



TOKYU FUDOSAN HOLDINGS



Tokyu Fudosan Holdings Corporation
Corporate Communication Department
www.tokyu-fudosan-hd.co.jp/english/



TOKYU FUDOSAN HOLDINGS

2019 Integrated Report

Eiichi Shibusawa

1918: Established the Den-en Toshi Company, the origin of the Group

“ This term Den-en Toshi (literally, Garden City) simply means a city fully incorporating nature, streets interspersed with gardens that combine the good points of farming villages and cities. Every time I saw Tokyo spreading with increasing momentum, I wanted to create something resembling a Garden City in Japan and to make up even a little for the shortcomings of city life. ”

Eiichi Shibusawa, *Seien Kaikoroku Gekan* [Memoirs of Eiichi Shibusawa, Vol. II] (Seien kaikoroku kanko kai, 1927)



Challenge-oriented DNA

Having inherited Challenge-oriented DNA, the Tokyu Fudosan Holdings Group is genetically programmed to try solving social issues through its business activities, and is focusing on lifestyle creation, proposing new approaches to Home Styles, Work Styles and Play Styles.

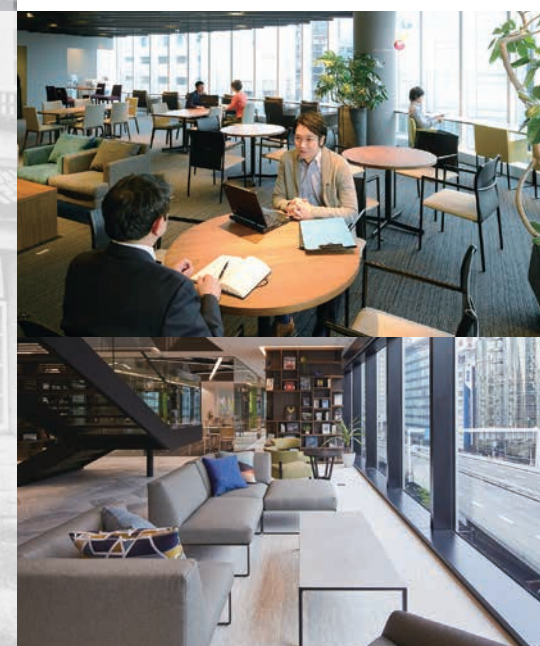


Keita Goto

1953: Established TOKYU LAND CORPORATION, serving as its first chairman

“ We established TOKYU LAND CORPORATION as a separate company from TOKYU CORPORATION because, as part of TOKYU CORPORATION, the Den-en Toshi business and other real estate business was overshadowed by the railway business, and this tended to prevent free development. We wanted to turn this business into a separate company, freeing it from the constraints of a business incidental to the railway business, develop the business freely, branch out into other new fields, expand the business to equal leading real estate companies such as Mitsui Fudosan Co., Ltd. and MITSUBISHI ESTATE CO., LTD., and become involved in national projects. Also, as shown in the postcards we handed out, we want to contribute to the development of the area around Shibuya by building high-rise buildings on a further four or five sites near Shibuya Station. ”

Excerpt from Chairman Goto's speech about the Shibuya District Development Plan at a meeting to announce the establishment of TOKYU LAND CORPORATION to Shibuya District officials in January 27, 1954



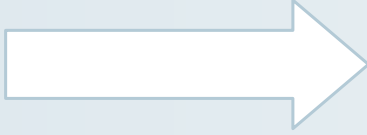
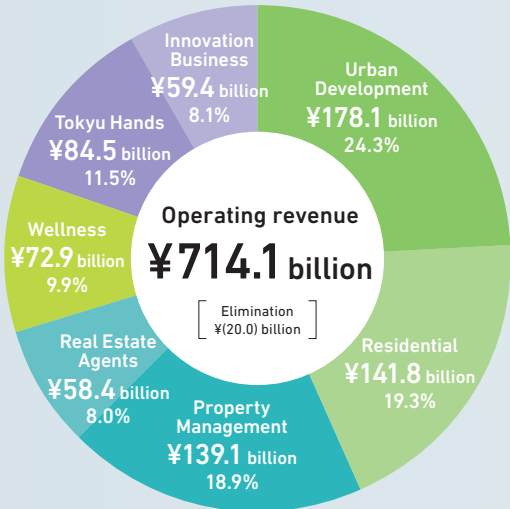
At a Glance



Operating profit
¥61.4 billion



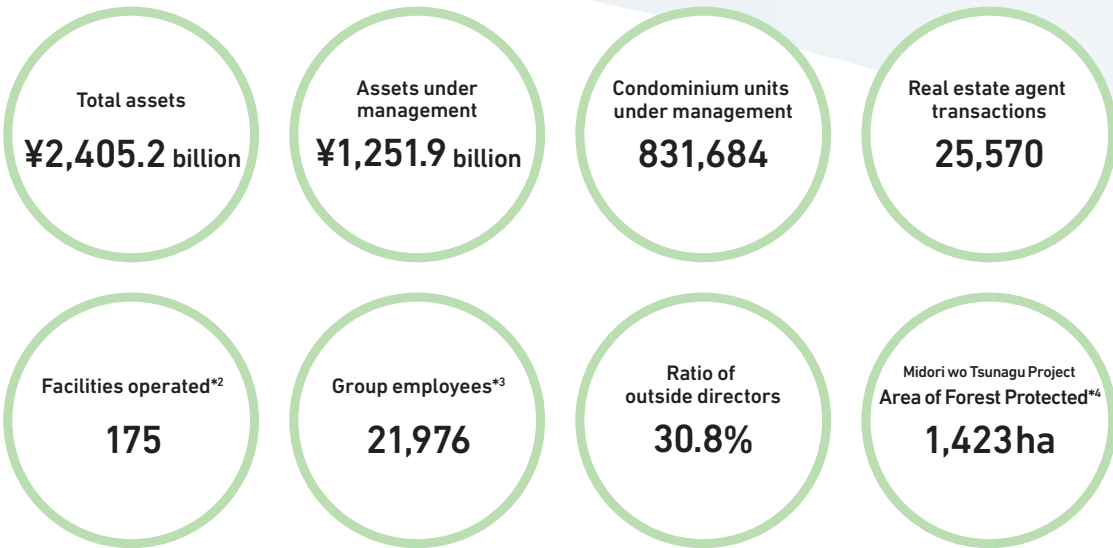
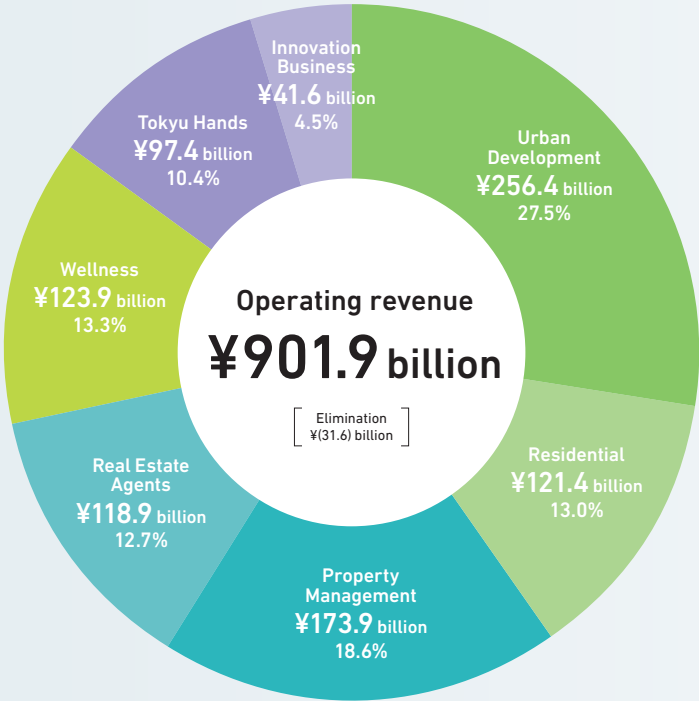
[Elimination ¥(2.2) billion]



Operating profit
¥80.2 billion



[Elimination ¥(7.1) billion]



*1. In April 2014, we reviewed and consolidated the segment categories from the existing 8 segments to 7 segments and the fiscal 2013 figures are estimates restated to reflect the new segments.
*2. The number of facilities managed is the total number of urban style hotels, resorts facilities, golf courses, ski resorts, overseas facilities, senior housing, and fitness clubs operated by the Wellness segment and other facilities operated under contract.
*3. The number of Group employees does not include temporary employees.
*4. The cumulative value for the area of forest protected in Midori wo Tsunagu Project (since October 2011)

On Publishing the 2019 Integrated Report

Five years have passed since Tokyu Fudosan Holdings Corporation was founded and three years have passed since we published the first Integrated Report for the Group. The 2019 Integrated Report is our fourth report published, and we wanted to convey our desire "To Become a Corporate Group that Continues to Create Value" while also conveying that we are moving forward with our Medium-Term Management Plan, a turning point for our company. For this report, we worked to improve the content by thinking about how to convey this to our stakeholders in a way that is easy to understand. Specifically, we visualized our identity from key phrases - Unique Value Creation, Sustainable Growth, and Our Three Core Strengths - and created a story of our value creation that is unique to our company, creating and proposing lifestyles that go beyond the bounds of physical structures. We were also committed to systemizing financial and non-financial information and displaying this information in a simple way.

Our group has constantly worked to solve social issues while inheriting the founding spirit of Challenge-oriented DNA from our origin with the development of Den-en Chofu, an ideal community development idea suggested and carried out by Eiichi Shibusawa and others, and through this report, I hope that you will get a sense of our past, present, and future.

We are quite aware of the fact that we sincerely confront social issues, and we participate in the UN Global Compact, supporting the 10 fundamental rules related to human rights, industry, the environment, and prevention of corruption. I'd like to report that we are also committed to contributing to the achievement of the Sustainable Development Goals (SDGs), a common set of goals for global corporations aimed at creating a sustainable society.

For the creation of this report, we referenced the framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation presented by the Ministry of Economy, Trade, and Industry. The Corporate Communication Department, which was started this fiscal year, was in charge of creating the report, with the Group Corporate Planning Strategy Department and Group General Administration Department operating as administrative offices. Each department coordinated closely in an effort to consolidate Group-wide approaches.

We will continue the dialogue we have with our stakeholders through these reports and many other tools and opportunities.

Yuji Okuma
President and Representative Director
August 2019



Covered in This Report: Our company and Tokyu Fudosan Holdings Group
Dates Covered: April 1, 2018 to March 31, 2019 (including some information from April 2019 and later)
Released: August 2019

Please check the corporate website for more detailed information

Tokyu Fudosan Holdings Corporate Site <https://www.tokyu-fudosan-hd.co.jp/english/>



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About Corporate Governance https://www.tokyu-fudosan-hd.co.jp/english/about/governance/	Group Initiatives https://www.tokyu-fudosan-hd.co.jp/english/efforts/

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

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Our Group has created unique value while constantly facing social issues head on. Learn about our past, present, and future through a message from our president, special articles, specific examples, and more.

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Section 2

Value Creation Strategy

Predictions and progress for our Medium-Term Management Plan 2017-2020, defined so that we can become who we want to be, and information about our initiatives towards social issues through our business activities.

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The Value Creation Story

Who We Want To Be

The Tokyu Fudosan Holdings Group proposes and creates lifestyles, going beyond the bounds of physical structures. Since our foundation, we have always been truly committed to solving social issues through our business activities and have consistently provided new value to our customers and society. Having inherited this Challenge-oriented DNA, we aim “To Become a Corporate Group that Continues to Create Value”, in order to realize a sustainable society and growth.

Tokyu Fudosan Holdings Group Ideal

To Become a Corporate Group that Continues to Create Value

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

Sustainability Vision

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

Sustainability Policy

- We will strive for environmental and economic harmony through our business activities.
- We will endeavor to collaborate properly with stakeholders and maintain and strengthen relationships with them.
- We will pursue sound and highly transparent management and actively disclose sustainability information.

Framework for Integrated Thinking of the Group with Challenge-oriented DNA

To Become a Corporate Group that Continues to Create Value

Become
a Corporate Group

Continues to Create

Create Value

Our Three
Core Strengths

P.12

Diverse Assets
and Customers

We conduct business in varied life settings and come into contact with diverse assets and around 10 million customers.

Highly Specialized
Personnel and Knowhow

About 30,000* employees from Group companies work in a wide range of business fields, sharing urban development and business knowhow built up over many years.

A Culture that Produces
Unique Businesses

Inheriting our founding spirit of Challenge-oriented DNA, we are involved in many pioneering and highly original businesses.

Sustainable Growth

P.42

Financial Capital Strategy

We aim to build on our stable financial base and increase shareholder value and corporate value by growing our earning power while maintaining financial discipline.

ESG Management

We are strengthening ESG initiatives from the viewpoints of work-style reform, social needs, environment, and corporate governance.

Unique Value Creation

P.14

Lifestyle Creation

We are committed to solving various social issues through the proposal of new Home Styles, new Work Styles and new Play Styles.

Wide Range of
Business Fields

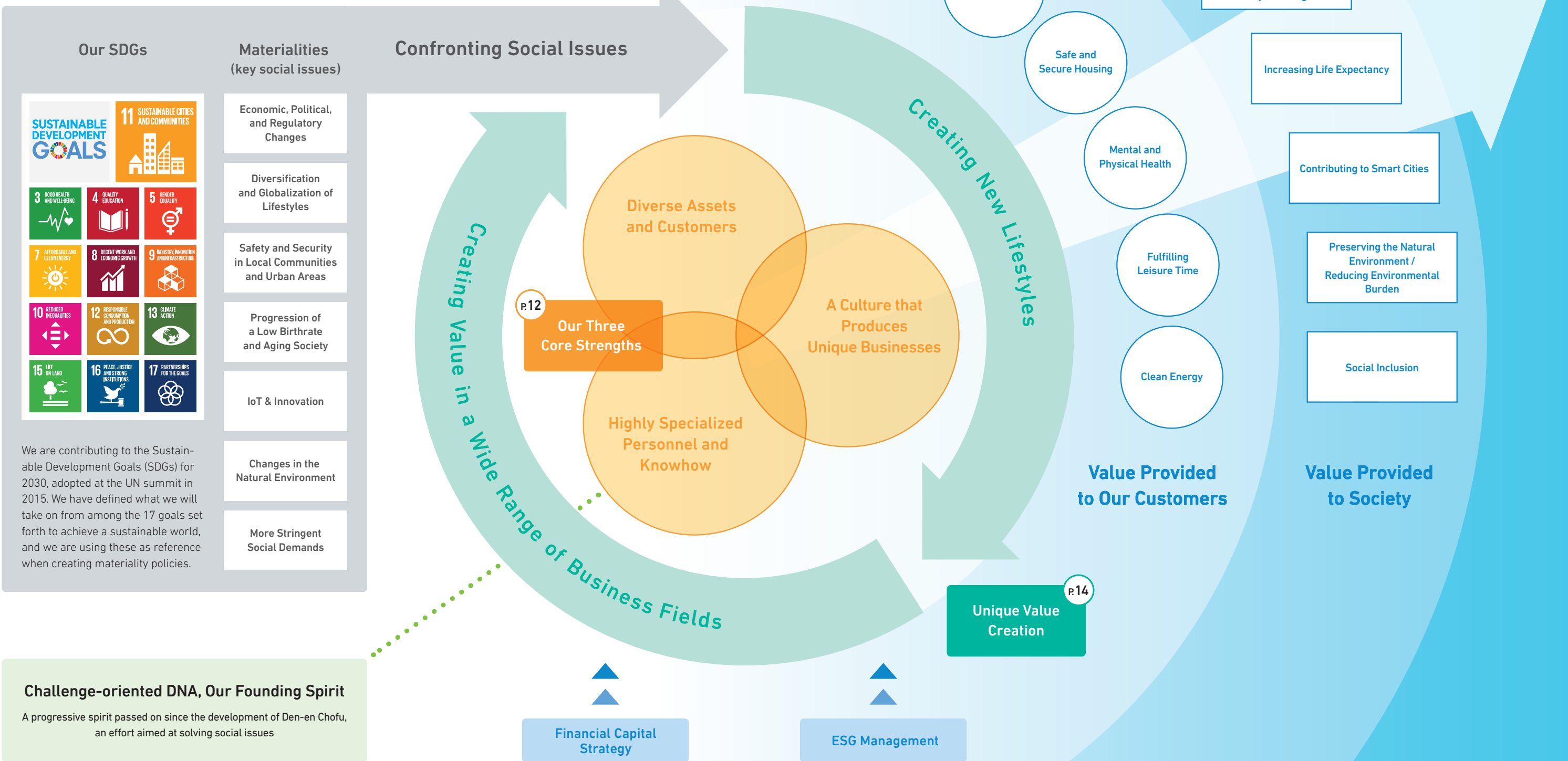
We create value by providing diverse services to address social issues, ranging from real estate development to the management, agents and operation of real estate.

*Includes temporary employees

The Value Creation Story

Our Process for Value Creation

Our creating value begins with confronting social issues. We gain an accurate understanding of the social issues as they change with the times and create unique value, utilizing the three core strengths. Both ESG management and our financial capital strategy support our sustainable growth. Through this process cycle, we are able to implement our plan to become a corporate group that continues to create value.



The Value Creation Story

Creating Value Alongside Social Issues

Our origins lie with the development of Den-en Chofu, a pioneering effort to create the ideal town in a time of housing shortages. Since then, we have seriously faced the social issues in front of us, regardless of the times, and have taken a stand towards solving those issues through our business activities, while also inheriting our Challenge-oriented DNA. Our history follows the changes in society.

1950s and 1960s

From Post-war Recovery to Rapid Economic Growth

Japan rebuilt its economy, boosted by special demand from the Korean War, and completing the postwar reconstruction, ushered in a period of rapid economic growth. However, the housing shortage in urban areas became a serious problem due to population concentration in the three major metropolitan areas and increasing urban sprawl.

Establishment of the Company, Focused on Urban Development in Shibuya, Daikanyama, etc., Starting with Den-en Toshi

TOKYU LAND CORPORATION was established as the real estate department was spun off from TOKYU CORPORATION. The Company offered housing, which was in short supply, and commercial facilities to support residents' lives around our home base of Shibuya. The Company sought value creation through the real estate business.



Advertisement from when TOKYU LAND CORPORATION was established

- 1953 TOKYU LAND CORPORATION is established**
New company inaugurated with Keita Goto as chairman and Noboru Goto as president
- 1955 Completion of Daikanyama Tokyu Apartment**
Japan's first luxury rental residence developed for foreign nationals
- 1958 Completion of Tokyu Skyline**
The first condominiums in the Japanese real estate industry
- 1961 Start of Tokyu-Mitsubishi Home Loan Program**
The prototype for the home loan system
- 1965 Opening of Shibuya Tokyu Building** (later Tokyu Plaza Shibuya)
A multipurpose commercial facility in front of Shibuya Station

Our Origin: Den-en Chofu Urban Development

Den-en Toshi Company was established in 1918, focused on Eiichi Shibusawa and others. During a time of housing shortages, the English-originated Garden City urban concept, combining the merits of nature and the city, was incorporated, and Den-en Chofu was created as the Tamagawadai residential area – a beautiful, comfortable town where housing and gardens coexisted.



Den-en Chofu at the time of development

1970s and 1980s

Drastic Change in the World Economy and Advancement of Living Standards

The period of rapid economic growth in Japan came to an end with the oil crisis. In Japan, which had become an economic superpower, people gained material well-being and began to seek spiritual enrichment. As a result, values in various areas of life, including society, culture and lifestyle, diversified.

Pursuing Business Diversification from an Early Stage to Become a Total Lifestyle Producer

We expanded into related business domains derived from real estate, including management, real estate agents, retail, fitness, resorts, and more early on. Through our business diversification, we grew to be a corporate group offering total lifestyle services.



Asumigaoka New Town

- 1970 Establishment of TOKYU COMMUNITY CORP.**
Expansion into the property management business to create comfortable lives and living spaces
- 1972 Establishment of Area Service Co., Ltd.** (predecessor of TOKYU LIVABLE, INC.)
Expansion into the real estate agents business as a pioneer in real estate transactions
- 1976 Establishment of TOKYU HANDS INC.**
A pioneer in true DIY activities, creating new lifestyles and culture
- 1982 Launch of the Asumigaoka New Town business**
One of the largest urban developments in Japan, in harmony with natural surroundings
- 1984 Opening of Palau Pacific Resort**
An authentic resort hotel where development and environmental conservation co-exist
- 1986 Opening of TOKYU SPORTS OASIS Esaka**
A members-only fitness club offering programs to promote healthy lifestyles
- 1988 Opening of Tokyu Harvest Club Tateshina**
A membership resort hotel offering new ways to enjoy leisure time

1990s and 2000s

Post-bubble Period and Diversification of Lifestyles

Due to prolonged economic stagnation, coupled with the declining birthrate, aging population, and a drop in land prices, people began to return to the cities. Lifestyles and values became more diverse as a result of the advancement and diffusion of information technology and the tide of globalization.

Strengthening Our Revenue Base by Shifting the Focus to the Leasing Business in the Post-bubble Era

Not only did we enter in to the hotel and senior housing businesses, but we also improved our finances and strengthened our revenue base by shifting towards our urban development business, including office buildings and commercial facilities, in order to survive the post-bubble era.



Setagaya Business Square

- 1993 Opening of former Tokyu Stay Kamata**
Urban style hotels that can be used for medium- and long-term stays
- 1993 Opening of Setagaya Business Square**
Tokyu Group's first super-high-rise office building
- 1999 Start of the Real Estate Securitization Business**
Securitization of large-scale shopping centers, etc.
- 2004 Opening of Grancree Azamino**
One of the first in the industry to enter the senior housing business

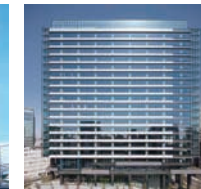
Main Development Projects Since 2010



Futako Tamagawa Rise Tower & Residence
Completed in 2010



Tokyu Plaza Ginza
Opened in 2016



SHIBUYA SOLASTA
Completed in 2019



SHIBUYA FUKURAS
Due to be completed in October 2019



Rendering of the Shibuya Station area after completion
Around in 2027

2010s Onwards

Towards a Sustainable Society

Under globalization, a paradigm shift has taken place with both the public and private sectors looking to achieve sustainable growth. Further advances in information technology will bring major innovations to people's lives, society and the industrial structure.

Towards Sustainable Growth Through Group Co-creation, Anticipating the Changes in Values and Needs

We transitioned to a holdings system to anticipate changes and create new value. Aiming for medium- to long-term growth, we are creating lifestyles as a Group while inheriting our Challenge-oriented DNA.



Advertisement from when Tokyu Fudosan Holdings Corporation was established

- 2013 Establishment of Tokyu Fudosan Holdings Corporation**
Merger of TOKYU LAND CORPORATION, TOKYU COMMUNITY CORP. and TOKYU LIVABLE, INC.
- 2014 Establishment of Tokyu Housing Lease Corporation**
Merger of Group's rental housing businesses
- 2016 Consolidation of NATIONAL STUDENTS INFORMATION CENTER CO., LTD. into a Subsidiary**
Strengthening the management of rental housing business of student condominiums, etc.
- 2019 Completion of SHIBUYA SOLASTA**
A smart office supporting diverse work styles

FY2018
¥901.9 billion

Changes in Operating Revenue*

1953

1960

1970

1980

1990

2000

2010

2020

* From fiscal 1953 to fiscal 1992, non-consolidated operating revenue from TOKYU LAND CORPORATION, from fiscal 1993 to fiscal 2012, consolidated operating revenue from TOKYU LAND CORPORATION, and from fiscal 2013 onward, consolidated operating revenue from Tokyu Fudosan Holdings Corporation. (fiscal 1989 was only a 6-month fiscal term, as the fiscal term was changed from September to March that year)

The Value Creation Story

Our Three Core Strengths

Our strengths, developed through our commitment to solving social issues in a changing society, can be broadly divided into three core strengths. Business Foundations, Corporate Culture and Human Capital. Each of these strengths nurtures the uniqueness of the Tokyu Fudosan Holdings Group and the inheritance and evolution of Challenge-oriented DNA since our foundation leads to unique value creation.

Diverse Assets and Customers

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

Involvement in Diverse Assets

- | | |
|---|---|
| <ul style="list-style-type: none"> Office buildings
60 Rental housing units under management
Approx. 137,000 Condominium units under management*1
Approx. 831,000 Hotels and resorts*2
84 | <ul style="list-style-type: none"> Commercial facilities
33 Condominium units (cumulative number)
Approx. 93,000 Real estate agent transactions
Approx. 25,000 Senior housing facilities
16 |
|---|---|

Customer Contact Points: Approx. 10 Million Customers

- | | |
|--|---|
| <ul style="list-style-type: none"> TOKYU HANDS Club members
Approx. 4,760,000 BRANZ CLUB members
Approx. 117,000 Tokyu Harvest Club members
Approx. 26,000 | <ul style="list-style-type: none"> Consignment welfare members
Approx. 3,840,000 Fitness club members
Approx. 102,000 |
|--|---|

*1. Includes public housing
*2. Includes urban style hotels, resort facilities, golf courses, ski resorts and overseas facilities.

Highly Specialized Personnel and Knowhow

Around 30,000 employees (including temporary employees) work in these business fields. They also share their knowhow with other Group employees through opportunities such as seminars and workshops.

Number of employees with professional qualifications 7,282

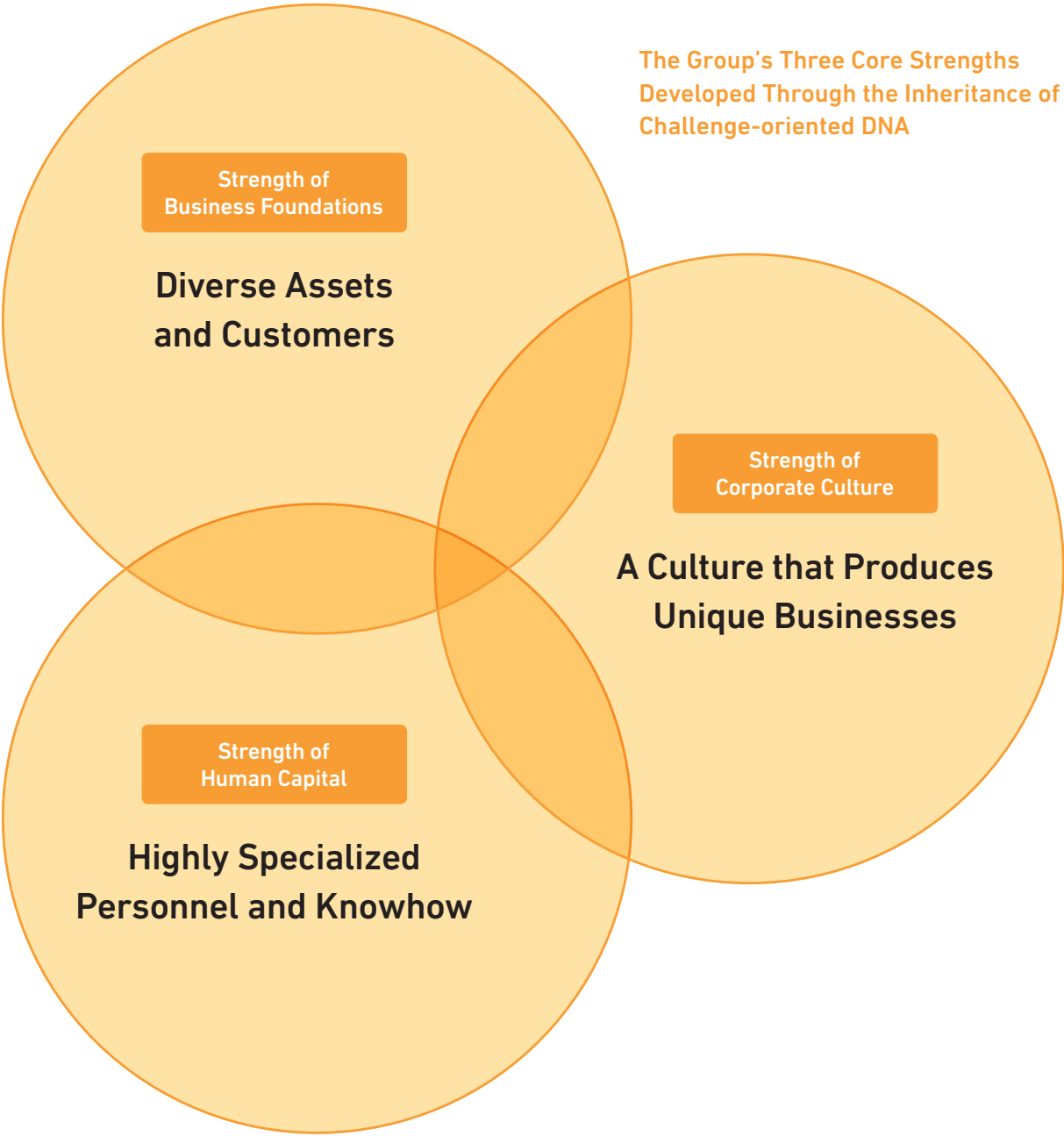
First-class registered architects: 328
Second-class registered architects: 414
Real estate notaries: 5,960
Condominium managers: 580

Knowledge Café (held 28 times with a total of 3,381 participants)

We hold seminars for Group employees around five times a year to promote understanding of the Group's businesses and create opportunities for cooperation between Group companies. We invite employees who work at various Group companies as speakers and share advanced initiatives at each company.



The Group's Three Core Strengths Developed Through the Inheritance of Challenge-oriented DNA



A Culture that Produces Unique Businesses

We have always anticipated the needs of the times and created innovative, unique businesses. This Challenge-oriented DNA is deeply rooted in the Group as a whole as our organizational culture.



Palau Pacific Resort balances protection of the natural environment with continued development.



Tokyu Harvest Club private membership resort hotels propose new ways of spending leisure time.



Business-Airport membership-based satellite office service offers people the opportunity to cater for diverse work styles.



Morinomiya Q's MALL BASE specializes in sport and health.



RAKUTIVE adult health salons help extend healthy life expectancy.



Hi! Tenshu Project at TOKYU HANDS Shinjuku Store makes life more enjoyable through customer service.

Examples of Services Utilizing the Characteristics of Each Business



Dai Tamesue giving a lecture on the topic of Sports Business (November 5, 2018)



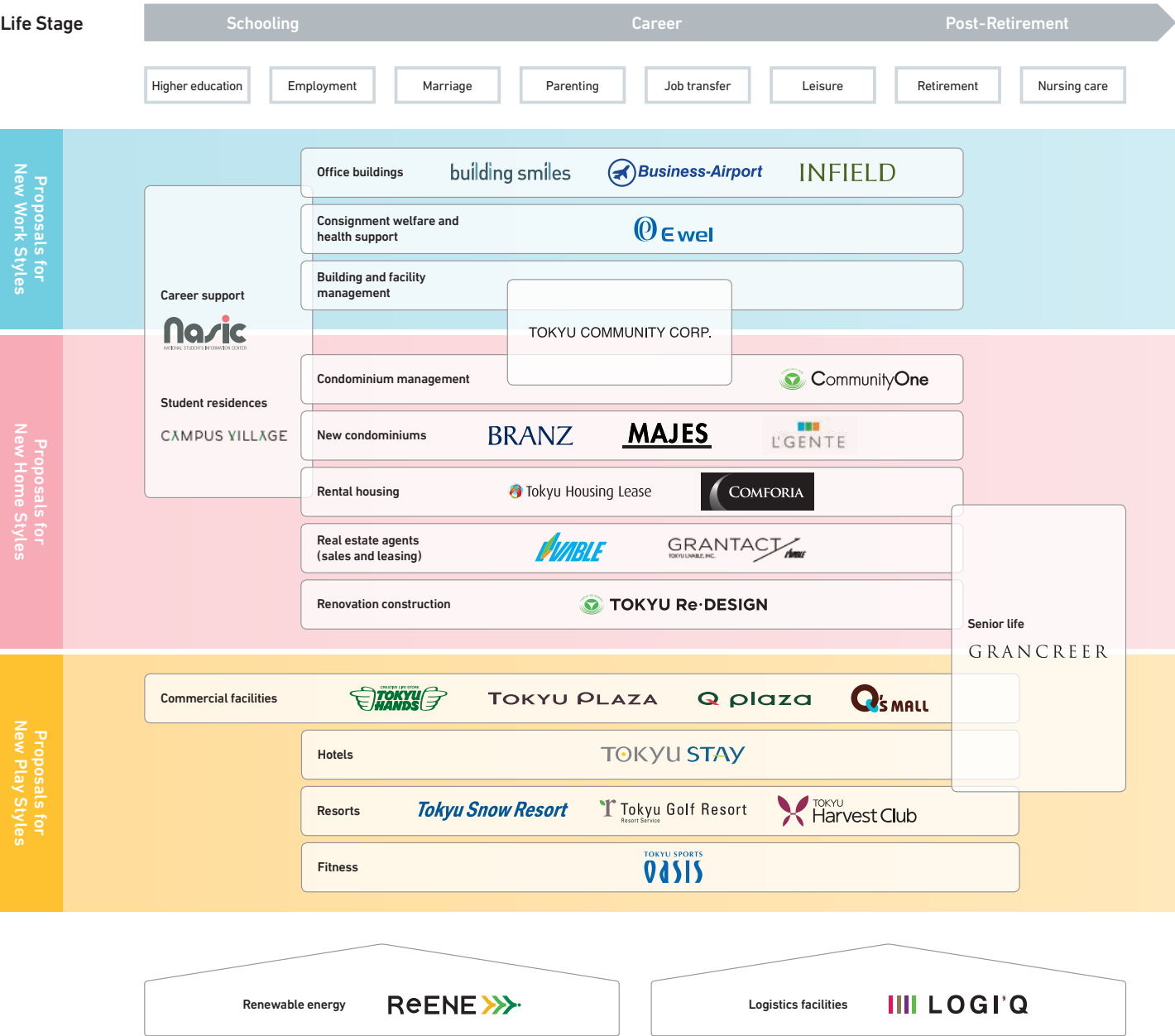
The Value Creation Story

Unique Value Creation

The originality of our Group can be discussed in terms of creation of value on the time axis and creation of value on the spatial axis. On the time axis, we create new lifestyles by offering diverse services at every life stage of our customers. Meanwhile, on the spatial axis, we create value by harnessing our wide range of business fields in all kinds of urban settings.

