013	¥ 28,981	$ 284,127
Service cost	1,678	16,451
Interest cost	286	2,804
Actuarial loss	(15)	(147)
Retirement benefits paid	(1,482)	(14,529)
Retirement benefit obligations at March 31,2014	¥ 29,448	$ 288,706

2. Simplified method

	Yen (millions)	U.S. dollars (thousands)
Retirement benefit obligations at April 1,2013	1,651	16,186
Retirement benefit cost	298	2,922
Retirement benefits paid	(240)	(2,353)
Retirement benefit obligations at March 31,2014	¥ 1,709	$ 16,755

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

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Pension assets at April 1,2013	¥ 5,647	$ 55,363
Expected return on plan assets	155	1,520
Actuarial loss	219	2,147
Contributions from employer	458	4,490
Retirement benefits paid	(437)	(4,284)
Pension assets at March 31,2014	¥ 6,044	$ 59,255

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31,2014 and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Retirement benefit obligations under the savings-type plan	¥ 6,685	$ 65,539
Plan assets at fair value	(6,044)	(59,255)
	640	6,275
Retirement benefit obligations under the non-savings-type plan	24,472	239,922
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 25,113	$ 246,206
Retirement benefit liability	25,722	252,176
Retirement benefit asset	(608)	(5,961)
Net amount of liabilitity and asset recorded in the consolidated balance sheet	¥ 25,113	$ 246,206

IV. Components of retirement benefit cost for the year ended March 31,2014

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Service cost	¥ 1,678	$ 16,451
Interest cost	286	2,804
Expected return on plan assets	(155)	(1,520)
Amortization of transition difference resulting from change in accounting standard	351	3,441
Amortization of actuarial loss	703	6,892
Amortization of prior service cost	36	353
Retirement benefit cost calculated using the simplified method	298	2,922
Retirement benefit cost for the defined benefit plan	¥ 3,197	$ 31,343

V. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the year ended March 31,2014.

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Unrecognized transition difference resulting from change in accounting standard	¥ 360	$ 3,529
Unrecognized prior service cost	239	2,343
Unrecognized actuarial loss	3,838	37,627
Total	¥ 4,438	$ 43,510

VI. Pension assets

1. The ratio by major category of the total pension assets as of March 31,2014 is set forth below.

Bonds	37%
Stocks	27%
General account	29%
Others	7%
Total	100%

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

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

VII. Matters regarding assumptions for actuarial calculations

Major assumptions for actuarial calculations as of March 31,2014

Discount rate	0.42%～1.20%
Long-term expected rate of return on pension assets	0.75%～3.00%

Defined contribution plan

The amount required to be contributed to the defined contribution plan is ¥1,159 million ($ 11,363 thousand) for the year ended March 31,2014.

21. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2014 are as follows:

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Deferred tax assets:		
Valuation loss on inventories	¥ 375	$ 3,676
Valuation loss on securities	3,251	31,873
Amortization of intangible assets	3,795	37,206
Allowance for doubtful accounts	246	2,412
Accrued expenses	71	696
Accrued bonuses to employees	3,784	37,098
Retirement benefit liability	8,385	82,206
Net operating loss carry forwards	2,421	23,735
Unrealized inter-company profits	763	7,480
Impairment losses on fixed assets	3,688	36,157
Loss of investments in silent partnerships	1,321	12,951
Valuation difference on consolidated subsidiaries	1,473	14,441
Undistributed loss from consolidated subsidiaries	771	7,559
Accrued enterprise tax/business office tax	884	8,667
Revaluation of assets for merger	8	78
Asset retirement obligations	1,184	11,608
Other	3,534	34,647
Gross deferred tax assets	35,963	352,578
Less: valuation allowance	(8,832)	(86,588)
Total deferred tax assets	¥ 27,130	$ 265,980
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	¥ 4,024	$ 39,451
Allowance for doubtful accounts	6	59
Valuation difference on consolidated subsidiaries	32,709	320,676
Reserve for advanced depreciation of noncurrent assets	2,905	28,480
Loss on approval for exchange of land rights	910	8,922
Property, plant and equipment corresponding to asset retirement obligations	778	7,,627
Other	920	9,020
Total deferred tax liabilities	42,254	414,255
Net deferred tax assets	¥ (15,123)	$ (148,265)

	Yen (millions)	U.S. dollars (thousands)
	2014	2014
Deferred tax assets – current	¥ 7,532	$ 73,843
Deferred tax assets – non current	11,164	109,451
Deferred tax liabilities – current (included in other current liabilities)	(1,329)	(13,029)
Deferred tax liabilities – non current	(32,490)	(318,529)
	¥ (15,123)	$ (148,265)

Notes regarding the difference between the effective tax rate reflected in the consolidated statement of income and the statutory tax rate for the year ended March 31, 2014 are omitted because the difference was less than or equal to five-hundredths of the statutory tax rate.