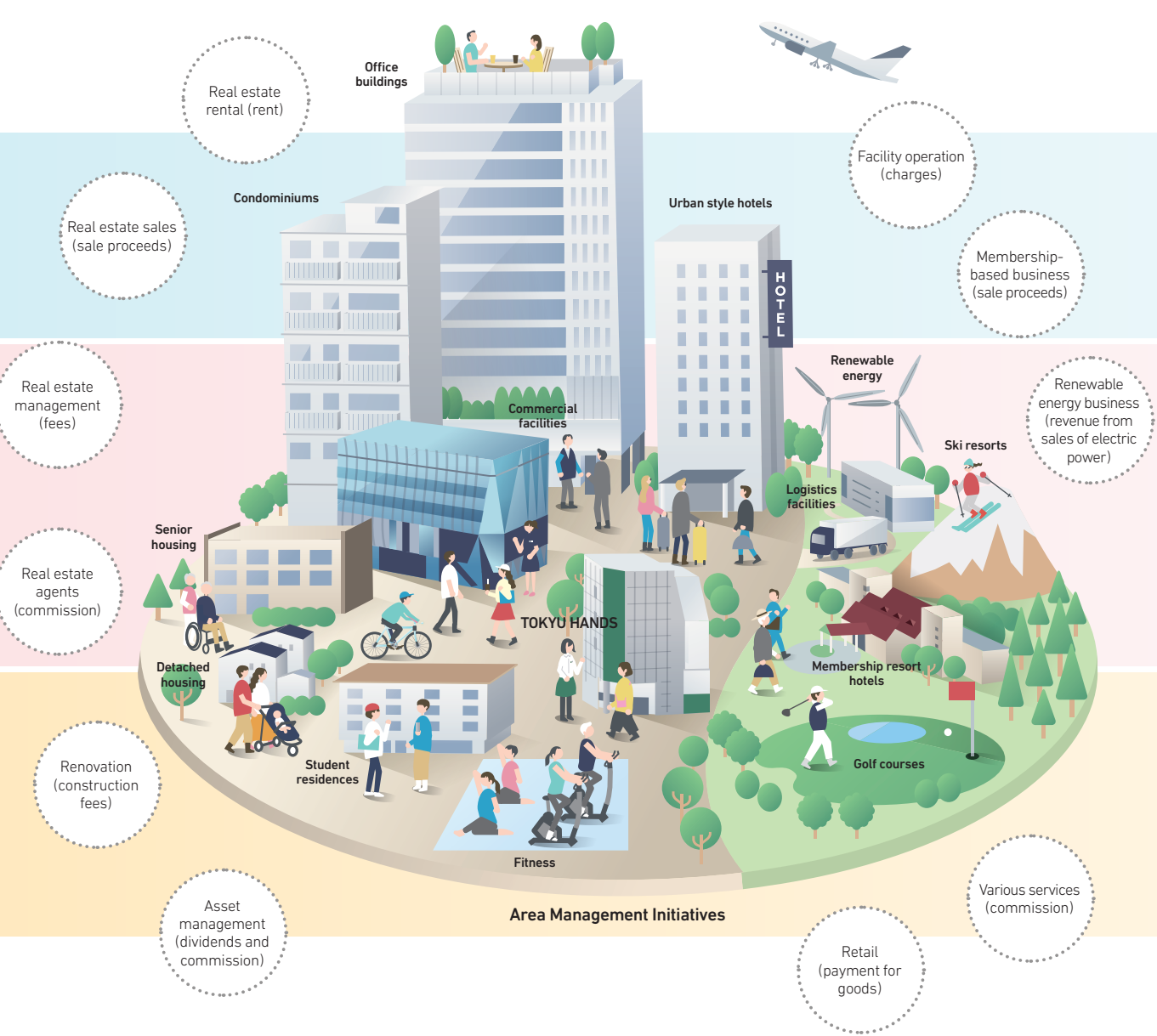
Value Creation on Time Axis
Creating New Lifestyles

We offer diverse services at every life stage to all generations of customers, from students and professionals to families and retired people. Proposing new Home Styles, Work Styles and Play Styles in various life settings leads to the creation of new lifestyles.



Value Creation on Spatial Axis
Creating Value in a Wide Range of Business Fields

We create lifestyles that go beyond the bounds of physical structures in all kinds of settings, ranging from urban living to resort life. Value creation in a wide range of business fields creates diverse business models, including management, agents and operation, and generates new sources of earnings.



Addressing Social Issues Through Our Business, We Create the Value Needed When Emotions Are Valued

Yuji Okuma

President and Representative Director
Tokyu Fudosan Holdings Corporation



The Peak of Redevelopment in Our Home, Shibuya

Shibuya Station, a leading Tokyo train terminal, is used by about 3.3 million people per day.

The landscape around the station is undergoing a transformation. From SHIBUYA SOLASTA, our new headquarters at the top of Dogenzaka, you can clearly see the cone-shaped topography of Shibuya. Large-scale redevelopment, said to be a once-in-a-100-year chance, is progressing around the station, located right at the center of the cone-shaped valley, and the multi-year construction is reaching its peak. We are focusing on our redevelopment business, with SHIBUYA SOLASTA completed in March 2019, where we created a new Group headquarters from August. In October, SHIBUYA FUKURAS, a large-scale multi-purpose facility, will be completed, hosting a new Tokyu Plaza Shibuya on the commercial floor and opening in December.

We've called Shibuya home for many years, and increasing the area's international competitiveness is an important initiative in the national interest. Since the urban development of Den-en Chofu, we have continued to inherit our Challenge-oriented DNA and gather general Group ability, and we hope to contribute to the long-term improvement of the overall value of the area.

First, the Shibuya redevelopment was a concept thought up and drafted by Keita Goto, the first chairman of the TOKYU LAND CORPORATION. Chairman Goto, who established the Company in 1953, said the following at a founding establishment meeting the following year.

"I hope to contribute to the maintenance and development of the area centered around Shibuya, building skyscrapers in 4 or 5 locations around Shibuya Station."

It seems as if his statement was a prediction of today's redevelopment. Through this speech, Chairman Goto touched on Shibuya's general redevelopment plan, described how Tokyo and Shibuya are responsible for the transportation artery, and then spoke passionately about a specific urban design idea that included the desire for a corporation to carry out the development that would act as the central

nervous system and capillaries of the area, the building of an underground shopping center and bus terminal to eliminate above-ground congestion, and the need for financial centers and buildings occupied by branches of financial institutions. Looking back at his words makes me feel that I must inherit this incredibly wonderful insight.

Expanding Urban Development from Shibuya to the Greater Shibuya Area

As members of Tokyu Group, we are moving forward with wide-scale urban development known as the Greater Shibuya Area, widening the scope of development and integrally connecting the unique areas of Aoyama, Omotesando, Harajuku, Ebisu, and Daikanyama, while also working to realize the Entertainment City Shibuya concept. ▶ See page 22, "The Challenges of the Greater Shibuya Area Concept"

The attractive Greater Shibuya Area encompasses diverse urban functions for work, life, leisure, education, rest, creation, and more, and we believe it has great potential for the future. It has the lowest vacancy rate and the highest standard for average rent in the five central wards of Tokyo. Rent is steadily increasing, and I hope that you can see how Shibuya is a promising area (Figure 1. Shibuya's Superiority). We offered a public stock offering in October 2018 to further promote continuous investments to the Greater Shibuya Area. Some ¥350 billion's worth of investment plans were established through fiscal 2023, offering strengthening of the leasing business base and improvement of net asset value (NAV). The business environment that we are surrounded by is steadily transitioning, and among this transition, there is an extremely high standing with Shibuya's superiority. There were reports of an overcapacity of offices within central Tokyo since 2018, but this ended as a baseless fear, and office tenant contracts were signed ahead of the 2019 completion of SHIBUYA SOLASTA and SHIBUYA FUKURAS.

Expectations are high among investors in Shibuya, a gathering place for people from around the world, and we are working to increase the attractiveness of global Tokyo centered around the Greater Shibuya Area, an important base, through promoting projects with

high added value in the main areas of the capital.

Aiming for Further Increases in Shareholder and Corporate Value

We completed the 2nd year of our Medium-Term Management Plan 2017-2020, reaching a turning point. Fiscal 2018 resulted in increases in revenues and profit compared to the previous year, and we were able to reach a new record profit, beating the previous record set in the first year of the Plan.

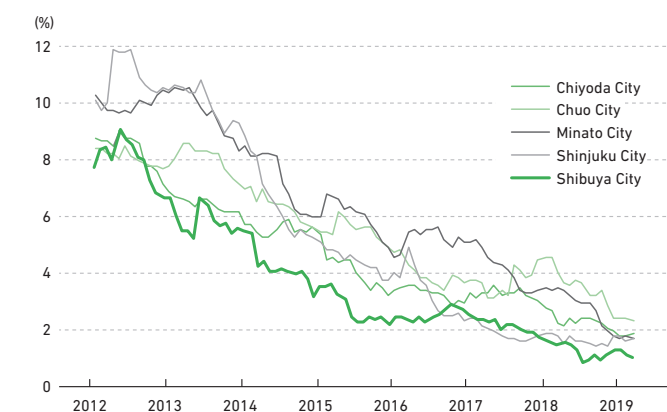
Looking back at the first half of the Medium-Term Management Plan, we were able to make good progress on plans centered around large-scale projects, while steadily moving forward with the three growth strategies we defined: Urban development that proposes new lifestyles, Expansion of the scope of cyclical reinvestment business, and Reinforcing stock utilization. In addition to SHIBUYA SOLASTA and SHIBUYA FUKURAS, at the Takeshiba District Development Plan (tentative name) where development continues in the Takeshiba and Hamamatsucho areas, the SoftBank Group, one of the largest group companies in Japan, has decided to use offices in our largest office building yet, with contracts signed for all floors ahead of completion in fiscal 2020.

Based on transitioning results that exceeded expectations and the holding of a public stock offering, we readjusted the Medium-Term Management Plan in May 2019. There are two areas that we readjusted. First, we upwardly revised the targets set in fiscal 2020, the final year of the Plan. Second, we added earnings per share (EPS) and return on equity (ROE) as new indicators from the perspective of capitalization strategy. ▶ See page 32, "On Readjusting Our Medium-Term Management Plan"

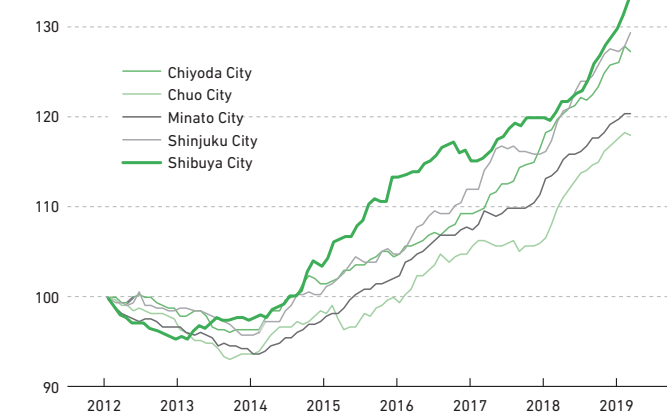
We recognize that our stakeholders strongly desire an increase in corporate value over shareholder value. Moving forward, we are aiming to grow EPS and increase ROE through strengthening our earning capacity while also maintaining financial discipline as a fundamental policy towards improving shareholder and corporate value. ▶ See page 44, "Financial Capital Strategy"

Figure 1. Shibuya's Superiority

Decline in Vacancy Rate (among 5 central wards of Tokyo)



Increase in Average Rent* (among 5 central wards of Tokyo)



*Value indexed as 100 as of January 2012

Source: Miki Shoji Co., Ltd.

From Eiichi Shibusawa’s *Gapponshugi* to Darwin’s Theory of Evolution

I’d like to once again review our history. Our origins lie with Den-en Toshi Company, established in 1918 by Eiichi Shibusawa and others. Den-en Chofu was developed, combining the merits of nature and the city based on the English-originated Den-en Chofu Urban Concept, which was developed as urbanization and population inflow were advancing in Tokyo and as people began to see signs of a housing shortage. Since then, we have inherited Eiichi Shibusawa’s Challenge-oriented DNA for over more than 100 years, facing a variety of social issues head on.

The attitude of working to solve social issues through business activities is exactly the *Gapponshugi* philosophy that Eiichi Shibusawa advocated for. *Gapponshugi*, which makes the purist of profit a mission while promoting businesses that gather appropriate personnel and financing, differentiates itself from management that monopolizes businesses and profits and forms financial groups. *Gapponshugi* idealizes overall wealth through synchronizing private and public profits and long-term interest formation. We have certainly inherited this recent management style that considers both economic value and social value and strives for sustainability.

I have returned to the *Gapponshugi* philosophy, especially in today’s world with harsh environmental changes, and I think we need long-term management rooted in high aspirations for solving social issues. Our history and the later expansion of business tells the story of how we have continued to be deemed necessary by society, and we try to always be aware of the public side of our corporation. I treasure Charles Darwin’s theory of evolution as a way to connect the next generation with our Challenge-oriented DNA. I was influenced by Darwin after reading his book, *On the Origin of Species*, while in university.

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.”

I think that an existential tip for business management can be found in this concept said to be offered by Darwin. Darwin teaches us how important it is to clearly understand the changes to our environment and the needs of society, and to flexibly respond to those changes, in addition to corporations surviving long-term.

The businesses and services that we have developed are quite diverse. This is a result of a history of continuing to evolve while striving for the public benefit, and is a testament to the fact that we have responded to society’s various needs according to the times.

When taking another look back at our history from this viewpoint, you can see that we began with the Residential business, including new housing development and sales of condominiums. If the period when we expanded into a value chain through our Property Management and Real Estate businesses was the dawn of our business, then you can say that the period after that where we have expanded our business fields to the real estate investment business centered around office buildings, commercial facilities, and other urban development was our developing period. And now, I think it may be time to seriously consider how we ought to evolve our future business at a time when technological innovations are rapidly progressing. ▶ See page 10, “Creating Value Alongside Social Issues”

Overcoming Dangers by Quickly Understanding Changes

I treasure future-oriented management that isn’t afraid of change, and this may largely depend on my own personal career.

In the early 1990’s, the bubble economy burst, and the real estate industry faced great danger. At that time, I had been made a supervisor of new housing development, something I had wanted since entering the Company. I thought about ways to make a profit amidst a time when business financing was strict, and arrived at the concept of conversion into securities, something that had been in the news in the United States. at the time. We immediately converted real estate into securities in Japan, and were able to create a path connected to rapid growth of our leasing business by applying this scheme to office buildings, etc.

Afterwards, we were able to overcome each danger by constantly setting our eyes on the future, quickly understanding changes, and then flexibly adapting to those changes as our company itself underwent large changes, including restructuring after the Lehman Brothers’ bankruptcy and re-organization into a holding company. When considering the history of great changes in the structure of the industry over a 10-year span, I am convinced that it is important to understand environmental changes with a long-term perspective for the future.

In Darwin’s theory of evolution, in addition to the need for environmental adaptability as humans evolved, it is explained that diversity is required to continue evolving. Evolution is the history of branching, with individuals with characteristics that differ from others surviving and evolving in a variety of ways amongst the repetition of natural selection. The spread of our business is a lineage of evolution that has surely repeatedly branched off, and you could say that the aggregate of our variously evolved businesses has created a unique group unlike any other.

Value Creation is Born from Dialogue with Customers

In addition to our unique Group history, we also are different from other comprehensive real estate companies in that we have many businesses where we connect directly with our customers. Because there are a wide variety of points of contact with customers, from our operations businesses, such as commercial facilities and hotels, to our retail business, such as TOKYU HANDS, we carefully observe changes in society and customer needs on-site, and this is connected to the creation of new value. One of my theories is that value creation is born from dialogue with customers.

Our cultivated strengths can be explained in three large categories. ▶ See page 12, “Our Three Core Strengths”

The first is our Diverse Assets and Customers. We are involved in a wide range of assets under the safe and trustworthy TOKYU brand, offering a variety of services to meet the life stages of our customers, from children to seniors. The second is a Corporate Culture that Produces Unique Businesses. Our progress from constantly looking ahead at the needs of society and creating unique businesses, such as our resort business for enjoying leisure time and the Tokyu Hands business which has expanded true DIY activities, is rooted as the Group’s culture in all of us. The third is our Highly Specialized Personnel and Knowhow. Our approximately 30,000 employees*1 from over 100 companies in the Group participate actively using their own strengths. We also work towards creating new value while our highly specialized personnel share their knowhow within the Group.

Starting in the real estate business, our business fields have gradually expanded amid the changing times. In particular, lifestyles and values have become more diversified and city dwellers’ needs have become more fragmented, leading to a time where the role of real estate as requested by customers and society is greatly changing. Among this changing environment, we are creating new value in the local area and in society by making use of our three core strengths.

The idea of creating lifestyles is a key point in this value creation. We are working to solve a variety of social issues through proposing new Home Styles, new Work Styles and new Play Styles as a corporate group that creates and proposes lifestyles that go beyond the bounds of physical structures. ▶ See page 14, “Unique Value Creation”

The Key to Lifestyle Creation is How You Spend Time

I’d like to explain the concept of lifestyle creation that we deal with, broken down into three evolutionary phases (Figure 2. The Evolution of Lifestyle Creation). Involved in developing the comprehensive real estate industry, we began our business with real estate development, namely with buildings. We first worked with residences. We offered the value of housing to our customers through the development and sales of condominiums and detached houses. Our business, which began with buildings, later spread to commercial facilities, hotels, and resort facilities, including golf courses and ski resorts. Office buildings, which raised our profits through rent payments, were added as the third pillar (Lifestyle Creation 1.0).

From there, we expanded the boundaries of the real estate industry towards management, real estate, and operations centered around the building, and created new added value that didn’t end with sales. Before long, the need for non-material services increased in addition to material services, together with the process of the Japanese economy becoming richer, and we began to propose new Home Styles based on the needs of the times, making use of the building. In the same way, commercial and resort facilities brought about a change from consumption of things to consumption of services, and we sought to propose new Play Styles. In the wellness field, which covers the leisure, senior, and health fields, we offer a wide range of support services to allow people from every generation to live a full and lively life. We are evolving to be able to propose new Work Styles, as our office buildings have been subject to work-style reform and health management. We have expanded our businesses and our profit model has evolved through creating solutions by utilizing each of our buildings (Lifestyle Creation 2.0).

We are now approaching a new phase in the lifestyle creation that we produce. By accepting the diversification of lifestyles and sense of values, the evolution of technology, and more, the barriers are lowered to Home Styles, Work Styles, Play Styles. For example, from the view-

point of workers, the old work-life balance concept is transforming into a work-as-life concept. Rather than placing work or one’s personal life over the other, this idea considers work as one part of one’s life, and is a lifestyle that realizes one’s ideals. Following the increase in freelancers who have no restrictions on working hours or location, so-called “workcations” combining work and vacation have started to become commonplace. The problems faced by modern society, including work-style reform, childcare and nursing issues, and increases in life expectancy, all overlap into the three areas, and I feel like these issues require lifestyle creation that fuses all manners of everyday life together (Lifestyle Creation 3.0).

From among the three areas, I think that we are able to show our unique abilities to the max in Play Styles. We have strength in having developed commercial and resort facilities over many years, and we are excellent in understanding business from the viewpoint of Play Styles, including management and operation.

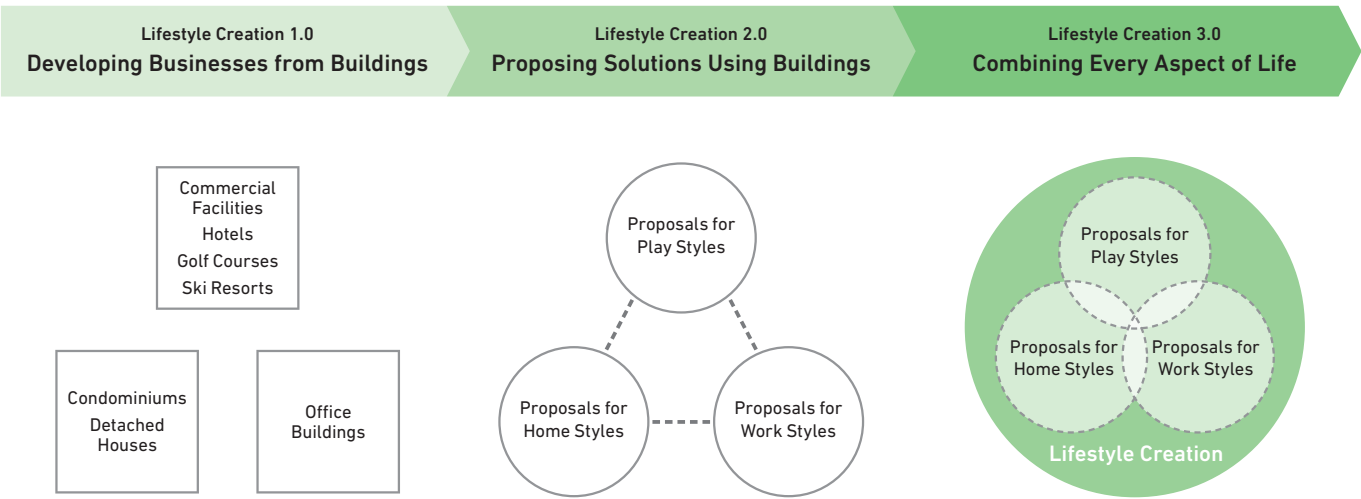
I feel that we may succeed in future business with further development of ways of spending time. Expanding the cycle of lifestyle creation that utilizes ways of spending time is what we are aiming for and therefore we can be particular about services offered for all ages (value creation based on time) and in all areas (value creation based on space), developing a wide range of businesses.

Realizing a Sustainable Society and Sustainable Growth

The evolution of our lifestyle creation was born out of our Challenge-oriented DNA, which works to solve social issues through our business. If we reexamine the *Gapponshugi* philosophy proposed by Eiichi Shibusawa, we see that it is our mission to continue seeking sustainable growth through lifestyle creation. We established a Sustainability Vision and a Sustainability Policy in fiscal 2018 to show our Group stance on sustainability. ▶ See page 6, “Who We Want To Be”

Environmental problems and the energy crisis are both a risk and a chance for our Group, while also being long-term issues that require efforts on a global scale. As members of the global society, we are contributing to the achievement of the Sustainable Development Goals (SDGs) for 2030, adopted at the UN summit in 2015. We are actively developing new measures in 2019 to combat climate change, including support of the Task Force on Climate-related Financial Disclosures (TCFD)’s proposals and participation (TOKYU LAND CORPORATION) in

Figure 2. The Evolution of Lifestyle Creation



the international RE100 initiative, which aims for business operations with 100% renewable energy.

In our Medium-Term Management Plan, we offered ESG Management as an initiative for strengthening our management foundation that supports our growth strategy. We established four themes – the environment, work-style reform, social needs, and corporate governance – from the viewpoint of ESG (Environment, Society, and Governance), and in addition to establishing KPI goals for fiscal 2020, we are progressing on initiatives aimed at achieving these goals while also following the PDCA cycle. ▶ See page 48, “ESG Management”

Regarding corporate governance, we are improving our management efficiency and continuing to strengthen our governance system towards creating a healthy and highly-transparent management system. There was a surge in social requests in fiscal 2018, including movements towards amending the Company Act, and we established corporate governance guidelines among other things. We also had our first female outside director, allowing us to have diverse debates over the long term. ▶ See page 51, “Corporate Governance”

Establishing Strategies to Continue Creating Value in an Era of VUCA

We are living in an era of VUCA*2 today, full of unpredictable elements. Our readiness determines whether we are threatened by this or take it as an opportunity. I think that our desire to be a corporate group that continues to create value will become an important anchor as a compass for management during these uncertain, violently changing times. Looking past fiscal 2021, we will begin to formulize discussions aimed at establishing the next Medium-Term Management Plan to further pursue our vision.

We in the comprehensive real estate industry will continue to

increase the depth of the leasing business through high added value urban development. But the issue of how to incorporate rapid technological advances in our business must be considered seriously. It is also said that we will reach the singularity*3, where AI surpasses human intelligence, in 2045. In response to these changes, I think it will become important in how we produce added value through collaboration including innovative technology between existing businesses and partners outside the Company.

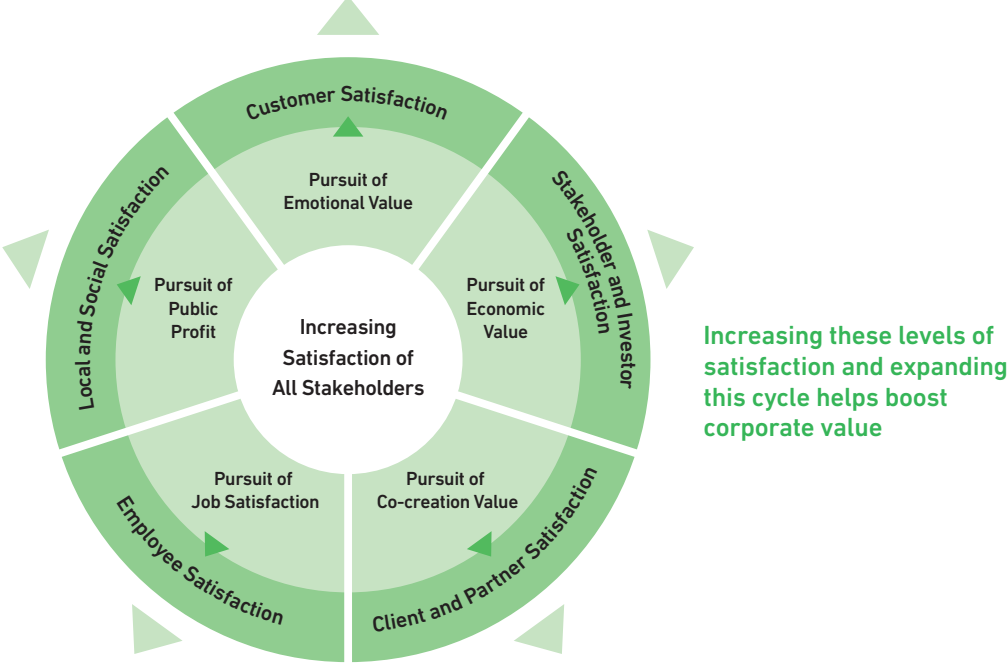
New business models are emerging in the various fields that surround our businesses. In the real estate industry, platformer-style companies operating co-working spaces and offering places for community-building have emerged, and cloud funding has caught the attention of even the real estate financing world. There are also industries with rapidly changing competitive environments due to innovations, and even in the real estate industry, there is a considerable possibility that players from completely different industries may compete through the advancement of real estate tech.

In the Japanese domestic market, with its decreasing birthrate and aging population, the labor shortage issue due to a decrease in the working age population is becoming apparent. For us, with our strengths in operations and management, this is an unavoidable issue. Although the future is highly uncertain, it is predicted that there will be an increase in single-person households and empty houses and a population drain from regional areas. I think it is important to carefully understand these changes.

In addition to working towards operational efficiency and increases in assets in various ways, including the use of robotic process automation (RPA), we are making use of innovative technology and creating synergies through corporate venture capital (CVC). Even so, we have only just begun these initiatives. We are searching for the seeds for growth and are creating the next growth strategy, while reexamining



Figure 3. The Five Types of Satisfaction that Raise Corporate Value



the opportunities and risks surrounding our business in order to contribute to the realization of Society 5.0*4, a new society that will arrive after the information society, as put forward by governments through the creation of smart cities.

Management that Speaks to the Sympathies of All Stakeholders

Finally, I'd like to explain what I value with the Group's management. It's the improvement of each stakeholder's satisfaction. This is the management philosophy that I have arrived at through all my experience.

Pursuing public benefit for regional and social satisfaction while also pursuing economic value for stakeholder and investor satisfaction. Balancing both of these while synchronizing private and public benefit is the concept of *Gapponshugi*, which could be called our origin. Through pursuing emotional value through our strong lifestyle creation for customers, co-creation value that fosters further value for our clients and partners, and joy in working and job satisfaction for our employees, we can raise satisfaction levels for all these groups. I believe that increasing these five types of satisfaction and expanding this cycle is connected to increasing namely corporate value (Figure 3. The Five Types of Satisfaction that Raise Corporate Value).

I think that corporations, beyond being public institutions in society, should pursue universal satisfaction, without focusing solely on specific stakeholders, while constantly being aware of the viewpoints of commonality and utility. Said another way, this is perhaps management that speaks to our sympathies. Society cannot be changed if we rid ourselves of our sympathies.

Just as I said before, there is the potential of great change to our world from the speed of technological evolution and innovation. In other words, this means that there is the potential for our lives to change greatly. For example, the Mobility-as-a-Service (MaaS) initiative may overthrow the foundation of the concepts of transportation and

location, something we have come to think of as a given. When this happens, will we still be separated by long distances that take a long time to cover? How will the roles of tourist attractions and resorts change? I wonder how much the roles held by tourist attractions and resorts will change. A time may be coming when robots take over our jobs and we don't need to work at all. When that time comes, I wonder if we will continue to pursue job satisfaction, sensing meaning and allure from working.

When visualizing this future, I think what we will pursue is the humanity and creativity that is felt and the joy that is shared – something that we already have. From here on, we are in the times when emotions are valued, a time when a society in which each person strives for self-fulfillment is trying to take hold. I wonder how emotional satisfaction that will come from Play Styles time through rich experiences and time will change economic value when each individual attempts to pursue their self-fulfillment through their own values. I feel that it is necessary for future management to properly confront this.

If you go out in Shibuya, you will encounter many diverse people. Young and old, businesspersons and street performers. There are no other places with this kind of diversity. Many chances to create and propose new lifestyles have fallen into our hands as we built our home base here in Shibuya. We ourselves have practiced new Work Styles from Shibuya and spread the cycle of interaction outside the Company, and I want us to become a professional group that values unseen value – that is, humanity. In the end, our way of living itself will create new lifestyles. I want to offer this situation as a dream for our Group.

*1. Includes temporary employees
*2. VUCA: Volatility, Uncertainty, Complexity, and Ambiguity, referring to an unpredictable socio-economic environment.
*3. Singularity: refers to a technological singularity or the changes to the world brought about by this transformation. Ray Kurzweil, an American futurist, predicts that AI will exponentially evolve, reaching a technological singularity where human intelligence and AI are reversed by 2045.
*4. Society 5.0: The 5th new society in human history, as advocated by The 5th Science and Technology Basic Plan. It refers to an incredibly smart society where new values and services are created one after another following the 4th industrial revolution.