Upon the promulgation of the revision to the Act on special measures concerning the securing of financial resources for reconstruction measures involving the Great East Japan Earthquake (Act No. 117 of 2011) on March 31, 2014, the corporate tax rate has been changed from the consolidated fiscal year beginning on or after April 1, 2014. With the change, the normal effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 38.01% to 35.64%.

As a result of the change in the tax rate, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by 383 million yen, and deferred income taxes increased by the same amount.

22. Business Combinations

I. Transactions under common control, etc.

1. Outline of the transaction

(i) Legal form of the business combination

Establishment of a holding company through joint share transfers

(ii) Name of the company after the business combination

Tokyu Fudosan Holdings Corporation, a wholly owning parent company incorporated through the share transfers

(iii) Names and details of the businesses of companies subject to the business combination

Wholly-owned subsidiaries subject to the share transfers

Tokyu Land Corporation (“Tokyu Land”) (general real estate business)

Tokyu Community Corp. (“Tokyu Community”) (general real estate management business)

Tokyu Livable, Inc. (“Tokyu Livable”) (general real estate agent business)

(iv) Date of the business combination

October 1, 2013

(v) Other matters related to the outline of the transaction

The Group examined its key strategy, the strengthening of the Group’s management foundations, which was set out in the medium-term management plan (FY2011-FY2013) established in November 2011. As a result, it determined that it was best for the Group to transition to a holding company structure, mainly to improve its management flexibility and efficiency through the innovation of the Group’s management foundations in light of anticipated changes in the business environment in the future. Through the establishment of a holding company structure, the Group will develop a management system in which its comprehensive capabilities are exerted to the maximum extent, and carry out the appropriate allocation of management resources and expand the Group synergies through the alliances within the Group, with the aim of accelerating the Group’s growth as a general real estate business group.

2. Outline of the accounting treatment applied

The Company treated the transaction as a transaction under common control, etc. that is a transaction with minority shareholders in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 dated December 26, 2008), and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 dated December 26, 2008).

3. Matters related to the acquisition of additional shares of subsidiaries

		Yen (millions)	U.S. dollars (thousands)
Consideration for the acquisition	Fair value of the Company's common stock that is issued on the business combination date	¥ 81,711	$ 801,088
Expenses directly incurred for the acquisition	Advisory expenses, etc.	365	3,578
Acquisition cost		¥ 82,076	$ 804,667

4. Share transfer ratio by share type and its calculation method and the number of shares allotted

(i) Share transfer ratio by share type

One share of common stock in the Company was allotted and delivered to each one share of common stock in Tokyu Land Corporation. 4.77 shares of common stock in the Company were allotted and delivered to each one share of common stock in Tokyu Community Corp. 2.11 shares of common stock in the Company were allotted and delivered to each one share of common stock in Tokyu Livable, Inc.

(ii) Calculation method of the share transfer ratio

The share transfer ratios were calculated after requesting the calculation of the share transfer ratios to more than one financial advisors and holding discussions among the related parties based on the reports submitted by those financial advisors.

(iii) Number of shares allotted

700,560,974 shares

5. Amount of goodwill recognized, reason for the recognition, and amortization method and period

(i) Amount of goodwill recognized

¥46,934 million

(ii) Reason for the recognition

The goodwill arose mainly due to the excess earning capabilities expected in the future.

(iii) Amortization method and period

Amortization in equal amounts over 20 years

II. Transactions under common control, etc.

1. Outline of the transaction

(i) Name and details of businesses of the company subject to the business combination

Name of the company subject to the business combination : Tokyu Hands, Inc.

Details of businesses : Retailing

(ii) Date of the business combination

December 26, 2013

(iii) Legal form of the business combination

Share acquisition (additional acquisition) from minority shareholders

(iv) Name of the company after the business combination

The name remains the same.

(v) Other matters related to the outline of the transaction

The transaction mainly aims to strengthen the governance in its effort to integrate the management of the Group, and Tokyu Land Corporation, a consolidated subsidiary, acquired all the non-voting shares held by minority shareholders, thereby making it a wholly-owned subsidiary.