Special Article: Inheriting and Evolving Our Challenge-oriented DNA (1)

The Challenges of the Greater Shibuya Area Concept

Since the development of Den-en Chofu, we have offered value to our customers and society, working on urban development while also facing social issues. The Greater Shibuya Area is an example of inheriting our Challenge-oriented DNA and implementing new value creation throughout the area.

Social Issues We Are Facing

- Improving the value of areas following intensified competition between cities
- Creating urban charm in a society with a decreasing population
- Realizing a variety of lifestyles
- Responding to globalization
- Preparing for the risk of large-scale natural disasters

Value Provided to Our Customers

- A comfortable urban life
- Safe and secure housing
- Fulfilling leisure time

Value Provided to Society

- Increasing the value of real estate / Stable social infrastructure
- Improving quality of life / Creating communities
- Contributing to local economies / Disaster-resistant city planning
- Contributing to smart cities
- Preserving the natural environment / Reducing environmental burden
- Social inclusion

Increasing the Area's Overall Value by Bringing Together All that the Area Has to Offer

Shibuya, our home base, is an area overflowing with unique charm and vitality. Creative content, including movies, music, and fashion, and start-up ventures gather in the area, and we think perhaps Shibuya is the only place with such diverse urban functions for work, life, leisure, education, rest, creation, and more.

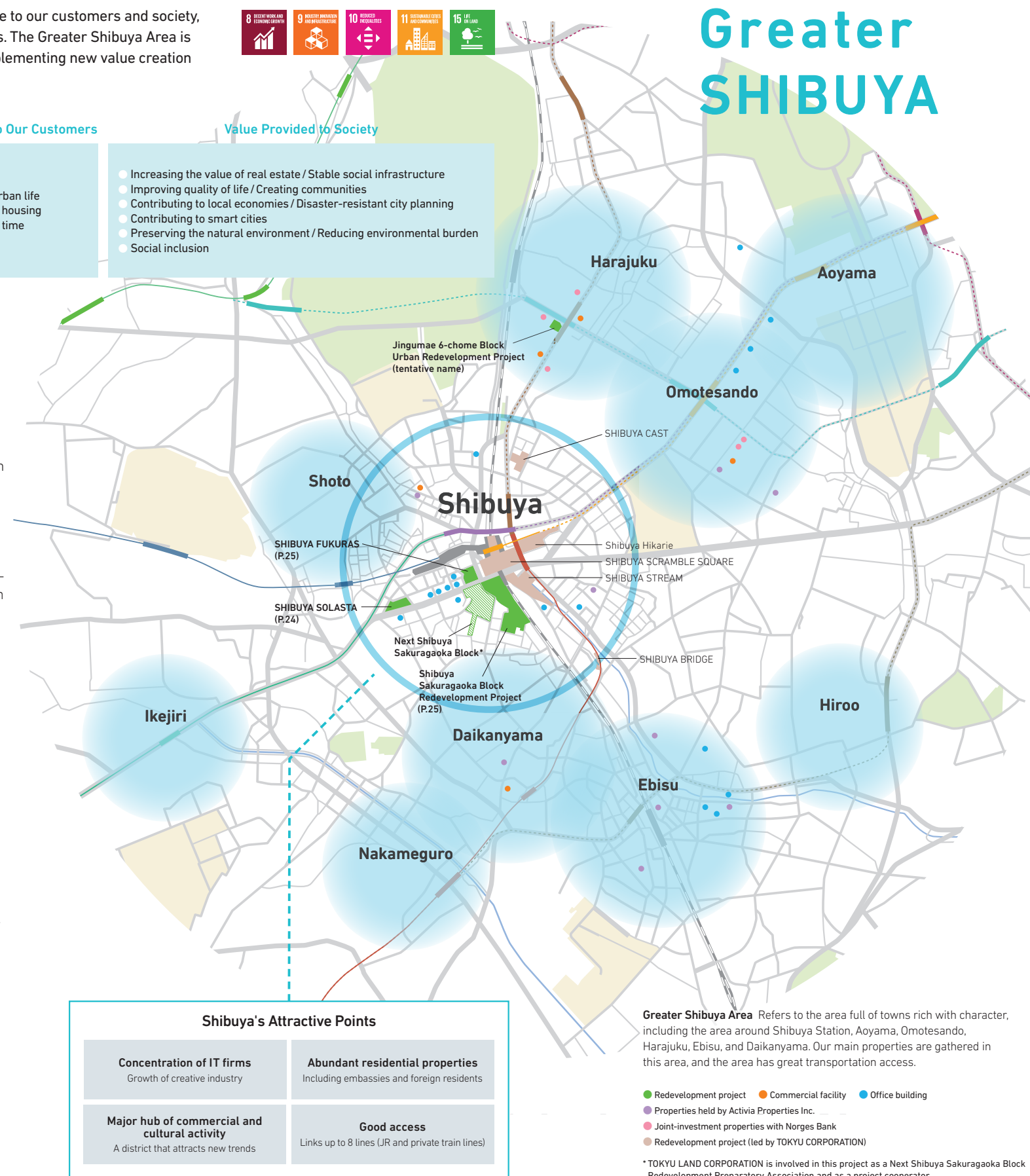
Said to be a once-in-a-100-year project, what we are aiming for with this large-scale redevelopment is the realization of the so-called Entertainment City Shibuya concept, which would transform the area into a stage that draws the world in and showcases business and culture. For the three redevelopment projects that are progressing around the station, we are actively proposing new Home Styles, Work Styles, Play Styles centered around Lifestyle Creation, which we've come to be quite good at. We will create attractive features for Shibuya that will be selected by a wide variety of customers. At the same time, we are dealing with societal problems that modern-day cities face and contributing to increasing the area's international competitiveness.

The Greater Shibuya Area Concept expands Shibuya's urban development to the surrounding areas, increasing the overall potential of the greater area made up of smaller areas full of individuality. The character of each of these areas is exuded by people and locations and will be brought together. Based on this concept, we are moving ahead with urban development that merges the tangible with the intangible. We will add to the management and operations from the development of each individual project and expand start-up support, area management, and a variety of other measures that develop the character of the area, raising the value of the Greater Shibuya Area.



Yasuhiro Samejima

Operating Officer
Division Manager of Shibuya Project Division,
Urban Business Unit
TOKYU LAND CORPORATION



Initiatives to Support Startups

TOKYU LAND CORPORATION established SHIBUYA Startup 100 to further increase the attraction of Shibuya, an area which fascinates many entrepreneurs. We laid out our goal of creating 100 support businesses by 2020, and as of July 2019, we have already accomplished 45 challenges.

SHIBUYA100
スタートアップ

Establishing Incubation Facilities to Connect Shibuya with the World

We established Plug and Play Shibuya powered by TOKYU LAND CORPORATION through cooperation with Silicon Valley accelerators, supporting global creation among corporations.



Startup Creation Through Cooperation with Venture Capital

We are developing the GUILD series of co-creation facilities, together with venture capital. We are supporting the growth of startups by offering services that respond to their needs.



IoT Farm Demonstration Utilizing Unused Building Space

Through cooperation with PLANTIO, a company aiming to create urban gardens using IoT, we opened a rooftop garden at Ebisu Prime Square, introducing a proof of concept for greening and community building.



Initiatives in Area Management

We are participating and cooperating in a wide range of local activities, including trash pick-up volunteering with increasing number of participants each year. We are expanding our initiatives, contributing to the revitalization of the area and continuous development. We participate in the Shibuya Station Area Management Conference, working towards creating appeal in Shibuya through public-private partnerships.

Examples of Initiatives

- Trash pick-up volunteer activities / Creation of the "greenbird" Shibuya Dogenzaka Team
- Participation in the Shibuya wo Tsunageru 30 persons, made up of people from Shibuya corporations, government organizations, and non-profit organizations
- Offering shows and appearing on Shibuya no Radio, a community radio channel
- Participation in the Konno Hachimangu Shrine Festival, and other events



The Challenges of the Greater Shibuya Area Concept

Three Redevelopment Projects Progressing Around Shibuya Station

SHIBUYA SOLASTA

Completion: March 2019

Business entity: Dogenzaka 121 General Incorporated association (Operating Company created by TOKYU LAND CORPORATION and a land owner) / Use: Offices, etc. / Total floorspace: Approx. 46,954 m² / Building scale: 21 floors above ground and 1 basement level

We developed a hard-to-find, large-scale office building in Shibuya, built on the site of 4 buildings, including our former headquarters building. We support a highly-productive work style through offering a space filled with the power of plants and a smart office utilizing IoT. We also installed a unisex bathroom and prayer room, supporting the advancement of diversity.



High Environmental Value

The construction for SHIBUYA SOLASTA, taking biodiversity and global warming into consideration, was rated highly, receiving multiple environmental certifications.



ABINC Certification



DBJ Green Building Certification



CASBEE S Rank



Edo-Midori Green Area Registration in Tokyo



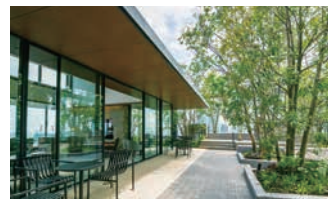
* The name, SHIBUYA SOLASTA, is made from the words SOLA (meaning "sky" in Japanese), SOLAR, and STAGE, suggesting a desire for this building to become a stage where diverse workers can flourish under a radiant sky.



An indoor entrance with natural sunlight through the trees as if in a forest



An open terrace installed in the common area on all office floors



A sky terrace that can be used as a third place by tenants



View from the roof

Headquarters Relocation and Work-Style Reform

We returned to our hometown of Shibuya in August 2019. Our headquarters was relocated to the completed SHIBUYA SOLASTA, creating a new communication base for the Group.

It is a time when one can work anywhere, anytime, without going to the office. We wanted to create a place where people would want to go to work. A place where you can meet everyone, where ideas are born, and where you can work productively. We gave our new home base the name "Call", referring to the idea of the headquarters calling the employees.

If each employee takes on challenges and we all connect, we will become an enormously large energy. We are progressing with work-style reform for our approximately 30,000 Group employees (including temporary employees) from "Call". Facing social issues regardless of the times and demonstrating our Challenge-oriented DNA by creating and proposing new lifestyles, we are connecting to value co-creation that goes beyond work-style reform.

Slogan for Work-Style Reform Advanced by the Group

Challenge for all Communication for all

Each employee takes on challenges,
and the whole Group connects

New Home Base for Group Communication

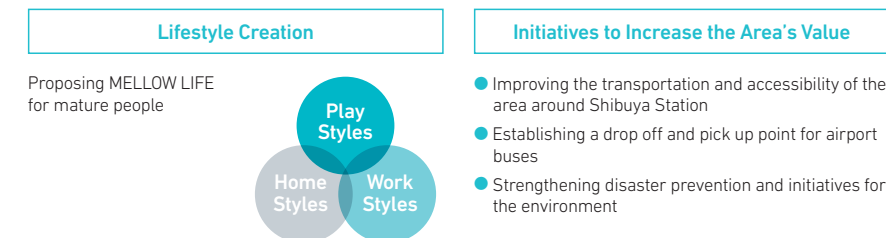
Call

SHIBUYA FUKURAS

Completion: October 2019 (planned)

Business entity: Dogenzaka 1-chome Shibuya-station Front District Redevelopment Associate / Use: Retail stores, offices, etc. / Total floorspace: Approx. 58,970 m² / Building scale: 18 floors above ground (19 floors according to the Building Standards Act of Japan) and 4 basement levels

A multi-purpose facility will be created out of the combined development of the area and the land of the former Tokyu Plaza Shibuya building in front of Shibuya Station. A new Tokyu Plaza Shibuya will occupy the commercial floor, and we are proposing MELLOW LIFE, an urban lifestyle meant to enjoy the passing of time. We will also build a bus terminal as the western gate to Shibuya.



* The name, SHIBUYA FUKURAS, comes from the Japanese word, fukurasu, meaning "to inflate or expand". This expresses our desire to greatly "expand" the happiness of all who visit Shibuya.



Shibuya Sakuragaoka Block Redevelopment Project

Completion: FY2023 (planned)

Business entity: Shibuya Sakuragaoka Block Redevelopment Associate / Use: Offices, retail stores, residences, etc. / Total floorspace: Approx. 254,830 m² / Building scale: Block A: 39 floors above ground and 4 basement levels, Block B: 29 floors above ground and 2 basement levels, Block C: 4 floors above ground

We will create an area complete with places to live, work, and play, establishing a unified facility southwest of Shibuya Station. We will implement barrier-free access from the station and operate office buildings and commercial facilities, as well as serviced apartments. We are also planning on establishing an international medical facility and other livelihood support facilities, as well as temporary shelters for people stranded after a natural disaster.



Initiatives at Our New Headquarters

At our new headquarters, where most of our employees work, we've created a work space that revitalizes communication, encouraging each person's challenges. In addition to Green Work Style incorporating the power of plants, we are also involved in improving productivity and health maintenance through use of IoT, putting into practice new Work Styles that only we can create as we develop our office and wellness businesses.

Examples of Initiatives

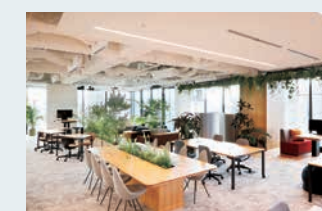
- Creating communication at SCRAMBLE!, a space for customer interaction
- Hosting events at COLABO!, a base for Group employee interaction
- Visualizing work-style reform through EEG measurements, etc.
- Implementing face recognition for entry and exit of the building and a web-based meeting system
- Establishing a concierge to handle reception, concentration booths, and nap rooms
- Utilizing an exercise and fitness app through TOKYU SPORTS OASIS



5th floor SCRAMBLE! interaction space



10th floor COLABO! Group base



Work space filled with plants



EEG measurements determining level of concentration, etc.

Special Article: Inheriting and Evolving Our Challenge-oriented DNA (2)

The Challenges of Lifestyle Creation

We value the concept of Lifestyle Creation in order to continue unique value creation. Through proposals for Home Styles, Work Styles and Play Styles, we are facing issues that modern society is dealing with and working on solutions to those issues.



Social Issues We Are Facing

- Realizing a variety of lifestyles
- Responding to work-style reform and health management
- Responding to the healthy lifestyle needs of the aging society
- Connecting with the region and revitalizing the community

Value Provided to Our Customers

A comfortable urban life
Safe and secure housing
Mental and physical health
Fulfilling leisure time

Value Provided to Society

- Improving quality of life / Creating communities
- Contributing to local economies / Disaster-resistant city planning
- Contributing to smart cities
- Increasing life expectancy
- Preserving the natural environment / Reducing environmental burden
- Social inclusion

Proposing New Work Styles

We are seeking a place where business people can work comfortably against the backdrop of work-style reform and health management. As we are involved in the office business, we are getting closer to the workers themselves and proposing new, creative, and productive Work Styles based on a concept of building smiles: giving workers smiles.

CASE 1 Office Full of the Power of Plants

We are developing our Green Work Style project based on a concept of designing Japanese working styles with plants. Focusing on the power of plants with positive effects, such as stress reduction and creative stimulation, we are moving forward with creating offices full of plants. We are also holding scientific tests on the effects of plants, including EEG measurements.

- Hibiya Parkfront ► SHIBUYA SOLASTA



CASE 2 Smart Office Utilizing IoT

We added a service allowing real-time confirmation of toilet use and worker location and other services, supporting diverse work styles and productivity improvement based on the concept of Human Centered IoT. At Takeshiba District Development Plan (tentative name), we are utilizing cutting edge technology over the entire area through cooperation with SoftBank Corp., working towards the co-creation of a smart city.

- SHIBUYA SOLASTA ► Takeshiba District Development Plan (tentative name)



CASE 3 Creating a Place for a Variety of Working Styles

We offer work spaces responding to the needs of the times, including Business-Airport, a membership-based shared office developed in main business areas of Tokyo, and GUILD, a start-up co-creation facility opened in the Greater Shibuya Area. We support the realization of a variety of work styles, even responding to the need for corporate satellite offices.

- Business-Airport ► ASIA BUILDING ► GUILD



Response from a Tenant at Hibiya Parkfront

Happy Employees in an Office Overflowing with Green

I think that there is a direct connection between employees' lives and the level of comfort of the office space where employees spend more than half of each day. This is where an environment overflowing with green comes in, where employees relax while developing active communication. I am very happy because it feels as if my dream from when I was younger of having an office overlooking Central Park in New York has come true. I am realizing the effects of moving to this office, as there has been a great increase in applicants.

Hiroshi Fujiwara, Ph.D. Chairman, President & Chief Executive Officer, Broadband Tower, Inc.

Proposing New Home Styles



We are proposing new Home Styles in response to the needs of the times, including the advancement of the decreasing birthrate and aging population and the diversification of lifestyles. From student residences to senior housing, we're offering a rich life that matches the many stages in the lives of our customers.

CASE 1 LIFE STORY TOWN

We developed LIFE STORY TOWN, urban development that proposes new lifestyles starting with housing. With the development of large complexes that combine condominiums with senior housing, we are responding to social needs by placing value on day care and nursing care support.

- Setagaya Nakamachi Project
► Tokaichiba Project
► Kyutaromachi Project
► Ofuna Project



CASE 2 Student Connection Support

TOKYU LAND CORPORATION has developed student residences in cooperation with NATIONAL STUDENTS INFORMATION CENTER CO., LTD. (NASIC). We are supporting students living away from their parents through creating safe and secure environments, and hosting welcome parties and other events that encourage interaction between students.

► CAMPUS VILLAGE



Response from a Tenant at Grancree Setagaya Nakamachi

Feeling Youthful From Active Youth

With great access to the ikebana studio I supervise and charmed by the environment with abundant nature despite being in the city, I decided to live here. It is different from a so-called retirement home, and I can feel youthful here because of the children who visit the on-site nursery school and the young people who live in the condominiums. If urban development like this where all generations live together become more established, the world will be better off.

Proposing New Play Styles



We are proposing new Play Styles, getting close to various aspects of life, including shopping, hotels and resorts, fitness, and more. We are offering rich times and rich experiences to a variety of customers while understanding the change from product consumption to service consumption and the increase in inbound tourism needs.

CASE 1 Shopping Styles Adapted to Personality

We are creating commercial facilities from the viewpoint of the customer in response to the character of the area. At Tokyu Plazas in the heart of the capital region, a sense of elegance is added to everyday life, and at Q'sMALLs in the Kansai region, we aim to offer community-based friendly shopping malls.

- Tokyu Plaza
► Q PLAZA
► Q's MALL
► Market Square



CASE 2 Resort Life to Enjoy the Stay

At our hotel and resort facilities developed across the country, we are offering a resort life where the stay itself can be enjoyed through proposing tangible and intangible services adapted to the local characteristics, including programs to fully enjoy nature.

- Hyatt Regency Seragaki Island Okinawa
► KYUKARUIZAWA KIKYO, Curio Collection by Hilton
► Tokyu Harvest Club Nasu Retreat
► Tokyu Resort Town Tateshina: MORIGURASHI



Response from a Guest at Hyatt Regency Seragaki Island Okinawa

Luxury of Leisurely Spending Time at the Hotel

The whole island is a resort, and we were able to leisurely spend time as a family here. It is troublesome carrying our small child when we go out, but the resort has a variety of restaurants and activities, so we were able to enjoy ourselves within the facility. I'd like to bring my parents, who have never been to Okinawa, and stay here again next year.

The Challenges of Renewable Energy Business

Renewable energy is one project to realize harmony with the environment and the economy through business, laid out in our sustainability policy. We are developing solar, wind, and more types of energy projects across the country under the ReENE brand name.



Realizing the Compatibility of Environmental Consideration and Regional Development

Expanding to a wide range of businesses while dealing with societal problems, we began working in the renewable energy business in 2014. Expectations are rising for renewable energy that uses the power of nature as a way of contributing to the control of CO₂ emissions and the rate of energy self-sufficiency in Japan. An infrastructure fund was established at the Tokyo Stock Exchange, and this is a field where demand and investments are expected to grow globally as renewable energy isn't easily influenced by economic climate and is a unique asset with stable profits. We are steadily expanding the business, and at the ReENE Matsumae Wind Farm which started operating in April 2019, we built 12 of the largest (when operations began) wind turbines in Japan, enabling a level of power generation equal to the yearly power consumption of 30,000 households.*1

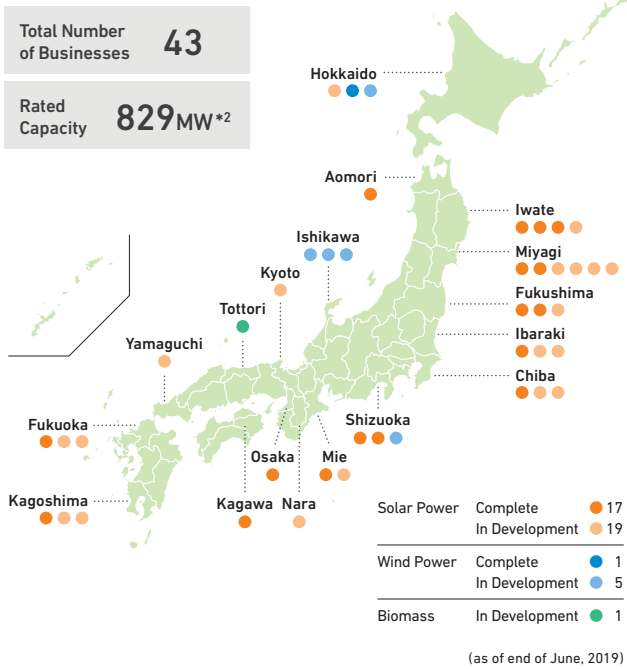


Takashi Ikeuchi
Managing Officer
Unit Manager of Urban Business Unit,
Division Manager of Infrastructure &
Industry Business Department
TOKYU LAND CORPORATION

We hold consideration for the environment and regional cooperation as important points when developing and operating power plants. At the Ichinoseki City Yoshitaka Solar Power Plant, which began operating in June 2018, wheat and barley are grown under the solar panels, expanding the solar sharing business by allowing power generation and farming to coexist. We were able to realize a renewable business model structure while promoting regional vitalization through using income from the power generation to support agriculture.

We will continue promoting the business from a sustainable perspective, together with all of our business partners, in order to deliver new value and clean energy for the future.

ReENE



*1. Calculated as 3,530 kWh/year per household
*2. 100% converted / value of total involved businesses, including joint ventures

Participating in RE100, Aiming for Use of Renewable Energy Exclusively

TOKYU LAND CORPORATION joined RE100*3 in April 2019. The Company is working to realize the goal of 100% Renewable Energy including renewable energy used by the Company by 2050, based on our established goal.

Goal To use 100% renewable energy for power used in business activities by 2050



*3. RE100: an international incentive where participating corporations set a goal of attaining 100% renewable energy use for business operations (189 participating corporations as of July 2019)

Section 2

Value Creation Strategy

SDGs that Tokyu Fudosan Holdings is Working on



7 Businesses for a Sustainable Society and Growth Based on SDGs



Value Creation Strategy

SDGs and Materialities

In fiscal 2017, the Tokyu Fudosan Holdings Group launched Medium-Term Management Plan 2017-2020. When formulating this plan, we determined the SDGs we will focus on and identified seven materialities (key social issues) based partly on the input of experts. We remain committed to solving social issues through our business activities in order to realize sustainable society and growth.

Materiality Identification Process

STEP 1

Determination and Organization of Social Issues

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

STEP 2

Integration and Consolidation of Issues

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

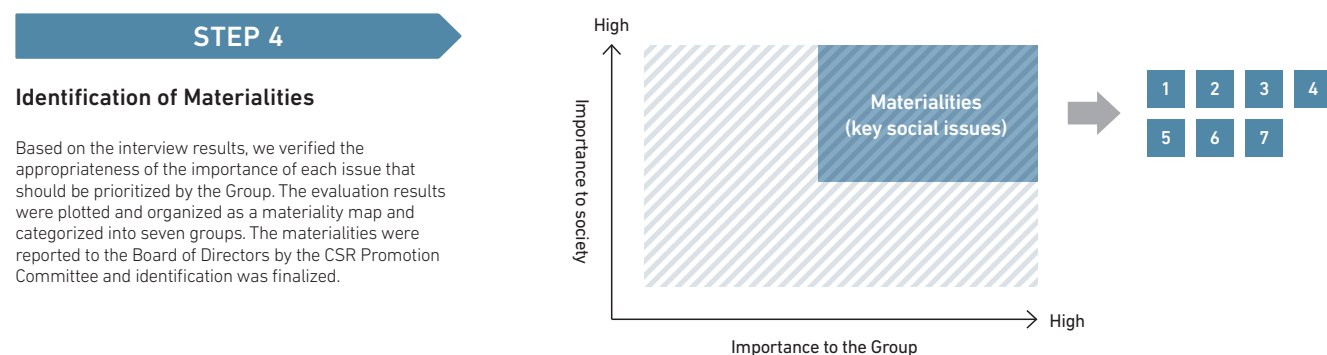
STEP 3

Interviews of Management Staff and Experts

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

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

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



Materialities of the Tokyu Fudosan Holdings Group (key social issues)

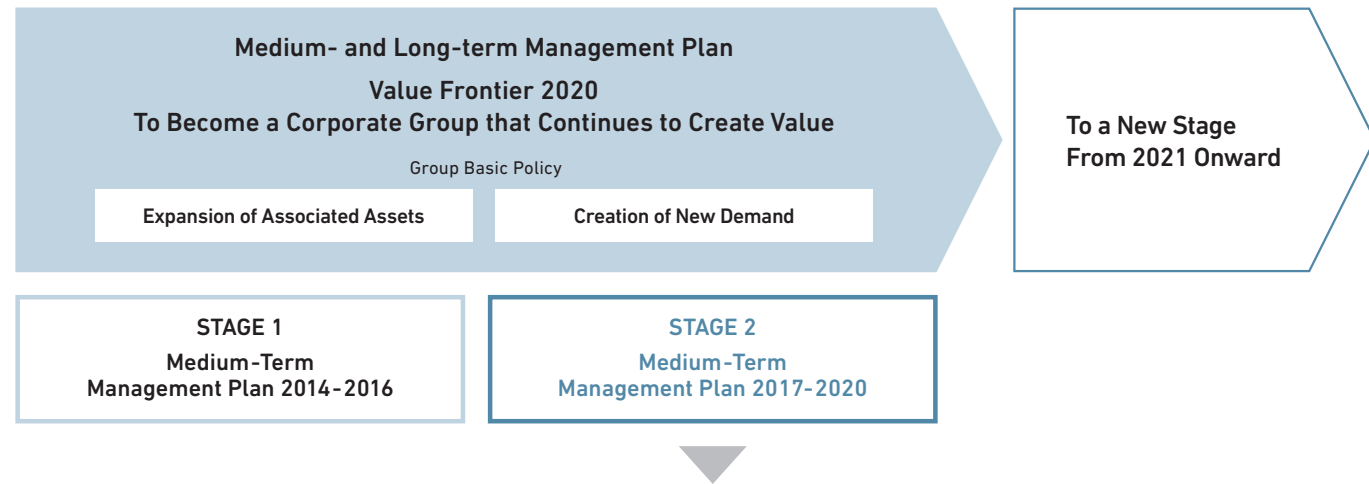
1	Economic, political, and regulatory changes	Issues of social security by the Japanese government, privatization, uncertainty in the global economy, and other factors will have major impacts on business opportunities and capital procurement.
2	Diversification and globalization of lifestyles	Factors such as the diversification of lifestyles and consumer needs and the revitalization of regional communities significantly affect our business opportunities as an urban development company.
3	Safety and security in local communities and urban areas	As a real estate developer, the increase and aging of existing stock and rising need to respond to disasters will have a major impact on business opportunities.
4	Progression of a low birthrate and aging society	As a Group that develops business in residences and senior housing, the low birthrate, aging population, and declining population in Japan will have a major impact on business opportunities.
5	IoT & Innovation	As a company that provides both products and services, advances in IoT technology will have a major impact on innovation and changes in business models.
6	Changes in the natural environment	As a company that performs urban development, changes in infrastructure development and investor interests in conjunction with intensifying climate change will have a major impact on business opportunities and continuity.
7	More stringent social demands	Diverse demands from consumers, corporate governance, and various other factors will have a major impact on management systems.

Our SDGs	Materialities	Major Opportunities and Risks		Related Segments						Value Provided to Society
				Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	
	1 Economic, political, and regulatory changes	Opportunities	Capturing new business opportunities							Increasing the value of real estate / Stable social infrastructure
		Risks	Risk of long-term interest rate increases							
	2 Diversification and globalization of lifestyles	Opportunities	Expanded inbound demand Expanded opportunities for overseas business							Improving quality of life / Creating communities
		Risks	Decline in total domestic demand (diversification of demand)							
	3 Safety and security in local communities and urban areas	Opportunities	Expansion of markets related to existing stock, and accelerated privatization of public asset processing and operation							Contributing to local economies / Disaster-resistant city planning
		Risks	Issue of vacant homes Deterioration of existing stock							
	4 Progression of a low birthrate and aging society	Opportunities	Increasing demand related to senior citizens							Increasing life expectancy
		Risks	Falling demand in conjunction with the decline of the working age population							
	5 IoT & Innovation	Opportunities	Business innovation							Contributing to smart cities
		Risks	Lowering of barriers to entry into existing business fields, delayed market entry, and increasingly rigorous information security and control							
	6 Changes in the natural environment	Opportunities	Expansion of environmental markets							Preserving the natural environment / Reducing environmental burden
		Risks	Expansion of climate change risks							
	7 More stringent social demands	Opportunities	Increase in non-financial value	(Groupwide issue / ESG management)						Social inclusion
		Risks	Increasingly stringent responses to various types of risk							

Value Creation Strategy

Medium-Term Management Plan Based on Materialities

In our Medium-Term Management Plan 2017-2020, we created strategies based on materiality, as it was investigated and determined to be an issue that we should prioritize and work on. In the Plan, we established our fiscal 2020 KPI goals, and our three growth strategies are progressing, making use of our overall ability as a Group in accordance with our two fundamental Group policies of expansion of associated assets and creation of new demand.



Medium-Term Management Plan 2017-2020



On Readjusting Our Medium-Term Management Plan

We readjusting our Medium-Term Management Plan in May 2019, taking into account the shift in achievements that exceeded our expectations and the holding of a public stock offering. In addition to increasing the financial goal value for fiscal 2020, the final year of the Plan, we also added earnings per share (EPS) and return on equity (ROE) as goals to improve shareholder value from the perspective of capitalization strategy.

Targets	FY2020 target (before readjustment)	FY2020 target (after readjustment)	FY2018 (actual)
Operating profit	¥93.0 billion	¥95.0 billion	¥80.2 billion
Profit attributable to owners of parent	¥42.0 billion	¥50.0 billion	¥37.5 billion
Debt-Equity ratio	About 2.3 times	2.3 times or below	2.3 times
EBITDA multiple	10 times level	10 times level	11.7 times
EPS	-	¥69.53	¥56.84
ROE	-	Over 8.0%	7.3%

KPI Targets for FY2020

	KPI	FY2020 Targets	FY2018 Results	Results
Financial	Operating profit	¥95.0 billion	¥80.2 billion	
	Net profit	¥50.0 billion	¥37.5 billion	
	Debt-Equity ratio	2.3 times or below	2.3 times	●
	EBITDA multiple	10 times level	11.7 times	
	EPS	¥69.53	¥56.84	
	ROE	Over 8.0%	7.3%	
Environment	CO ₂ emissions	25% reduction compared to FY2005	27.9% reduction compared to FY2005	●
	Water use	25% reduction compared to FY2005	0.9% reduction compared to FY2005	
	Waste emissions	25% reduction compared to FY2005	23.6% reduction compared to FY2005	
	Acquisition of environmental certifications such as CASBEE and DBJ*1	100%	100%	●
	Green buildings (roofs, walls, etc.) *1	100%	100%	●
	Midori wo Tsunagu Project (Area of Forest Protected)	2,000ha	1,423ha	
Work-style reform	Working hours (average overtime hours per month)	(Internal target)	14.4hours	-
	Ratio of employees who undergo the stress check	100%	91.9%	
	Ratio of employees who undergo physical examinations	100%	99.0%	
	Ratio of female hires	At least 30%	39.5%	●
	Ratio of female managers	(Internal target)	8.3%	-
	Ratio of disabled employees	2.20%	2.23%	●
Social needs	Securing space for use during disasters*1	100%	100%	●
	Buildings certified under the Barrier Free Act*1	100%	100%	●
	Condominiums with stockpiles of disaster relief goods*2	100%	100%	●
	Persons who have nursing care or other professional qualifications*3	80%	72%	
Corporate governance	Number of outside directors	At least 1/3 (approx. 33%)	4/13 (approx. 31%)	
	Board of Directors meeting attendance rate	100%	99%	
	Female directors	At least one	1	●
	Strict adherence to the Compliance Code of Conduct	100%	99%	
	Awareness of the Compliance Helpline Counter	100%	80%	

*1. For TOKYU LAND CORPORATION's newly constructed, large-scale properties, including office buildings and commercial facilities

*2. For TOKYU LAND CORPORATION's newly constructed condominiums

*3. For caregiving employees

Business Portfolio

We have created a business portfolio to flexibly respond to social issues and changes in the business environment as a Group. We plan to investigate a business portfolio strategy in the future, categorizing our seven business into three categories: Asset Utilization Businesses, including the Urban Development, Residential, and Wellness businesses; Stock Utilization Businesses, including the Property Management and Real-Estate Agents businesses; and Strategic Businesses, including the Innovation and Tokyu Hands businesses.



Creating cities that bustle with activity

Urban Development Segment

Business fields: Office buildings and commercial facilities / Investment management / Management of rental housing / Renewable energy and infrastructure

We are involved in improving the value of Tokyo, a global city, through urban development projects that bring out the potential of the area amongst the intensifying competition between cities. In addition to development and operations of office buildings and commercial facilities, we are also working with infrastructure and industry related businesses, such as renewable energy and logistic facilities, management of rental housing, etc., contributing to a comfortable and bountiful urban lifestyle.

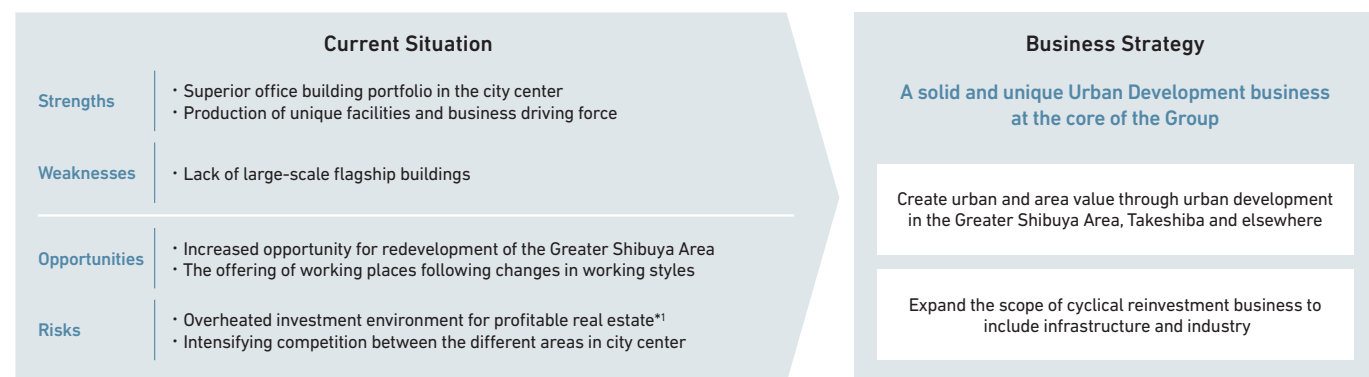


Value Provided to Our Customers

A Comfortable Urban Life

Safe and Secure Housing

Clean Energy



*1. Corresponding to office buildings, commercial facilities, etc.

Advancing and Prospecting Our Medium-Term Management Plan

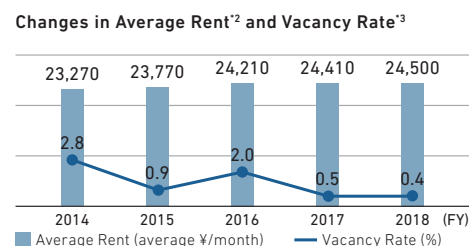
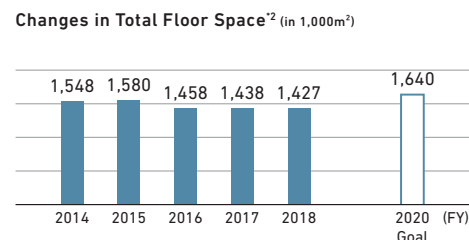
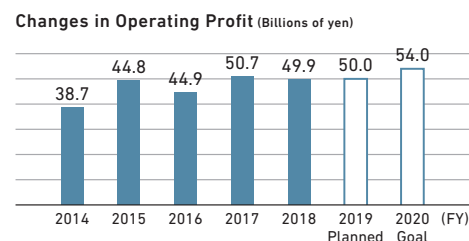
Together with the competition between global cities, the competition between the different areas of Tokyo is progressing. Against the backdrop of these markets trends, we are promoting our large-scale project development centered around the Greater Shibuya Area and the Takeshiba area with the goal of creating urban development that city dwellers will choose, and aiming for the creation of a stable cash flow.

The investment environment is overheating, with expected yields for investors at an all-time low, for profitable real estate in the real estate investment market that includes office buildings and commercial facilities. This is why investments have been advancing towards infrastructure and industry where growth can be expected from changes in the industrial structure, and we are working on strengthening our earning power through expanding the scope of cyclical reinvestments. We are realizing a steady and unique urban development business that plays a core role in the Group, while also showing off our presence through our wide range of activities, from urban development to the energy field.

In the first half of our Medium-Term Management Plan, steady progress was being made on SHIBUYA SOLASTA and SHIBUYA FUKURAS, due to open by fiscal 2020, as well as on other development projects, and all tenant leasing has been completed for these projects. We were also selected as the first Japanese local partner for Norges Bank. We are expanding our AUM and improving our presence in the Greater Shibuya Area through joint investments and operations of five commercial facilities in the area.

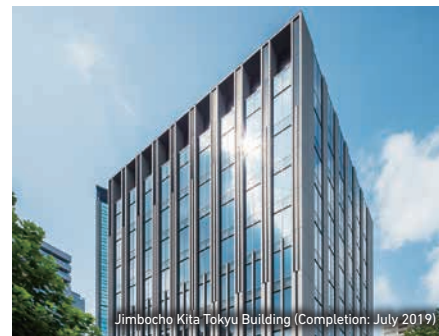
In ReENE, our renewable energy business, we have expanded to 43 locations (as of June 2019) including those in development, and we are working on both environmental consideration and regional development. We are also progressing on the development of the LOGI'Q logistic facility to meet the needs of increasing logistical efficiency, and we are aiming for wide-reaching measures for the realization of a sustainable society.

In our management of rental housing business, we are steadily increasing the number of units under management. In addition to establishing the Central Tokyo Sales Center aimed at strengthening city center properties for Tokyu Housing Lease Corporation, we also established the Nagoya Center as a strategy for area expansion. We have been entrusted with management and operations of student dorms, etc., at the NATIONAL STUDENTS INFORMATION CENTER CO., LTD. (NASIC). Operating CAMPUS VILLAGE, a student residence that we developed, in the capital area and the Kansai region is connected to the expansion of the number of units under our management.



*2. Only for office buildings

*3. For office buildings and commercial facilities



Expanding Management of Rental Housing Business

Tokyu Housing Lease Corporation, which began operating in 2015 from the integration of the Group's management of rental housing business, and NASIC, which became a part of the Group in 2016, are driving our management of rental housing business. The management stock of both companies is expected to surpass 140,000 units in fiscal 2019.

Changes in Rental Housing Units Under Management (FY)

2017	2018	2019 (Planned)
128,000 units	137,000 units	142,000 units

Tokyu Housing Lease Corporation Initiatives

We are responding to the need for asset management, aiming to become a service provider in the real estate industry. We are also focusing on improving our operational strength and expanding our supplementary services in the city, differentiating ourselves from others. We are unique in that we are engaged in pioneering initiatives, including the promotion of open innovation and the introduction of robotic process automation (RPA).

Examples of Services

- Owner Box, an income management site for property owners
- Kanaeteiku LIBR, a members-only site for residents
- IMAOs, an electronic contract service for real estate leasing contracts, etc.



NASIC Initiatives

We are aiming to become a comprehensive platform corporation, organically connecting students, schools, property owners, and corporations together. Understanding the opportunities from the increase in foreign exchange students, etc., we are continuing to grow while remaining close to university operations sought out from education to the workplace. We are creating wide-reaching Group synergies by utilizing our strong connections with each stakeholder.

Examples of Synergies

- Development of the CAMPUS VILLAGE series of student residences (Residential business)
- Repair work for student dorms (Property Management business)
- Proposals for effective use of university-owned land (Real Estate Agents business)



Initiatives for Social Issues Through Our Business: Environmentally- and Socially-friendly Real Estate Development

We are involved in environmentally- and socially-friendly real estate development, receiving DBJ Green Building certification from the Development Bank of Japan for 20 of our office buildings and commercial facilities as of July 2019. We have received overall high evaluations for our responses to various stakeholders, including consideration for disaster prevention and the community, in addition to the environmental performance of these buildings.



DBJ Green Building

5 stars Properties with the best class environmental & social awareness

SHIBUYA SOLASTA, Hibiya Parkfront, and Takeshiba District Development Plan (Office Building) (tentative name) *Plan certification

4 stars Properties with exceptionally high environmental & social awareness

Spline Aoyama Tokyu Building, Shin-Aoyama Tokyu Building, Nihombashi Front, Shin-Meguro Tokyu Building, Amagasaki Q's MALL, and Tokyu Plaza Omotesando Harajuku

3 stars Properties with excellent environmental & social awareness

Kasumigaseki Tokyu Building, Minamiaoyama Tokyu Building, Nihombashi Maruzen Tokyu Building, Uchisaiwaicho Tokyu Building, Shibuya Minami Tokyu Building, Nihonbashi Honcho Tokyu Building, Ichigaya Tokyu Building, Hamamatsucho Square, Ebisu Business Tower, and Ebisu Prime Square Tower

2 stars Properties with high environmental & social awareness

Shimbashi Tokyu Building



Shining a new light on housing

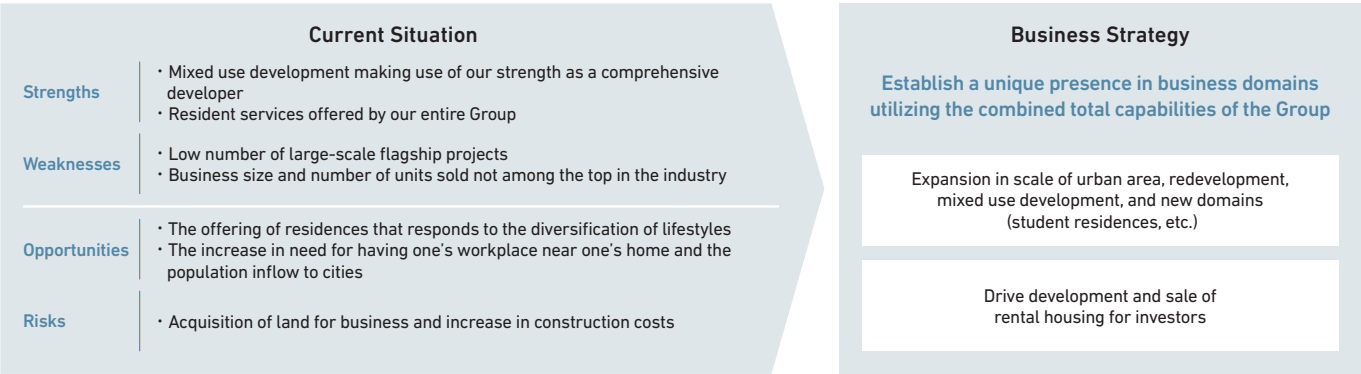
Residential Business Segment

Business fields: Condominiums development / Rental housing units development (rental condominiums and student residences)

We are pursuing residential development that responds to the changes of the times, including the advancement of the decreasing birthrate and aging population and the diversification of lifestyles. We are contributing to local societies through disaster prevention and deterioration measures, revitalization of local communities, and initiatives that are energy-saving and environmentally-friendly.



Value Provided to Our Customers A Comfortable Urban Life Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

We are expanding our scale with the high added value of redevelopment, etc., to offer residences that customers will choose amongst the yearly changes to the environment surrounding the newly built condominium market. Particularly, BRANZ-branded condominiums are a result of experience and wisdom gained since construction was completed on the industry's first condominiums, Tokyu Skyline, in 1958, and we are focusing on market penetration for the brand.

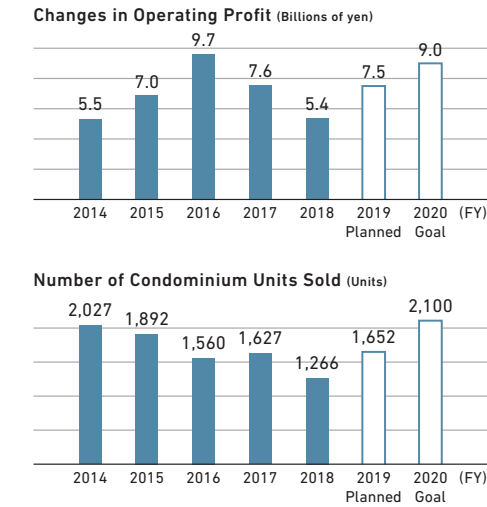
In the first half of our Medium-Term Management Plan, we strengthened our city center properties and redevelopment business, offering BRANZ Rokubancho, BRANZ Tower Midosuji Honmachi, etc. We also developed LIFE STORY TOWN, urban development that proposes new lifestyles starting with housing, working to solve the social issues of an aged society with a low birthrate. With the development of the Setagaya Nakamachi Project and the Tokaichiba Project, large complexes that combine condominiums with senior housing, we have provided intangible services, including support for day care and child rearing and regional cooperation, responding to the social needs of various home styles and healthy living.

Additionally, we are also developing and dividing COMFORIA, rental housing units, and CAMPUS VILLAGE, student residences, making use of our abilities in information gathering, planning, and development accrued through the apartment housing field, and we are contributing to the expansion of our associated assets.

Initiatives for Social Issues Through Our Business: Revitalization of the Hoary Area in Front of the Station Through Redevelopment

The area around Ofuna Station, a prominent terminal station in Yokohama, had an area with many hoary wooden buildings. Preparations for the foundation of urban development were put in place through the Ofuna Station north second district Urban District Redevelopment Project, with construction scheduled to be completed in 2020.

TOKYU LAND CORPORATION became a participating member in the project, working on preparations and development of public facilities, commercial facilities, and more, in addition to offering the BRANZ Tower Ofuna, improving the creation of activity, convenience, and safety. In total, we are involved in area management activities together with the managing TOKYU COMMUNITY CORP., supporting sustainable development for the local community.



Providing lifelong support for buildings and customers

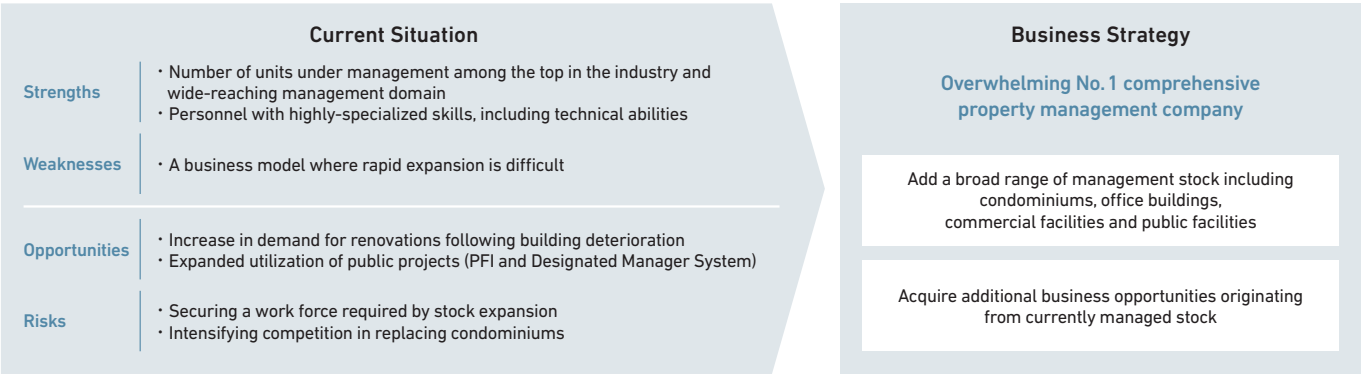
Property Management Segment

Business fields: Condominium management / Building and facility management / Renovation construction

We offer comprehensive support for management, operations, and renovations of a variety of buildings, including condominiums, buildings, commercial facilities, public facilities, and public housing. We are contributing to the sustained enhancement of our customers' living environment and value of our assets through the formation of high quality social stock.



Value Provided to Our Customers A Comfortable Urban Life Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

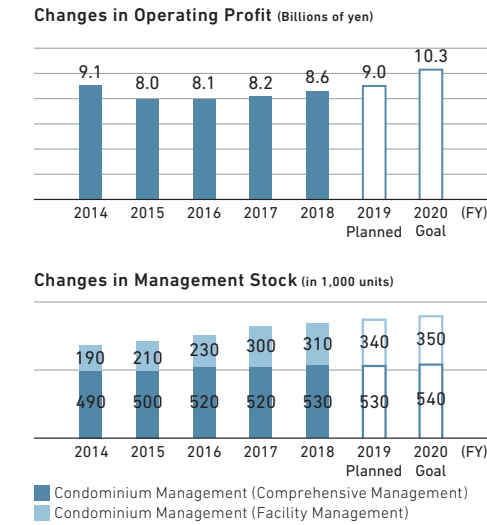
We are aiming to become the overwhelming No. 1 comprehensive property management company, utilizing our wide-reaching management domain and rich knowledge against a backdrop of expanded utilization of public projects and an increase in demand for renovations following building deterioration as management stock expansion through offering domestic newly built condominiums becomes limited.

In the first half of our Medium-Term Management Plan, in addition to receiving orders from RIKEN Wako Campus and Shinagawa HEART, we steadily increased our achievements with buildings, commercial facilities, and condominiums in our major property management business. At the same time, we were also focused on public projects that made use of PFI and Designated Manager System, receiving contracts for cultural facilities, including The Minato City Local History Museum, and a variety of other facilities, including stadiums and airports. In 2018, the number of public housing units for which we were the designated manager exceeded 200,000 units – the highest number of units managed by a private company in Japan. We are smoothly expanding our public projects, including being selected for the Tokyo Kiba Park Multi-purpose Project in February 2019, advertised publicly by the Tokyo metropolitan government. Overseas, we established a local corporation in Indonesia and began offering a meticulous, Japanese-style management service there. In the construction industry, we are offering proposals that meet the needs of each building utilizing the connection points we have with our various customers in management stock, increasing our achievements in condominiums, office buildings, and more.

Initiatives for Social Issues Through Our Business: Achieving a 75% Rate of Energy Savings at a New Training Center

Cutting edge environmental technologies were introduced at TOKYU COMMUNITY Technology Training Center NOTIA, which opened in May 2019, earning the Nearly ZEB certification – a first for any office building in Tokyo. Zero Energy Building (ZEB) is a public certification system run by the Ministry of Land, Infrastructure Transport and Tourism, and Nearly ZEB certification means that a building has achieved an energy efficiency of 75% or higher.

At this Center, harmony with the natural environment is also considered based on the concept of having the building itself be the research material, and TOKYU COMMUNITY CORP. trains over 1,600 technical employees here. We are responding to customers' expectations, realizing an improvement in technical ability, the ability to make proposals, and service quality.



Connecting customers and real estate

Real Estate Agents Segment

Business fields: Real estate agents (sales and leasing) / Consignment sales / Real estate sales / Real estate solutions

We are responding to each and every need related to real estate transactions, including real estate sales agents, consignment sales, and real estate sales, with advanced services and suitable solutions. We aim for further evolution as a real estate transaction multi-value creator.



Value Provided to Our Customers A Comfortable Urban Life Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

Although growth is limited for the newly built housing market, there are high expectations for expansion in the existing housing market, supported by the increase in quality housing stock and policy support. Meanwhile, it is necessary to look at the effects of the rapid development of real estate tech through AI and other technological advancements and the entry of other industries into the market. We will process the information and needs related to real estate – the desires to sell, buy, lease, rent, and operate – through our portfolio of various businesses, aiming to become a real estate multi-value creator that offers diverse value to our customers.

In the first half of our Medium-Term Management Plan, our initiatives towards operational assets, such as hotels, have progressed, along with advancing the opening of new stores in our main Real Estate Agents business. In the real estate sales business, purchase and resale renovations and investment property sales have continued to expand, and even new domains have achieved satisfactory results, including commercial facilities and hotels. We are steadily taking steps towards realizing our goal of being No.1 in three respective industries through the development of GRANTACT, a store specializing in central Tokyo luxury condominiums, the advancement of our retail brand strategy with continuous advertisement expansion, and work on creating workplaces with job satisfaction.

Initiatives for Social Issues Through Our Business: Providing Secure Living Through Quality Renovation

Revitalization of the existing real estate transaction and renovation markets is progressing as a policy amongst the declining population and progression of a decreasing birthrate and aging population. On the other hand, we've heard from customers looking into renovated condominiums that they can't see the frame of the building and that they are uncertain about the post-purchase warranty system.

With TOKYU LIVABLE, INC., we developed Lideas renovated condominiums, deploying a system responding to everything from purchase of a single unit to inspection with specialized equipment after room disassembly, installation, installation and updating finishes, inspections after construction is complete, and after-service warranties. We are contributing to the formation of quality housing stock through providing a stable life that resolves customers' concerns.



Providing quality time and experiences

Wellness Segment

Business fields: Hotels and resorts / Senior life / Fitness / Consignment welfare

To realize a healthy society with longevity and to work on regional revitalization and other social issues, we are expanding our healthcare domain that offers cross-sectional services aimed at life extension and our hotel and resort domain that supports the quality and quantity of time spent by our customers enjoying life.



Value Provided to Our Customers A Comfortable Urban Life Mental and Physical Health Fulfilling Leisure Time



Advancing and Prospecting Our Medium-Term Management Plan

Large growth is expected in health and leisure-related domains, including the expansion of facilities and caregiving services for elderly persons due to the progression of the aging society and the expansion of tourist and lodging facilities against the backdrop of increasing overseas tourists. We are proposing new lifestyles seeking a better life to the world in order to respond to the needs of the times, aiming the secure the top position in the industry in the wellness domain. In the healthcare domain, we are developing a variety of services to contribute to healthy life extension, including Grancree, senior housing offering a quality life, and TOKYU SPORTS OASIS, offering healthy lifestyles. In the hotel and resort domain, we are offering a varied resort life throughout the year, maintaining comfortable spaces and environments that go beyond the mundane.

In the first half of our Medium-Term Management Plan, we opened Tokyu Harvest Club Karuizawa & VIALA and the Hyatt Regency Seragaki Island Okinawa, utilizing the development and operational abilities cultivated over many years. We also accelerated the opening of Tokyu Stay, urban style hotels, in core regional cities, such as Sapporo and Fukuoka, steadily making progress towards exceeding our original goal for number of guest rooms by fiscal 2020. This is a policy that, through initiatives such as this, will grow this segment towards becoming a new core business in the Group.

Initiatives for Social Issues Through Our Business: Promoting Intergenerational Exchange Starting with Senior Housing

Creer Residence Yokohama Tokaichiba was opened in April 2019 as part of the Tokaichiba Project, TOKYU LAND CORPORATION promoted jointly with the city of Yokohama, TOKYU CORPORATION, and other companies. This facility comprises senior housing for active seniors and care housing designed for seniors with dementia, and it also includes a community café that can be used by local residents, in-home nursing care, and more.

As part of our area management encouraging regional exchange, we are also planning to host events. We are aiming for urban development that allows anyone and everyone to live securely over a long period of time, while also fostering intergenerational exchange through workshops hosted by locals, explanations of initiatives to revitalize the town by university students, and more.



Making life fun

Tokyu Hands Segment

Business fields: TOKYU HANDS / hands be

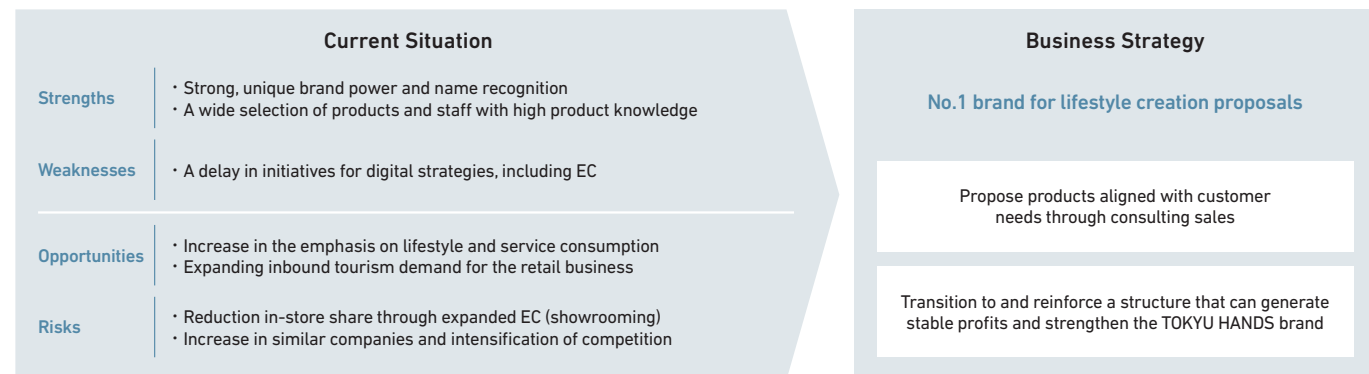
We are offering ideas for a fruitful life, employing a brand slogan of “Its Hint Market” and gathering together a diverse selection of products from a wide range of fields as an aid in realizing the unique lifestyles of each customer.



Value Provided to Our Customers

A Comfortable Urban Life

Fulfilling Leisure Time



Advancing and Prospecting Our Medium-Term Management Plan

Competition is intensifying in the retail industry through the expansion of e-commerce. Although it is an intense business environment, positive trends are also forecast due to the hosting of the Tokyo Olympic and Paralympic Games and the increase in inbound tourism needs. There is also a shift occurring towards service consumption where value is found in experiences. In response to this environment, we are developing consulting sales utilizing our three strengths – Products (wide selection of trustworthy products), Services (a place to find exciting ideas), and People (reliable staff with ample product knowledge) –, aiming to create No.1 brand of lifestyle creation and proposing.

In the first half of our Medium-Term Management Plan, we moved forward with creating flagship stores with unique, strong originalities compared to the competition, while also moving forward with opening new stores both in Japan and abroad. At our Shinjuku store, staff well-acquainted with a field are appointed as “shop owners” for each product category, and we’re expanding out Hi! Tenshu Project, offering lifestyle proposals through conversations with customers. At our Shibuya store, which celebrated its 40th anniversary, we set up Agar! STUDIO, where customers can casually experience handmade crafts, and Tsukuru Kobo, where customers can see professional craftsmen’s work process, in various locations throughout the store, appealing to customers’ enjoyment and excitement. We will continue creating stores based on this era of product, service, and people consumption.

Initiatives for Social Issues Through Our Business: Traveling Craft Workshop Teaching the Joy of Handmade Crafts

We host the TOKYU HANDS Hint Club, a traveling craft workshop, in cooperation with local governments, etc. In these workshops, TOKYU HANDS staff members act as teachers, conveying the joy of handmade crafts and the fun of making something oneself. Starting in 2010, we’ve held the workshops twice a year at each store, with total attendance at 16,000. In fiscal 2018, workshops were held in 69 locations all over Japan, with about 2,500 children participating.

We have also hosted traveling craft workshops since 2012 at the Kumin no Hiroba Festival, hosted by the Shibuya City Office, with total attendance at 2,000 by fiscal 2018. We have placed these activities as CSR-related activities, contributing all participation fees to Save the Children Japan.



Developing new fields

Innovation Business Segment

Business fields: Overseas (North America and Asia) / Landscaping and greening

We are creating and expanding new business fields, including our overseas business and our landscaping and greening business. In our overseas business, centered around Indonesia and the United States, we are developing a business aimed at demonstrating our presence as a comprehensive developer.

Overseas Businesses

Value Provided to Our Customers

A Comfortable Urban Life

Safe and Secure Housing



Advancing and Prospecting Our Medium-Term Management Plan

We are working to demonstrate our presence as a comprehensive developer in our overseas business, based around North America, with anticipated stable growth, and Asia, with its continuing economic growth.

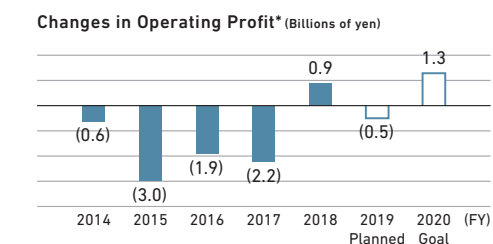
In the first half of our Medium-Term Management Plan, we focused on the United States investment and redevelopment businesses, moving forward with the development of properties meeting investors’ needs and high quality offices with environmental performance. The developing and leasing of 425 Park Avenue in New York is progressing steadily

In Indonesia, we are expanding BRANZ, our condominium brand developed in Japan, and we began handing over two properties in 2018. This is the first experience as a Japanese developer in expanding our own brand abroad. Working on establishing an image and penetrating the market with our brand by appealing to the quality of BRANZ, we are receiving high evaluations locally, including being the first foreign developer selected by BCI Asia for their TOP TEN 2017 DEVELOPERS – INDONESIA.

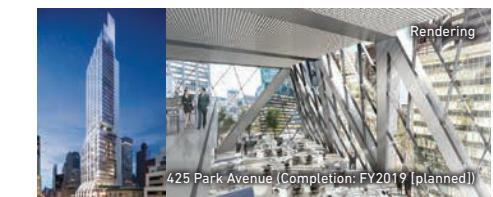
We also established a local corporation in Singapore in 2019, expanding our business in Asia, with its potential for future growth, by utilizing our experience and knowledge from each Group company fostered through our overseas business up until now.



BRANZ SIMATUPANG (Completion: December 2018)



*Total value Innovation Business



425 Park Avenue (Completion: FY2019 [planned])

Initiatives for Social Issues Through Our Business: Contributing to the Improvement of Consumer’s Living Environment with Japanese-style Condominiums

Since expanding into Indonesia in 1975, we have developed about 4,500 detached houses there in total, accumulating trust and results. We completed construction of BRANZ BSD Ai and BRANZ SIMATUPANG in 2018, utilizing the knowledge fostered through our long history.

BRANZ SIMATUPANG was an all-Japan project, with everything from development and design to construction handled by Japanese corporations. The Property Management segment’s TOKYU COMMUNITY CORP. also established a local corporation, offering Japanese-style management services. We will continue to propose new Home Styles while fusing Japanese and Indonesian cultures together.



Sales lecture for a local employee



Section 3

Sustainable Growth

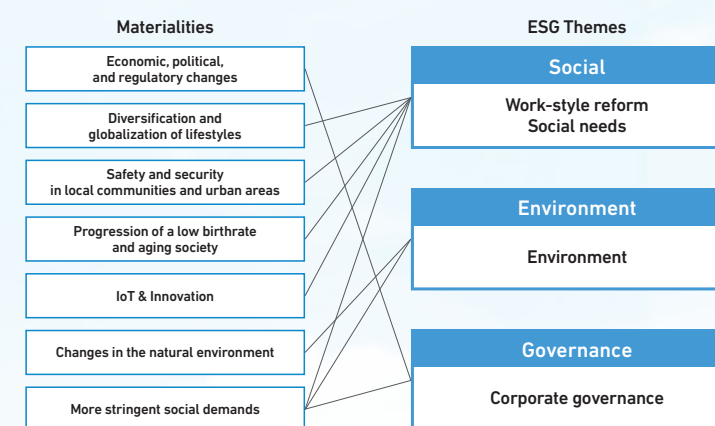
We will solve social issues through our business activities and work with stakeholders to realize a sustainable society and growth.

Financial Capital Strategy

A stable financial base is essential for sustainable growth. We readjusted our Medium-Term Management Plan in May 2019 based on our steady business environment and an increase in capital through public offering. We are aiming to improve earnings per share (EPS) growth and return on equity (ROE) through strengthening our earning power while maintaining financial order aimed at further improving shareholder and corporate value.

ESG Management

We have established ESG as a significant management issue. In our Medium-Term Management Plan, we specified our Group materiality (key social issues), and formulate four themes from the perspective of ESG: work-style reform, social needs, environment, and corporate governance. We established KPI goals for fiscal 2020 for each of these themes, and we are progressing across the Group with initiatives aimed at achieving these goals, while following the PDCA cycle.