2. Outline of the accounting treatment applied

The Company treated the transaction as a transaction under common control, etc. that is a transaction with minority shareholders in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 dated December 26, 2008), and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 dated December 26, 2008).

3. Matters related to the acquisition of additional shares of subsidiaries

		Yen (millions)	U.S. dollars (thousands)
Consideration for the acquisition	Cash and deposits	¥ 4,400	$ 43,137
Acquisition cost		¥ 4,400	$ 43,137

4. Amount of goodwill recognized, reason for the recognition, and amortization method and period

(i) Amount of goodwill recognized

¥1,417 million

(ii) Reason for the recognition

The goodwill arose mainly due to the excess earning capabilities expected in the future.

(iii) Amortization method and period

Amortization in equal amounts over 10 years

III. Transactions under common control, etc.

1. Outline of the transaction

(i) Name of the business subject to the transaction

Rights and obligations related to corporate bonds issued by Tokyu Land Corporation

(ii) Date of the business combination

March 20, 2014

(iii) Legal form of the business combination

Company split in which Tokyu Land Corporation is the splitting company and the Company is the successor company

(iv) Name of the company after the business combination

The name remains the same.

(v) Other matters related to the outline of the transaction

a. Purpose of the company split

The company was established on October 1, 2013 through joint share transfers among Tokyu Land Corporation, Tokyu Community Corp. and Tokyu Livable, Inc. By succeeding the rights and obligations related to the corporate bonds issued by Tokyu Land Corporation, the financing operations of the Group will be centralized within the Company.

b. Details of the allotment related to the absorption-type company split

The company split is a company split among the parent company and the wholly-owned subsidiary, Accordingly, the Company does not allocate any consideration related to the company split to Tokyu Land Corporation.

c. Rights and obligations to be succeeded

The rights and obligations the Company succeeds from Tokyu Land Corporation as a result of the company split are the principal obligations of the corporate bonds as described below and the accrued interest obligations related to the principal obligations that arose before the effective date, cash equivalent to the relevant obligations, and rights and obligations related to the contracts that Tokyu Land Corporation has entered into in relation to the corporate bonds as described below and other related matters.

Issues	Issuance Amount (Outstanding Balance)	Maturity
15th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	October 28, 2015
16th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	September 15, 2016
17th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	March 2, 2017
18th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	July 27, 2017
19th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	November 2, 2017
20th series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	November 6, 2018
21st series unsecured corporate bonds (with inter-bond pari passu clause)	¥10 billion	November 6, 2020

Tokyu Land Corporation does not succeed any off-balance-sheet liabilities or contingent liabilities that arise from events that took place before March 20, 2014, the effective date of the company split. Meanwhile, the Company succeeds the obligations based on the method of assumption of obligations without recourse.

d. Capital stock and capital surplus of the absorption-type company split successor company

The Company does not change the amounts of capital stock and capital surplus as a result of the company split.

2. Outline of the accounting treatment applied

The Company treated the transaction as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 dated December 26, 2008), and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 dated December 26, 2008).

23. Investment and Rental Properties

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

Yen (millions)			
Carrying value			Fair value
As of April 1, 2013	Net change	As of March 31, 2014	As of March 31, 2014
¥ 757,577	¥ (95,439)	¥ 662,138	¥ 706,423

U.S. dollars (thousands)			
Carrying value			Fair value
As of April 1, 2013	Net change	As of March 31, 2014	As of March 31, 2014
$ 7,427,225	$ (935,676)	$ 6,491,549	$ 6,925,716

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Of the changes during the period, increases were mainly attributable to the acquisition of properties of ¥39,443 million ($ 386,696 thousand), and decreases primarily reflected the sales of properties of ¥117,161million ($ 1,148,637 thousand) and transfers to real estate for sale of ¥10,895 million ($ 106,814 thousand).
3. The fair value is mainly estimated in accordance with appraisal standards for valuing real estate.
4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥277,485 million ($ 2,720,441 thousand) as of March 31, 2014) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

24. Per Share Information

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

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

	Yen		U.S. dollars	
	2014		2014	
Net asset per share of common stock as of March 31	¥	598.73	$	5.87
Net income per share of common stock for the year ended March 31	¥	41.61	$	0.41

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

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
For the year ended March 31				
Net income	¥	23,712	$	232,471
Net income of common stock	¥	23,712	$	232,471
Weighted average number of shares of common stock (thousands)		569,909		