ESG Management Structure

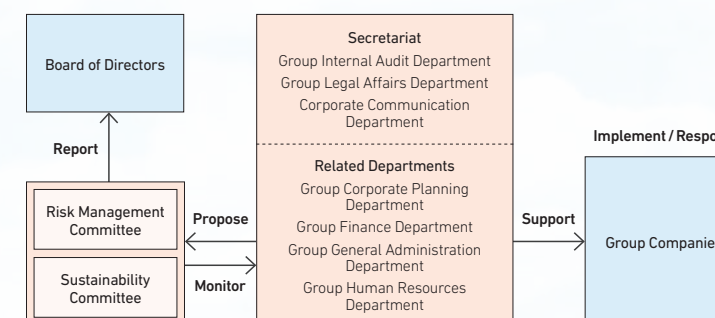


Photo: The view from our new headquarters, SHIBUYA SOLASTA

Sustainable Growth

Financial Capital Strategy

We readjusted the goals of our Medium-Term Management Plan based on our steady business environment and an increase in capital through public offering, and added ROE and EPS goals as indicators of increased shareholder value. We are aiming to improve EPS growth and ROE through strengthening our earning power while maintaining financial discipline aimed at further improving shareholder and corporate value.

Fiscal 2018, the second year in our Medium-Term Management Plan 2017-2020, resulted in an operating revenue of ¥901.9 billion, an operating profit of ¥80.2 billion, and earnings of ¥37.5 billion – updating our record for highest profits ever earned. We readjusted our Medium-Term Management Plan in May 2019 just as we hit the midpoint of the 4-year Plan, based on the active office building market and other robust business environments, the results that exceeded our original Plan, and the increase in capital through public offering in October 2018.

► See page 32, “On Readjusting Our Medium-Term Management Plan”

First, we upwardly revised our anticipated values. We increased the anticipated operating profit by ¥2 billion and the anticipated earnings by ¥8 billion, and changed the debt-equity ratio from 2.3 to less than 2.3. Second, we added new goal indicators. We added ROE and EPS as indicators of increased shareholder value, with the ROE goal value set at ¥69.53 and EPS set at over 8%.

We are aiming to improve EPS growth and ROE through strengthening our earning power while maintaining financial discipline aimed at further improving shareholder and corporate value as a basic policy. In order to do so, we are working on three missions: to grow earnings, to increase return on assets (ROA), and to maintain financial order (Figure 1). To achieve these missions, it is essential to increase the profitability of each business, and we are going to investigate future portfolio business strategies, categorizing our businesses into three categories: Asset Utilization Businesses, Stock Utilization Businesses, and Strategic Businesses.

In our Asset Utilization Businesses, making up about 84% of our total assets, we are increasing our revenue base and improving ROA through operating large-scale projects under development centered around our Urban Development business, promoting highly efficient business, and continuing cyclical reinvestment. For our highly efficient businesses, we are actively developing our socially-important renewable energy business, our housing redevelopment business, our Tokyu Stay, urban style hotels, and more. NOI Yield for already operating properties accounts for about 5% of the non-current assets in our urban development business. We are anticipating improved ROA

in the future through the operation of the Greater Shibuya Area and other redevelopment projects. For our Stock Utilization and Strategic Businesses, with investments remaining at about 16% of our total assets, we are seeing stable growth of profits through improvements in profit margin, etc.

A stable financial base is required for sustainable growth, and maintaining financial order is essential. We will control the debt-equity ratio in the future based on increases in equity through yearly profit. In fiscal 2018, our interest-bearing debt increased through new investments, etc., but our debt-equity ratio fell below 2.3x through the expansion of equity via an increase in capital through public offering. We anticipate that our interest-bearing debt will increase again in fiscal 2019 through continued investments in Shibuya's redevelopment, but we plan for the debt-equity ratio to remain at 2.3x (Figures 2 and 3).

We received a high evaluation for our financial improvements through capital increases through public offering and our high standard of accumulated net income, increasing our rating in January 2019 from A- to A on the Japan Credit Rating Agency's Long-term Issuer Rating Scale.

As a future goal, we are aiming to control the debt-equity ratio so that it is below 2.3x, and keep the EBITDA ratio at the standard 10x (Figures 3 and 4). We have a policy of directing our investment capability, created through an increase in equity, towards excellent properties, including the Greater Shibuya Area.

For our capitalization strategy, we will enrich stockholder returns through the stable growth of EPS, while also establishing an ROE goal of over 8% for fiscal 2020, keeping the cost of capital stock in mind (Figures 5 and 6). Through this readjusting of our Plan, EPS exceeded the anticipated standard before the increase in capital through public offering, and we anticipate that the diluted portion will recover by fiscal 2020 through capital increases.

We are making it a basic policy for shareholder returns to make the dividend payout ratio at 25% or more while also continuing stable dividend payments. We anticipate a record profit for fiscal 2019 as well, planning for a ¥16.0 dividend (per share) – the 7th consecutive increase. We anticipate the dividend payout ratio to be 29.5% (Figure 7).

Figure 2. Changes in Equity and Interest-bearing Debt

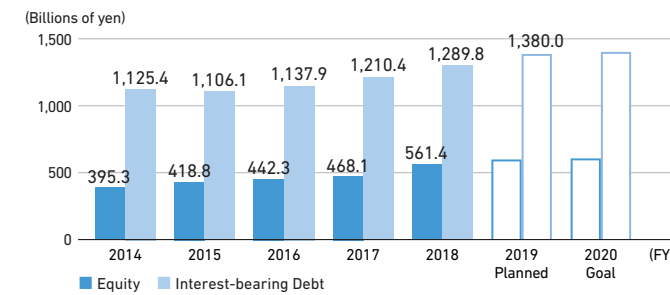


Figure 4. Changes in EBITDA Ratio

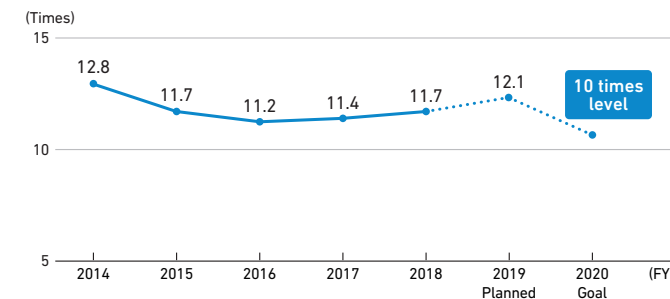


Figure 6. Changes in ROE

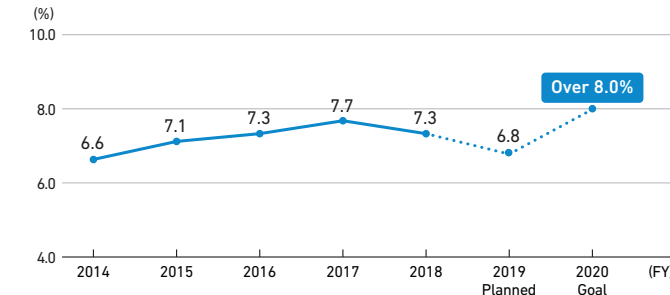


Figure 3. Changes in Debt-Equity Ratio

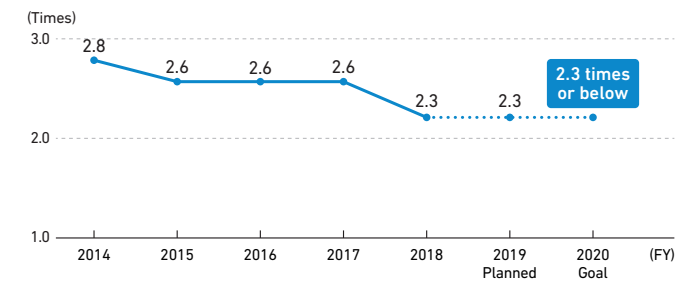
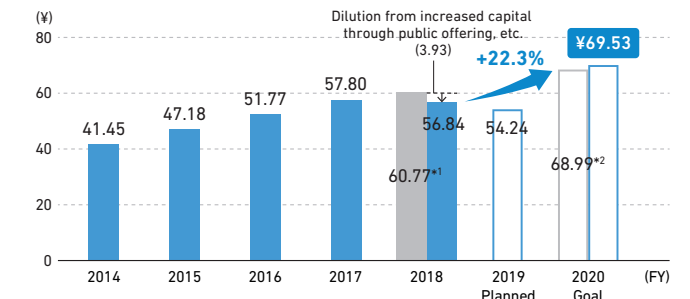
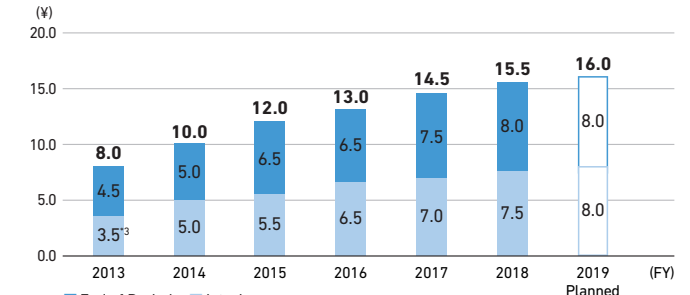


Figure 5. Changes in EPS



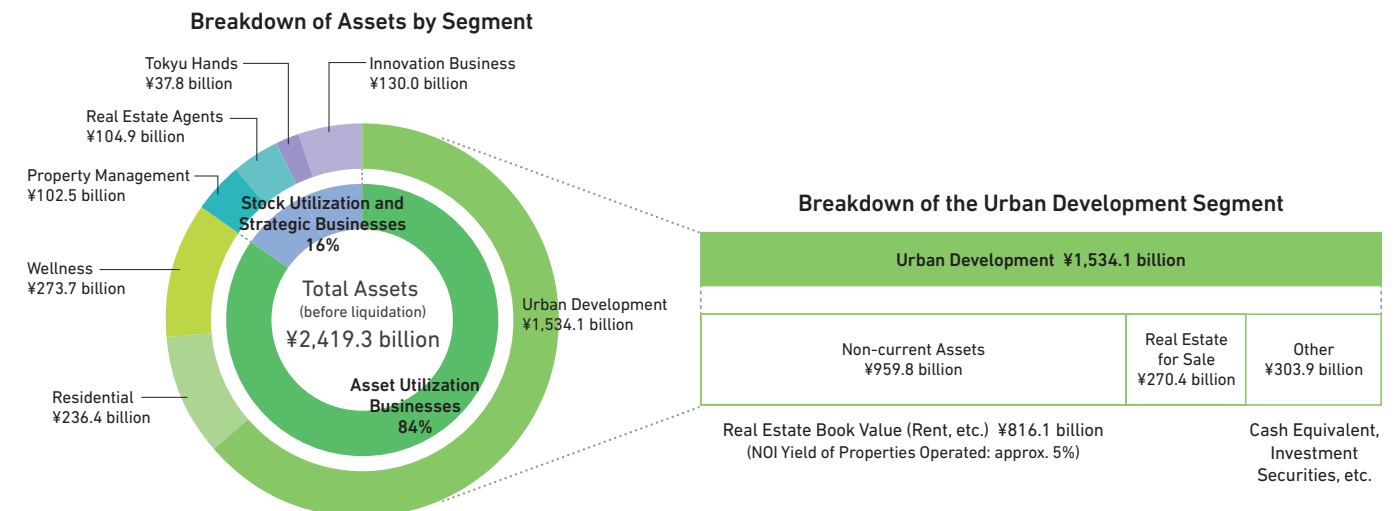
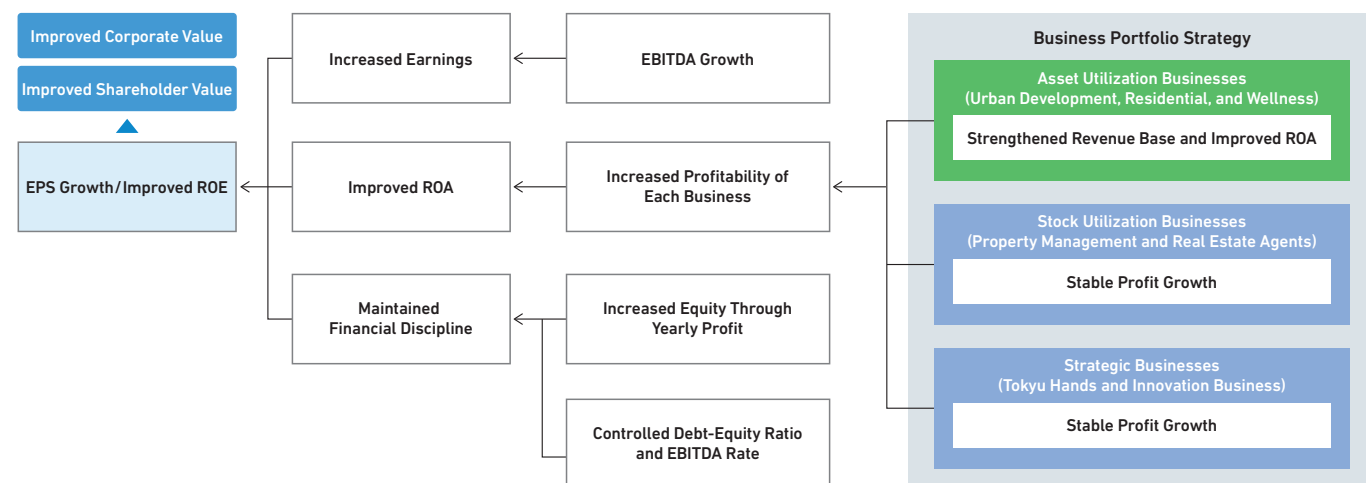
*1. Original anticipated value as of May 10, 2018
*2. Original anticipated value as of May 11, 2017

Figure 7. Changes in Dividends (Per Share)



*3. Interim dividends for fiscal 2013 are the dividends for TOKYU LAND CORPORATION

Figure 1. Basic Policies Aimed at Further Improving Shareholder and Corporate Value



Sustainable Growth

Financial Analysis

Operating Results

Summary of Results

- The results for fiscal 2018 include an operating revenue of ¥901.9 billion (4.1% increase from previous year), an operating profit of ¥80.2 billion (3.5% increase), an ordinary profit of ¥70.7 billion (3% increase) and a profit attributable to owners of parent of ¥37.5 billion (6.5% increase).
- Following the opening of Tokyu Harvestclub Karuizawa & VIALA, a member's only resort hotel as part of the Wellness segment, co-owned shares were handed over, and there was an increase in sales and profits through the strong condition of the Real Estate Agents segment.
- After shifting to a holdings system, we've achieved an increase in operating profit, ordinary profit, and profit attributable to owners of parent over 6 consecutive terms.

	(Billions of yen)			
	FY2016	FY2017	FY2018	Comparison
Operating revenue	808.5	866.1	901.9	35.8
Operating profit	73.2	77.5	80.2	2.7
Ordinary profit	63.6	68.7	70.7	2.1
Profit attributable to owners of parent	31.5	35.2	37.5	2.3
EBITDA multiple ^{*1}	11.2 times	11.4 times	11.7 times	0.3
ROA	3.6%	3.7%	3.5%	(0.1)P
ROE	7.3%	7.7%	7.3%	(0.5)P

Operating Revenue/Operating Profit by Segment

- There were increases in both revenue and Profit for the Property Management, Real Estate Agents, Wellness, and Tokyu Hands segments, a decrease in revenue but an increase in profit for the Innovation Business segment, and decreases in both revenue and profit for the Urban Development and Residential segments in fiscal 2018.

Urban Development Although we started operations at new facilities and improved lease revenues from existing real estates, there was a decrease in both revenue and profit due to a decrease in gains on the sales of buildings to investors, a loss in income from properties sold last fiscal year, and an increase in costs for redevelopment projects.

Residential Although there was an increase in gains for rental housing aimed at investors, there was a decrease in both revenue and profit due to a decrease in the total number of condominiums.

Property Management There was an increase in both revenue and profit due to an increase in construction sales for buildings, etc., in addition to the expansion of management stock for condominiums and buildings.

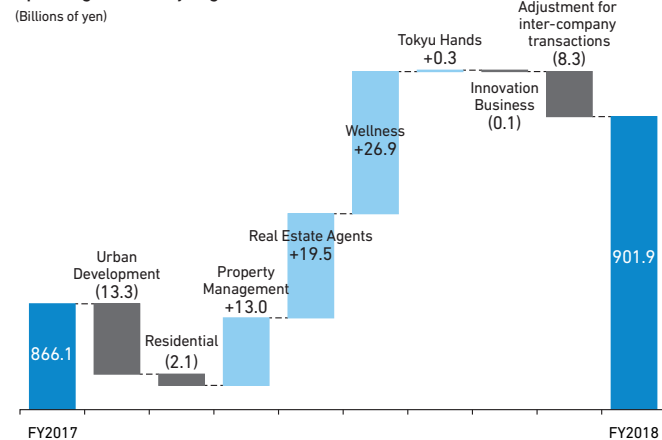
Real Estate Agents There was an increase in both revenue and profit due to sales including purchase and resale and an increase in the number of building residences for investors, in addition to the strong condition of the real estate sales agent retail department against a backdrop of a robust real estate market.

Wellness There was an increase in both revenue and profit due to the start of new facilities operations at Tokyu Stay, an urban style hotel, in addition to the handing over of co-owned shares of a members-only resort hotel and sales of assets.

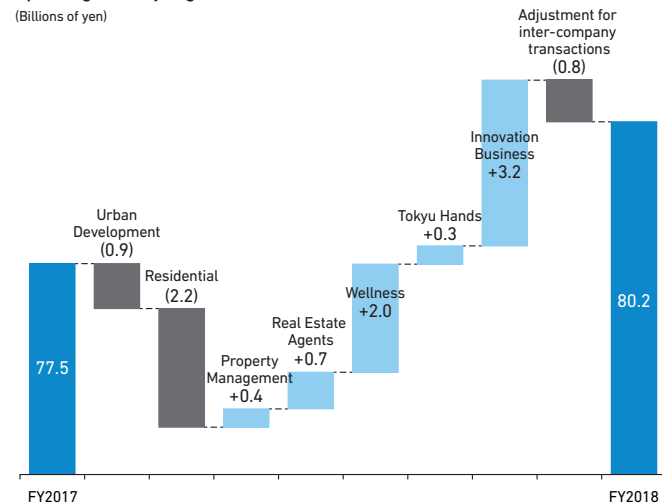
Tokyu Hands There was an increase in both revenue and profit due to the opening of new stores and a decrease in expenses.

Innovation Business Although there was a decrease in revenue due to the impact of transferring part of the renovation business to the property management segment, there was also an increase in revenue due to an increase in sales of properties from overseas operations and the number of condominiums in Indonesia.

Operating Revenue by Segment



Operating Profit by Segment

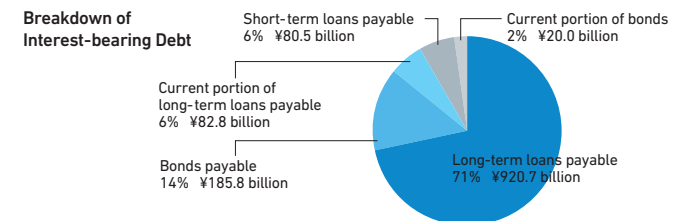
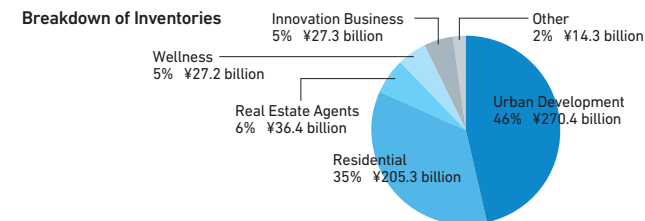


Financial Position

Assets, Liabilities, and Total Net Assets

- Total assets at the end of fiscal 2018 were ¥2 trillion 405.2 billion, an increase of ¥232.0 billion compared to the end of the previous fiscal year. There was an increase in monetary capital (including "Other") from multiple temporary increases, including lags in payment periods and deposits received from subsidiaries. There was also an increase in land and buildings for sale mainly in facilities related to infrastructure and commercial facilities currently in operation.
- Total liabilities were ¥1 trillion 836.6 billion, an increase of ¥138.7 billion compared to the end of the previous fiscal year. Total net assets were ¥568.7 billion, an increase of ¥93.4 billion from the end of the previous fiscal year due to capital increases mainly through public offering.

	(Billions of yen)			
	FY2016	FY2017 ^{*2}	FY2018	Comparison
Real estate for sale	418.6	473.7	568.0	94.3
Property and equipment, Intangible assets	1,164.1	1,165.6	1,142.4	(23.3)
Goodwill	88.0	82.6	77.1	(5.4)
Other investment	214.7	258.1	294.4	36.3
Other	181.8	193.2	323.3	130.1
Total assets	2,067.2	2,173.2	2,405.2	232.0
Interest-bearing debt	1,137.9	1,210.4	1,289.8	79.4
Other	483.0	487.5	546.7	59.2
Total liabilities	1,620.8	1,697.9	1,836.6	138.7
Total net assets	446.3	475.3	568.7	93.4



Market Value Appraisal for Leased Properties

- The carrying value at the end of fiscal 2018 for leased properties, including office buildings and commercial facilities, was ¥816.1 billion, with a fair value of 1 trillion ¥61.5 billion – a difference of ¥245.3 billion. Properties that are planned but not yet opened (¥52.9 billion at the end of fiscal 2018) are not included in year-end fair value or carrying value, as it is difficult to determine their value.*3

	(Billions of yen)			
	FY2016	FY2017	FY2018	Comparison
Carring value	797.5	791.4	816.1	24.8
Fair value	928.5	937.1	1,061.5	124.4
Difference	131.0	145.7	245.3	99.6

Cash Flows

- Cash flows from investing activities in fiscal 2018 decreased by ¥60.4 billion due to the non-current asset investments from office buildings, commercial facilities, etc., but cash flows from financing activities were appropriated the decrease, including cash flows from operating activities, issued shares, and the procurement of interest-bearing debts.
- Cash flows from operating activities increased when compared to the previous fiscal year through consignment sale deposits, as well as profit before income taxes.

	(Billions of yen)			
	FY2016	FY2017	FY2018	Comparison
Cash flows from operating activities	68.9	12.3	44.5	32.3
Cash flows from investing activities	(71.0)	(96.4)	(60.4)	36.0
Cash flows from financing activities	23.0	82.4	139.1	56.7

Return to Shareholders

- We consider returns to shareholders as one of the most important policies in our Medium-Term Management Plan 2017-2020, comprehensively considering achievements, the future business environment, and capital requirements including medium-term development. We have made it a policy to determine the distribution of profits with a target payout of 25% or more while maintaining stable dividend policies.
- In fiscal 2018, we've achieved an increase in dividends over 6 consecutive terms through a steady increase in profit attributable to owners of parent.

	(yen)			
	FY2016	FY2017	FY2018	Comparison
Dividends per share	13.00	14.50	15.50	1.00
EPS (earnings per share)	51.77	57.80	56.84	(0.96)
Dividend payout ratio	25.1%	25.1%	27.3%	-

*1. EBITDA multiple: Interest-bearing debt/EBITDA (Operating profit before depreciation)

*2. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) took effect at the beginning of the first quarter of fiscal 2018, and this Accounting Standard was applied retroactively to the main management indexes from fiscal 2017.

*3. The following properties, set to open from fiscal 2019, are included as their market value was able to be determined: SHIBUYA SOLASTA, SHIBUYA FUKURAS, and the Takeshiba District Development Plan (tentative name).

ESG Management

Work-Style Reform

The Tokyu Fudosan Holdings Group believes that the meaningfulness of work is important to continue build its human capital strength and to achieve sustainable growth. We are reforming work styles with the aim of creating a vibrant workplace where all employees can take full advantage of their abilities.

Basic Approach

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

Management Structure

- We have established the Sustainability Committee, which is under the direct authority of the president and representative director. The committee conducts Group-wide management for various work-style reform programs.
- Numerical targets are set and progress in achieving KPIs is monitored for key issues.
- Information relating to occupational health and safety is shared through the Group Labor Liaison Committee.
- Annual stress checks are conducted.
- Physical examinations are performed.

Division with Authority and Responsibility Group Human Resources Department KPI targets See P.33

Diversity and Inclusion

Advancement of Female Employees To encourage the advancement of female employees, including female managers, we monitor the progress of each Group company and are moving forward with the introduction of an interview system and a mentoring program for people who are taking childcare leave.

Selection for Inclusion in Index In recognition of our initiatives to promote the progress of female employees, we have been selected as a constituent of the MSCI Japan Empowering Women Index (WIN). This index has been adopted by the Government Pension Investment Fund (GPIF) as an index for its operation of ESG investments.

Certification as an Excellent Company TOKYU COMMUNITY CORP. and TOKYU LIVABLE, INC. received the highest of the three levels of Eruboshi certification, which is granted by the Minister of Health, Labor and Welfare (MHLW) based on the Act on the Promotion of Women's Participation and Advancement in the Workplace.

Employment of People with Disabilities We disclose employment rates of people with disabilities and check progress toward achievement of the statutory rate. At TOKYU LIVABLE, INC., people with mental and developmental disorders are engaged in work such as the production of gifts for customers, and our efforts to promote the creation of comfortable wokplace environments where all employees can demonstrate abilities are leading to increased employment of people with disabilities.

Employment of Elderly Persons TOKYU COMMUNITY CORP. received the Minister prize in the MHLW's Contest for the Employment Development for Older Persons for Fiscal Year 2018 in recognition of its initiatives to promote the employment of older persons such as increasing the mandatory retirement age of engineers to 65 and raising the age limit for continuous employment after reemployment by job type.



MSCI MSCI Japan Empowering Women Index (WIN)



Eruboshi Accreditation (3rd rank)



Health and Productivity Enterprises (White 500)

ESG Management

Social Needs

The Tokyu Fudosan Holdings Group sees the social issues that various stakeholders must resolve, such as neighborhood safety and security, as social needs. We are working to resolve these issues through our businesses and focusing on the development of a sustainable, enriched society.

Basic Approach

The Group believes that creating products and services that can resolve social issues and making them widely available will lead to the development of an enriched society and sustainable companies. We strive to understand increasingly diverse social issues and needs, including the pursuit of safety and security and regional revitalization, and work in collaboration with all stakeholders toward the creation of a sustainable and prosperous society through our business activities.

Management Structure

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

Division with Authority and Responsibility Each business department KPI targets See P.33

Pursuit of Safety and Security

Disaster Management In 2018, TOKYU COMMUNITY CORP. added a disaster response support function to its Field's EYES large-scale repair construction management system. In the event of disaster, such as typhoon or heavy rain, this support function can be used to issue instructions from head office disaster management headquarters to those in charge of construction work and to centrally monitor the status of onsite construction work.

Regional Revitalization

Area Management We leverage the knowhow we have built up in urban development that addresses social issues to promote area management. In our initiative for the Greater Shibuya Area and large-scale development projects such as the Takeshiba District Development Plan (tentative name) and the Ofuna Station north second district Urban District Redevelopment Project, we have helped to make regions more attractive by promoting wide-ranging activities mainly aimed at creating bustle in collaboration with local communities, local governments and other stakeholders.

Creation of Bustle Revamped as part of the Tokyu Plaza Ginza development, Sukiwabashi Park was transformed into a place where people can relax in comfort, providing a bustling gateway to the Ginza District. Thanks to the cooperation of ISHIKATSU EXTERIOR INC. with the planting design, the park won the special prize in the 2018 Urban Public Space Design Competition.

Creation of Society in Which Everyone Thrives

Inclusive Office Building Design Developed by TOKYU LAND CORPORATION as a base for Group companies, SHIBUYA SOLASTA has gender-neutral toilets and a multi-faith prayer room to cater for a diverse workforce. Both are situated on the top floor, which is a common use area, and can be accessed freely by our own employees and the employees of all other tenants.

Response to Aging As Japan becomes a super-aged society, condominium managers are required to communicate effectively with diverse tenants. TOKYU COMMUNITY CORP. is focusing on activities to train staff in providing support to dementia sufferers and is working to increase understanding of dementia by holding regular seminars for condominium managers.

Support for International Student Exchange Activities NATIONAL STUDENTS INFORMATION CENTER Group continuously supports the international exchange activities of students in Japan and Vietnam. The 12th Nasic Cup Nihongo Speech Contest held at Hanoi University in September 2018 had more than 100 entrants and, for the 16th Japan Vietnam Student Exchange Conference held in October, 30 Vietnamese students including the contest winners, were invited to Japan to foster exchange with Japanese students.

Three Years after Kumamoto Earthquakes – Supporting Local Community on Road to Recovery

Aso Tokyu Golf Club was forced to close due to damage suffered in the April 2016 Kumamoto Earthquakes. We have supported the local community on its road to recovery, selling specialty products from Kumamoto Prefecture via the online shop and providing beekeepers with unused land free of charge to make honey. We kept up our reconstruction support activities even after Aso Tokyu Golf Club fully reopened in April 2019.



Corporate Governance

Basic Approach

In order to fulfill its responsibility to its stakeholders surrounding Tokyu Fudosan Holdings Group, including shareholders, customers, business partners, local communities and employees, Tokyu Fudosan Holdings Corporation strives to ensure its sustainable growth and increase corporate value over the medium and long term by engaging in social issues through its business. To that end, the Company will work to ensure soundness and transparency of management and build a corporate governance system that contributes to expediting decision making.

Corporate Governance Guidelines

In December 2018, we organized/systemized our governance initiatives into the Tokyu Fudosan Holdings Group Corporate Governance Guidelines, which we then approved and enacted as guidelines for our future initiatives and a basic policy that will facilitate constructive dialogue with shareholders and investors. At the same time, we also set out the Group's basic approach to corporate governance.

Corporate Governance Structure

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graph TD
    GMS[General Meeting of Shareholders] --> ASB[Audit & Supervisory Board members]
    GMS --> BD[Board of Directors]
    GMS --> C[Chairman]
    GMS --> P[President]
    ASB --> OCA[Office of Corporate Auditors]
    ASB --> AA[Accounting Auditor]
    BD --> GEC[Group Executive Committee]
    BD --> RIC[Risk Management Committee]
    BD --> SC[Sustainability Committee]
    BD --> NCA[Nomination and Compensation Advisory Committee]
    GEC --> GID[Group Internal Audit Department]
    GEC --> AD[All Divisions]
    GID <--> GC[Group Companies]
    AD <--> GC
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Roles of Key Organizations

Nomination and Compensation Advisory Committee The Nomination and Compensation Advisory Committee, chaired by an independent outside director, was established as an advisory body to the Board of Directors to increase the objectivity and transparency of procedures for matters related to the election of directors and operating officers and matters relating to compensation. The Board of Directors consults the Nomination and Compensation Advisory Committee before passing resolutions on matters relating to the election of director candidates and the election of operating officers and matters relating to the compensation of directors.

Composition of Nomination and Compensation Advisory Committee (as of June 26, 2019)

Koichi Iki (Independent Outside Director, Chair of Nomination and Compensation Advisory Committee)
Makoto Kaiami (Independent Outside Director)
Kiyoshi Kanazashi (Chairman & Representative Director)
Yuji Okuma (President & Representative Director)

Board of Directors The Board of Directors functions as a supreme decision-making body second to the General Meeting of Shareholders, and makes decisions on important issues related to business operations. The Board of Directors develops internal rules such as the Board of Directors Regulations and the Duty Authority Regulations in addition to the matters stipulated in laws and regulations and the Articles of Incorporation. Based on these rules, the Board of Directors makes decisions on important matters related to the Group's management, such as management policies, business plans, and large-scale investment plans. Authority for the execution of business and decisions relating to the execution of duties for issues other than the important matters listed above is delegated to the Group Executive Committee and other subordinate meeting bodies, officers and others in charge of business operations. Meanwhile, the Board of Directors supervises the performance of duties by the meeting bodies as well as officers and others. In principle, the Board of Directors meets once a month.

Extraordinary meetings are held as and when necessary. In order to clarify the management responsibility of directors and establish a system that is able to respond rapidly to changes in the management environment, the term of office of directors is set at one year.

Audit & Supervisory Board The Company has adopted a statutory auditor system. Under this system, Audit & Supervisory Board members attend important meetings including those of the Board of Directors to receive business reports from directors and other officers. Audit & Supervisory Board members peruse documentation on important decisions and listen to reports as well as other presentations from the Internal Audit Department, subsidiaries, other parties, and the accounting auditor as a part of their audit of the status of business execution at the Company, its subsidiaries, and related companies. Audit & Supervisory Board members form fair audit opinions by accurately grasping information based on on-site visits and other activities, which are mainly conducted by full-time Audit & Supervisory Board members, and effectively audit directors in the performance of their duties as an independent body under the mandate of shareholders by utilizing the fast responsiveness and flexibility of the Audit & Supervisory system.

Group Executive Committee The Group Executive Committee was set up as an entity to deliberate, discuss and report on matters in two areas: important plans and proposals relating to Group management policy, management strategies and Group management; and important investment plans and proposals as well as business strategy proposals for subsidiaries. Comprising the chairman and representative director, president and operating officers from directors on down, the Group Executive Committee convenes, in principle, once a month.

Strengthening the Functions of the Board of Directors

Evaluating the Effectiveness The effectiveness of the Board of Directors is evaluated annually. Evaluations and opinions of its effectiveness according to each director and Audit & Supervisory Board member are reported to and shared with the Board of Directors, and issues for reassessment are identified to raise effectiveness even further. Going

forward, these issues will be addressed and the status of improvements will be continuously verified through annual assessments. As one example, revisions made in areas evaluated as inadequate, such as the method and timing of provision of information to directors and Audit & Supervisory Board members, led to improvement in the evaluation of initiatives for following year. Lately, results show improvement in evaluation of the effectiveness of our Board of Directors. We will continue striving to improve effectiveness in the future.

Diverse Composition We believe that having a Board of Directors with a good balance of diverse knowledge, experience and abilities is key to increasing its effectiveness. One precondition for election as director is that candidates have the moral character and integrity required of a director and have no health issues and we also give consideration to the overall balance to ensure a sufficiently diverse board both in terms of gender and international mindedness.

Independent Outside Directors For the Company's corporate governance, independent outside directors should have rich experience in management and a high level of discernment and character as well as other pertinent attributes together with an understanding of the Group's wide-ranging business fields and the value they create. They are to provide advice from a broad, high-level perspective, while appropriately supervising executives from an independent position. We currently have four independent outside directors who have vast experience of their own specialist areas, including management, legal affairs and accounting, etc. To enable appropriate and flexible decision-making on business activities and the supervision of execution, the Company considers it advantageous for the Board of Directors to be composed of directors from inside the Company who have specialist capabilities and insight into business fields, management plans, personnel, finance and accounting, and so forth, and independent outside directors who are able to proactively offer opinions on growth strategies as well as the enhancement of governance, and raise concerns, from the perspectives of diverse stakeholders and society.

Criteria for Determining Independence

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

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

System of Remuneration for Officers

The system of remuneration for officers (excluding outside directors and non-executive directors) consists of fixed remuneration, performance-based remuneration and stock-based compensation. Fixed remuneration is a consideration for the day-to-day execution of internal operations, whereas performance-based remuneration takes into consideration the business results in a single fiscal year and the achievement level of management plans. Stock-based compensation is designed to have officers share the benefits and risks of stock price

fluctuations with shareholders and increase the contribution to the improvement of medium- and long-term earnings performance and corporate value. Also, for the levels of remuneration for officers (excluding outside directors and non-executive directors), first, the level of remuneration for the president and representative director is determined, and then, the levels of remuneration for other directors and Audit & Supervisory Board members are determined based on fixed differences in positions. The level of remuneration for the president and representative director (monetary compensation plus stock-based compensation) is set around 0.1% of the operating profit for the previous consolidated fiscal year, as consolidated operating profit is adopted as the target index under the Medium-Term Management Plan. Target percentages for fixed remuneration and variable remuneration and the approach to determining the remuneration of each officer are as shown in the following table.

Item	Fixed Remuneration	Variable Remuneration	
	Monthly Remuneration	Bonus	Stock-based Compensation
Positioning	Basic remuneration	Short-term incentive	Medium-to-long-term incentive
Target percentage of total remuneration	60%	30%	10%
Group level: Approach to fluctuation		Linked to business results in a single fiscal year	Linked to stock price
Group level: Fluctuation from base amount		Determined with reference to employees' bonuses	Linked to stock price
Individual level: Approach to fluctuation		Linked to performance evaluation	-
Individual level: Fluctuation from base amount		60-140%	Linked to stock price

A remuneration proposal prepared by the president and representative director based on the above is referred to the Nomination & Compensation Advisory Committee and compensation is determined within the limits of the total compensation amount by a resolution of the Board of Directors. For stock-based compensation, a transfer restriction period of three years from the time of delivery of the stock is set. The compensation of Audit & Supervisory Board members is determined within the limits of the total amount of compensation through consultation among Audit & Supervisory Board members. The following table contains the total amount of remuneration, etc. in fiscal 2018.

Category	Number of Persons	Total Amount of Remuneration (Millions of yen)
Directors*	17	248
(of which, independent outside directors)	6	40
Audit & Supervisory Board members	4	63
(of which, outside Audit & Supervisory Board members)	2	9
Total	21	312
(of which, outside officers)	8	49

*Includes the four directors who retired at the close of the 5th Ordinary General Meeting of Shareholders held in June 2018.

Internal Control

The Tokyu Fudosan Holdings Group has taken active steps to put in place and implement internal control systems for all members of the Group, including the Board of Directors and other organizations, management and employees, with the aims of thoroughly implementing compliance-based management, ensuring proper business operations, achieving management priorities such as earnings targets by raising the levels of efficiency and effectiveness, and undertaking the appropriate disclosure of information; all of which will contribute to the sustainable development of the Group and the consistent improvement of its corporate value. In addition, Audit & Supervisory Board members are monitoring and validating the progress of developments in its internal control system in accordance with the Audit Practice Standards for Internal Control Systems.

Corporate Governance

Risk Management

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

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

Basic Risk Management Policy

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

Individual Risks

1. Investment risks

2. Financial and capital risks

3. Personnel and labor risks

4. Legal and compliance risks

5. IT strategy risks

6. Information management and leakage risks

7. Crisis management risks

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

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

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

Risk Management Process The Company takes steps to identify the wide variety of risks to which the Group is susceptible. At the same time, the Company undertakes an evaluation and analysis of risks in line with the degree of impact and likelihood of occurrence. Based on the results of evaluations and analyses, the Risk Management Committee has identified the following parameters with respect to the continuous management of major risks.

Major Risks

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

Major Risks Relating to Investment and Financing Capital

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

Compliance

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

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

Compliance helplines were established at the Company and individual Group companies for consultations and reporting relating to violations of laws and regulations, internal rules, and the Tokyu Fudosan Holdings Group Code of Conduct. The Company’s helpline can be used by all Group employees (including contract employees, temporary employees, and part-time workers). There is an internal reporting desk that allows anonymous reports to be made and an external reporting desk handled by an outside advising attorney. The aim of these desks is to discover and rectify violations at the earliest possible time. A total of 125 consultations and reports including consultations and questions on minor matters were received by the Company and Group companies in fiscal 2018.

Reinforcing Information Security

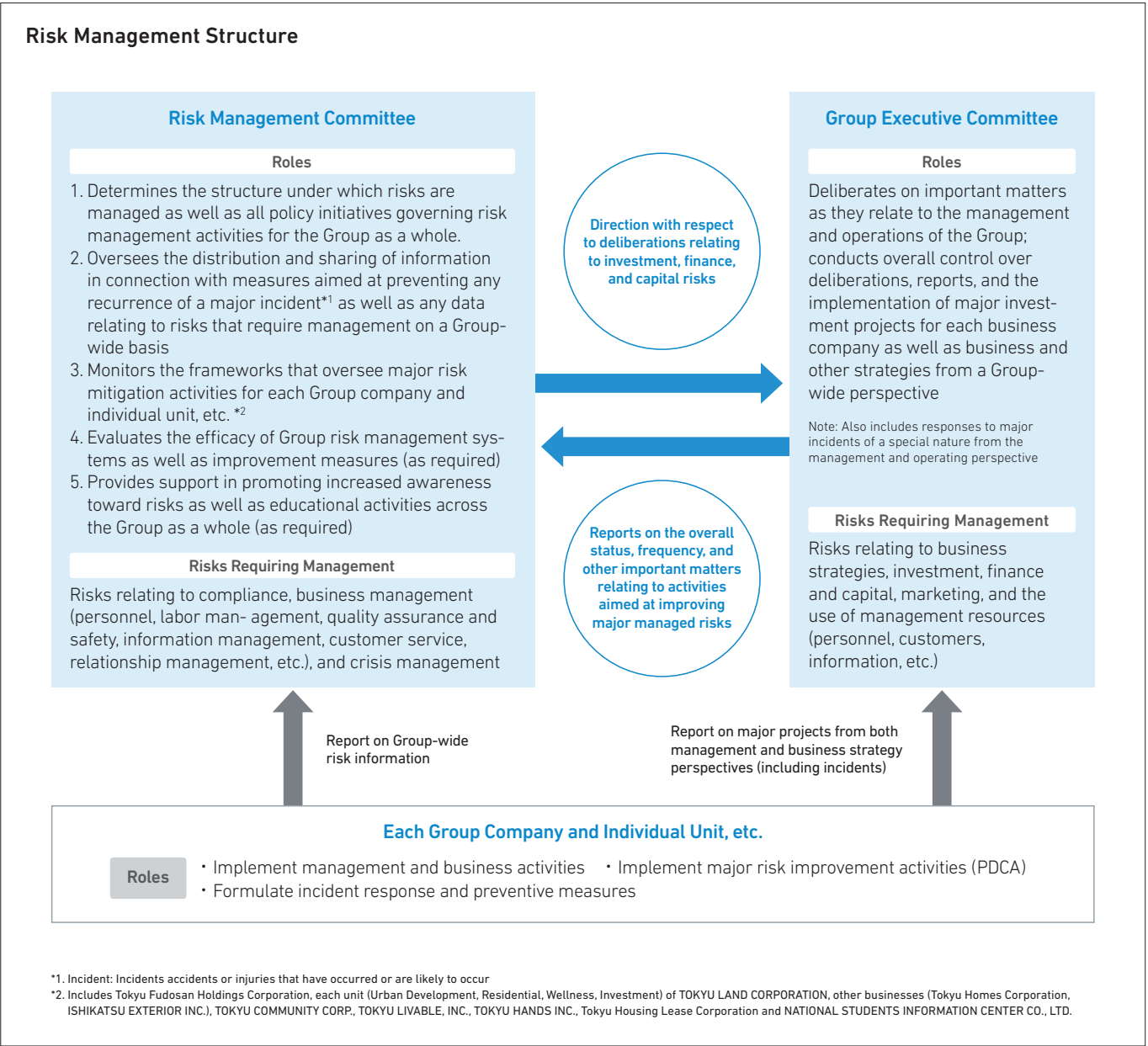
The Company has established rules on proper information retention and management, and as a part of its efforts to raise information security levels even further and reinforce development of the internal control environment, we adopted a fundamental policy on information management, reorganized the Fundamental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

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

In addition, a Group Information Security Committee was established. The committee is establishing PDCA cycles including receipt of reports on annual activities from each Group company. Similar rules have been established by each company of the Tokyu Fudosan Holdings Group, and measures are being taken throughout the Group.

Dialogue with Shareholders and Investors

The Company engages in constructive dialogue with shareholders and other investors to contribute to sustainable growth and the improvement of corporate value over the medium to long term. In addition to individual meetings with shareholders and investors, the Company regularly holds results briefings for institutional investors and analysts, and for individual investors. Through these and other events, the president and the relevant directors and departments actively engage in dialogue. The views aired by shareholders and investors during these events are regularly reported to the Board of Directors and used in improving the Company’s management.



Sustainable Growth

Messages from the Outside Directors



Left to right, Makoto Kaiami, Koichi Iki, Saeko Arai, and Michiaki Ogasawara

Fostering the Future-Oriented “Outsider” and Creating a Climate of Free and Open Discussion

Koichi Iki Outside Director (Independent Officer)

As someone involved in management, I’ve come to emphasize the importance of forward thinking that anticipates the future. Japan is in a whirlwind of change, including the approaching not-too-distant future of 2025 when the Baby Boomers become elderly aged 75 or over. Thinking about what the corporation or business should look like while looking over the mid-to-long term and executing plans is crucial for continued corporate growth. But I get the sense that the Group is still weak with these kinds of actions. It is necessary to draw up strategies that weren’t mere expansion of the past business, while predicting technological innovations and looking firmly into the future of each business, taking intangible risks, and exposing problems.

This is why it’s important to create a climate that allows open and natural discussion. However, upon surveying the Company, I get the impression that it is a group that somewhat lacks aggressiveness. If everyone has the same way of thinking, discussions can never go deep. The Group ought to create an environment of discipline that, for

example, has a network outside the Company and fosters the “outsider” who shakes up the organization. I am also urging all employees in the Company whenever I connect with one of you to be aware of long-term perspectives.

For the Board of Directors, I expect more active statements from the inside directors, and through further increasing the proportion of outside directors, the Company ought to become a place of even greater fruitful discussion. As my duty as an outside director who has worked in this company for about 5 years, I plan to offer even more active statements than in previous years, supporting the activation of discussion and growth of the Group.

PROFILE Worked as an executive vice president, working in real estate development, personnel, and more at The Dai-ichi Life Insurance Company. After resigning and working at asset management and other companies, he took on his current role in 2014. He has had the longest career out of all the current outside directors. He makes active statements, making use of his abundant knowledge and experience in management.

Using Experience from the Legal World to Contribute to Compliance and Diversity

Makoto Kaiami Outside Director (Independent Officer)

Discovering social problems, one after the next, and connecting those problems to the business through participating in various assets and connecting with diverse customers are the strengths of this Group. Another strong point is the way that awareness of the Group’s position of sincerely going head to head with societal problems – with the Senior Life business as an example – and compliance with laws and regulations has taken root. If this can be maintained, we will produce results as a corporate group that contributes to society in the mid-to-long term, even when challenges arise.

However, I feel like we have recently become a bit settled in relation to bold business development ideas, for example, the starting of TOKYU HANDS INC. in the past. I want the Group to rise to the occasion more, including industrial-academic initiatives and in the use of women’s opinions. I hope we can create an environment where many different people can be active through my suggestions based on experience in

the legal world where women are highly active.

What I have come to feel as a member of the Board of Directors is that it is hard to see what kind of opinions were brought up inside the Company since opinions had been screened or filtered through the thorough discussion at the management meeting and the like. Up until now, I have made statements focusing on compliance about the significance of an internal reporting system and the importance of clarifying policies that do not create disadvantages for whistleblowers. I hope to contribute to the development of this Group as I increase the number of statements like these that make use of knowledge and actively discuss and exchange opinions with internal directors.

PROFILE Worked as a judge at district courts in Tokyo, Hiroshima, etc., family courts, and the high court. Retiring from the courts after experience as a chief judge at the Tokyo District Court and others, he became a registered lawyer. He became an outside director in 2018. He mainly advocates for governance and compliance, making use of his legal expert knowledge and experience in the legal world.

Increasing the Group’s Value to Society from the Viewpoint of Accounting and Sustainability

Saeko Arai Outside Director (Independent Officer)

Our Group, which provides diverse services and assets for every life stage, is promoting urban development that proposal new lifestyles. I visited the Setagaya Nakamachi Project, selected as the first project of the Serviced Development Project for Seniors Together with General Housing initiative in Tokyo, and I felt like it was a good example of demonstrating this strength. Implementing the ESG management-conscious Medium-Term Management Plan and our reliability and dependability that meets goals ahead of schedule while also improving the Tokyu brand are some of the merits of this Group.

Since becoming an outside director here in 2018, I have tried to act based on our fundamental problems from a different viewpoint from others. For example, in addition to requesting the establishment of a comparable KPI from a mid-to-long range perspective, I also have spoken about the considerations needed in introducing IT systems for accounting. From the viewpoint of furthering inclusion, strengthening

our governance, and activating discussion, I feel like we ought to increase the number of women and outside personnel that are directors, and I hope to speak about that, as well.

From a mid-to-long range standpoint, the key to growth will be drawing up business strategies while watching the changes in the Japanese economy and increasing our value to society. It is also important to aim for the creation of explosive innovation that reacts to the changes in the real estate industry. This is where I stand, striving to enable more beneficial discussions through remembering to integrate the perspective of myself as the consumer together with the perspectives of accounting and sustainability.

PROFILE Worked as a certified public accountant on audits and more. Later, she became a co-founder of an IT company, becoming Japan’s first female CFO, and also had experience in management at an American corporation. She became an outside director in 2018. She also teaches at a university. She works in management in the Group while incorporating consumer’s viewpoint, aided by her knowledge from her experience and work in management.

Responding to Technical Innovations for Corporate Value and National Development

Michiaki Ogasawara Outside Director (Independent Officer)

Lately, I get the sense that the hopes and requests from society for outside directors are progressively increasing. As a new outside director, I hope to appropriately carry out my role to realize highly-effective corporate governance in the Group.

Corporate survival and development depends on whether the corporation can flexibly respond to what is being sought after by the society in which the corporation belongs. How will we create a society that allows people of varying ages, nationalities, and genders to comfortably live together under the large constraints of the simultaneous progression of a declining population and an aging society – problems that our country is facing now? How will we foster new businesses and create an environment that allows new businesses to successfully become independent? I feel that society is seeking further Group initiatives that develop a wide range of businesses.

At the same time, I think it is essential to have an attitude of promptly changing in response to the rapid progression of technology

and the changes in the competitive environment based on these technological advances. I think that our ability to respond to changes is a strength of this Group – a Group that has striven to continuously create new value since our founding.

I spent many years in government, thinking about measures from a long-term perspective that could allow Japanese society to smoothly utilize the results of developing information and communications technologies. It is my intention to contribute to the establishment of suitable governance based on this experience that will allow the Group’s efforts to lead to an increase in our corporate value and to national development.

PROFILE Worked in information and communication administration, etc., at the Ministry of Internal Affairs and Communications, taking on the role of Vice-Minister for Internal Affairs and Communications in 2012. During his tenure there, he oversaw the restructuring of NTT, the digitalization of broadcasts, and more. After leaving the Ministry, he worked as a director, etc., at a stock brokerage group before assuming the role of outside director in 2019. He offers statements utilizing his experience as a government administrator and his expert knowledge.

Sustainable Growth

Management Structure

Directors



Chairman and Representative Director
Kiyoshi Kanazashi
Chairman, TOKYU LAND CORPORATION
Outside Director, TOKYU CORPORATION
Director, TOKYU RECREATION CO.,LTD.



President and Representative Director
Yuji Okuma
President and Representative Director, TOKYU LAND CORPORATION



Director
Shinji Sakaki
Chairman, TOKYU LIVABLE, INC.
Director, TOKYU LAND CORPORATION



Director
Hitoshi Uemura
Vice Chairman and Representative Director, TOKYU LAND CORPORATION



Director
Katsuhide Saiga
President and Representative Director, TOKYU COMMUNITY CORP.



Outside Director (Independent Officer)
Koichi Iki
Reasons for nomination The Company nominated Mr. Koichi Iki as an independent outside director with the expectation that he will continue to utilize his extensive operational experience as a former executive officer at The Dai-ichi Mutual Life Insurance Group and broad insight of corporate management in general for the management of the Company.



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



Director
Hironori Nishikawa
Representative Director, TOKYU LAND CORPORATION
Director, TOKYU HANDS INC.



Director
Masashi Okada
Director, TOKYU LAND CORPORATION
Director, TOKYU COMMUNITY CORP.



Director
Shouhei Kimura
Director, TOKYU LAND CORPORATION



Director
Hirofumi Nomoto
Chairman of the Board and Representative Director, TOKYU CORPORATION
Director, TOKYU RECREATION CO.,LTD.
Outside Director, TOEI COMPANY, LTD.
Outside Director, Mitsubishi UFJ Financial Group, Inc.



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



Outside Director (Independent Officer)
Michiaki Ogasawara
Reasons for nomination The Company nominated Mr. Michiaki Ogasawara as an outside director so that his rich experience in and wide-ranging knowledge of government administration may be reflected in management.

Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member
Kazuo Mochida
Full-time Audit & Supervisory Board Member, TOKYU LAND CORPORATION
Audit & Supervisory Board Member, TOKYU LIVABLE, INC.
Audit & Supervisory Board Member, Tokyu Housing Lease Corporation



Full-time Audit & Supervisory Board Member
Masahiko Hashizume
Full-time Audit & Supervisory Board Member, TOKYU LAND CORPORATION
Audit & Supervisory Board Member, TOKYU COMMUNITY CORP.
Audit & Supervisory Board Member, TOKYU HANDS INC.



Outside Audit & Supervisory Board Member (Independent Officer)
Tomoyasu Asano

April 1978
June 2009
April 2010
June 2011
October 2013
October 2016
June 2017

Joined The Dai-ichi Life Insurance Company
Director and Managing Executive Officer, Limited The Dai-ichi Life Insurance Company, Limited
Director and Managing Executive Officer, The Dai-ichi Life Insurance Company, Limited
Audit & Supervisory Board Member, TOKYU LAND CORPORATION
Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)
Director and Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc.
Advisor, The Cardiovascular Institute (current)



Outside Audit & Supervisory Board Member (Independent Officer)
Katsunori Takechi

April 2000
August 2003
October 2003
October 2003
January 2006
November 2006
July 2011
June 2017

Public Prosecutor, Civil Affairs Bureau, Ministry of Justice
Assistant Judge, Tokyo District Court
Registered as attorney
Joined Anderson Mori & Tomotsune
Partner, Anderson Mori & Tomotsune
Partner, Kataoka & Kobayashi
Founded Takechi & Partners, assumed the role of Representative Director (current)
Outside Audit & Supervisory Board Member, Tokyu Fudosan Holdings Corporation (current)

Operating Officers

President & CEO
Yuji Okuma
Group Internal Audit Department Supervisor (President and Representative Director of TOKYU LAND CORPORATION)

Operating Officer
Shinji Sakaki
Jurisdiction over TOKYU LAND CORPORATION Residential Business Unit and TOKYU LIVABLE, INC. (Chairman of TOKYU LIVABLE, INC.)

Operating Officer
Hitoshi Uemura
Jurisdiction over the TOKYU LAND CORPORATION Investment Business Unit, Group Overseas Planning Department Supervisor (Vice Chairman and Representative Director of TOKYU LAND CORPORATION)

Operating Officer
Katsuhide Saiga
TOKYU COMMUNITY CORP. Supervisor (President and Representative Director of TOKYU COMMUNITY CORP.)

Operating Officer
Hironori Nishikawa
Jurisdiction over General Management and TOKYU HANDS INC. and President's Assistant (Representative Director of TOKYU LAND CORPORATION)

Operating Officer
Masashi Okada
Jurisdiction over TOKYU LAND CORPORATION Urban Business Unit, TOKYU COMMUNITY CORP., Tokyu Housing Lease Corporation, and NATIONAL STUDENTS INFORMATION CENTER CO., LTD.

Operating Officer
Shouhei Kimura
Jurisdiction over TOKYU LAND CORPORATION Wellness Business Unit

Operating Officer
Youichi Ohta
TOKYU LIVABLE, INC. Supervisor (President and Representative Director of TOKYU LIVABLE, INC.)

Operating Officer
Katsushi Miki
Tokyu Housing Lease Corporation Supervisor (President and Representative Director of Tokyu Housing Lease Corporation)

Operating Officer
Katsuhiko Yoshiura
NATIONAL STUDENTS INFORMATION CENTER CO., LTD. Supervisor (President and Representative Director of NATIONAL STUDENTS INFORMATION CENTER CO., LTD.)

Operating Officer
Shigeyuki Furusawa
TOKYU LAND CORPORATION Residential Business Unit Supervisor

Operating Officer
Seiichi Kimura
TOKYU HANDS INC. Supervisor (President and Representative Director of TOKYU HANDS INC.)

Operating Officer
Hiroaki Hoshino
Supervisor for General Management, and for the Group Corporate Planning, Group Planning Strategy, and Group Solutions Promotion

Operating Officer
Akiyoshi Komuro
TOKYU LIVABLE, INC. Supervisor

Operating Officer
Tomoyuki Hayakawa
TOKYU COMMUNITY CORP. Supervisor

Operating Officer
Takashi Ikeuchi
TOKYU LAND CORPORATION Urban Business Unit Supervisor

Operating Officer
Kazuhiro Nishimura
Supervisor for the Corporate Communication and Group Finance Departments

Operating Officer
Shigeyuki Kameshima
Supervisor for the Group General Administration, Group Legal Affairs, Group Human Resources, and Group IT Strategy Departments

Data Section

Financial and Non-Financial Data

Financial Indicators	(Unit)	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Operating revenue	Billions of yen	574.4	552.1	571.4	556.8	595.9	714.1	773.1	815.5	808.5	866.1	901.9
Operating gross profit	Billions of yen	114.3	106.5	131.7	123.3	126.8	145.3	148.8	163.8	173.0	182.5	193.4
Operating profit	Billions of yen	35.0	35.5	62.5	50.1	52.0	61.4	63.3	68.8	73.2	77.5	80.2
Ordinary profit	Billions of yen	27.7	28.2	54.9	34.9	39.9	50.6	51.7	56.4	63.6	68.7	70.7
Net profit*1	Billions of yen	10.2	11.1	11.6	34.2	22.1	23.7	25.2	28.7	31.5	35.2	37.5
Total assets*2	Billions of yen	1,035.7	1,055.4	1,161.4	1,744.8	1,718.4	1,789.8	1,973.8	1,984.4	2,067.2	2,173.2	2,405.2
Current assets	Billions of yen	289.0	283.5	274.9	300.7	324.0	416.0	572.6	491.9	588.0	649.8	872.7
Real estate for sale*3	Billions of yen	200.0	172.2	155.7	172.7	175.3	245.9	394.7	364.4	418.6	473.7	568.0
Non-current assets	Billions of yen	746.7	771.9	886.5	1,444.1	1,394.4	1,373.8	1,401.2	1,492.4	1,479.1	1,523.4	1,532.2
Total net assets	Billions of yen	222.5	231.0	239.8	275.3	307.0	369.2	398.3	422.4	446.3	475.3	568.7
Equity	Billions of yen	195.7	203.1	208.6	240.8	268.7	364.5	395.3	418.8	442.3	468.1	561.4
Interest-bearing debt	Billions of yen	477.0	478.9	559.8	1,064.0	974.1	991.0	1,125.4	1,106.1	1,137.9	1,210.4	1,289.8
Cash flows from operating activities	Billions of yen	13.4	72.5	66.2	44.9	70.2	(13.5)	(38.5)	87.9	68.9	12.3	44.5
Cash flows from investing activities	Billions of yen	(83.0)	(26.7)	(146.2)	(28.8)	42.5	19.7	(100.3)	(112.4)	(71.0)	(96.4)	(60.4)
Cash flows from financing activities	Billions of yen	68.0	(30.9)	79.0	(16.4)	(90.5)	3.0	139.2	(30.5)	23.0	82.4	139.1
Capital investment	Billions of yen	40.0	46.9	199.5	41.6	43.8	77.5	126.7	78.8	60.3	44.6	89.8
Depreciation	Billions of yen	13.3	13.2	14.9	20.8	20.2	20.0	20.2	21.0	23.5	23.1	24.6
EPS (Net profit per share of common stock)	Yen	19.18	20.82	21.84	64.40	41.71	41.61	41.45	47.18	51.77	57.80	56.84
BPS (Net assets per share of common stock)	Yen	368.39	382.43	392.87	453.46	505.99	598.73	649.40	687.92	726.59	768.85	780.78
Dividends (per share)	Yen	8.00	7.00	7.00	7.00	7.00	8.00	10.00	12.00	13.00	14.50	15.50
ROA	%	3.5	3.4	5.7	3.5	3.0	3.5	3.4	3.5	3.6	3.7	3.5
ROE	%	5.2	5.5	5.6	15.2	8.7	7.5	6.6	7.1	7.3	7.7	7.3
Equity ratio	%	18.9	19.2	18.0	13.8	15.6	20.4	20.0	21.1	21.4	21.5	23.3
Debt-equity ratio	Times	2.4	2.4	2.7	4.4	3.6	2.7	2.8	2.6	2.6	2.6	2.3
Dividend payout ratio	%	41.7	33.6	32.1	10.9	16.8	19.2	24.1	25.4	25.1	25.1	27.3
EBITDA*4	Billions of yen	49.7	49.1	77.8	71.0	72.4	84.6	88.0	94.3	101.7	106.1	110.2
EBITDA multiple*5	Times	9.9	9.8	7.2	15.0	13.5	11.7	12.8	11.7	11.2	11.4	11.7

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

*2. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) took effect at the beginning of the first quarter of fiscal 2018, and this Accounting Standard was applied retroactively to the main management indexes from fiscal 2017.