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

	Yen (millions)		U.S. dollars (thousands)	
	2014		2014	
As of March 31				
Total net assets	¥	369,242	$	3,620,020
Minority interests		(4,751)		(46,578)
Net assets of common stock at March 31	¥	364,491	$	3,573,441
Number of shares of common stock at March 31 (thousands)		608,777		

25. Related Party Transactions

Principal transactions between the Company and its related parties during the years ended March 31, 2014 are summarized as follows:

Names of related parties	Relation	Description	Yen (millions)		U.S. dollars (thousands)	
			2014		2014	
Kiyoshi Kanazashi	Director	Reconstruction of house	¥	40	$	392
Hitoshi Uemura	Director	Sale of house	¥	24	$	235

The prices for the transactions were determined using the same method as for third party transactions.

26. Shareholders' Equity

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

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

27. Segment Information

The business of the Company and its consolidated subsidiaries is composed primarily of eight segments: (1) Real Estate Sales, including the development and sales of condominiums, houses and buildings; (2) Contracted Construction, including the construction of custom-built houses, and reforms of 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 for offices, residences, and hotels, and management of shopping centers; (5) Property Management, including facilities management for buildings, condominiums and apartments; (6) Facility Operations, including operations of leisure and sports facilities (golf courses, membership resort hotels, and urban-style sports clubs); (7) Real Estate Agents, including real estate agency, etc; and (8) Other.

Information by geographic areas is omitted as overseas sales of the Company for the year ended March 31, 2014 are less than 10 percent of consolidated revenue.

Summarized information by business segment for the year ended March 31, 2014 are as follows:

	Yen (millions)									
Year ended March 31, 2014	Real Estate Sales	Contracted Construction	Retail sales	Leasing of Real Estate	Property Management	Facility Operations	Real Estate Agents	Other	Elimination/ Headquarters	Consolidated
Revenues:										
Third party customers	209,064	83,428	84,054	127,698	89,384	63,514	47,741	9,181	—	714,067
Inter-segment	15	7,263	441	3,164	6,593	270	3,813	696	(22,258)	—
Total	209,079	90,691	84,495	130,862	95,977	63,785	51,555	9,878	(22,258)	714,067
Operating income	12,509	2,887	1,098	33,562	6,651	4,263	8,486	12	(8,040)	61,433
Total assets	260,238	30,090	32,209	1,099,522	52,734	196,466	47,956	24,069	46,533	1,789,822
Depreciation expenses	146	297	1,123	11,104	341	5,009	906	612	418	19,959
Amortization of goodwill	—	—	—	104	1,890	(3)	—	—	1,218	3,210
Investment in equity-method affiliates	—	—	—	—	—	—	—	3,507	544	4,052
Capital expenditures	423	418	1,104	64,241	556	6,855	1,441	1,000	1,498	77,539

	U.S. dollars (thousands)									
Year ended March 31, 2014	Real Estate Sales	Contracted Construction	Retail sales	Leasing of Real Estate	Property Management	Facility Operations	Real Estate Agents	Other	Elimination/ Headquarters	Consolidated
Revenues:										
Third party customers	2,049,647	817,922	824,059	1,251,941	876,314	622,686	468,049	90,010	—	7,000,657
Inter-segment	147	71,206	4,324	31,020	64,637	2,647	37,382	6,824	(218,216)	—
Total	2,049,794	889,127	828,382	1,282,961	940,951	625,343	505,441	96,843	(218,216)	7,000,657
Operating income	122,637	28,304	10,765	329,039	65,206	41,794	83,196	118	(78,824)	602,284
Total assets	2,551,353	295,000	315,775	10,779,627	517,000	1,926,137	470,157	235,971	456,206	17,547,275
Depreciation expenses	1,431	2,912	11,010	108,863	3,343	49,108	8,882	6,000	4,098	195,676
Amortization of goodwill	—	—	—	1,020	18,529	(29)	—	—	11,941	31,471
Investment in equity-method affiliates	—	—	—	—	—	—	—	34,382	5,333	39,725
Capital expenditures	4,147	4,098	10,824	629,814	5,451	67,206	14,127	9,804	14,686	760,186

Company Profile (parent company)

Established	Octomber 1, 2013
Headquarters	Shin-Nanpeidai Tokyu Building., Dogenzaka 1-21-2, Shibuya-ku, Tokyo
Capital	¥ 60,000 million (as of March 31, 2014)
URL	http://www.tokyu-fudosan-hd.co.jp/english/