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

*4. EBITDA: Operating profit before depreciation = Operating profit + Depreciation + Amortization of goodwill

*5. EBITDA multiple: Interest-bearing debt/EBITDA (Operating profit before depreciation)

Human Capital Indicators	(Unit)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees	Person	17,594	18,243	19,230	20,421	21,091	21,976
Ratio of female managers	%	4.8	5.7	5.9	5.7	8.6	8.3
Female directors (non-consolidated)	Person	0	0	0	0	0	1
Female Audit & Supervisory Board members (non-consolidated)	Person	0	0	0	0	0	0
Female operating officers	Person	1	2	2	2	2	2
Male average years of service	Year	13.2	13.2	13.0	12.9	12.7	14.9
Female average years of service	Year	8.8	9.0	8.7	8.8	8.7	9.2
Ratio of female full-time employees	%	23.7	24.2	25.3	26.5	27.2	28.5
Ratio of new female employee hires to total hires	%	31.5	33.0	35.4	41.6	40.1	39.5

Environmental Indicators	(Unit)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
CO ₂ emissions	1,000 t of CO ₂	228.3	234.8	210.7	233.0	227.5	227.8
Basic unit	kg-CO ₂ /m ²	98.6	101.9	98.4	106.7	101.0	95.9
Energy consumption	1,000 GJ	4,596.8	4,660.2	4,374.3	4,542.6	4,463.5	4,492.1
Water use	1,000 m ³	3,042	3,141	2,811	2,650	2,548	2,612
Basic unit	m ³ /m ²	1.33	1.39	1.32	1.23	1.14	1.11
Number of target facilities*6	Facility	213	226	210	192	204	211
Waste emissions	t	14,189	18,796	18,908	25,127	25,569	22,932
Basic unit	kg/m ²	10.3	10.2	10.1	12.5	12.6	10.1
Number of target facilities*6	Facility	124	152	161	151	159	170

*6. Includes office buildings, commercial facilities, resort facilities, other facilities, and overseas facilities

Consolidated Financial Statements

Consolidated Balance Sheet

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Assets			
Current assets			
Cash and deposits (Note 7)	¥ 62,785	¥ 185,091	\$ 1,682,645
Notes and accounts receivable - trade	31,042	33,766	306,964
Securities (Notes 3, 10, 17)	15,831	17,480	158,909
Merchandise	11,759	12,107	110,064
Real estate for sale (Notes 7, 10)	207,705	229,459	2,085,991
Real estate for sale in process	260,138	331,980	3,018,000
Costs on uncompleted construction contracts	5,858	6,564	59,673
Supplies	746	791	7,191
Other	54,084	55,585	505,318
Allowance for doubtful accounts	(110)	(88)	(800)
Total current assets	649,841	872,740	7,934,000
Non-current assets			
Property, plant and equipment			
Buildings and structures	404,150	413,188	3,756,255
Accumulated depreciation	(179,695)	(190,587)	(1,732,609)
Buildings and structures, net (Note 7)	224,455	222,601	2,023,645
Land (Notes 6, 7)	813,087	722,691	6,569,918
Construction in progress (Note 7)	79,430	129,299	1,175,445
Other	64,322	75,660	687,818
Accumulated depreciation	(40,624)	(44,051)	(400,464)
Other, net	23,698	31,608	287,345
Total property, plant and equipment (Notes 10, 21)	1,140,671	1,106,201	10,056,373
Intangible assets			
Leasehold right (Note 7)	8,758	19,129	173,900
Goodwill	82,553	77,131	701,191
Other	16,186	17,033	154,845
Total intangible assets (Note 10)	107,498	113,294	1,029,945
Investments and other assets			
Investment securities (Notes 7, 10, 17)	159,863	180,720	1,642,909
Long-term loans receivable (Note 7)	282	266	2,418
Leasehold and guarantee deposits	72,829	89,310	811,909
Retirement benefit asset (Note 19)	821	118	1,073
Deferred tax assets (Note 20)	17,423	18,596	169,055
Other	24,343	24,004	218,218
Allowance for doubtful accounts	(351)	(359)	(3,264)
Total investments and other assets	275,213	312,657	2,842,336
Total non-current assets	1,523,383	1,532,153	13,928,664
Deferred assets			
Share issuance cost	–	355	3,227
Total deferred assets	–	355	3,227
Total assets	¥2,173,225	¥2,405,249	\$21,865,900

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2019
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 36,977	¥ 45,765	\$ 416,045
Short-term loans payable (Notes 7, 8, 9)	179,532	163,275	1,484,318
Current portion of bonds (Note 8)	10,000	20,000	181,818
Accounts payable – other	29,892	31,503	286,391
Income taxes payable	8,739	14,179	128,900
Advances received	41,292	46,488	422,618
Deposits received from consignment sales	10,353	34,201	310,918
Deposits received	28,556	33,761	306,918
Deposits received for special joint ventures	17,500	14,000	127,273
Provision for bonuses	9,839	11,263	102,391
Provision for bonuses for directors (and other officers)	224	234	2,127
Provision for warranties for completed construction	297	746	6,782
Other provision	1,674	3,602	32,745
Other	19,468	16,727	152,064
Total current liabilities	394,348	435,750	3,961,364
Non-current liabilities			
Bonds payable (Notes 7, 8)	185,825	185,825	1,689,318
Long-term loans payable (Notes 7, 8)	835,018	920,707	8,370,064
Deferred tax liabilities (Note 20)	29,131	30,641	278,555
Deferred tax liabilities for land revaluation (Note 6)	4,980	4,980	45,273
Long-term leasehold and guarantee deposits	179,963	197,598	1,796,345
Deposits received for special joint ventures	14,000	–	–
Retirement benefit liability (Note 19)	29,646	29,262	266,018
Provision for loss on guarantees	17	21	191
Provision for retirement benefits for directors (and other officers)	67	55	500
Other (Note 7)	24,881	31,709	288,264
Total non-current liabilities	1,303,531	1,400,801	12,734,555
Total liabilities	1,697,879	1,836,551	16,695,918
Net assets			
Shareholders' equity (Note 23)			
Capital stock	60,000	77,562	705,109
Capital surplus	119,188	166,675	1,515,227
Retained earnings	270,095	298,411	2,712,827
Treasury shares	(2,197)	(367)	(3,336)
Total shareholders' equity	447,087	542,281	4,929,827
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	13,796	15,183	138,027
Deferred gains or losses on hedges (Note 18)	(169)	(1,066)	(9,691)
Revaluation reserve for land (Note 6)	8,067	8,067	73,336
Foreign currency translation adjustment	1,319	(1,304)	(11,855)
Remeasurements of defined benefit plans (Note 19)	(1,959)	(1,754)	(15,945)
Total accumulated other comprehensive income	21,053	19,124	173,855
Non-controlling interests	7,204	7,292	66,291
Total net assets	475,345	568,698	5,169,982
Total liabilities and net assets	¥2,173,225	¥2,405,249	\$21,865,900

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Operating revenue	¥866,126	¥901,884	\$8,198,945
Operating cost (Note 11)	683,650	708,435	6,440,318
Operating gross profit	182,476	193,448	1,758,618
Selling, general and administrative expenses	104,956	113,243	1,029,482
Operating profit	77,519	80,205	729,136
Non-operating income			
Interest income	116	139	1,264
Dividend income	533	712	6,473
Share of profit of entities accounted for using equity method	190	204	1,855
Subsidy income	59	616	5,600
Other	530	720	6,545
Total non-operating income	1,430	2,392	21,745
Non-operating expenses			
Interest expenses	7,936	9,291	84,464
Foreign exchange losses	883	444	4,036
Other	1,438	2,115	19,227
Total non-operating expenses	10,258	11,852	107,745
Ordinary profit	68,691	70,744	643,127
Extraordinary income			
Gain on sales of non-current assets	18	117	1,064
Gain on sales of investment securities	28	–	–
Total extraordinary income	47	117	1,064
Extraordinary losses			
Impairment loss (Note 12)	8,037	7,768	70,618
Other	1,292	1,875	17,045
Total extraordinary losses	9,329	9,644	87,673
Profit before income taxes	59,409	61,218	556,527
Income taxes – current	17,950	24,063	218,755
Income taxes – deferred (Note 20)	6,080	(198)	(1,800)
Total income taxes (Note 20)	24,031	23,865	216,955
Profit	35,377	37,353	339,573
Profit (loss) attributable to non-controlling interests	192	(105)	(955)
Profit attributable to owners of parent	¥ 35,185	¥ 37,459	\$ 340,536

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Profit	¥35,377	¥37,353	\$339,573
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,996)	1,387	12,609
Deferred gains or losses on hedges	(8)	(916)	(8,327)
Foreign currency translation adjustment	1,921	(1,369)	(12,445)
Remeasurements of defined benefit plans, net of tax	715	204	1,855
Share of other comprehensive income of entities accounted for using equity method	(1,673)	(1,279)	(11,627)
Total other comprehensive income (Note 13)	(1,040)	(1,973)	(17,936)
Comprehensive income	34,337	35,379	321,627
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	34,126	35,529	322,991
Comprehensive income attributable to non-controlling interests	¥ 210	¥ (150)	\$ (1,364)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

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

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

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	¥15,792	¥ –	¥8,069	¥1,089	¥(2,675)	¥22,275	¥3,987	¥446,307
Changes of items during period								
Issuance of new shares								–
Dividends of surplus								(8,223)
Profit attributable to owners of parent								35,185
Purchase of treasury shares								(532)
Disposal of treasury shares								610
Change in ownership interest of parent due to transactions with non-controlling interests								–
Reversal of revaluation reserve for land								2
Net changes of items other than shareholders' equity	(1,996)	(169)	(2)	229	715	(1,222)	3,217	1,995
Total changes of items during period	(1,996)	(169)	(2)	229	715	(1,222)	3,217	29,037
Balance at end of current period	¥13,796	¥(169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204	¥475,345

2019 (from April 1, 2018 to March 31, 2019)

Account title	Yen (millions)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥60,000	¥119,188	¥270,095	¥(2,197)	¥447,087
Changes of items during period					
Issuance of new shares	17,562	17,562			35,124
Dividends of surplus			(9,143)		(9,143)
Profit attributable to owners of parent			37,459		37,459
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		29,930		1,831	31,761
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Reversal of revaluation reserve for land					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	17,562	47,486	28,315	1,829	95,194
Balance at end of current period	¥77,562	¥166,675	¥298,411	¥ (367)	¥542,281

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	¥13,796	¥ (169)	¥8,067	¥1,319	¥(1,959)	¥21,053	¥7,204	¥475,345
Changes of items during period								
Issuance of new shares								35,124
Dividends of surplus								(9,143)
Profit attributable to owners of parent								37,459
Purchase of treasury shares								(1)
Disposal of treasury shares								31,761
Change in ownership interest of parent due to transactions with non-controlling interests								(5)
Reversal of revaluation reserve for land								–
Net changes of items other than shareholders' equity	1,387	(897)	–	(2,623)	204	(1,929)	87	(1,841)
Total changes of items during period	1,387	(897)	–	(2,623)	204	(1,929)	87	93,352
Balance at end of current period	¥15,183	¥(1,066)	¥8,067	¥(1,304)	¥(1,754)	¥19,124	¥7,292	¥568,698

Consolidated Statement of Changes in Net Assets

Tokyu Fudosan Holdings Corporation

2019 (from April 1, 2018 to March 31, 2019)

Account title	U.S. dollars (thousands) (Note 2)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$545,455	\$1,083,527	\$2,455,409	\$(19,973)	\$4,064,427
Changes of items during period					
Issuance of new shares	159,655	159,655			319,309
Dividends of surplus			(83,118)		(83,118)
Profit attributable to owners of parent			340,536		340,536
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		272,091		16,645	288,736
Change in ownership interest of parent due to transactions with non-controlling interests		(45)			(45)
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	159,655	431,691	257,409	16,627	865,400
Balance at end of current period	\$705,109	\$1,515,227	\$2,712,827	\$ (3,336)	\$4,929,827

Account title	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period	\$125,418	\$(1,536)	\$73,336	\$ 11,991	\$(17,809)	\$191,391	\$65,491	\$4,321,318
Changes of items during period								
Issuance of new shares								319,309
Dividends of surplus								(83,118)
Profit attributable to owners of parent								340,536
Purchase of treasury shares								(9)
Disposal of treasury shares								288,736
Change in ownership interest of parent due to transactions with non-controlling interests								(45)
Reversal of revaluation reserve for land								—
Net changes of items other than shareholders' equity	12,609	(8,155)	—	(23,845)	1,855	(17,536)	791	(16,736)
Total changes of items during period	12,609	(8,155)	—	(23,845)	1,855	(17,536)	791	848,655
Balance at end of current period	\$138,027	\$(9,691)	\$73,336	\$(11,855)	\$(15,945)	\$173,855	\$66,291	\$5,169,982

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands) (Note 2)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities			
Profit before income taxes	¥ 59,409	¥ 61,218	\$ 556,527
Depreciation	23,133	24,567	223,336
Amortization of goodwill	5,421	5,421	49,282
Share of loss (profit) of entities accounted for using equity method	(190)	(204)	(1,855)
Increase (decrease) in net defined benefit liability	583	338	3,073
Increase (decrease) in other provision	657	1,415	12,864
Impairment loss	8,037	7,768	70,618
Loss on valuation of inventories	3,200	2,416	21,964
Loss on retirement of non-current assets	2,716	1,073	9,755
Interest and dividend income	(649)	(851)	(7,736)
Interest expenses	7,936	9,291	84,464
Decrease (increase) in notes and accounts receivable–trade	(3,236)	(3,805)	(34,591)
Decrease (increase) in inventories	(70,734)	(55,586)	(505,327)
Increase (decrease) in notes and accounts payable–trade	(3,798)	7,635	69,409
Increase (decrease) in deposits received for consignment sales	2,820	23,847	216,791
Increase (decrease) in deposits received for special joint ventures	2,400	(17,500)	(159,091)
Other, net	1,015	4,118	37,436
Subtotal	38,723	71,166	646,964
Interest and dividend income received	504	1,104	10,036
Interest expenses paid	(7,741)	(9,366)	(85,145)
Income taxes paid	(19,221)	(18,380)	(167,091)
Net cash provided by (used in) operating activities	¥ 12,265	¥ 44,522	\$ 404,745
Cash flows from investing activities			
Payments of loans receivable	(245)	(13)	(118)
Collection of loans receivable	3,267	28	255
Purchase of short-term and long-term investment securities	(48,847)	(24,672)	(224,291)
Proceeds from sales and redemption of short-term and long-term investment securities	1,103	5,748	52,255
Payments for leasehold and guarantee deposits	(8,692)	(9,557)	(86,882)
Proceeds from collection of leasehold and guarantee deposits	4,424	5,061	46,009
Purchase of non-current assets	(47,965)	(74,957)	(681,427)
Proceeds from sales of non-current assets	44	37,769	343,355
Other, net	487	202	1,836
Net cash provided by (used in) investing activities	¥(96,423)	¥(60,389)	\$(548,991)

Consolidated Statement of Cash Flows

Tokyu Fudosan Holdings Corporation

Account title	Yen (millions)		U.S. dollars (thousands)
	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)	2019 (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥(14,982)	¥ 3,042	\$ 27,655
Net increase (decrease) in commercial papers	(60,000)	—	—
Proceeds from long-term loans payable	255,197	213,159	1,937,809
Repayments of long-term loans payable	(155,022)	(152,260)	(1,384,182)
Proceeds from long-term lease and guarantee deposited	27,752	24,497	222,700
Repayments of long-term lease and guarantee deposited	(19,604)	(15,159)	(137,809)
Proceeds from issuance of bonds	75,825	20,000	181,818
Redemption of bonds	(20,000)	(10,100)	(91,818)
Cash dividends paid	(8,223)	(9,143)	(83,118)
Proceeds from share issuance to non-controlling shareholders	3,071	746	6,782
Dividends paid to non-controlling interests	(211)	(70)	(636)
Repayments of finance lease obligations	(1,398)	(1,555)	(14,136)
Payments for investments in silent partnership that do not result in change in scope of consolidation	—	(421)	(3,827)
Proceeds from issuance of common shares	—	47,213	429,209
Purchase of treasury shares	(2)	(1)	(9)
Proceeds from disposal of treasury shares	0	19,148	174,073
Net cash provided by (used in) financing activities	¥ 82,400	¥139,093	\$1,264,482
Effect of exchange rate change on cash and cash equivalents	1,743	(155)	(1,409)
Net increase (decrease) in cash and cash equivalents	¥ (13)	¥123,071	\$1,118,827
Cash and cash equivalents at beginning of period	61,865	61,729	561,173
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(122)	—	—
Cash and cash equivalents at end of period (Note 14)	¥ 61,729	¥184,800	\$1,680,000

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Tokyu Fudosan Holdings Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

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

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

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

(b) Consolidation Policy

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

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

There were 145 consolidated subsidiaries as of March 31, 2019. The following companies have become consolidated subsidiaries: Silent Partnerships of Kesennuma Urushihara, Kesennuma Izumisawa, Jack, Diocorina, Kakegawa Wind power development, Zeas, Ichinoseki Daito, Orb, and TLCM1 are treated as consolidated subsidiaries following new investments in them. Mie Matsuo became a consolidated subsidiary due to additional investment. Tokyu Livable US, Inc., Tokyu Livable Texas Investment Advisors, LLC, TFCM SINGAPORE PTE.LTD., TLUS Renton Holdings, LLC, TLUS Renton, LLC, TLUS Portland Holdings, LLC, TLUS Portland, LLC, Tokyu Land Asia Pte. Ltd., TLUS Midtown Atlanta LLC, TLUS Vinings LLC, TLUS Fort Worth, LLC, and Tokyu Small-amount Short-term Insurance Co., Ltd. are treated as consolidated subsidiaries given that they were newly established.

On the other hand, the following companies were excluded from the scope of consolidation due to the following reasons, respectively: TS Community Corp. is excluded from the scope of consolidation after it ceased to exist following an absorption-type merger with Community One Co., Ltd. as the surviving company. So are K.K. Homic and Nasic

Educational Solution Co., Ltd. after it ceased to exist following an absorption-type merger with NATIONAL STUDENTS INFORMATION CENTER as the surviving company; Since the settlement of TLC Pasadena LLC, TLC-MAC Union street, LLC, TLC-MAC Union street GP, LLC and TLC-MAC Union street, LP has been completed, Silent Partnerships of Libra has sold the involved assets and has completed the liquidation. Each is excluded from the scope of consolidation.

(c) Securities

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

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

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

(d) Inventories

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

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

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

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

Most of estimated useful lives are as follows:
Buildings and structures 3 to 65 years
Repairs and maintenance that do not improve or extend the life of the respective assets are charged to expense as incurred.

(f) Intangible Assets (except for leased assets)

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

(g) Leases

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

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

(h) Deferred assets

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

Bond issuance costs are charged to income as incurred.

(i) Allowance for Doubtful Accounts

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

(j) Provision for Bonuses

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

(k) Provision for Warranties for Completed Construction

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

(l) Net defined benefit liability

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

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

(m) Recognition of Revenue

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

(n) Foreign Currency Translation

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

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

(o) Derivative Financial Instruments

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

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

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

(p) Amortization of Goodwill

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

(q) Cash and Cash Equivalents

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

(r) Income Taxes

Deferred tax assets and liabilities are determined based on differences between the carrying amounts and the tax bases of the assets and liabilities, using the enacted tax rates in effect for the year in which those temporary differences are expected to be reversed. Deferred tax assets are also recognized for the estimated future tax effects

attributable to tax operating loss carry forwards. Valuation allowances are provided in order to reduce the deferred tax assets in case some or all are not realized.

(s) Reclassification

Certain reclassifications have been made to the previous year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2019.

(t) Changes in presentation method

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; hereinafter "Partial Amendments to Accounting Standard for Tax Effect Accounting") effective from the beginning of the consolidated fiscal year ended March 31, 2019. Deferred tax assets are presented under investments and other assets, deferred tax liabilities are presented under non-current liabilities, and the note on income taxes has been changed.

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, deferred tax assets under current assets of ¥8,712 million are included in deferred tax assets under investments and other assets of ¥17,423 million. Deferred tax liabilities under current liabilities of ¥1,766 million are included in deferred tax liabilities under non-current liabilities of ¥29,131 million. Due to the offset of deferred tax assets and deferred tax liabilities of the same taxable entity, total assets decreased by ¥3,536 million.

In addition, the contents of Note 8 (excluding the total amount of valuation allowance) and Note 9 in the "Accounting Standard for Tax Effect Accounting" stipulated in Paragraphs 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added to the notes on income taxes. Of the contents concerned, however, that pertaining to the previous consolidated fiscal year is not disclosed in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

2. Basis of Financial Statements Translation

The accompanying consolidated financial statements presented herein are expressed in Japanese yen, and solely for the convenience of readers, have been translated into United States dollars at the rate of ¥110=U.S. \$1.00, the approximate exchange rate prevailing on the

Tokyo Foreign Exchange Market on March 31, 2019. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

3. Investments in Silent Partnerships and Operational Investment Securities

Investments in silent partnerships and TMKs holding properties for sale, and operational investment securities included in securities at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Investments in silent partnership	4,489	4,730	43,000
Securities	¥10,921	¥12,706	\$115,509

4. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2018 and 2019 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Investment securities	¥75,612	¥83,263	\$756,936

5. Contingent Liabilities

At March 31, 2018 and 2019 the Company and consolidated subsidiaries have the following contingent liabilities:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Guarantee of loans on behalf of:			
Individual customers for principally housing loans	¥ 85	¥ 16	\$ 145
Employees for their purchase of residential houses	4	1	9
PT. TTL Residences	183	173	1,573
425 Park Owner LLC	9,859	10,300	93,636
PT. Tokyu Land Indonesia*	5,850	—	—
Shiba Park TMK	10,000	10,000	90,909
Mizuho Trust & Banking Co., Ltd. : The real-estate trust beneficiary company	5,500	5,500	50,000
Yonago Biomass power plant Joint company	—	998	9,073
Rhapsody TMK	—	3,000	27,273
	¥31,483	¥29,991	\$272,645

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

6. Revaluation of Land

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

Method of revaluation

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

based on Item 2, 3, and 4 of the Government Ordinance.

Date of revaluation

TOKYU LAND CORPORATION	March 31, 2000
(Revaluation on merger of subsidiaries)	March 31, 2001
IZU KANKOU KAIHATSU	January 31, 2001
The market value of the revalued land was higher than the book value after revaluation at March 31, 2018 and 2019 respectively. As such, the difference is not stated.	

7. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2018 and 2019 are summarized as follows:

(1) Pledged assets

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥ 292	¥ 1,516	\$ 13,782
Inventories (Real estate for sale)	18,909	25,343	230,391
Buildings and structures	92,543	84,391	767,191
Land	583,485	533,830	4,853,000
Construction in progress	—	11,126	101,145
Leasehold right	—	9,510	86,455
Investment securities	170	136	1,236
Long-term loans receivable	207	193	1,755
	¥695,608	¥666,049	\$6,054,991

(2) Secured liabilities

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Short-term loans payable	¥ 24,120	¥ 38,926	\$ 353,873
Bonds payable	5,825	5,825	52,955
Long-term loans payable	337,184	321,674	2,924,309
Other non-current liabilities	2,261	2,261	20,555
	¥369,391	¥368,687	\$3,351,700

In addition to the above, Investment securities of ¥767 million and ¥294 million (U.S. \$2,673 thousand) at March 31, 2018 and 2019, respectively were pledged as collateral for guarantee of the real estate agent business.

TOKYU LAND CORPORATION, a subsidiary of the Company, transferred land to another company in which TOKYU LAND CORPORATION

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

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Real estate for sale	¥2,261	¥2,261	\$20,555
Other non-current liabilities	¥2,261	¥2,261	\$20,555

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Short-term loans payable (Current portion of long-term loans payable)	¥ 24,034	¥ 39,086	\$ 355,327
Bonds payable	5,825	5,825	52,955
Long-term loans payable	¥337,184	¥321,514	\$2,922,855

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥ 292	¥ 1,516	\$ 13,782
Real estate for sale	15,629	22,433	203,936
Land	580,658	533,830	4,853,000
Buildings and structures	91,577	84,391	767,191
Construction in progress	—	11,126	101,145
Leasehold right	—	9,510	86,455
Investment securities	¥ —	¥ 0	\$ 0

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

Short-term loans payable at March 31, 2018 (¥78,197 million) and 2019 (¥80,485 million (\$731,682 thousand)) consist of loans principally from banks with weighted average interest rates of 1.74% in 2019.

Long-term debt at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
0.390% unsecured corporate bond, maturing 2019	¥ 10,000	¥ –	\$ –
0.639% unsecured corporate bond, maturing 2021	10,000	10,000	90,909
0.298% unsecured corporate bond, maturing 2020	10,000	10,000	90,909
0.856% unsecured corporate bond, maturing 2025	10,000	10,000	90,909
0.968% unsecured corporate bond, maturing 2026	10,000	10,000	90,909
0.371% unsecured corporate bond, maturing 2021	10,000	10,000	90,909
0.190% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.800% unsecured corporate bond, maturing 2032	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2022	10,000	10,000	90,909
0.001% unsecured corporate bond, maturing 2020	10,000	10,000	90,909
0.455% unsecured corporate bond, maturing 2027	10,000	10,000	90,909
0.160% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.790% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.410% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.170% unsecured corporate bond, maturing 2023	10,000	10,000	90,909
0.780% unsecured corporate bond, maturing 2033	10,000	10,000	90,909
0.390% unsecured corporate bond, maturing 2028	10,000	10,000	90,909
0.980% unsecured corporate bond, maturing 2038	10,000	10,000	90,909
0.180% unsecured corporate bond, maturing 2024	–	10,000	90,909
0.455% unsecured corporate bond, maturing 2029	–	10,000	90,909
0.199% specified corporate bond issued by special purpose company, maturing 2021	5,825	5,825	52,955
Loans principally from Japanese banks and insurance companies (including loans in foreign currencies), maturing 2021 to 2038 with weighted average interest rates of 0.65% in 2019.			
Secured	361,305	360,600	3,278,191
Unsecured	575,049	642,896	5,844,509
	1,132,179	1,209,322	10,993,836
Less current portion	(111,335)	(102,790)	(934,455)
	¥1,020,843	¥1,106,532	\$10,059,382

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

Year ending March 31,	Yen (millions)	U.S. dollars (thousands)
2021	¥ 118,740	\$ 1,079,455
2022	89,232	811,200
2023	141,164	1,283,309
2024	135,628	1,232,982
2025 and thereafter	621,766	5,652,418
	¥1,106,532	\$10,059,382

9. Commitment Lines

The Company and certain consolidated subsidiaries entered into contracts for overdraft with 28 banks at March 31, 2018 and 2019 and commitment lines with 3 banks at March 31, 2018 and 2019 respectively. These contracts at March 31, 2018 and 2019 are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Limit of overdraft	¥259,019	¥261,219	\$2,374,718
Line of credit	54,000	54,000	490,909
Borrowing outstanding	44,297	43,807	398,245
Available commitment lines	¥268,722	¥271,412	\$2,467,382

10. Change in Purpose of Possession

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
From property, plant and equipment to real estate for sale	¥ 7,353	¥ 42,297	\$ 384,518
From intangible assets to real estate for sale	861	–	–
From real estate for sale to property, plant and equipment	–	2,868	26,073
From securities to investment securities	¥ –	¥ 519	\$ 4,718

11. Loss on Valuation of Inventories

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Loss on valuation of inventories	¥ 3,200	¥ 2,416	\$ 21,964

12. Impairment Loss on Fixed Assets

2018

For the year ended March 31, 2018, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	Impairment loss U.S. dollars (thousands)
Golf course	Land, buildings and structures, other fixed assets	Oita-shi, Oita	¥2,600	\$24,528
Senior housing	Land, buildings and structures, other fixed assets	Yokohama-shi, Kanagawa	¥2,384	\$22,491
Golf course	Land, buildings and structures, other fixed assets	Miki-shi, Hyogo	¥1,956	\$18,453
Others (25 assets)	Land, buildings and structures, other fixed assets	Other area	¥1,095	\$10,330

To determine impairment losses, assets are divided into groups that are minimal units that generate cash flows independently of other assets and asset groups. Consequently, the Group wrote down the carrying amounts of 28 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded

as impairment loss of ¥8,037 million (\$75,821 thousand).

The recoverable value of the asset groups was measured by their net selling price or value in use. The net selling price was determined by value based on real estate appraisal standards, value at which the asset group could be sold, or market price of land and other assets. Value in use is calculated by discounting expected future cash flows using 2.0%.

2019

For the year ended March 31, 2019, the Company recognized impairment loss on fixed assets in the following asset groups:

Primary use	Type	Location	Impairment loss Yen (millions)	Impairment loss U.S. dollars (thousands)
Golf course	Land, buildings and structures, other fixed assets	Miki-shi, Hyogo	¥4,852	\$44,109
Leased assets	Buildings and structures, other fixed assets	Shibuya-ku, Tokyo	¥1,922	\$17,473
Others (9 assets)	Land, buildings and structures, other fixed assets	Other area	¥ 993	\$ 9,027

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 11 asset groups to their recoverable values. These asset groups were those where sales or retirement were planned, and those where losses were recorded from operating activities for consecutive years. The amounts written down were recorded

as impairment loss of ¥7,768 million (\$70,618 thousand).

The recoverable value of the asset groups was measured by their net selling price or value in use. The net selling price was determined by value based on real estate appraisal standards, value at which the asset group could be sold, or market price of land and other assets. Value in use is calculated by discounting expected future cash flows using 2.0%.

13. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2018 and 2019:

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (2,877)	¥ 1,998	\$ 18,164
Reclassification to income for the year	(3)	—	—
Total valuation difference on available-for-sale securities	(2,880)	1,998	18,164
Deferred gains or losses on hedges:			
Amount arising during the year	(11)	(1,320)	(12,000)
Reclassification to income for the year	—	—	—
Total deferred gains or losses on hedges	(11)	(1,320)	(12,000)
Foreign currency translation adjustment:			
Amount arising during the year	1,921	(1,002)	(9,109)
Reclassification to income for the year	—	(367)	(3,336)
Total foreign currency translation adjustment	1,921	(1,369)	(12,445)
Remeasurements of defined benefits:			
Amount arising during the year	(229)	(461)	(4,191)
Reclassification to income for the year	1,204	690	6,273
Total remeasurements of defined benefits	974	228	2,073
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	(1,673)	(1,279)	(11,627)
Reclassification to income for the year	—	—	—
Total share of other comprehensive income of entities accounted for using equity method	(1,673)	(1,279)	(11,627)
Amount before tax effect	(1,669)	(1,742)	(15,836)
Tax effect	629	(231)	(2,100)
Total accumulated other comprehensive income	¥(1,040)	¥(1,973)	\$(17,936)

(2) Tax effect of other comprehensive income

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

	Yen (millions)		
	2019		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	¥ 1,998	¥ (611)	¥ 1,387
Deferred gains or losses on hedges	(1,320)	404	(916)
Foreign currency translation adjustment	(1,369)	–	(1,369)
Remeasurements of defined benefit plans	228	(24)	204
Share of other comprehensive income of entities accounted for using equity method	(1,279)	–	(1,279)
Total accumulated other comprehensive income	¥ (1,742)	¥ (231)	¥ (1,973)

	U.S. dollars (thousands)		
	2019		
	Before tax effect	Tax effect	After tax effect
Valuation difference on available-for-sale securities	\$ 18,164	\$(5,555)	\$ 12,609
Deferred gains or losses on hedges	(12,000)	3,673	(8,327)
Foreign currency translation adjustment	(12,445)	–	(12,445)
Remeasurements of defined benefit plans	2,073	(218)	1,855
Share of other comprehensive income of entities accounted for using equity method	(11,627)	–	(11,627)
Total accumulated other comprehensive income	\$(15,836)	\$(2,100)	\$(17,936)

14. Supplementary Cash Flow Information

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with little risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Cash and deposits	¥62,785	¥185,091	\$1,682,645
Time deposits with maturity over three months	(1,085)	(321)	(2,918)
Short-term loans receivable	30	30	273
Cash and cash equivalents	¥61,729	¥184,800	\$1,680,000

The details of significant non-cash transactions

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
The amount transferred from property, plant and equipment to real estate for sale due to change in purpose of holding the real estate	¥8,214	¥42,297	\$384,518
The amount transferred from real estate for sale to property, plant and equipment due to change in purpose of holding the real estate.	–	2,868	26,073
The amount transferred from securities to investment securities due to change in purpose of holdings the securities	–	519	4,718
Assets related to finance leases	1,343	5,097	46,336
Liabilities related to finance leases	¥1,478	¥ 6,234	\$ 56,673

15. Information Regarding Certain Leases

(Finance Lease Transactions as lessee)

Finance leases, which commenced on or before March 31, 2008, other than those in which the ownership of the leased assets is to be transferred to the lessees at the end of the lease term, are accounted for using the same method as that of operating leases. Additional information on these finance leases as of and for the years ended March 31, 2018 and 2019 are as follows:

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss, and carrying amount of leased properties (mainly office equipment) at March 31, 2018 and 2019 if they were capitalized

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Acquisition cost	¥7,174	¥6,251	\$56,827
Accumulated depreciation	3,804	3,666	33,327
Carrying amount	¥3,369	¥2,584	\$23,491

(2) Future lease payments at March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 590	¥ 517	\$ 4,700
Due after one year	4,937	3,717	33,791
Total	¥5,528	¥4,234	\$38,491

(3) Amount of lease payments, reversal of impairment loss account on leased assets, depreciation expense equivalent, and interest expenses equivalent thereof at March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Lease payments	¥ 596	¥ 517	\$ 4,700
Reversal of impairment loss account on leased assets	–	–	–
Depreciation expense equivalent	362	312	2,836
Interest expenses equivalent	¥ 242	¥ 192	\$ 1,745

(Operating Lease Transactions as lessee)

Future lease payments of non-cancellable leases at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 23,021	¥ 25,194	\$ 229,036
Due after one year	337,849	428,773	3,897,936
Total	¥360,870	¥453,968	\$4,126,982

(Operating Lease Transactions as lessor)

Future lease payments of non-cancellable leases to be received at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Due within one year	¥ 30,702	¥ 30,230	\$ 274,818
Due after one year	100,349	88,364	803,309
Total	¥131,052	¥118,595	\$1,078,136

16. Financial Instruments

Financial instruments at March 31, 2018 and 2019 are summarized as follows:

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

(3) Risk management for financial instruments

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

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

(b) Monitoring of market risks

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

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

(c) Monitoring of liquidity risk

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2019 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2).

	Yen (millions)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	¥ 185,091	¥ 185,091	¥ –
(2) Securities and investment securities			
Held-to-maturity securities	238	240	2
Available-for-sale securities	68,591	68,591	–
Total assets	¥ 253,921	¥ 253,923	¥ 2
(1) Short-term loans payable	80,485	80,485	–
(2) Bonds payable	205,825	207,038	1,213
(3) Long-term loans payable	1,003,497	1,011,818	8,321
Total liabilities	¥1,289,807	¥1,299,342	¥9,535
Derivatives			
Derivatives to which hedge accounting is not applied	(328)	(328)	–
Derivatives to which hedge accounting is applied	¥ (1,564)	¥ (1,564)	¥ –

	U.S. dollars (thousands)		
	Book value	Estimated fair value	Difference
(1) Cash and deposits	\$ 1,682,645	\$ 1,682,645	\$ –
(2) Securities and investment securities			
Held-to-maturity securities	2,164	2,182	18
Available-for-sale securities	623,555	623,555	–
Total assets	\$ 2,308,373	\$ 2,308,391	\$ 18
(1) Short-term loans payable	731,682	731,682	–
(2) Bonds payable	1,871,136	1,882,164	11,027
(3) Long-term loans payable	9,122,700	9,198,345	75,645
Total liabilities	\$11,725,518	\$11,812,200	\$86,682
Derivatives			
Derivatives to which hedge accounting is not applied	(2,982)	(2,982)	–
Derivatives to which hedge accounting is applied	\$ (14,218)	\$ (14,218)	\$ –

Notes:

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

Assets

Cash and deposits

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

Securities and Investment securities

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

Liabilities

Short-term loans payable and Commercial papers

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

Bonds payable (Including current portion of bonds)

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

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

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

Derivatives

Please see Note 18. Derivatives.

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

	Yen (millions)	U.S. dollars (thousands)
Operational investment securities	¥ 3,050	\$ 27,727
Unlisted stocks – current	9,656	87,782
Unlisted stocks – non-current	108,685	988,045
Investments in silent partnerships – current	4,730	43,000
Investments in silent partnerships – non-current	¥ 3,248	\$ 29,527

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	¥ 89,310	\$ 811,909
Long-term lease and guarantee deposited	¥197,598	\$1,796,345

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, 2019.

	Yen (millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥185,091	¥ –	¥ –	¥ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	228	9	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with maturities				
(1) National and local government bonds	25	11	–	–
(2) Corporate bonds	–	–	–	–
Total	¥185,345	¥20	¥ –	¥ –

	U.S. dollars (thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$1,682,645	\$ –	\$ –	\$ –
Investment securities				
Held-to-maturity securities				
(1) National and local government bonds	2,073	82	–	–
(2) Corporate bonds	–	–	–	–
Available-for-sale securities with maturities				
(1) National and local government bonds	227	100	–	–
(2) Corporate bonds	–	–	–	–
Total	\$1,684,955	\$182	\$ –	\$ –

17. Securities

Securities held by the Company as of March 31, 2018 and 2019 are summarized as follows:

(1) Held-to-maturity Securities

	Yen (millions)		
	2018		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥711	¥716	¥5
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	711	716	5
Securities whose fair value does not exceed book value:			
National and local government bonds	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	–	–	–
Total	¥711	¥716	¥5

	Yen (millions)		
	2019		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	¥238	¥240	¥2
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	238	240	2
Securities whose fair value does not exceed book value:			
National and local government bonds	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	–	–	–
Total	¥238	¥240	¥2

	U.S. dollars (thousands)		
	2019		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
National and local government bonds	\$2,164	\$2,182	\$18
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	2,164	2,182	18
Securities whose fair value does not exceed book value:			
National and local government bonds	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Subtotal	–	–	–
Total	\$2,164	\$2,182	\$18

(2) Available-for-sale securities

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

	Yen (millions)		
	2019		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥68,474	¥46,466	¥22,008
National and local government bonds	36	35	0
Other	–	–	–
Subtotal	68,510	46,502	22,008
Securities whose book value does not exceed acquisition cost:			
Stocks	80	81	(0)
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	80	81	(0)
Total	¥68,591	¥46,583	¥22,007

	U.S. dollars (thousands)		
	2019		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	\$622,491	\$422,418	\$200,073
National and local government bonds	327	318	9
Other	–	–	–
Subtotal	622,818	422,745	200,073
Securities whose book value does not exceed acquisition cost:			
Stocks	727	736	(9)
National and local government bonds	–	–	–
Other	–	–	–
Subtotal	727	736	(9)
Total	\$623,555	\$423,482	\$200,073

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Available-for-sale securities			
Operational investment securities	¥ 3,149	¥ 3,050	\$ 27,727
Unlisted stocks, etc	32,532	35,060	318,727
Investments in silent partnerships	¥ 5,190	¥ 7,978	\$ 72,527

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

(3) Sales of Available-for-sale securities

Sales of Available-for-sale securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2018 and 2019:

2018	Yen (millions)		
	Sales amount	Aggregate gains	Aggregate losses
Type			
Stocks	¥62	¥28	¥2
National and local government bonds	–	–	–
Other	–	–	–
Total	¥62	¥28	¥2

2019 Not applicable.

(4) Loss on valuation of securities

Loss on valuation of securities for the years ended March 31, 2018 and 2019:

	Yen (millions)	U.S. dollars (thousands)
	2018	2019
Loss on valuation of investment securities (Note)	¥10	¥274
		\$2,491

Note: Securities which market value is very difficult to determine

18. Derivatives

Contract /notional amount and the estimated fair value of the derivative instruments as of March 31, 2018 and 2019 are summarized as follows:

(1) Derivatives to which hedge accounting is not applied

Currency-related transactions

Yen (millions)					
2018	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥11,934	¥ 2,340	¥ 185	¥ 185
Yen (millions)					
2019	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	¥10,040	¥ 6,160	¥ (328)	¥ (328)
U.S. dollars (thousands)					
2019	Type of derivatives	Contract/ notional amount	Amount due after one year	Fair value	Unrealized gain (loss)
Non-market transaction	NDF To sell foreign currency: Indonesian rupiah	\$91,273	\$56,000	\$(2,982)	\$(2,982)

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

(2) Derivatives to which hedge accounting is applied

Currency-related transactions

2018			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Forward exchange contract				
Deffered treatment on hedge	Buy:				
	U.S. dollars	Scheduled transactions in foreign currency	¥ 1,050	¥ 61	¥ (8)
	Euro		¥ 3,457	¥ 202	¥ (2)
2019			Yen (millions)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Forward exchange contract				
Deffered treatment on hedge	Buy:				
	U.S. dollars	Scheduled transactions in foreign currency	¥ 13,834	¥ 13,772	¥ (889)
	Euro		¥ 197	¥ –	¥ (10)
2019			U.S. dollars (thousands)		
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
	Forward exchange contract				
Deffered treatment on hedge	Buy:				
	U.S. dollars	Scheduled transactions in foreign currency	\$125,764	\$125,200	\$(8,082)
	Euro		\$ 1,791	\$ –	\$ (91)

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

Interest rate-related transactions

2018				Yen (millions)	
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps Receive/floating Pay/fixed	Long-term debt	¥ 4,762	¥ 4,613	¥ (232)
Special treatment for interest rate swaps			¥ 300,511	¥ 257,614	(Note 1)
2019				Yen (millions)	
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps Receive/floating Pay/fixed	Long-term debt	¥ 14,785	¥ 14,638	¥ (664)
Special treatment for interest rate swaps			¥ 269,660	¥ 242,217	(Note 1)
2019				U.S. dollars (thousands)	
Hedge accounting method	Type of derivatives	Major hedged items	Contract/ notional amount	Amount due after one year	Fair value
Deferred treatment on hedge	Interest rate swaps Receive/floating Pay/fixed	Long-term debt	\$ 134,409	\$ 133,073	\$(6,036)
Special treatment for interest rate swaps			\$2,451,455	\$2,201,973	(Note 1)

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

19. Employees' Retirement and Severance Benefits

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

The Company and certain consolidated subsidiaries have adopt-

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

Defined benefit plan

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
1. Principle method			
Retirement benefit obligations at beginning of year	¥34,059	¥34,971	\$317,918
Service cost	2,124	2,211	20,100
Interest cost	229	230	2,091
Actuarial loss	96	178	1,618
Retirement benefits paid	(1,806)	(2,205)	(20,045)
The amount of transfer in association with changing from the simplified method to the principle method	41	2	18
Prior service cost that arose in the fiscal year	226	(0)	(0)
Retirement benefit obligations at end of year	¥34,971	¥35,389	\$321,718
2. Simplified method			
Retirement benefit obligations at beginning of year	¥1,205	¥ 1,122	\$10,200
Retirement benefit cost	103	76	691
Retirement benefits paid	(155)	(130)	(1,182)
The amount of transfer in association with changing from the simplified method to the principle method	(30)	(2)	(18)
Contributions to the system	-	(2)	(18)
Retirement benefit obligations at end of year	¥ 1,122	¥ 1,063	\$ 9,664

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Pension assets at beginning of year	¥ 6,846	¥ 7,269	\$ 66,082
Expected return on plan assets	210	225	2,045
Actuarial loss	93	(282)	(2,564)
Contributions from employer	667	652	5,927
Retirement benefits paid	(549)	(556)	(5,055)
Pension assets at end of year	¥ 7,269	¥ 7,309	\$ 66,445

III. Table of reconciliation of retirement benefit obligations and pension assets as of March 31, 2018 and 2019 and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Retirement benefit obligations under the savings-type plan	¥ 9,651	¥ 9,233	\$ 83,936
Plan assets at fair value	(7,269)	(7,309)	(66,445)
	2,381	1,924	17,491
Retirement benefit obligations under the non-savings-type plan	26,442	27,219	247,445
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,824	¥29,143	\$264,936
Net defined benefit liability	¥29,646	¥29,262	\$266,018
Net defined benefit asset	(821)	(118)	(1,073)
Net amount of liability and asset recorded in the consolidated balance sheet	¥28,824	¥29,143	\$264,936

IV. Components of retirement benefit cost for the year ended March 31, 2018 and 2019

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Service cost	¥ 2,124	¥ 2,211	\$ 20,100
Interest cost	229	230	2,091
Expected return on plan assets	(210)	(225)	(2,045)
Amount expensed associated with the change from the simplified method to the principle method	10	-	-
Amortization of actuarial loss	1,149	652	5,927
Amortization of prior service cost	54	38	345
Retirement benefit cost calculated using the simplified method	103	76	691
Retirement benefit cost for the defined benefit plan	¥ 3,460	¥ 2,982	\$ 27,109

V. Remeasurements of defined benefit plans, net of tax

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Prior service cost	¥ 172	¥ (38)	\$ (345)
Actuarial loss	(1,146)	(190)	(1,727)
Total	¥ (974)	¥ (228)	\$ (2,073)

VI. Remeasurements of retirement benefit plans

The following items are recorded under remeasurements of retirement benefit plans (before deduction of tax effects) for the year ended March 31, 2018 and 2019.

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Unrecognized prior service cost	¥ (280)	¥ (242)	\$ (2,200)
Unrecognized actuarial loss	(2,119)	(1,928)	(17,527)
Total	¥(2,400)	¥(2,171)	\$(19,736)

VII. Pension assets

1. The ratio by major category of the total pension assets as of March 31, 2018 and 2019 are set forth below.

	2018	2019
Bonds	37%	38%
Stocks	18%	13%
General account	28%	28%
Others	17%	21%
Total	100%	100%

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

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

VIII. Matters regarding assumptions for actuarial calculations

Major assumptions for actuarial calculations as of March 31, 2018 and 2019

	2018	2019
Discount rate	0.03% - 1.58%	0.03% - 1.58%
Long-term expected rate of return on pension assets	0.75% - 3.20%	0.75% - 3.20%
Expected rate of salary increase	1.85% - 7.47%	1.85% - 7.47%

Defined contribution plan

The amount required to be contributed to the defined contribution plan are ¥1,377 million and ¥1,498 million (\$13,618 thousand) for the year ended March 31, 2018 and 2019.

20. Income Taxes

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2018 and 2019 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Deferred tax assets:			
Valuation loss on inventories	¥ 1,039	¥ 569	\$ 5,173
Valuation loss on securities	2,420	2,280	20,727
Amortization of intangible assets	3,739	3,972	36,109
Allowance for doubtful accounts	129	115	1,045
Accrued expenses	164	777	7,064
Accrued bonuses to employees	3,874	3,879	35,264
Net defined benefit liability	8,410	8,589	78,082
Net operating loss carry forwards	5,018	7,915	71,955
Unrealized inter-company profits	481	825	7,500
Impairment losses on fixed assets	3,659	6,109	55,536
Loss of investments in silent partnerships	5	7	64
Undistributed loss from consolidated subsidiaries	300	226	2,055
Accrued enterprise tax/business office tax	869	1,452	13,200
Revaluation of assets for merger	7	7	64
Asset retirement obligations	1,460	1,898	17,255
Asset adjustment account	5,017	3,473	31,573
Other	4,711	5,837	53,064
Gross deferred tax assets	41,310	47,939	435,809
Valuation allowance related to tax loss carried forward (Note 2)	–	(4,854)	(44,127)
Valuation allowance related to future deductible temporary differences	–	(12,762)	(116,018)
Less: valuation allowance (Note 1)	(12,906)	(17,617)	(160,155)
Total deferred tax assets	¥ 28,403	¥ 30,321	\$ 275,645
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ 6,057	¥ 6,664	\$ 60,582
Valuation difference on consolidated Subsidiaries	28,300	28,072	255,200
Reserve for advanced depreciation of non-current assets	2,793	2,286	20,782
Loss on approval for exchange of land rights	24	591	5,373
Property, plant and equipment corresponding to asset retirement obligations	839	1,129	10,264
Other	2,095	3,623	32,936
Total deferred tax liabilities	40,111	42,366	385,145
Net deferred tax assets (liabilities)	¥(11,707)	¥(12,045)	\$(109,500)

Notes: 1. The valuation allowance increased by ¥4,710 million. The main reason for the increase was that the valuation allowance was additionally recognized for consolidated subsidiaries whose deferred tax assets were deemed non-recoverable in full due to the occurrence of impairment losses, etc.
2. Tax losses carried forward and the amounts of their deferred tax assets according to carry-forward period deadlines.

	Yen (millions)						
	One year or less	More than one year but two years or less	More than two years but three years or less	More than three years but four years or less	More than four years but five years or less	More than five years	Total
2019							
Tax loss carried forward (Note 1)	–	–	–	14	100	7,800	7,915
Valuation allowance	–	–	–	(6)	(71)	(4,777)	(4,854)
Deferred tax assets	–	–	–	8	29	3,023	3,061 (Note 2)

Notes: 1. Tax losses carried forward indicate amounts multiplied by legally-designated effective tax rates.
2. Deferred tax assets amounting to ¥3,061 million have been posted in conjunction with the tax loss carried forward of ¥7,915 million (multiplied by the legally designated effective tax rate). The portion of the said tax loss carried forward that is deemed recoverable based on expected future taxable income is not recognized as a valuation allowance.

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
Deferred tax assets – non-current	17,423	18,596	169,055
Deferred tax liabilities – non-current	¥29,131	¥30,641	\$278,555

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

	2018	2019
Statutory tax rate (Adjustments)	30.9%	30.6%
Items not included in tax deductions permanently, such as entertainment expenses	0.7%	0.8%
Items not included in taxable income permanently, such as dividend income	(0.1)%	(0.1)%
Temporary difference for consolidation	–	(2.0)%
Inhabitant tax on a per capita basis	0.6%	0.5%
Increase/decrease in the amount of valuation reserve	6.7%	6.5%
Amortization of goodwill	2.8%	2.8%
Tax credit for wage increases and productivity improvement and tax incentives to promote capital expenditure on productivity enhancing equipment	(1.4)%	(0.5)%
Equity in earnings of entities accounted for by the equity method	(0.1)%	(0.1)%
Exclusion from tax deductions directors' bonuses	0.1%	0.1%
Others	0.3%	0.5%
Effective tax rate	40.5%	39.0%

21. Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease in Tokyo and other areas. The carrying value in the consolidated balance sheet and corresponding fair value of those properties at March 31, 2018 and 2019 are as follows:

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

2019		Yen (millions)	
	Carrying value		Fair value
	As of April 1, 2018	Net change	As of March 31, 2019
	¥791,381	¥24,767	¥816,148
			As of March 31, 2019
			¥1,061,489

2019		U.S. dollars (thousands)	
	Carrying value		Fair value
	As of April 1, 2018	Net change	As of March 31, 2019
	\$7,194,373	\$225,155	\$7,419,527
			As of March 31, 2019
			\$9,649,900

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.
2. Of the changes, the increase during the year ended March 31, 2019 is mainly attributable to the acquisition of properties and progress of properties to be developed before opening of ¥100,159 million (\$910,536 thousand). The increase during the year ended March 31, 2018 were mainly attributable to the acquisition of properties of ¥2,773 million.
The decrease during the year ended March 31, 2019 were mainly due to the sales of properties of ¥37,283 million (\$338,936 thousand), and transfers to real estate for sale of ¥32,847 million (\$298,609 thousand), respectively.
3. Fair value is estimated by internal appraisers in accordance with appraisal standards issued by the Japanese Association of Real Estate Appraisers.
4. Determining the fair value of properties in the planning stage (consolidated balance sheet amount of ¥137,364 million and ¥52,883 million (\$480,755 thousand) as of March 31, 2018 and 2019) is extremely difficult, since they are in the early stages of development. For this reason, they are not included in the table above.

22. Per Share Information

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

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

	Yen		U.S. dollars
	2018	2019	2019
Net asset per share of common stock as of March 31	¥768.85	¥780.78	\$7.10
Net income per share of common stock for the year ended March 31	¥ 57.80	¥ 56.84	\$0.52

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
For the year ended March 31			
Profit attributable to owners of parent	¥ 35,185	¥ 37,459	\$ 340,536
Profit attributable to owners of parent of common stock	¥ 35,185	¥ 37,459	\$ 340,536
Weighted average number of shares of common stock (thousands)	608,772	659,059	

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

	Yen (millions)		U.S. dollars (thousands)
	2018	2019	2019
As of March 31			
Total net assets	¥475,345	¥568,698	\$5,169,982
Amount deducted from total net assets	7,204	7,292	66,291
Non-controlling interests	(7,204)	(7,292)	(66,291)
Net assets of common stock at March 31	¥468,140	¥561,405	\$5,103,682
Number of shares of common stock at March 31 (thousands)	608,883	719,028	

23. Shareholders' Equity

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

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

24. Segment Information

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

(1) Urban Development; (i) development, leasing, and operation of office buildings, retail facilities, rental residences and other properties and, (ii) sales of properties for investors, (2) Residential; development and sales of condominiums and detached housing, (3) Property Management; (i) property management of condominiums, buildings and retail facilities and, (ii) construction of common areas of condominiums, (4) Real Estate Agents; real estate brokerage and property sales, (5) Wellness; (i) development and sales of membership resort hotels

and country houses and, (ii) ownership and management of resort facilities, urban style hotels, senior housing and membership sports clubs, (6) Tokyu Hands; retail sales of materials and products for living and D-I-Y, and (7) Business Innovation and Others, (i) development, sales, and leasing of condominiums and other properties in overseas, (ii) construction of residential homes and others.

Information by geographic areas is omitted as overseas sales of the Company for the year ended March 31, 2019 and 2018 are less than 10 percent of consolidated revenue.

Independent Auditor's Report

Summarized information by business segment for the year ended March 31, 2019 and 2018 are as follows:

	Yen (millions)								
Year ended March 31, 2018	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 266,875	¥123,490	¥150,416	¥96,305	¥ 96,315	¥96,378	¥ 36,346	¥ –	¥ 866,126
Inter-segment	2,902	48	10,532	3,044	704	736	5,343	(23,311)	–
Total	¥ 269,777	¥123,538	¥160,948	¥99,349	¥ 97,019	¥97,114	¥ 41,689	¥ (23,311)	¥ 866,126
Operating profit/loss	50,745	7,595	8,212	13,238	5,823	413	(2,220)	(6,288)	77,519
Total assets	¥1,427,090	¥211,898	¥ 92,559	¥75,358	¥258,878	¥38,700	¥117,627	¥ (48,889)	¥2,173,225
Depreciation expenses	10,928	503	1,136	1,212	7,413	1,460	92	386	23,133
Amortization of goodwill	1,008	–	1,922	–	0	–	1	2,488	5,421
Investment in entities accounted for using equity method	–	–	–	89	–	–	72,613	707	73,410
Additions to property, plant and equipment and intangible assets	21,811	1,102	2,081	1,838	17,001	1,273	1,001	1,222	47,331

	Yen (millions)								
Year ended March 31, 2019	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	¥ 252,452	¥121,276	¥158,276	¥112,068	¥123,200	¥96,485	¥ 38,123	¥ –	¥ 901,884
Inter-segment	3,975	142	15,627	6,793	704	907	3,456	(31,607)	–
Total	¥ 256,427	¥121,419	¥173,904	¥118,862	¥123,904	¥97,392	¥ 41,580	¥ (31,607)	¥ 901,884
Operating profit/loss	49,882	5,363	8,573	13,918	7,864	759	931	(7,086)	80,205
Total assets	¥1,534,097	¥236,351	¥102,457	¥104,886	¥273,720	¥37,828	¥129,961	¥ (14,052)	¥2,405,249
Depreciation expenses	11,004	641	1,322	1,322	8,290	1,339	66	579	24,567
Amortization of goodwill	1,008	–	1,922	–	0	–	1	2,488	5,421
Investment in entities accounted for using equity method	–	–	–	154	–	–	76,379	816	77,350
Additions to property, plant and equipment and intangible assets	48,402	1,239	2,862	1,897	30,178	1,216	171	644	86,614

	U.S. dollars (thousands)								
Year ended March 31, 2019	Urban Development	Residential	Property Management	Real Estate Agents	Wellness	Tokyu Hands	Innovation Business	Elimination/ Headquarters	Consolidated
Revenues:									
Third party customers	\$ 2,295,018	\$1,102,509	\$1,438,873	\$1,018,800	\$1,120,000	\$877,136	\$ 346,573	\$ –	\$ 8,198,945
Inter-segment	36,136	1,291	142,064	61,755	6,400	8,245	31,418	(287,336)	–
Total	\$ 2,331,155	\$1,103,809	\$1,580,945	\$1,080,564	\$1,126,400	\$885,382	\$ 378,000	\$ (287,336)	\$ 8,198,945
Operating profit/loss	453,473	48,755	77,936	126,527	71,491	6,900	8,464	(64,418)	729,136
Total assets	\$13,946,336	\$2,148,645	\$ 931,427	\$ 953,509	\$2,488,364	\$343,891	\$1,181,464	\$ (127,745)	\$21,865,900
Depreciation expenses	100,036	5,827	12,018	12,018	75,364	12,173	600	5,264	223,336
Amortization of goodwill	9,164	–	17,473	–	0	–	9	22,618	49,282
Investment in entities accounted for using equity method	–	–	–	1,400	–	–	694,355	7,418	703,182
Additions to property, plant and equipment and intangible assets	440,018	11,264	26,018	17,245	274,345	11,055	1,555	5,855	787,400



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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, 2019, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

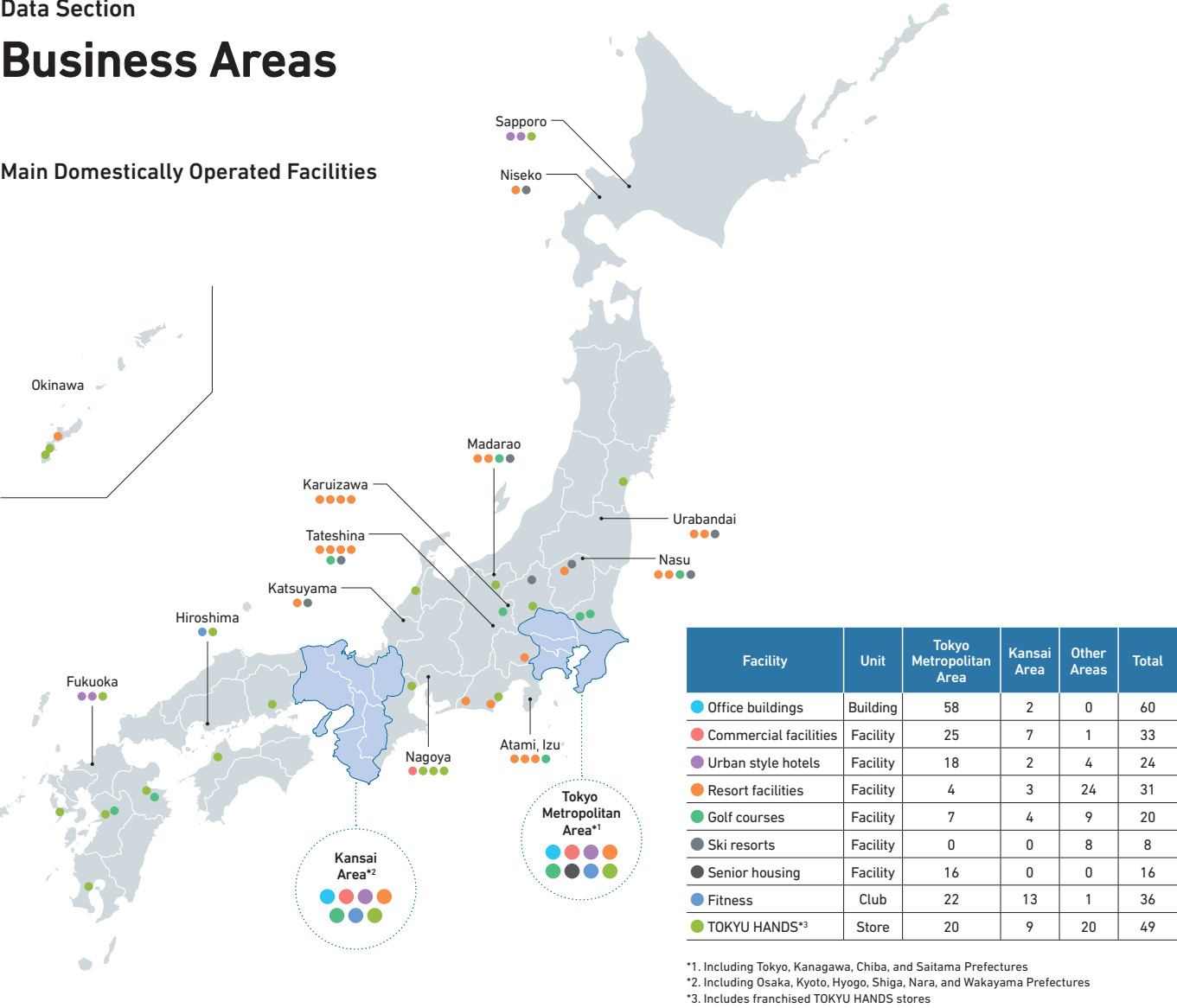
June 14, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Data Section

Business Areas

Main Domestically Operated Facilities



Main Overseas Bases

China	Shanghai	01	TOKYU LAND CORPORATION (SHANGHAI) LTD. (TOKYU LAND CORPORATION)
	Hong Kong	02	Tokyu Livable Hong Kong Branch (TOKYU LIVABLE, INC.)
Taiwan		03	TOKYU LIVABLE (TAIWAN), INC. (TOKYU LIVABLE, INC.)
Palau		04	Pacific Islands Development Corporation (TOKYU LAND CORPORATION)
Singapore		05	Tokyu Land Asia Pte. Ltd. (TOKYU LAND CORPORATION)
		06	Investment in OrangeTee Holdings Pte Ltd. (TOKYU LIVABLE, INC.)
		07	TOKYU HANDS SINGAPORE PTE. LTD. (TOKYU HANDS INC.) TOKYU HANDS Jurong East Store TOKYU HANDS Orchard Store TOKYU HANDS Suntec City Store
Indonesia	Jakarta	08	PT. Tokyu Land Indonesia (TOKYU LAND CORPORATION)
		09	PT. Tokyu Property Management Indonesia (TOKYU COMMUNITY CORP.)
The United States	Los Angeles	10	Tokyu Land US Corporation (TOKYU LAND CORPORATION)
		11	Tokyu Livable US, Inc. (TOKYU LIVABLE, INC.)
	New York	12	Participated in the 425 Park Avenue redevelopment project (TOKYU LAND CORPORATION)
	Dallas	13	Tokyu Livable Texas Investment Advisors, LLC (TOKYU LIVABLE, INC.)

(As of March 31, 2019)

Data Section

Holdings Structure

(As of April 1, 2019)

Tokyu Fudosan Holdings Corporation					
TOKYU LAND CORPORATION	TOKYU COMMUNITY CORP.	TOKYU LIVABLE, INC.	TOKYU HANDS INC.	Tokyu Housing Lease Corporation	NATIONAL STUDENTS INFORMATION CENTER CO., LTD.
Tokyu Homes Corporation TOKYU SPORTS OASIS Inc. ISHIKATSU EXTERIOR INC. EWEL, Inc. TLC REIT Management Inc. Tokyu Land Capital Management Inc. TOKYU LAND SC MANAGEMENT CORPORATION Tokyu Stay Co., Ltd. Tokyu Resort Service Co., Ltd. Tokyu Resort Corporation TOKYU E-LIFE DESIGN Inc. Pacific Islands Development Corporation PT. Tokyu Land Indonesia Tokyu Land US Corporation TOKYU LAND CORPORATION (SHANGHAI) LTD. Tokyu Land Asia Pte. Ltd. and others	COMMUNITY ONE CO., LTD. MARIMO COMMUNITY CO., LTD TOKYU BLDG. MAINTENANCE SHONAN COMMUNITY DAI-ICHI Building Service Inc. YOGA DISTRICT HEATING AND COOLING CO., LTD. TC FORUM CORP. INFIELD INC. SHINDAI-BYOIN PARKING SERVICE Tokyu Re·design Corporation PT. Tokyu Property Management Indonesia	Tokyu Livable Staff Corporation Livable Asset Management Inc. TOKYU LIVABLE (TAIWAN), INC. Tokyu Livable US, Inc. Tokyu Livable Texas Investment Advisors, LLC	HANDS LAB INC. TOKYU HANDS SINGAPORE PTE. LTD.	Tokyu Corporate Housing Management Inc. Residential Partners K.K.	Nasic I support Co., Ltd. SIGMA JAPAN CO., LTD. HOKUWA CONSTRUCTION, INC
Segment					
Urban Development	Property Management	Real Estate Agents	Tokyu Hands	Urban Development	Urban Development
Residential	Urban Development	Urban Development			
Wellness					
Innovation Business					

Support of International Initiatives

We actively support the progressive creation of a framework (international initiatives) for realizing a sustainable society together with corporations and organizations all over the world.



(TOKYU LAND CORPORATION) (Tokyu Land Capital Management Inc.)

Selection for SRI Indexes

We were selected for multiple Socially Responsible Investment (SRI) Indexes. This is likely due to an evaluation as a promising corporation for sustainable future growth.



Corporate Overview and Stock Information

Corporate Overview

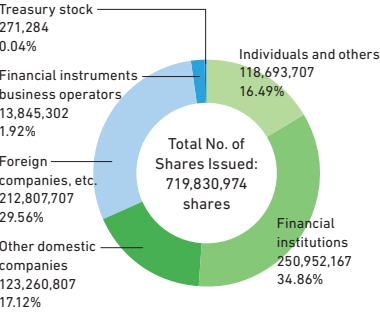
Corporate name	Tokyu Fudosan Holdings Corporation	Business activities	Management and administration of the Tokyu Fudosan Holdings Group
Address	1-21-1 Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan	Established	October 1, 2013
Representative	Yuji Okuma, President and Representative Director	Capital	¥77,562 million (As of March 31, 2019)
		Employees	52 (consolidated: 21,976) (As of March 31, 2019)

Stock Information (As of March 31, 2019)

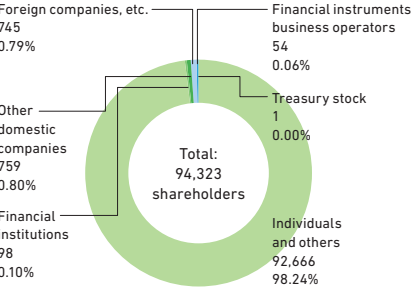
Listed stock market	Tokyo Stock Exchange	(Shareholder registry administrator)	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Securities code	3289	(Mailing address)	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063, Japan
Share trading unit	100 shares	(Website URL)	https://www.smtb.jp/tools/english
Shares authorized to be issued by the Company	2,400,000,000 shares		
Shares issued	719,830,974 shares		
Fiscal year	April 1 to March 31 of the following year		
Ordinary General Meeting of Shareholders	June each year		
Shareholders' record date	• Ordinary General Meeting of Shareholders: March 31 • Dividends: March 31 • Interim dividend: September 30 • Other: Certain days for which prior notice is provided.		

Shareholder Composition (As of March 31, 2019)

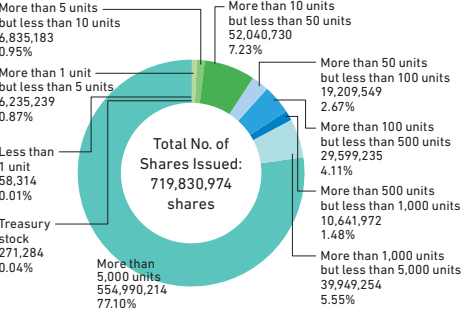
Breakdown of Shares by Shareholder



Breakdown of the Number of Shareholders



Distribution of Stock by the Size of Holdings



Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Shares Held*
TOKYU CORPORATION	114,379	15.90%
The Master Trust Bank of Japan Ltd. (Trust Account)	54,233	7.54%
Japan Trustee Services Bank Ltd. (Trust Account)	53,955	7.50%
Sumitomo Mitsui Trust Bank, Limited	16,008	2.22%
The Dai-ichi Life Insurance Company, Limited	14,918	2.07%
SSBTC CLIENT OMNIBUS ACCOUNT	14,240	1.98%
Japan Trustee Services Bank Ltd. (Trust Account 4)	11,176	1.55%
Japan Trustee Services Bank Ltd. (Trust Account 5)	10,410	1.45%
JP MORGAN CHASE BANK 385151	9,453	1.31%
Japan Trustee Services Bank Ltd. (Trust Account 7)	9,259	1.29%

* The percentage of shares held is calculated after deducting 271,284 of treasury stock.

GROUP SLOGAN

Toward a Beautiful Age — Tokyu Group

GROUP PHILOSOPHY

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

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

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

- Meet current market expectations and develop new ones.
- Manage in harmony with the natural environment.
- Pursue innovative management from a global perspective.
- Value individuality and encourage the best from each employee.

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

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